

VCT RESEARCH REPORT

UNICORN AIM VCT

www.hl.co.uk
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HEAD OF INVESTMENT
ANALYSIS

AIM
AIM VCTs
primarily invest
in companies that
are listed or are
about to list on
the Alternative
Investment Market.

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 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

Fund	Unicorn AIM VCT
Amount seeking	£15 million
Minimum investment	£2,000



OUR VIEW

Unicorn has a strong pedigree in AIM and smaller company investing. We like their approach of finding strong management teams and backing them for the long term. Performance has been strong recently and the VCT has started to build a track record of paying attractive dividends, although there are no guarantees this will continue. This could be a good choice for investors seeking an AIM VCT in our view, but we would like to see the recent success continue for longer before becoming more positive.

WHO SHOULD CONSIDER AIM VCTs?

London's Alternative Investment Market (AIM) is often where young, growing companies choose to list their shares. Some successful, well-known and large businesses, such as online fashion retailer ASOS, are also listed on AIM. This creates opportunities to invest in established and profitable, as well as new and exciting businesses. It is higher risk as not all will succeed. AIM VCTs could be considered by investors seeking tax-efficient exposure to smaller companies alongside a well-diversified portfolio of mainstream investments and other VCTs.

Unicorn has a strong pedigree in AIM and smaller company investing

PHILOSOPHY

Chris Hutchinson, lead manager of the VCT, seeks profitable companies with experienced management teams at the helm. He prefers companies leading their field and generating recurring revenue, through long-term contracts, for instance, which contribute to sustainable growth. Finally, they aim to invest at what they believe is a reasonable price. By sticking rigidly to their investment philosophy and not overpaying for businesses they believe can perform well over the long term.

COMPANY CASE STUDY

Anpario is a manufacturer of natural feed additives for the global agriculture market, with products which improve the health and output of animals, increasing profits for farmers. The team's positive view is driven by:-

- The company being positioned to benefit from global population growth and increasing meat consumption
- Regulation favouring natural feed additives
- Strong global brand, distributed in over 70 countries
- Cash generative and debt free (£4.8 million net cash)
- A strengthening share of a rapidly growing market

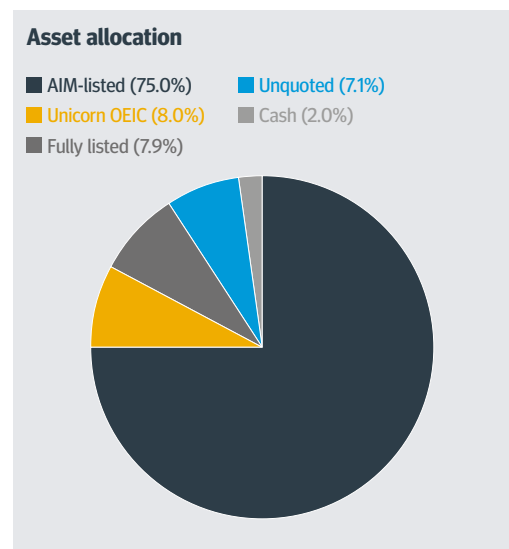
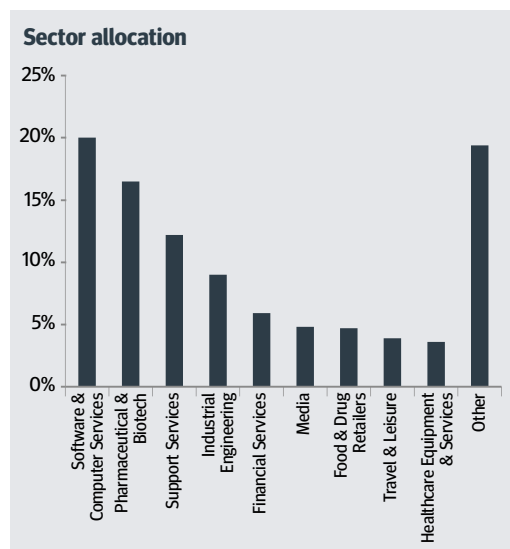
PORTFOLIO CONSTRUCTION

Once attractive businesses have been identified, the team looks to partner with management for the long term (at least five years). They take a high conviction approach and while the portfolio is reasonably diversified, with around 45 qualifying holdings at present, the top 10 account for approximately 44% of assets. The largest investments can exceed 10% of the portfolio individually, meaning they have the potential to contribute significantly to performance, but this approach is higher risk.

the software, computer services and support services sectors, but this is a function of where the team is finding the best companies, rather than because they are positive on these sectors as a whole.

In contrast, they tend not to find opportunities among oil and mining companies, or indeed any type of business that consumes cash, doesn't generate revenue, is not profitable and has excessive debts. Rather than holding too much cash there is a preference for investing in other Unicorn funds while the team are seeking suitable AIM-listed investments.

Their process tends to lead them towards companies in



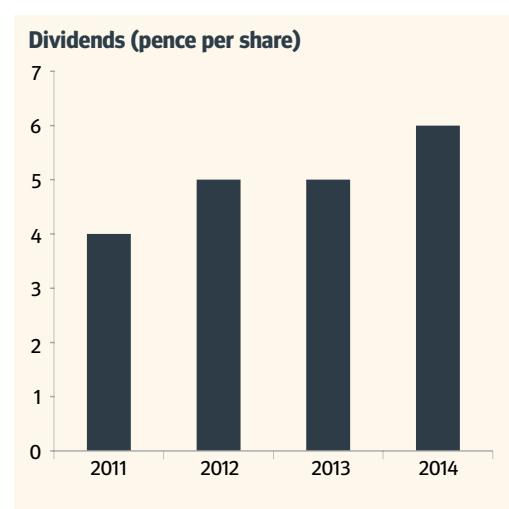
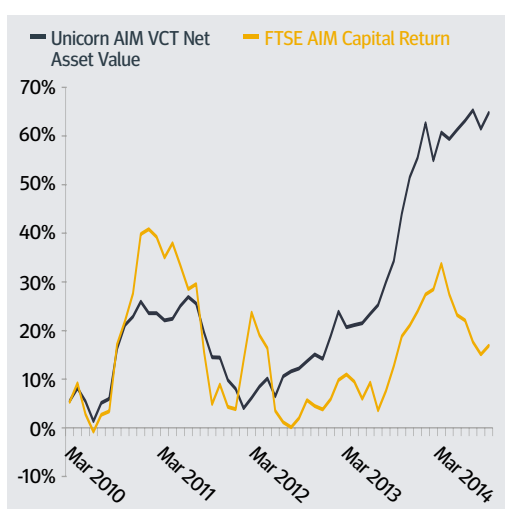
Source: Unicorn as at 31/08/2014

PERFORMANCE & DIVIDENDS

In the short run Chris Hutchinson targets some capital preservation with a conservative investment approach focused on quality businesses with strong management. Over the medium term the aim is to provide attractive and sustainable dividends to investors. Over the long term he also hopes to achieve some capital growth, but there are no guarantees.

In March 2010 Unicorn merged their two AIM VCTs. Performance since has been strong with the value of the VCT's assets growing by almost 65%. Recent dividend payments have also been attractive, but please remember dividends are not guaranteed and past performance is not a guide to future returns.

	Unicorn AIM VCT
Annual dividend target	N/A
Payment frequency	Annually
Current yield	4.63%



Past performance is not a guide to future returns

ABOUT THE MANAGER

Unicorn was established in 2000 and they specialise in smaller company and AIM investing. They run a number of successful open-ended funds in addition to the VCT. The business is majority owned by the directors and managers so the fund managers are incentivised to perform and their interests are aligned with clients.

Chris Hutchinson is supported by a mix of experienced fund managers and newer recruits. All members of the investment team can contribute ideas and investments that start off in the VCT will often graduate into other funds managed by Unicorn.

The team generates ideas from a variety of sources, including their own detailed company analysis, broker research, and from thematic research designed to identify growing markets. Once potentially attractive opportunities have been identified the team concentrates on getting to know the company and its management well. They will visit the company multiple times and keep in regular contact with management, engaging with them to ensure the business is moving in the right direction.

Hargreaves Lansdown is offering a discount of 0.5% off the initial charge

CHARGES & FEES

The initial charge is 2.5%. Hargreaves Lansdown is offering a discount of 0.5% off the initial charge, which is available to all investors with no expiry date. Unicorn is offering an 'early-bird' discount of 1% for existing investors in the VCT and 0.5% for new investors. This is available for applications accepted by 28 November 2014. The following net initial charges therefore apply (please note these discounts are applied in the form of additional shares in the VCT):-

	Before 28/11/2014	From 28/11/2014
Existing Unicorn investors	1%	2%
New investors	1.5%	2%

In addition to the above Hargreaves Lansdown will rebate our initial commission of 3%. This will also

be applied as additional shares, unless you request otherwise, in which case we will send you a cheque once we have received the commission from the VCT company.

The annual management charge on the VCT is 2% and there are other expenses. There is also a performance fee, full details of which can be found in the prospectus. Investors should ensure they are comfortable with the fee structure before investing.

SHARE BUY BACK POLICY

The board of the VCT will determine whether buy backs are in the interests of investors and decide when they are appropriate. Buy backs have been made in the past, but there is no explicit target discount to NAV at which buy backs will be made. The prospectus contains full details of the buy-back policy.

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 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 according most recently published NAV of the VCT at the time of allotment, adjusted for the cost of the offer. The NAV at the time of writing is 147.60p.

Dividends will be paid by cheque, sent to your registered address. Alternatively, you can request dividends be paid into your bank or building society account. Please see the relevant section of the prospectus and application form for further details.