Draper Esprit VCT

Tax-Advantaged Investments

VCT Review

MARCH 2019

MJ HUDSON
Allenbridge

Contents

Overview

Elderstreet Investments Ltd ("Elderstreet" or "the Manager") is looking to raise up to £7 million for Draper Esprit VCT plc ("the VCT") to invest in VCT-qualifying companies across a range of sectors. The Offer launched in January 2019.

> ***Offer:*** Elderstreet Investments Ltd ("Elderstreet" or "the Manager") is looking to raise up to £7 million for Draper Esprit VCT plc ("the VCT") to invest in VCT-qualifying companies across a range of sectors. The Offer launched in January 2019.

Investment Details:

Score:	86
Offer Type	Evergreen
VCT Strategy	Generalist
VCT AUM (Pre-Offer)	£41.7 Million
Manager AUM	£44 Million
VCT Risk Level	Medium-High

Investment:

Minimum subscription	£6,000
Maximum qualifying subscription per tax year	£200,000
Early bird discount	Closed

Closing Date:

1st close- 5th April; final close- 31st May 2019

This document verifies that *Draper Esprit VCT* has successfully completed our independent due diligence process, having passed through all stages of the governance process in the run-up to the report's publication on the date listed below. It has therefore been awarded the MJ Hudson Cornerstone Trustmark.

Risk Warning for VCT Schemes

Individuals should always read and bear in mind the risk warning notices that are included within providers' investment offer literature / documentation, including prospectuses, information memorandums, securities notes, brochures and other related marketing literature. Whilst the following list is not exhaustive, some of the main risks to be aware of include:

- Investments are in small, unquoted companies and should be considered as high risk;
- An investment in a VCTs should be viewed as a long-term investment and should only be considered if you can afford to tie up capital for long periods;
- Legislation, along with the nature and level of tax reliefs is subject to change. There can be no certainty that investments will be eligible or remain eligible for VCT Relief;
- Historic investment performance may not be a guide to future performance, and any given investment may fail completely causing you to lose the full amount invested;
- Managers of VCTs will have inherent conflicts of interest as a result of, *inter alia*, existence of legacy holdings, investments in other funds managed by the same manager, the potential to earn performance related fees and the existence of different schemes with identical or very similar mandates;
- VCT investments should only be undertaken by sophisticated investors who understand, and have given careful consideration to, the underlying investment strategy and associated risks. For help in determining potential investment suitability, professional advice should be sought;
- There can be no certainty that VCTs will continue to pay out their current level of income or indeed any income;
- Investors will usually not be eligible for compensation if things go wrong;
- Although VCTs are listed there is generally little or no secondary market for the shares and investors are likely to be reliant on share buybacks to get their money back; and
- In order to retain the tax benefits shares need to be held for a minimum of five years. Investors who are not able to commit to a five-year investment could consider investing through the secondary market which generally trades at a discount.

NOTE: Please be aware that the Manager mentioned in this report purchased the rights to distribute our report only (no payment was taken to undertake the research which is fully independent). To access full research services, including further tax-advantaged investment research reports, which can be used for the purpose of investment advice, please visit **www.advantageiq.co.uk** where both individual reports and subscriptions are available for purchase.

Executive Summary

MANAGER:

Elderstreet Investments Limited ("Elderstreet" or "the Manager") provides funding for growth and development capital in most industry sectors and has a specialist technology practice investing in the software and computer services market. In November 2016 Elderstreet entered into a co-investment agreement with Draper Esprit plc ("Draper"), who purchased 31% of Elderstreet Holdings Ltd, the Manager's parent, with an option to acquire the remaining 69% over time. Michael Jackson remains, in the meantime, the majority owner and Chairman of the Manager. The Manager manages the current VCT under review and also manages an EIS, with approximately £2.3 million under management.

PRODUCT:

Elderstreet VCT plc ("the VCT") typically makes investments in the range of £0.5 and £2m into technology-enabled early-stage businesses. The VCT has raised just over £20 million in the last two tax years, and since building its association with Draper Esprit in April 2017, Elderstreet's VCT has committed to invest in fourteen new technology investments totalling £11.25 million. At the time of writing, thirteen of these deals have completed and one is subject to HMRC giving VCT advanced assurance in writing to the company.

SUMMARY OPINION:

Elderstreet is one of the most well-established VCT managers in the market, with William Horlick and Michael Jackson having run the VCT for a long time albeit the fund has remained relatively small. However, the 2016 agreement with Draper Esprit plc, where Draper took an ownership stake in Elderstreet with an option to owning it outright, has allowed the Manager to lift aspirations for the VCT further: combining with Draper has allowed the VCT to co-invest alongside both Draper Esprit plc and Draper Esprit EIS (together called "the Draper Syndicate"), meaning that the VCT can invest in higher-valuation, later-stage deals beyond the reach of other VCTs of a similar size; the addition of the investment teams from both Draper and the EIS has brought more experience to bear, and a wider network, in scouting for and assessing deals; and the international links and Silicon Valley heritage of Draper will likely enhance the deal flow that Elderstreet saw before the 2016 link up.

Even though investor servicing and financial transparency might be improved, and the VCT board should be encouraged to lower its share buyback discount to be in line with the market, the strong historic performance of the VCT over the last five years (rating in the first quartile), as well as the potential benefits of the role of Draper, should make Draper Esprit VCT strongly considered by investors looking to invest in a technology-focused VCT, as an investment vehicle that better resembles an institutional-calibre venture capital house but with the additional benefits of the VCT tax wrapper and a 5% targeted dividend return.

Positives

AT THE MANAGER LEVEL:

- The ownership stake taken by Draper Esprit plc brings a variety of benefits, from deal flow to the input of Draper's own investment team, but Draper's healthy balance sheet, listed-calibre governance, and profile in the UK venture space significantly adds to Elderstreet's existing strengths;
- Michael Jackson and William Horlick have partnered together, along with Vin Murria, to run Elderstreet for a number of years, showing a high level of continuity in stewardship of the business;

- While we have a limited ability to examine the health of Elderstreet's finances, the balance sheet of Draper and the wealth of Michael Jackson and Vin Murria means that Elderstreet's financial health is likely stronger than many of its peers.

AT THE PRODUCT LEVEL:

- The team which have been running the VCT has been significantly augmented with the partnership with Draper, with the addition of both senior figures from Draper Esprit plc and Encore Ventures (who manage the Draper Esprit EIS), as well as the support from a number of Associates who assist all three investment vehicles;
- The core VCT team of William Horlick and Michael Jackson are very experienced, and have been working together for a number of years;
- The VCT's co-investment policy with Draper Esprit plc and the EIS gives it the firepower to invest in high-valuation, later-stage deals beyond the reach of other VCTs. Most other tax-advantaged funds either have to be pushed to the more speculative early stage of investing in technology start-ups, or instead have to invest in lower-growth, later-stage SMEs, as they do not have the funds to take meaningful positions in high-growth, Series B companies on their own;
- Due to the increased capital requirements to successfully invest in this high-growth, later-stage part of the venture capital value chain, and the attendant barriers to entry restricting the emergence of new competitors, the Draper Esprit syndicate of funds has less competition for deals than might be the case for other firms which invest at Seed or Series A rounds and must compete with a broader swathe of competitors to secure the best deals;
- Due to Draper Esprit's origins as the UK franchise of the well-regarded, Silicon Valley Venture Capital firm Draper Fisher Jurvetson, and the cross-ownership and links to other Draper-related firms through the Draper Venture Network, Draper VCT can secure deal flow based on this brand association that is significantly beyond most tax-advantaged funds;
- The Investment Process is well documented and enhanced by the presence of the other co-investment investment managers on the Investment Committee, which adds another level of scrutiny to deals;
- Due to the long-running nature of the VCT, the current portfolio has a smattering of long-held investments which, along with approximately £4 million in distributable reserves, should give a strong prospect that the VCT's ability to meet its dividend target into the future;
- The regular firm-wide strategy and portfolio reviews helps add another level of accountability on top of the usual risk management procedures in place in the VCT;
- Performance to date has been strong, with first quartile performance over the last five and seven years.
- Performance fees are subject to a hurdle rate in line with the dividend target.

Issues to consider

AT THE MANAGER LEVEL:

- The level of investor servicing for the VCT is below what other tax-advantaged funds are now offering, with the VCT outsourcing this function to Downing who only provide updates on valuations. We note, however, that Draper Esprit does host ‘CEO Days’ and has a larger infrastructure of business development staff to call upon, and the Manager acknowledges that the investor experience could stand to improve going forward;
- While the Manager’s financial strength can be surmised from points ranging from Draper Esprit plc’s involvement to the personal wealth of the Manager’s major financial backers, there is not the same level of transparency as there is with managers who score highest in this regard;
- While Draper Esprit has an option to purchase the Manager outright, the dual structure of both Elderstreet and Draper Esprit in the running of the business is somewhat more complicated than the simpler governance structures of the Manager’s peer group.

AT THE PRODUCT LEVEL:

- While the team is experienced and extensive, the team dedicated solely to the VCT is much smaller and the same level of attention to the VCT from the wider group must be assumed going forward;
- While the VCT gains considerably from the co-investment syndicate with Draper Esprit EIS and Draper Esprit plc, the needs of EIS investors may mean preferring a timely exit which might lead to the realising of investments more quickly than if only the VCT investors’ needs were to be considered;
- While the Manager’s policy to put cash into deposit accounts serves to minimise risk and maximise liquidity, it can also serve as a significant cash drag on the VCT’s overall performance albeit cash levels are not as high as those of some peers;
- While the Associates all come to the Manager with impressive backgrounds, their role in scouting for potential deals, and their relative lack of experience compared to the more senior members of the investment team, means that some promising leads might be missed;
- Even allowing for the additional approximately £4 million committed to new investments since September 2018, the level of cash in the VCT is still relatively high and will increase significantly if the Manager meets it fundraising target;
- The VCT’s share buyback discount, at 7.5% discounted from NAV, is less generous than the market standard of 5%;
- Due to the small dedicated VCT team, William Horlick has to monitor others who serve on investee company boards, which adds another layer of complication compared to having one dedicated team.
- The level of diversification is much lower than many other VCTs with less than twenty five holdings and the two largest representing over 25% of invested capital.

Manager Quality

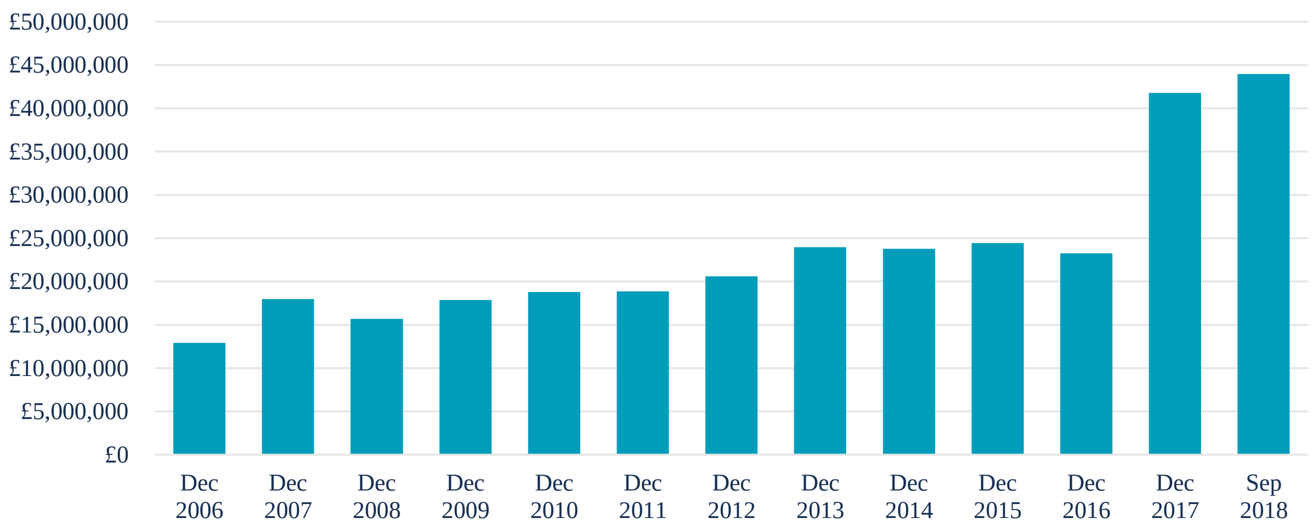
Manager Profile

Founded in 1990, Elderstreet provides funding for growth and development capital in most industry sectors and has a specialist technology practice investing in the software and computer services market. It has both the VCT currently under review (95% of AUM) and an EIS (5% of AUM), the latter of which is currently being managed without any plans for new fundraising with the current portfolio being managed down.

Elderstreet was acquired by Dresdner Kleinwort Wasserstein ("DKW") in November 2000; however, in late 2003, the management purchased the business back from DKW. In November 2016 Elderstreet entered into a co-investment agreement with Draper Esprit plc who purchased 31% of Elderstreet Holdings Ltd with an option to acquire the remaining shares over time. Other than Draper's 31% holding, the remaining ownership base is currently made up of Elderstreet Chairman, Michael Jackson's 53.8% holding, and Vin Murria, a veteran technology entrepreneur and Elderstreet partner, who owns 15.4%

The 2016 co-investment agreement with Draper Esprit allows the Manager to share deal flow, management experience, and investment opportunities, as the Manager transitioned from a Generalist VCT to a technology-focused fund. In 2018 Draper Esprit agreed terms to purchase the Manager, subject to conditions. Draper Esprit is a highly regarded venture capital investor in the UK and European technology sector, floated on the AIM market in June 2016, and at the time of writing has a market capitalisation of over £500 million.

CHART 1: FIRM AUM AS AT SEPTEMBER 2018[1] (£MILLION)



Source: Elderstreet; AdvantageIQ

During the 1990s Simon Cook and Stuart Chapman (the two Draper Executive Directors) worked together in 3i plc's technology venture team. They later worked together again to manage venture capital investments for Cazenove Private Equity, a division of the UK investment bank. In 2006, Simon and Stuart set up Esprit Capital which was rebranded as DFJ Esprit in 2007 when the Silicon Valley-based venture capital firm, Draper Fisher Jurvetson, founded

[1] These were the latest figures at time of writing. The September interim valuation of the VCT was the last one released by the VCT board to the market, and VCTs are no longer required to post quarterly NAVs. Valuations of the Draper Esprit investments would also have to reflect the Draper Esprit plc (quoted and trading on AIM) valuation methodology and the plc only releases interim and year-end numbers which have been valuation audited (year-end) or near-audit valuation process (interims).

by Tim Draper and part of a long lineage of Silicon Valley venture capitalists, acquired a minority stake in Esprit Capital and Esprit Capital became Draper Fisher Jurvetson's exclusive partner in Western Europe. Draper Esprit floated on AIM and Ireland's Enterprise Securities market (ESM) in 2016.

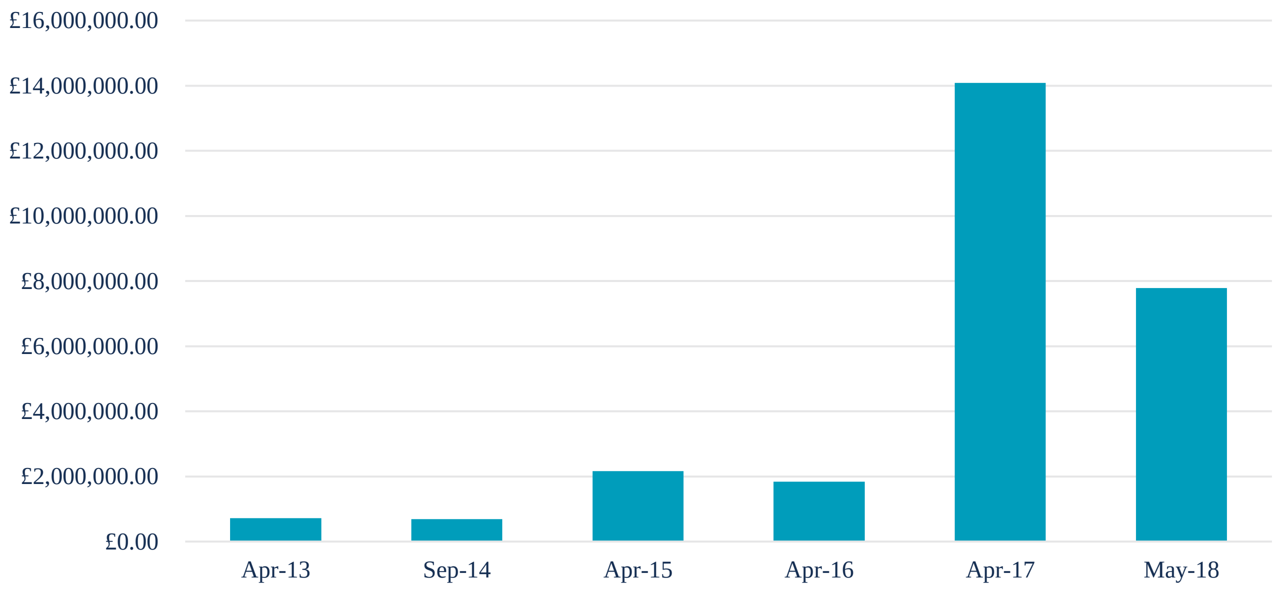
Draper Esprit ("Draper") is a member of the Draper Venture Network (formerly the DFJ Network). Headquartered in Silicon Valley, the Draper Venture Network is a self-governed collective of ten independent growth and venture funds managing hundreds of portfolio companies in multiple countries. These independent venture capital funds are based in technology hubs across the world and collaborate on deals, diligence, and the provision of value-added services. Draper Esprit is the Western European member of the Draper Venture Network. The Draper Venture Network has offices in Silicon Valley and a team of business development executives available to assist any network portfolio company. An annual CEO conference is arranged by the Draper Venture Network with attendance by hundreds of CEOs and dozens of business development executives of significant technology companies.

Elderstreet manages two investment vehicles: Elderstreet EIS Portfolio Service, which consists of approximately £2.3 million of investments but is no longer likely to be fundraised for, and Draper Esprit VCT, which makes up the remainder of the Manager's overall AUM.

While Draper has a wider range of both tax-advantaged and non-tax-advantaged investment vehicles, Elderstreet's product range is not as diverse as several other Managers in the tax-advantaged space, who have branched out into non-tax-advantaged funds.

Elderstreet has outsourced investor servicing to Downing LLP, who has administered this from inception in 1998. Half-year and final year-end accounts are sent in the post to each shareholder. NAVs are published via the Regulatory News Service ("RNS") announcement service. While outsourcing this function to an established manager like Downing certainly keeps costs low- without the need for Elderstreet to have an in-house investor support function itself- this level of engagement with investors is certainly much lower than for other managers of their size, and even much smaller EIS managers who provide more detailed progress reports, host detailed investor portals etc. The Manager acknowledged that this was a weakness and agreed that steps should be taken in future to improve this element of the investor experience.

CHART 2: FUNDRAISING TRACK RECORD (£MILLIONS)



Source: Elderstreet; AdvantageIQ

With only three employees, a shared office space with Draper Esprit plc in London, and outsourced functions for every other aspect of the business (including the use of Ram Capital to help with fundraising and promotion), Elderstreet benefits substantially from the brand association with, and the profile of, Draper Esprit. Draper's wider team also supplements the core investment team of Elderstreet which adds considerable value on the investment side. Outsourcing all of the non-core functions allows the Elderstreet team to focus on their core competency of investing, and fundraising has no-doubt been enhanced by the Draper association married with Elderstreet's long tenure in the VCT space, however investor relations and services could stand to be considerably improved compared to other tax-advantaged managers.

The Manager had received no investor complaints over the previous 12 months, and there were no regulatory or other concerns at the time of writing.

Financial & Business Stability

The Manager does not release full account details at Companies House as it is classified as a Small Company. Michael Jackson has substantial personal wealth so 'stands behind' the Manager although investors will have to take this on trust.

Michael Jackson founded Elderstreet Investments Limited in 1990 and is its executive chairman. For the past 25 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. From 1983 until 1987 he was a director and from 1987 until 2006 was chairman of FTSE 100 company The Sage Group plc. He was also chairman of Party Gaming plc, another FTSE 100 company.

Vin Murria, one of the two Directors of Elderstreet, is also of considerable means and is able to support the Manager if necessary although investors would need to take this on trust.

As stated previously, Draper Esprit plc currently owns 31% of Elderstreet with an option to buy the remainder of the Manager in the future. While the financial details of Elderstreet is not available publicly, as a PLC it is possible to look at Draper Esprit's financial strength.

In the table below, we present the summary of the key financial metrics of Draper Esprit plc:

TABLE 1: KEY FINANCIAL METRICS SUMMARY OF DRAPER ESPRIT PLC

(£'000) YEAR END MARCH	2017	2018
Unrealised Gains on Investments	35,744	66,603
Fee Income	1,673	7,163
Operating Expenses	(3,955)	(7,088)
Profit Before Tax	33,683	65,260
Net Profit	32,915	62,172
Net Balance Sheet Assets	150,694	311,334

Source: Draper Esprit plc, AdvantageIQ

As mentioned previously, Draper Esprit floated on AIM and Ireland's Enterprise Securities market (ESM) in 2016, hence only having two years' worth of data in Table 1. Last year, as can be seen in the table, fee income outstripped operating expenses, meaning that the company made a profit even if the plc's own investments in early-stage companies are ignored. The considerable balance sheet assets reflect both the worth of Draper's investments and revenues accrued from managing investments. Draper also owns 70% of Encore Ventures, who is the Manager of Draper Esprit EIS Fund.

December 2017 abbreviated accounts also showed Elderstreet with considerable net assets and a P&L shown to MJ Hudson Allenbridge from the same date showed the Manager making a healthy profit.

While there are not the public accounts to consult, as is common for other managers when reviewing their financial stability, it does seem clear from other evidence triangulating this issue that the Manager is in good financial health, although this must be surmised rather than known. The Manager has had consistent leadership from Michael Jackson, Vin Murria and Will Horlick and, while the Draper share purchase and further option does pose something of a change for the Manager compared to its previous independent guise, it is hard to say that this should be construed as anything but a positive for the Manager overall.

Quality of Governance and Management Team

Michael Jackson is Chairman of the Manager and owns 53.8% of the Management company. William Horlick is an executive in the fund management company and has options over 10% of the management company. Simon Cook, the CEO of Draper Esprit plc which owns 31% of the Manager, provide deal flow and investment proposals and rented office space. The VCT Board has five directors, all of whom are non-executive and the majority of whom are independent of the Manager.

Comprising three members, the ultimate decision-making entity is the Manager's Board of Directors, which also crucially serves as a link between Elderstreet and Draper Esprit plc, through the presence of Simon Cook. Michael Jackson is chair of the Board.

Due to the limited number of products run by the Manager, and the very small size of the team, most of the day to day running of the company is delegated to William Horlick and the Draper team, and further to the VCT Board as the EIS Service is currently fully invested and no further fundraising is envisaged. The VCT Board has final say on all investment matters with regards to the VCT but also contains a representative from Downing who perform all of the administration and communications regarding the fund. While this structural facilitation of communication between Downing and Elderstreet is useful it may also inhibit the VCT exploring other options in terms of finding ways to beef up the level of investor servicing in the future.

The Investment Committee, whose role is discussed in more detail in the Investment Process section later on in this report, contains representatives from both Elderstreet, Draper Esprit plc, and Encore Ventures (the Manager of Draper's EIS Service). This helps all of Drapers products share insights on dealflow and other investment issues.

TABLE 2: OVERSIGHT COMMITTEES/WORKING GROUPS

COMMITTEE	DETAILS
The Board of Elderstreet	**Mandate:** The Board is responsible for leading the Company and carrying out its duties in regard to the investment mandate from Draper Esprit VCT **Members:** Michael Jackson, Simon Cook, Vin Murria **Frequency:** Twice per annum or more frequently if required
Audit Committee	**Mandate:** To review the audit function and see if best practice is being followed. **Members:** David Brock and Hugh Aldous **Frequency:** Annually.

Investment Committee	**Mandate:** Find and propose new investments to the VCT Board, review and monitor current investments, monitor compliance with legislation, consider external appointments for advisers and directorships. **Members:** William Horlick, Simon Cook, Michael Jackson, Stuart Chapman, Richard Marsh, David Cummings **Frequency:** Twice Monthly or more frequently if required
VCT Board	**Mandate:** The Board is responsible for leading the Company, approving the Net Asset Value and for the determination of the Company's investment policy, monitoring compliance with legislation, and making the final investment decisions based on recommendations from the Manager. **Members:** Michael Jackson, Barry Dean, Hugh Aldous, David Brock, Nicholas Lewis **Frequency:** Quarterly

Source: Elderstreet; AdvantageIQ

The compliance officer for the Manager is Michael Jackson, who is an active member of the investment team, and, while the Manager does instruct external compliance consultants, this fusion of the compliance function and the investment team is not best practice. Client funds and assets are held and administered by Downing LLP.

Link (renamed Capita) are the Registrars for the VCT and have been since inception in 1998. City Partnership were the last receiving agent for prospectus offers. Philip Hare Associates are the VCT tax advisers. MHA Broomfield Alexander are the Management company compliance and accounts service provider.

We reviewed a sample board pack and found the documentation to be suitable for a manager of its size.

The Manager indicated that there were no regulatory or litigation issues at the time of writing. While some of the Manager's governance characteristics fall short of best practice- such as the fused compliance and investment functions- we also acknowledge that the size of the Manager is not similar to some of their larger peers who have multiple products and extensive non-tax-advantaged businesses. The presence of both Draper Esprit plc and Downing as major points of contact with the business helps give some comfort as the Manager is likely to adopt Draper's more formal plc-standard governance policies if the latter takes up their ultimate option to purchase the Manager in time.

Product Quality Assessment

Investment Team

William Horlick and Michael Jackson are primarily responsible for the VCT, with the former handling most day-to-day jobs in terms of managing the VCT and its investments. However, while William Horlick has primary responsibility for the VCT, he is also part of a wider group with his Draper colleagues which help source, evaluate, and monitor deals which the VCT takes part in, with an overall team of 17 investment professionals. While each of the PLC, the EIS, and the VCT have separate investment committees and deal agreement processes, in reality the investment Committee contains representatives across these three different funding sources, with all three co-investing together after agreeing to invest in the opportunities which are put to them. It is highly unlikely that the VCT or EIS would not invest in any proposed new deal together with the PLC unless the deal was not VCT or EIS qualifying. Any concerns raised by any of the funding vehicle executives are likely in reality to materially affect any decision to invest in the first place. As such, while William Horlick and Michael Jackson are primarily responsible for the VCT, the EIS team and Draper Esprit Plc are valuable additions to the investment team.

All three funding vehicles (i.e. the PLC, the EIS and the VCT) are supported by a team of Associates who work under the auspices of the PLC. Often these Associates have a wider European responsibility- one of the Associates, for example, has extensive links into the French venture world- but help scout for deals that might be within the mandates of any, or all, of Draper's investment vehicles. Whereas previously deal-sourcing and management was primarily partner-led, with Draper serving as an institutional home for the Partners to belong to, something like the model of a barrister's chambers, now the Associates will take a firm-wide approach to proactively sourcing deals for the Manager as a whole. The Associates come from a variety of backgrounds, from strategy consulting to their own entrepreneurial ventures, and scan early-stage funds for potentially interesting companies that might be fundraising or pitch partners with interesting opportunities that they find.

William Horlick is an experienced technology investor of long tenure with Elderstreet, while Michael Jackson has extensive experience serving on boards of technology-enabled businesses. On their own they would be well suited to lead a VCT of this kind. However they are supplemented by Encore Ventures' Richard Marsh and David Cummings- the co-portfolio managers of Draper Esprit EIS- and Draper Esprit's CEO Simon Cook and COO Stuart Chapman, on the investment committee, who add a long track record of successful tech-focussed investing.

Michael Jackson and William Horlick have worked together for over 20 years, while the rest of the Investment Committees have over 6 years together as one unit. There have been no key departures in the last few years.

Michael Jackson is the single largest private shareholder in the VCT with 801,790 shares (circa 1.1%) at the time of writing. Michael Jackson has historically invested £1 million in underlying companies in the portfolio alongside the VCT. Simon Cook has also purchased shares in the VCT.

We are satisfied that the investment team is well resourced and it has the relevant mix of experience to effectively execute the investment mandate. The team has a significant depth of expertise in private equity investment and is very much augmented with the experience of the link with Draper Esprit.

We have included the bios of the key personnel in the Appendix 1 below.

Investment Strategy & Philosophy

Founded in 1998, the VCT started life as a generalist fund and currently holds a portfolio which is mixed by sector, with new investment activity focused on the technology sector after teaming up with Draper Esprit in November

2016. The VCT will continue to invest predominantly in a diversified portfolio of companies predominantly in the technology sector, with a focus on unquoted companies with the following characteristics:

- Companies which meet the VCT criteria with the ability to grow, and which are seeking growth capital;
- A strong, balanced and well-motivated management team;
- Investments where the Manager or Draper can typically be an active investor and have a board or observer position;
- Companies with products or services which have the potential to sustain a competitive advantage; and
- Companies with reasonable prospects of achieving a trade sale or stock market flotation.

Future VCT Qualifying Investments will usually be syndicated alongside other Draper Esprit funds and are expected to have a deal size of up to the greater of £1.5 million or 10% of the Net Asset Value of the Company. Investments will utilise preference shares with a liquidation preference to protect the downside cost. In the past the VCT did use loans and convertible loans, which do exist in the legacy portfolio, but will most likely not be used in the future.

Average Investments across the combined Draper Esprit funds are between £5-£10 million, with the VCT currently taking circa 10% of the deal. This allows the VCT to take part in much larger deals than would be possible on its own, and the combined fire power of the EIS, VCT and PLC balance sheets means that Draper is more often in competition with the larger institutional venture funds (such as Index Ventures, Balderton etc.) than with other tax-advantaged funds or VCTs. The Draper funds primarily aim to invest at the Series B stage of a company's development- typically with companies having demonstrable product/market fit and generating revenues while looking to scale operations or break into new markets- but will also sometimes invest (albeit rarely) at the Seed stage where the entrepreneur is known to Draper and has a great track record, or (somewhat more commonly) at the Series A stage where the Draper syndicate invest primarily to ensure optionality to invest when the company comes to raise finance at Series B.

The Manager told MJ Hudson Allenbridge that they currently are very interested in the following sub-sectors within the broader technology sector:

- **Consumer Technology** – companies with exceptional growth opportunities in international markets that are underpinned by new consumer-facing products, innovative business models and proven execution capabilities.
- **Enterprise Technology** – companies developing the software infrastructure, applications and services that drive productivity improvements, convenience and cost reduction for enterprises.
- **Hardware and Deep Tech** – companies developing different technologies that underpin advances in computing, consumer electronics and other industries.
- **Healthcare and Wellness** – companies leveraging digital and other technologies to create new products and services for the health and wellness market.

The VCT will seek to realise investments alongside the EIS and PLC stakes after the five-year holding period (although the current average holding period to date has been eight years in the portfolio) and, along with distributable reserves of approximately £3.8 million, will seek to meet a dividend target of 3 pence per Ordinary Share. This represents a circa 5% equivalent yield. The previous target of 4-5p was lowered to 3p in 2017/18 as the funds under management were almost doubled in the VCT.

Non-qualifying investments are kept in bank deposits to limit risk and to provide liquidity, although higher levels of cash might serve as a cash drag, at least in the shorter term, as the Manager finds suitable investments.

Overall we find Elderstreet's strategy to be a strength of the Manager's overall proposition: by partnering with Draper Esprit plc and Draper Esprit EIS the VCT has access to sizeable, Series B deals that are beyond the reach of other tax-advantaged managers, while tapping into Draper's sizeable network for dealflow. While some managers do invest at a later stage of investment, they do not have the funds to invest in high-growth, later-stage companies at the Series B level but instead invest in small or medium-sized enterprises that either have not been able to scale as quickly or do not have the growth potential of the sort of deals that the Draper syndicate have access to. This means that investing in the VCT can offer access to institutional quality, later-stage/lower-risk investments but with a tax-advantaged wrapper. This is not something which many, if any, other tax-advantaged funds can truly offer.

Pipeline/Prospects and Current Portfolio

As at September 2018 the VCT had 24 total investments, mainly concentrated in technology companies. 21% of the current NAV were investments made after the 2016 link up with Draper (with a further 9% of NAV in investments which have been committed but are awaiting Advance Approval of which the majority have now completed). 36% of NAV is in Elderstreet investments made prior to 2016, with a further 3% further legacy investments which are VCT qualifying but have a de-minimis value. 91% by NAV value of the Elderstreet investments are in four companies, which are cash-generating and mature, meaning that they should help fund future dividends and/or be candidates for future realisations if the opportunity presents itself. The Top 15 investments as at September 2018 are shown in Table 3, below.

TABLE 3: TOP 16 PORTFOLIO COMPANIES– SEPTEMBER 2018

COMPANY	SECTOR	DATE OF INVESTMENT	COST ('000)	VALUE ('000)	% OF NAV
Ford Packaging Topco	Industrials	Feb 2009	2,433	5,766	14.0%
Access Intelligence plc	Technology	Oct 2008	2,544	4,448	11.0%
Lyalvale Express Ltd	Industrials	May 1998	1,915	2,856	7.0%
StreetTeam Software Ltd	Technology	December 2017	1,286	2,735	7.0%
Fulcrum Utility Services Ltd	Utilities	July 2010	386	1,993	5.0%
IESO Digital Health	Technology	November 2017	1,500	1,500	4.0%
Endomagnetics Ltd	Technology	July 2018	912	912	2.0%
PodPoint Ltd	Technology	July 2018	860	860	2.0%
Evonetix Ltd	Technology	March 2018	793	793	2.0%
IXL Premfina Ltd	Technology	September 2017	756	756	2.0%
Push Doctor Ltd	Technology	March 2018	724	724	2.0%

Baldwin & Francis Ltd	Industrials	November 2004	1534	422	1.1%
Cashfac Plc	Technology	July 1999	260	394	1.1%
AppUX Ltd	Technology	March 2018	326	326	0.8%
Light Blue Optics Ltd	Technology	March 2018	311	311	0.7%
Macranet Ltd	Technology	January 2014	1,037	259	0.6%
Cash & Cash Equivalents			30% of NAV, allowing for the further £3.8 million committed to new investments post 30 Sep 2018.		

Source: Elderstreet; AdvantageIQ

While the relatively newer Draper-led investments might well require some follow-on funding- particularly those investments made at Seed and Series A stages to allow for optionality for the Draper syndicate to participate at the Series B investment round- there is still a significant level of cash in the portfolio at approximately 30% of NAV. Considering the new influx of money likely to come from this fundraising, this raises questions about how quickly this money will need to be deployed, as well as the value for money for investors who are paying fees for the Manager to effectively put a large percentage of their money into a bank account.

However, looking at the pace of investment since the 2016 Draper deal, and allowing for follow-on funding, mitigates the concern about deployment somewhat and, if necessary, the Draper syndicate might allow the VCT to have a higher percentage of each deal if it allowed the VCT to stay within the new rules about timely deployment of cash and the 80% qualifying investment threshold due to come in. Draper Esprit receive circa 2,500 business plans per annum, meet about 1,000 companies, and make approximately 10-15 new investments a year which should mean that the rate of deployment should continue to be enough to start to lower this cash amount over time. At the time of writing there were three deals with a value of £1.8m in the pipeline, as defined being ‘in legals’ (i.e. term sheet signed and awaiting completion).

Investment Process

The Manager has described its investment process as follows in AdvantageIQ:

TABLE 4: INVESTMENT PROCESS

INVESTMENT PROCESS	DETAILS
Deal sourcing/ origination	The Company has access to a strong and consistent flow of investment opportunities and since its formation in 1998. In 2016 the Investment Management Team was strengthened by the entry into a co-investment agreement with Draper Esprit to share deal flow, management experience and investment opportunities. Draper Esprit receive circa 2,000 business plans per annum, meet about 1,000 companies, and take circa 100 proposals through to discussion stages, leading to between 10-12 investments a year.

Deal filtering and selection	Business proposals are filtered by the group executives and if interesting first meetings are set up and are progressed to an internal discussion. From there, if applicable, they will progress to subsequent meetings and then a site visit. Qualifying companies are then progressed to a whole team Investment Committee meeting to get to a term sheet to the company.
Due diligence process	We have a detailed due diligence list that requires to be filled out by executives with the company. In certain cases the manager will seek external independent reviews of the market, technology, patents and /or the financial statements.
Deal approval	Prior to the investment going to the Independent VCT Board for approval the deal must pass internal Investment Management Committee stage at Draper Esprit. The VCT Board have the ultimate investment decision on recommendations made by the Investment Manager. There are four quarterly meetings a year however every investment/divestment decision needs to be agreed with the Board so ad hoc Board telephone calls are reasonably frequent. The VCT Board have the ultimate investment decision on recommendations made by the Investment Manager.

Source: Elderstreet; AdvantageIQ

Deals are primarily sourced from a combination of the partners' own networks (perhaps co-investing alongside peers from other institutions with whom they have had positive experiences in previous deals), can sometimes emerge from contacts through the Draper Venture Network (although more commonly this is a potential resource for investee companies looking to expand into the United States), and are often scouted by Associates and more junior members of the wider Draper team. When a more junior team member finds a potentially promising investee company, they will often run it by a Partner to see if they are willing to endorse undertaking further research on it. With more junior team members adding to the partners in much of the scouting runs the risk of missing opportunities which might not have been by more seasoned colleagues, Draper's juniors do often come with past professional experience which gives some comfort on this score.[2]

While the Draper Esprit funds typically invest at the Series B stage of company development, some Seed (in the case of wanting to back a trusted entrepreneur) and Series A (in order to guarantee optionality at Series B and not to be locked out by earlier investors) can also be made, with those earlier-stage deals acting as a source of effectively proprietary dealflow when bigger investments are made at the scale-up stage.

In terms of documentation there is both a one-pager which goes to the Investment Committee ("IC"), where preliminary sign-off to commence further due diligence is agreed, and a final IC paper where final investment approval is given. MJ Hudson Allenbridge were allowed to view examples of both of these documents, which were of a high standard. Technically each of the EIS, plc, and VCT have separate investment committees, but investments have always been done on a consensus basic within Draper, although the VCT Board retains the right for final deal approval once it has passed Draper's investment committee.

Post investment, in the majority of cases a Draper partner will sit on the board of the investee companies (sometimes assisted by an Associate in order to help them gain some experience). In certain cases, where there is confidence in

[2] For more on the background of the wider Draper investment team beyond the core team for the VCT, please see https://draperesprit.com/entrepreneurs/team

the current board make-up, a member of the Draper investment team will attend the board as an observer and receive all the management data. The Manager has quarterly reviews of the portfolio with all investment executives which allows for a greater degree of accountability for each of the Partners' investee companies to the rest of the Draper team. The Manager had a board seat on nine of the top ten companies in the portfolio as rated by carrying value as of September 2018.

The Fund is expected to co-invest alongside other Manager-run vehicles (i.e. Draper Esprit EIS and Draper Esprit plc) that operate under a similar strategy, with the VCT typically being allotted 10% of any deal. Draper Esprit plc believe they have access to quality growth opportunities often in much larger and more mature companies compared to other VCT managers. By co-investing alongside the Draper Esprit plc and the EIS, the VCT gains access to some companies requiring funds in excess of $10m- which implies much larger valuations at the Series B stage of investment than other tax-advantaged vehicles would be able to contemplate. These deals typically have relatively shorter investment holding periods and are not as prone to fail completely. For example, Draper Esprit plc has only had one complete write off since its IPO in 2016.

We regard the investment process as typical for a manager of Draper's size and stature. Draper's brand recognition, the partners' reputations and networks, and the efforts of the Draper Associates guarantee a good flow of opportunities and the investment process is sufficiently thorough and repeatable to adequately explore opportunities to the requisite level of detail.

Risk Management

The first stage of risk management for the VCT occurs at the due diligence stage. Potential red flags include assessments regarding potential investee company managements' track record, non-VCT-qualifying company status, a lack of customers or product, existing investors with dubious track records or failing anti-money laundering ("AML") procedures, sanction checks, the potential investee company requiring too much capital to get to breakeven/sale, or unsustainable long-term business models. Third parties are often consulted as part of the due diligence process to check on certain aspects of a deal, from technological due diligence to legal checks.

Post-investment the Manager or a Draper Partner will in the majority of cases take a board seat and/or observer status for any investment. As the VCT will coinvest with other Draper funds it might well be that Richard Marsh, David Cumming or another member of the wider Draper team will take a seat on the investee company board but certain set triggers, from poor trading performance, management issues, potential qualification issues etc. will make the team dig deeper to find out the cause of any underlying issues. William Horlick will regularly question the plc reporting and valuation team, board member or board members (if Draper Esprit have invested enough) to make sure that the VCT is properly informed of progress. Quarterly company-wide strategy days allow the wider Draper team to get around the table and share progress updates with "RAG" (red, amber, green) reporting. This also allows the Draper Esprit plc board to oversee all of the investments under the aegis of Draper more broadly.

Currently Michael Jackson and William Horlick do not serve on any Draper investee company boards as none of their introductions have yet to get through the Investment Committee process, which should mean that the Investment team is currently sufficiently resourced from a risk management perspective. William provides a quarterly report to the VCT board, where he fills in the data to the VCT's own reporting to make sure that every datapoint is sufficiently understood. An example of this VCT board pack was shown to MJ Hudson Allenbridge are were sufficiently detailed for proper reporting and overseeing the portfolio. While the administrator Downing is responsible for monitoring the VCT qualifying status, William works closely with them to forecast and oversee that the VCT is maintaining its qualifying status, with the VCT once getting close to the 70% qualifying minimum (now raised to 90% post-Patient Capital Review) in the past.

The VCT has a share buyback discount to NAV of 7.5%, which is somewhat higher than the VCT's main competitors (which tends to be around 5%). The Board would be well-advised to lower this in order to keep pace with the broader market.

Key Features

The following fees (number 1-3) describe the fees directly payable by the investors and the product fees (number 4) incurred by the Funds.

1. INITIAL AND ONGOING FUND MANAGEMENT FEE

TABLE 6: FEES TO THE MANAGER

INITIAL FEES	ON-GOING ANNUAL MANAGEMENT FEES	ADMINISTRATION AND ACCOUNTING FEES
3% of the amount subscribed payable by investee companies[3]	2% of net assets	Directors' fees of 0.002%

Source: Elderstreet; AdvantageIQ

3. SUBSCRIPTION/APPLICATION FEES

TABLE 7: SUBSCRIPTION/APPLICATION FEES

TYPE OF INVESTOR	INITIAL APPLICATION FEE (AND INITIAL COMMISSIONS/INITIAL ADVISER CHARGES)	ONGOING MANAGEMENT CHARGES (AND ONGOING COMMISSIONS / ONGOING ADVISER CHARGES)
Direct Application (investors who make an application, without using a financial advisor or 'execution-only intermediary')	5.50% of the amount subscribed	2% of net assets
Application through an adviser (investors who make an application through a registered financial adviser)	3% of the amount subscribed plus Adviser Charges	2% of net assets
Application through an execution-only intermediary)	3% of the amount charged	2% of net assets plus up to 0.25% trail commission for 5 years

Source: Elderstreet; AdvantageIQ

[3] None of these fees have been charged since 2016 and none are envisaged to be taken in the future

4. PERFORMANCE FEE

Performance fees are payable to the Manager when dividends paid and/or proposed exceed 3.5p per Ordinary Share in any one financial year, subject to the NAV, before the distribution, being higher than 70.6p per Ordinary Share. The Manager will receive 20% of the distribution amount over 3.5p per Ordinary Share. The performance incentive fee will also have a catch-up should any previous year's distribution not be met. This catch-up will be cumulative so that in any years where the distribution is less than 3.5p the shortfall must be made up prior to awarding any further incentive fees.

Any performance incentive fee payable in any period of 12 months has been capped so that the fee payable (together with any other fees payable to the Manager by the Company which have not been approved by Shareholders) is capped at 24.9% of the lesser of the Company's current Net Assets, market capitalisation, or gross assets. Any such fees which result in this cap being exceeded will be waived, will not be carried over to another period, and will cease to be payable to the Manager. Currently, the hurdles for these performance fees have not been met for this current or past financial year.

5. PRODUCT FEES

The detailed fees are listed in the following table.

TABLE 8: FEE DETAILS

FEES	DETAILS
Administration Charge	0.00%
Annual Management Charge	2%
Arrangement fees	0%
Monitoring fees	0%
Directors' Fees	0.002%
Administration Fees	No secretarial or administration fee
Other	0.0%
Total Expenses	For the year ending March 2018 (15 months period) the Total Expenses Ratio (TER) was 3.4%, equivalent to 2.73% on a weighted 12-month basis.

Source: Elderstreet; AdvantageIQ

Nick Lewis is a Director of the VCT and could be called a related party. His business Downing LLP has provided accounting and administrative support under a contract since 1998 to the VCT.

Performance

As can be seen from the Charts and Tables in this section, Draper VCT's performance has been very strong to date, ranking in the first quartile over the past 5-year and 7-year periods. In terms of Draper Esprit's performance since 2016, when the deal between Elderstreet and Draper Esprit plc was struck, the latter's market cap at the time of its IPO was £120 million with a portfolio of 24 companies valued at £79 million. At its annual report in 2018 it reported a market cap of £330 million with a portfolio of 33 companies valued at £244 million (in addition, Draper also purchased some Seedcamp funds as a secondary buyout). Draper Esprit EIS has also been one of the best performing EIS funds over the last several years. While past performance is no guarantee of future returns, the VCT and its partner funds' performance over the last several years should give investors some confidence in the pedigree and strategy of the investment team.

CHART 3: ANNUAL NAV AND DIVIDEND RECORD

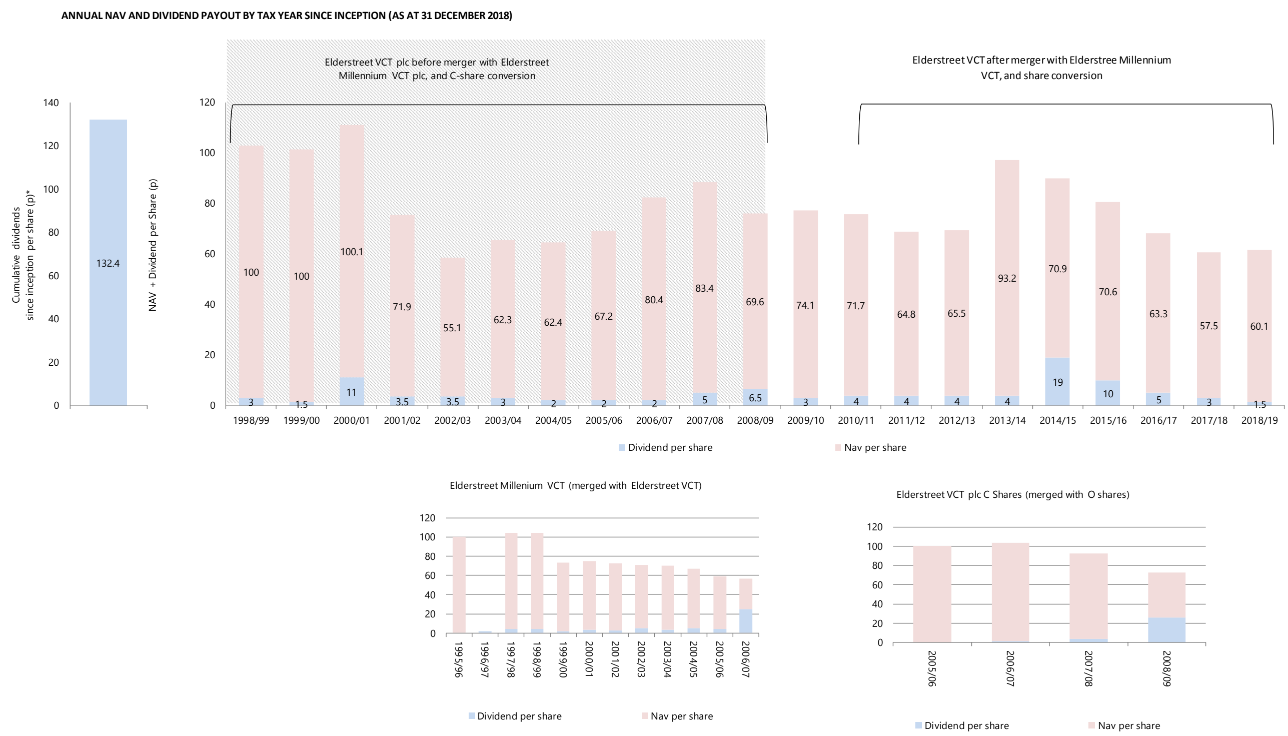


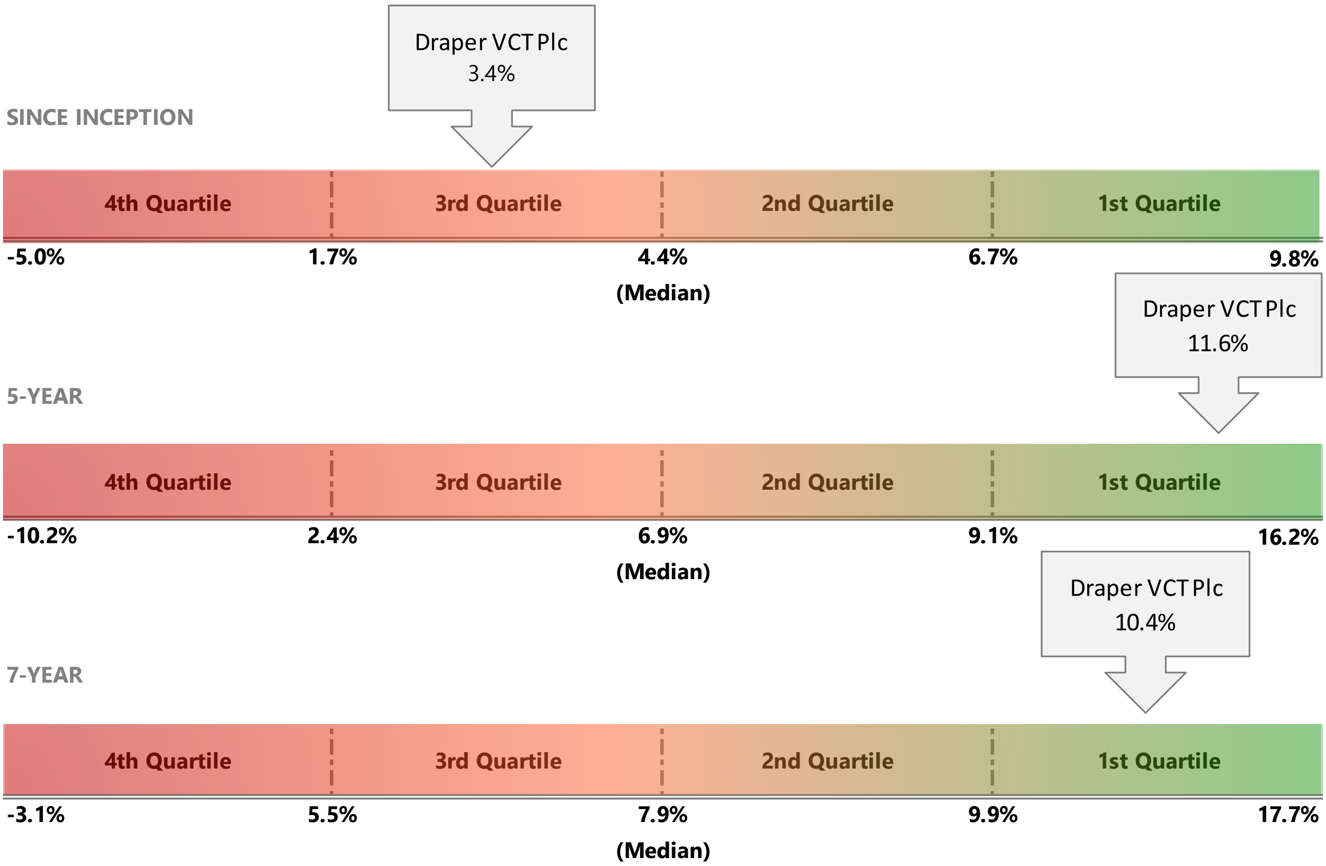
TABLE 10: KEY PERFORMANCE INDICATORS (AS AT 31 JANUARY 2018)

FUND NAME	NAV PER SHARE (P)	CUMULATIVE DIVIDENDS PER SHARE SINCE INCEPTION (P)	TOTAL FUND RETURN* PER SHARE SINCE INCEPTION (P)	BID PRICE (P)	BID DISCOUNT TO NAV (%)
Elderstreet VCT plc	60.10	99.00	159.10	52.00	-13.50
Elderstreet Millenium VCT (merged with Elderstreet VCT)	22.90	87.83	110.73	N/A	N/A
Elderstreet VCT plc C Shares (merged with O shares)	40.20	67.10	107.30	N/A	N/A

TABLE 11: PERFORMANCE SINCE INCEPTION (AS OF 31 JANUARY 2018)

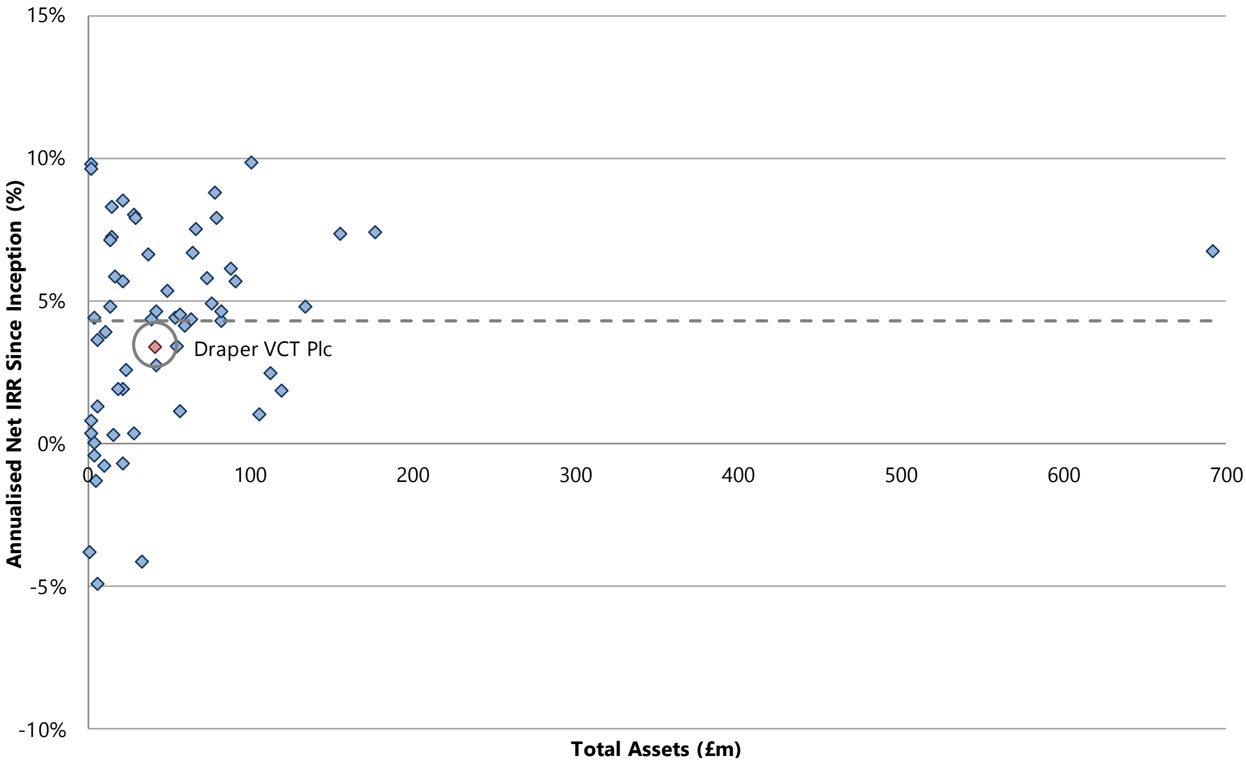
FUND NAME	IRR % PER YEAR (WITHOUT TAX RELIEF)	IRR % P.A. ASSUMING 20% INITIAL INCOME TAX RELIEF	IRR % P.A. ASSUMING 30% INITIAL INCOME TAX RELIEF	IRR % P.A. ASSUMING 40% INITIAL INCOME TAX RELIEF
Elderstreet VCT plc	0.8%	2.7%	3.9%	5.4%
Elderstreet Millenium VCT (merged with Elderstreet VCT)	3.4%	5.2%	6.4%	7.8%
Elderstreet VCT plc C Shares (merged with O shares)	0.8%	3.4%	5.1%	7.1%

CHART 4: MARKET POSITION RANKED BY ANNUALISED NET IRR FOR LISTED VCTS (AS 31 JANUARY 2018)



MJ HUDSON Allenbridge

CHART 5: ANNUALISED NET IRR (%) SINCE INCEPTION BY SINGLE SHARE CLASS (AS AT 31 JANUARY 2018)



Appendix 1: Key Personnel

Key Investment Professionals

NAME	JOB TITLE	BIOGRAPHY
Michael Jackson	Founder and Chairman	Michael Jackson MA FCA founded Elderstreet Investments Limited in 1990 and is its executive chairman. For the past 24 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. From 1983 until 1987 he was a director and from 1987 until 2006 was chairman of FTSE 100 company The Sage Group plc. He was also chairman of PartyGaming plc, another FTSE 100 company. He is a director of Elderstreet portfolio companies Lyalvale Express ltd, Fords Packaging Systems Limited, Baldwin & Francis Holdings Limited, Macranet Limited and Access Intelligence plc. Michael studied law at Cambridge University, and qualified as a chartered accountant with Coopers & Lybrand before spending five years in marketing for various US multinational technology companies.
William Horlick	Partner	William Horlick has worked at Elderstreet Investments Limited since 1998. Prior to the VCT he was an investment director on the Elderstreet Capital Partners Fund founded in 1999. He has worked on over 65 venture capital investments. William has held several board seats in the past on Elderstreet portfolio companies. He is also the investment manager of the Elderstreet EIS portfolio. William graduated from RMA Sandhurst in 1980. Prior to joining Elderstreet Investments, he was managing director of a mail order company and spent seven years in investment banking and stockbroking.
Simon Cook	CEO, Draper Esprit	Simon Cook is the CEO of Draper Esprit PLC, which IPO'd on the London and Irish stock exchanges in 2016. Simon has been involved with the European VC industry since 1995 and co-founded Draper Esprit in 2005. He has been involved with a number of Europe's most successful startups including Lovefilm (Amazon), Cambridge Silicon Radio (IPO), Virata (IPO), nCipher (IPO) and KVS (Symantec). He currently works with Trustpilot, Graze, Crowdcube, Perkbox and Podpoint. Previously Simon was a partner with Cazenove Private Equity, which Draper Esprit acquired in 2006; a partner at Elderstreet Investments, which Draper Esprit acquired 30% of in 2016; and an Investment Director of 3i Technology Europe, which Draper Esprit acquired in 2009. He was a computer games developer early in his career and is a Computer Science graduate of the University of Manchester Institute of Science and Technology (UMIST).
Stuart Chapman	COO, Draper Esprit	Stuart Chapman is the COO of Draper Esprit. Prior to establishing the Draper Esprit group, with Simon in 2006, Stuart was a Director of 3i Ventures in London. Having joined 3i in 1992, he has 25 years of venture capital experience in Europe and the US. He was a founding partner of 3i US, based in Menlo Park, CA from 1999 until 2003. Stuart was responsible for Esprit's investments in Lagan Technology (sold to Verint), Redkite (sold to Nice) and Kiadis (IPO). Stuart currently serves as a director with Resolver, Realeyes and Conversocial and observer with Metalysis and Crate. Prior to 3i, Stuart was involved in software and systems implementations for Midland Bank. He is

		a graduate of Loughborough University and currently serves on the Strategic Advisory Board for the Loughborough School of Business and has served as a member of the British Venture Capital Association Venture Committee.
Richard Marsh	Partner-Encore Ventures	Richard Marsh (EIS Partner – Encore Ventures) has worked in start-ups and venture capital since 1997 and is an experienced entrepreneur as well as a venture capitalist. He founded and built Datanomic, a Cambridge-based software company which was a pioneer of Data Quality software and was acquired by Oracle. As an investor, Richard has worked across software, hardware, mobile and cleantech sectors. He is responsible for the Drape Esprit group's investments in Garlik (acquired by Experian), Green Park Content, GreenPeak Technologies (acquired by Qorvo), Polatis (acquired by Huber and Suhner), Psytechnics (acquired by NetScout), and SportPursuit. Richard is an Engineering graduate of Cambridge University where he also received his PhD. Richard holds an MBA from IMD Business School, Lausanne, where he was a Sainsbury Management Fellow.
David Cummings	Partner-Encore Ventures	David Cummings (EIS Partner – Encore Ventures) has worked for IMI Plc, Lazard and KPMG. His early career at IMI Titanium was as a research and development metallurgist developing superconductors and titanium alloys. From 1986-2002, David worked at Lazard, where he became a partner and the managing director running the TMT group in London. While there he gained a wide variety of experience in corporate finance, M&A, debt restructuring and equity capital markets based on over a decade of transactions in the TMT sector. From 2004-2011, David was a senior director of KPMG Corporate Finance focusing on Business development and relationship building with medium to large corporations in the telecom and technology sectors. David is an active investor in early stage private technology companies and is a member of Cambridge Angels. David is a graduate of Trinity Hall, Cambridge University (Natural Sciences) and London Business School (Msc21).
Ben Tompkins	Managing Partner-Draper Esprit	Ben Tompkins is Managing Partner of Draper Esprit and has been working with technology entrepreneurs and their investors in Europe and the US all his career. Prior to joining Draper Esprit, Ben was Managing Partner at Eden Ventures, a European early stage VC investor in UK software companies with international ambitions. Prior to Eden, Ben was a Managing Director at tech investment bank Broadview/Jefferies and co-headed the Global Software Services & Media practice, advising on deals including Blizzard Studios/World of Warcraft, Iris Software (LSE), Kelkoo, Seloger, Musiwave, Loot, Promethean, ICV and uDate. Ben also sat on the Board of Seedcamp, the UK's premier early stage fund. He is a Business Law graduate and a Barrister from Lincolns Inn.

Source: Elderstreet; AdvantageIQ

Senior Management Team

MICHAEL JACKSON- CO-FOUNDER & CHAIRMAN

As above

VIN MURRIA – DIRECTOR

Vin Murria was chief executive of Advanced Computer Software, an AIM-listed healthcare software company. She has over 20 years' experience of working for private equity backed and publicly listed companies focusing on the software sector. Under her direction, Advanced Computer Software has been growing fast and in November 2014 agreed a £725m takeover by a US private equity group. She joined the board of Softcat, another highly regarded IT firm, as a non-executive director.

WILLIAM HORLICK- PARTNER

As above

Fund Board of Directors

MICHAEL JACKSON

As above

DAVID BROCK - CHAIRMAN

David Brock BSc (Chairman) is an experienced company Chairman in both private and public companies and a former main board director of MFI Furniture Group Plc. He is currently Chairman of Episys Group Plc and Primrose Group Ltd and non-executive director of Hargreave Hale AIM VCT plc and Puma 12 VCT Plc.

HUGH ALDOUS

Hugh Aldous is chairman of Downing Strategic Micro-cap Investment Trust plc and of SPL Guernsey ICC Ltd. He is a director of Innospec Inc. (NASDAQ). He has chaired venture capital backed companies since 2000 including two of the Company’s more successful investments. He was a partner in Grant Thornton UK LLP, a DTI Company Inspector, a director of Polar Capital Holdings plc and a Member of the Competition Commission.

BARRY DEAN

Barry Dean FCA is a chartered accountant and has over 30 years’ experience in the private equity industry, including 14 years as managing director of Dresdner Kleinwort Benson Private Equity Limited. He is currently a non-executive director of Downing ONE VCT plc and ProVen VCT plc.

NICHOLAS LEWIS

Nicholas Lewis MA is a partner of Downing LLP - a business he founded as Downing Corporate Finance Limited in 1986. Downing LLP specialises in managing, promoting and administrating tax-based investments and has approximately £1 billion of funds under management. Prior to founding Downing, he was with NatWest Ventures Limited and, before that, with Apax Partners & Co Limited.

NOTE: Please be aware that the Manager mentioned in this report purchased the rights to distribute our report only (no payment was taken to undertake the research which is fully independent). To access full research services, including further tax-advantaged investment research reports, which can be used for the purpose of investment advice, please visit **www.advantageiq.co.uk** where both individual reports and subscriptions are available for purchase.

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