VCT RESEARCH REPORT

PUMA VCT 12

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Limited life

Limited life VCTs have a fixed life and typically aim to wind up after 5 years.

Puma VCT 12 follows a similar approach to previous Puma VCTs and is managed by an experienced team.

This report is not a substitute for reading the prospectus, and any decision to invest must be made purely on the basis of the prospectus.

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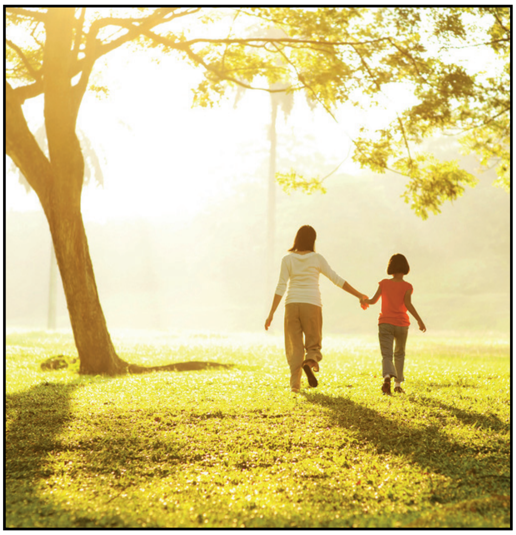
Risk Factors - VCTs are substantially higher risk than mainstream equities. They invest in smaller companies, which can be prone to failure. VCT shares are difficult to buy and sell – the market price may not reflect the value of the underlying investments. The value of the shares will fluctuate, income is not guaranteed and you could get back less than you invest. Tax and VCT rules can change and tax benefits depend on your circumstances. If a VCT loses its qualifying status investors may have to repay any tax rebate. The prospectus will give fuller details of the risks.

Their place in a portfolio - We feel VCTs should account for no more than 10% of an equity portfolio. They must be held for five years in order to retain the tax relief, but a ten-year view would be better as dividends are the primary source of returns as the VCT portfolio matures. VCTs are only suitable for sophisticated long-term investors with significant portfolios. They are unlikely to be suitable for investors who may need access to their money in the short term, or for whom loss of the investment will cause hardship. We assume you will make your own assessment of your expertise and the suitability of a VCT for your circumstances. If you have any doubts you should seek expert advice.

OFFER SUMMARY

Funds	Puma VCT 12
Amount seeking	£30 million
Minimum investment	£5,000



OUR VIEW

Puma Investments, a subsidiary of Shore Capital and manager of the Puma VCTs, is experienced in managing this type of investment. This VCT follows a similar pattern to previous incarnations, such as Puma VCT 11 which launched last year. Puma Investments has built a solid track record and we like their relatively conservative approach, which has an emphasis on aiming (but not guaranteeing) to shelter capital.

WHAT ARE LIMITED LIFE VCTs?

Limited life VCTs, as the name suggests, have a fixed life. Five years after launch the manager will start selling the investments and distributing the proceeds to shareholders as tax-free dividends. The manager generally aims to shelter capital and pay modest dividends through the life of the investment and these VCTs are designed to be lower risk and lower return than other VCTs. This does not mean there are no risks – neither dividends nor the value of your capital is guaranteed. The bulk of any return from this type of investment is likely to come from the tax relief. Limited life VCTs tend to be considered by more cautious VCT investors.

PHILOSOPHY

The team aims to back high calibre management teams with a previous track record of running successful businesses. There is a strong emphasis on

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risk management with investments secured against a company's assets and structured to maximise income paid to the VCT. This approach offers less upside, but does reduce (not eliminate) the likelihood of capital loss.

PORTFOLIO CONSTRUCTION

Investments in all types of company are considered as long as the business has significant tangible assets, or predictable revenue streams, against which the investment can be secured. This tends to result in a bias to sectors such as leisure, real estate and healthcare. These companies tend to own freehold property, such as pubs and care homes, which can be sold to recover some losses for the VCT should the company fail.

Deals are generally structured with the maximum amount of loan stock possible, which pays the VCT a regular income. Puma Investments also builds in first charges over the company and its assets meaning they are paid first in the event the business fails.

Some cash will also be held, both while the team seeks suitable investments and throughout the life of the VCT.

AIM-listed shares can be held, but are not likely to be a significant portion of the portfolio. As this is a brand new VCT if only a small amount is raised it may result in a more concentrated portfolio, increasing risk, costs and volatility, however, the two most recent Puma VCTs raised £27m and £30m respectively.

COMPANY CASE STUDY

Over the past year the team has continued to invest in **Community Solutions**, which works with local authorities, housing associations, primary care trusts and leading care providers to deliver newly built supported living accommodation across the country designed specifically for the care of people diagnosed with long-term mental health issues.

In a similar vein they also invested £3.6 million in **Saggart Silverstream** to help finance the development and initial operation of a new 65 bed nursing home on the outskirts of Dublin.

PERFORMANCE & DIVIDENDS

Dividend target	20p over the life of the VCT
Payment frequency	Annually (from April 2018)

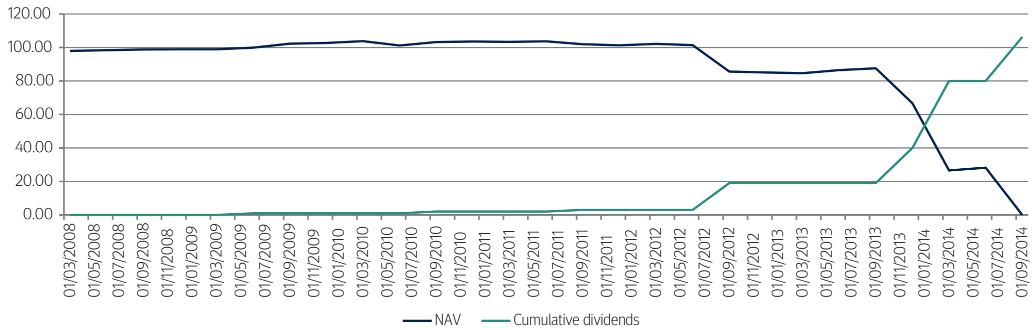
The aim of the VCT is to preserve capital and pay investors a regular tax-free income. The reason for paying from April 2018 is to allow time for the underlying portfolio to generate enough income to pay a dividend. As more investments are made and the portfolio matures the income generated is expected to increase.

The April 2018 dividend payment could be lower, but later payments are expected to be correspondingly higher to achieve the target of 20p per share over the life of the VCT. There is no guarantee the target return can be met or that the VCT will wind up and distribute the proceeds within the planned time frame.

The track record of the Puma VCTs to date has been good though unspectacular. Like many limited life VCTs some haven't met the original targets they set out to achieve, but by and large they have returned capital to investors providing a reasonable level of return given the effect of tax relief.

Puma VCT 5, for example, launched in 2008. It returned a total of 106.3p per share for every 100p invested, excluding the initial tax relief. The table and chart below show the dividends paid and how the returns are generated through the life of the investment. This is for illustrative purposes only. Past performance is not a guide to the future and Puma VCT 12 is targeting different returns so will perform differently.

Date	Dividend (p)
02/06/2009	1.00
30/06/2010	1.00
31/08/2011	1.00
24/08/2012	1.00
07/09/2012	15.00
04/10/2013	21.00
21/02/2014	40.00
05/09/2014	26.30
TOTAL	**106.30**



Source: Puma Investments

ABOUT THE MANAGER

Puma Investments, which is part of Shore Capital, specialises in managing funds investing in smaller companies and alternative assets as well as VCTs. They presently manage over £800 million. The first Puma VCT was launched in 2005, and each one has had a similar focus, though they have tweaked the dividend and total return targets over the years.

The VCT investment team includes Graham Shore, co-founder of Shore Capital, David Kaye, Chief Executive of the asset management division of Puma Investments and Eliot Kaye, a director of Puma Investments responsible for structuring and executing new VCT deals.

Over the years the Puma Investments team has developed a good network of contacts which can help with sourcing deals. Members of the team have regular meetings with many smaller companies. They look to identify quality management teams and will back them more than once if they deliver good results.

CHANGES TO VCT LEGISLATION

Potential investors should be aware that in November 2015 some changes were made to the legislation governing VCTs, which effectively imposes stricter limits on the investments which may be made by VCTs. As with any legislation the full details are complex. The most significant changes include VCTs no longer being able to invest in companies more than 7 years old; the prohibition of certain types of transaction; and VCTs cannot invest more than £12 million in any one company.

The amended rules will affect different VCTs to different extents, depending on the manager's approach. The Puma VCTs should not be materially affected, in our view. They tend not to invest in older, more mature companies; or engage in the prohibited types of transaction. That said, as with any change there is the potential for disruption and there could be more competition to secure investments, making it harder to deliver returns. Further details of the legislative changes can be found on the VCT section of our website: www.hl.co.uk/vct

A total discount of 2% off the 3% initial charge is available for those investing before 08 January 2016.

CHARGES & FEES

The initial charge is 3%. Hargreaves Lansdown is offering a discount of 1% and for applications received and accepted before 08 January 2016 Puma is offering an additional discount of 1%. This means the net initial charge is 1% for those investing before the 'early-bird' deadline and 2% thereafter. Discounts are received via the allotment of additional shares.

The annual management charge is 2%. There are also other expenses and a performance fee, full details of which can be found in the prospectus.

Full details can be found in the prospectus which must be read in full. Investors should ensure they are comfortable with the charging structure and risks before investing.

SHARE BUY BACK POLICY

There is the facility in place to conduct share buybacks, but given the limited life of the fund buybacks are not likely to be undertaken.

HOW TO APPLY

To apply please read the prospectus for the offer and fill out the application form at the back. The prospectus is available to download from the HL website or by calling 0117 900 9000.

The signed application and a cheque for the amount you wish to subscribe should be returned to Hargreaves Lansdown. The cheque should be made payable to the VCT, as indicated in the prospectus, but the application and cheque must be returned to Hargreaves Lansdown in order for you to benefit from our discount.

We will acknowledge your application and your share certificate and tax certificate will be sent once the shares have been allotted. Shares are allotted periodically and allotment could take up to two months following the acceptance of your application. Shares will be issued at a price of 100p, adjusted for the costs of the offer.

You can elect for dividends to be paid into your bank account or receive them by cheque. Please see the relevant section of the prospectus and application form for further details.