VCT RESEARCH REPORT

MAVEN INCOME & GROWTH VCTS

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Generalist

Generalist VCTs primarily invest in unquoted companies in a wide variety of sectors and stages of development.

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.

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 investors could lose money. Tax and VCT rules can change and tax benefits depend on individual 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
VCTs 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 sophisticated, long-term investments only suitable for inclusion in significant portfolios. The general view is that they should account for no more than 10% of an equity portfolio. It is difficult to access the capital invested in the short term, and anyone considering an investment should ensure they are comfortable with this, and all other risks. We assume investors will make their own assessment of their expertise and the suitability of a VCT for their circumstances. Those with any doubts should seek expert advice.

OFFER SUMMARY

Funds	Maven Income & Growth VCTs 1-5 (MIG 1-5)
Amount seeking	£18 million
Minimum investment	£5,000
Split	Investors can choose, subject to a minimum of £1,000 in each VCT and £5,000 in aggregate

OUR VIEW

Experience and resources matter when it comes to finding, nurturing and selling small unquoted businesses; and Maven has both. These VCTs are managed by one of our favourite teams.

The VCTs provide exposure to a broad range of companies and sectors, while they are also relatively mature so early dividends are a distinct possibility. A combination of diversified portfolios; a conservative style focused on later-stage, entrepreneurial businesses; and a robust team, make these solid core generalist VCTs.

WHAT ARE GENERALIST VCTs?

Generalist VCTs are relatively broad-based, usually investing in a range of unquoted companies across a wide variety of sectors. Some target companies which are already established and profitable, while others have a bias towards very small businesses at an early stage of their development. Most aim to provide steady dividends to investors with the potential for higher payments if and when they sell successful investments. They also aim to maintain or steadily grow capital over the long term.

Investors should ensure they are comfortable with an

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While investors must hold the VCT for five years to benefit from the tax relief, we believe 10 years plus is a more realistic time horizon.

individual VCT's approach before investing. We believe building a portfolio of different VCTs is sensible as the diversification reduces risk. Starting by selecting those focusing on more mature, established companies; and then adding higher risk VCTs targeting early-stage companies to an already diverse portfolio could be wise. While investors must hold the VCT for five years to benefit from the tax relief, we believe 10 years plus is a more realistic time horizon.

PHILOSOPHY

The key to Maven's approach is discipline. They only invest in established and cash-generative companies at sensible prices. Then they work with these companies to help them achieve their full potential, by making operational improvements or growing sales, for example. The team avoids early-stage, unproven, and speculative investments.

COMPANY CASE STUDY

Maven supports management buy-outs (MBOs) – where existing management looks to buy the company; and management buy-ins (MBIs) – where an external manager or team looks to buy the business. They also provide capital to fund development, acquisitions and expansion.

In August 2014 £7 million was invested in Crawford Scientific, a supplier of chromatography products which are used in laboratories to separate compounds:-

- The global market for chromatography products is estimated at $7.4 billion and predicted to grow by 4% to 6% a year
- The company supplies laboratories across the UK, Europe and USA and provides a number of specialist support services
- Maven's investments will be used to support growth and fund acquisitions

In January 2014 the team also invested £3.5 million in DMACK, a designer and manufacturer of high performance motorsport tyres:-

- The company is a trusted supplier to several high profile motorsport events
- In 2011 it was appointed alongside Michelin as an approved supplier to the FIA World Rally Championship (WRC)
- The affiliation with WRC had helped spur growth and secure distribution agreements globally
- In 2012 the company introduced a passenger car tyre for which it has seen strong demand worldwide

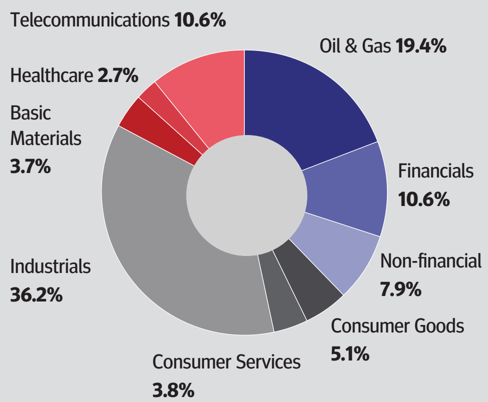
PORTFOLIO CONSTRUCTION

Most types of company are considered as long as the team sees excellent growth prospects and the business model is robust enough to cope with rapid expansion. The management team responsible for delivering this growth must be entrepreneurial, not overly reliant on one individual, and have a track record of delivering revenue growth.

The five VCTs have investments across a diverse range of sectors, including healthcare, consumer, telecommunications, mining & resources, and finance. The combined portfolios hold investments in over 40 companies and we believe splitting an investment between them could be sensible to benefit from greater diversification.

There are some differences between the portfolios, but new investments are generally spread pro-rata between the VCTs so there is considerable overlap. MIG 5 has only been managed by Maven since February 2011 and has more invested in AIM-listed companies. This is reducing as new money raised is invested in unquoted private equity investments. The chart below shows the current sector breakdown across the five portfolios:-

Sector Breakdown



Source: Maven Capital Partners as at 30 September 2014

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There has been a good flow of dividends in recent years and as the portfolios are reasonably mature early dividends from this offer are a possibility.

PERFORMANCE & DIVIDENDS

The main aim is for each VCT to provide a sustainable income stream while maintaining or modestly growing capital. This is achieved by investing in companies capable of paying a regular yield, structuring investments to maximise income and distributing some profits from the sale of successful investments.

There has been a good flow of dividends in recent years and as the portfolios are reasonably mature early dividends from this offer are a possibility. Please remember dividends are not guaranteed and past performance is not a guide to the future.

The table below shows the recent dividends paid by each VCT:-

Year	MIG 1	MIG 2	MIG 3	MIG 4	MIG 5
2009	3.0p	1.2p	4.0p	3.5p	1.5p
2010	4.0p	2.5p	4.0p	3.5p	1.5p
2011	4.5p	2.5p	4.5p	4.0p	1.5p
2012	5.0p	3p	5.0p	4.5p	1.65p
2013	5.5P	3.5p	5.25p	4.65p	2.0p
2014	5.7P	3.85p	2.0p	2.1p	0.8p

Source: Maven Capital Partners

ABOUT THE MANAGER

The Maven team was previously at Aberdeen Asset Management. In 2009 they established Maven and moved across to the new business. The team is headed by Bill Nixon who has extensive experience in venture capital investing. He has built what we believe is one of the VCT industry's strongest teams. Maven manages over 20 funds, including six VCTs. The firm's partners, staff and the VCT directors hold substantial stakes in the VCTs.

The team is based across the UK and they believe having people on the ground with in-depth local knowledge is an advantage when sourcing investments. Their presence in Aberdeen, for example, means they have access to a significant number of investments among companies supplying services to the oil & gas sector, an area of specialism for the team.

If the team cannot invest at the right price or do not believe they can add value to help a company grow, they will not invest. They meet many companies each year – approximately 450 over the past 12 months. The rigorous approach to quality means only a handful of investments are made. The quality of deals coming through has been high recently and the team has made seven investments so far in 2014. Exits have also been strong. Most recently Adler and Allan Holdings, a leading environmental services business, was sold to a UK private equity house in September 2014.

Hargreaves Lansdown is offering a discount of 2% off the initial charge.

CHARGES & FEES

The initial charge is 4.5%. Hargreaves Lansdown is offering a discount of 2% off the initial charge. In addition, for applications accepted before 16 February 2015 Maven is offering an 'early-bird' discount of 1.75% for existing investors in any Maven VCT and 1.5% for new investors. This means the following net initial charges apply (please note discounts are paid in the form of additional shares):-

	Before 16 February 2015	After 16 February 2015
Existing investors	0.75%	2.5%
New investors	1.0%	2.5%

Each of the VCTs has different annual charges and performance fees. Full details can be found in the prospectus which must be read in full. Investors should ensure they are comfortable with the charging structure on each of the VCTs before investing.

SHARE BUY BACK POLICY

Buy backs and the target discounts below are not guaranteed and are subject to a number of factors, including, among other things, market conditions, liquidity and maintaining VCT status.

VCT	Target discount to NAV
MIG 1	5% to 10%
MIG 2	10% to 20%
MIG 3	5% to 10%
MIG 4	Up to 15%
MIG 5	10% to 20%

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 Hargreaves Lansdown 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 to benefit from our discount.

We will acknowledge applications and share certificates and tax certificates 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 applications. Shares will be issued according to the most recently announced NAV per share of the VCTs, adjusted for the costs of the offer.

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