

Downing FOUR VCT plc

Generalist Share Class

Investor guide

Key points

- ▶ **Generalist investment strategy** with a focus on growth investments
- ▶ **30% income tax relief** subject to personal circumstances and a five year holding period
- ▶ **Monthly subscription option** available
- ▶ **Nil discount share buy-back policy**

Your attention is drawn to the risk factors overleaf

Downing FOUR is launching a new Generalist Share Class, seeking to raise up to £20 million. The VCT aims to build a portfolio of investments to support the growth of small UK businesses while offering investors access to VCT tax reliefs.

Investment strategy

Downing FOUR Generalist Share Class aims to provide attractive returns to investors by investing in a portfolio of growth investments, at different stages in the business life cycle. The focus will be on revenue generating businesses (so demand for the product is proven), with a view to providing funding to help them grow.

Some investments are also likely to be made in businesses that trade from freehold or long-leasehold premises (such as children's nurseries, wedding venues and pubs). Having property underpinning the trade should help reduce risk.

Attractive VCT tax reliefs

- ▶ **Income tax relief at 30%** of the amount subscribed provided the VCT shares are held for at least five years
- ▶ **Tax-free distributions and capital gains**

Please note that this is a very brief summary of the current UK tax reliefs on VCTs. All tax reliefs are subject to change in the future and personal circumstances. In addition, the availability of tax reliefs depends on the companies maintaining their qualifying status. Please refer to the HMRC website for further guidance on the tax reliefs available on VCT investments or consult your adviser.

Monthly subscription option

Investors have the option to invest a lump sum or a monthly subscription by way of a standing order. Share allotments will be made at least quarterly with tax and share certificates issued accordingly.

Nil discount share buy-back policy

Downing FOUR intends to buy-back its Generalist Shares at a nil discount to the latest published net asset value, giving Shareholders the opportunity to sell their shares and exit the VCT in one transaction, at a time that suits them, with no exit penalties.

This policy is subject to applicable regulations and liquidity, and investors should remember that if they do not hold their shares for the minimum holding period of five years, they will be required to repay their income relief.

Offer details & charges

- ▶ **Offer size:** £20 million with a £10 million over-allotment facility
- ▶ **Minimum investment:** £5,000 lump sum or £500 per month, across both Downing FOUR's offers
- ▶ **Maximum investment:** £200,000 per tax year or £16,666 per month
- ▶ **Dividend policy:** 4% p.a. of net assets from year 4 onwards (this is a target and is not guaranteed)
- ▶ **Initial charge:** 2% (advised retail or direct investors)
4% (execution only or professional clients)
- ▶ **Management charge:** 2% p.a.
- ▶ **Performance fee:** 20% of all dividends paid if the total return exceeds the hurdle. The hurdle is £1.00 per share up to 31 March 2020, £1.03 per share at 31 March 2021 and will rise by 3p p.a. thereafter.

Other charges apply. Please see the Prospectus for full details of the Offer and charges.

Example investments

Set out below are examples of recent investments made by Downing's VCTs, which are similar to the types of investments that Downing FOUR will seek to make for the Generalist Share Class.

Avid Technology

AVID Technology is a recognised leader in systems electrification and hybridisation of heavy duty vehicles. Their unique technology is used to improve efficiency and emissions and has a number of patents pending. Downing's VCTs invested in AVID as part of an early-stage funding round alongside other VCTs to help develop sales. Since then, the experienced management team has driven substantial revenue growth, securing relationships with multiple blue-chip customers and underpinning a significant pipeline of sales.

Source: Avid Technology



Pilgrim Trading

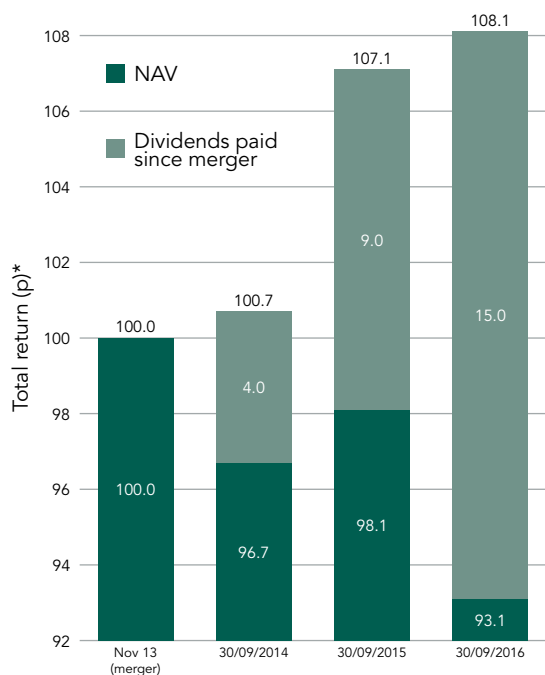
The business is building a group of purpose-built nurseries which aim to provide outstanding care and education to its children. The business is led by Sarah Steel, who brings 14 years' experience in managing the successful Old Station Nursery Group. Since investment, Pilgrim has secured sites for their first two nurseries, with both expected to open in 2017.

Source: Pilgrim Trading



Track record of Downing ONE

Downing ONE operates a similar strategy to this share class. Downing Absolute Income VCT 1, the oldest VCT set up by Downing, launched in 1997 at a price of 100p per share (80p net of income tax relief) and by November 2013 its total return was 152.6p per share. This VCT was then merged with five other VCTs to form Downing ONE VCT, whose shares were rebased to a price of 100p per share. The track record of Downing ONE since the merger is set out below:



* NAV plus dividends paid since merger

Please note the NAV for 30 Sep 2016 is unaudited
Source: Downing LLP

Funds awaiting investment

With returns on cash deposits currently at very low levels, up to 70% of the funds awaiting investment will instead be invested in funds managed by Downing's award winning Public Equity team*, subject to market conditions and cashflow requirements. The Company will focus on investing in Downing funds with a micro-cap investment strategy, although funds with other strategies will also be considered in order to provide additional diversification.

Downing's Public Equity division was established in 2010 by Judith MacKenzie. Judith has over 20 years' investment experience, and is the lead fund manager for Downing's micro-cap fund. She is Trustnet 5-Crown and Citywire-AA rated** and two times Small Cap Fund Manager of the Year* for the MI Downing UK Micro-Cap Growth Fund.

*UK Small Cap Awards 2013 and 2015; **For the three year risk-adjusted performance of the MI Downing UK Micro-Cap Growth Fund B Shares to 30/11/2016

MI Downing UK Micro-Cap Growth Fund

Cumulative performance – Class B Shares (%) (as at 30 November 2016)

	1 month	3 months	6 months	1 year	3 years	5 years
Fund	+3.68	+5.09	+12.90	+5.02	+45.26	+133.99
Index	+0.55	+1.96	+ 5.65	+7.94	+13.84	+ 74.57

MI Downing UK Micro-Cap Growth Fund

Discrete performance – Class B Shares (%)

	30/11/15 – 30/11/16	30/11/14 – 30/11/15	30/11/13 – 30/11/14	30/11/12 – 30/11/13	30/11/11 – 30/11/12
Fund	+5.02	+12.60	+22.84	+30.16	+23.76
Index	+7.94	+ 8.17	-2.49	+31.59	+16.54

Index: Numis Smaller Companies Index Plus AIM Excluding Investment Trusts. Source of all fund data is Maitland Institutional Services, source of all index data is Thomson Reuters.

Please note that past performance is not a reliable indicator of future results.

Risk factors

Please note, the value of shares in the VCT can fluctuate. There is no guarantee that the valuation of Generalist Shares will fully reflect their underlying net asset value, or that you will be able to buy and sell at that valuation or at all. The key risks associated with the Generalist Share Class of Downing FOUR are listed below. Please refer to the Prospectus for a full list of risk factors.

- **Tax reliefs are not guaranteed:** If Downing FOUR does not maintain VCT qualifying status investors could lose the upfront 30% income tax relief and all other tax reliefs.
- **There are market risks:** The investments the Company will make in funds comprising listed stocks will be subject to normal market fluctuations and other risks inherent in investing in securities.
- **VCT rules are restrictive:** Downing FOUR's ability to obtain maximum value from its investments may be limited by the VCT rules. Changes in the VCT rules may be applied retrospectively and may reduce the level of returns for investors.
- **You cannot rely on past performance:** Downing FOUR invests in small unlisted companies which, by their nature, are higher risk than larger "blue-chip" companies. Past performance is not a reliable indicator of future performance.
- **This is a long-term investment:** You should be prepared to hold your shares for a minimum of five years to qualify for the available VCT tax reliefs.
- **Nature of smaller companies:** VCT funds must be invested in smaller companies which may be more risky than their larger counterparts and where shares may be less liquid.
- **You may lose money:** the value of shares may go down as well as up and shareholders may not receive back the full amount invested. In addition, there is no certainty as to the level of dividends.

8 December 2016



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Important notice

This document has been prepared for retail investors and their advisers and has been approved and issued as a financial promotion under the Financial Services and Markets Act 2000 by Downing LLP. This document does not form part of a direct offer or invitation to purchase, subscribe for or dispose of securities, or to enter into any investment service, and no reliance should be placed on it. Investors should only subscribe on the basis of the Prospectus which details the risks after taking appropriate advice. Downing LLP does not offer investment or tax advice or make recommendations regarding investments. Downing LLP is authorised and regulated by the Financial Conduct Authority.

Downing FOUR VCT plc

Healthcare Share Class

Investor guide

Key points

- ▶ **Healthcare investment strategy**
 - ▶ **30% income tax relief** subject to personal circumstances and a five-year holding period
 - ▶ **Monthly subscription option available**
 - ▶ **Nil discount share buy-back policy**
- Your attention is drawn to the risk factors overleaf

Downing FOUR is launching a new Healthcare Share Class, seeking to raise up to £10 million. The VCT aims to build a portfolio of investments to support the growth of healthcare businesses while offering investors access to VCT tax reliefs.

Investment strategy

Downing FOUR Healthcare Share Class aims to provide attractive returns to investors by investing in a portfolio of healthcare investments. The focus will be on development and expansion funding for innovative healthcare and biomedical businesses.

Attractive VCT tax reliefs

- ▶ **Income tax relief at 30%** of the amount subscribed provided the VCT shares are held for at least five years
- ▶ **Tax-free distributions and capital gains**

Please note that this is a very brief summary of the current UK tax reliefs on VCTs. All tax reliefs are subject to change in the future and personal circumstances. In addition, the availability of tax reliefs depends on the companies maintaining their qualifying status. Please refer to the HMRC website for further guidance on the tax reliefs available on VCT investments or consult your adviser.

Monthly subscription option

Investors have the option to invest a lump sum or a monthly subscription by way of a standing order. Share allotments will be made at least quarterly with tax and share certificates issued accordingly.

Nil discount share buy-back policy

Downing FOUR intends to buy-back its Healthcare Shares at a nil discount to the latest published net asset value, giving Shareholders the opportunity to sell their shares and exit the VCT in one transaction, at a time that suits them, with no exit penalties.

This policy is subject to applicable regulations and liquidity, and investors should remember that if they do not hold their shares for the minimum holding period of five years, they will be required to repay their income relief.

Offer details and charges

- ▶ **Offer size:** £10 million with a £10 million over-allotment facility
- ▶ **Minimum investment:** £5,000 lump sum or £500 per month, across both Downing FOUR's offers
- ▶ **Maximum investment:** £200,000 per tax year or £16,666 per month
- ▶ **Dividend policy:** 4% p.a. of net assets from year 4 onwards (this is a target and not guaranteed)
- ▶ **Initial charge:** 2% (advised retail or direct investors)
4% (execution only or professional clients)
- ▶ **Management charge:** 2.5% p.a.
- ▶ **Performance fee:** 20% of all dividends paid if the total return exceeds the hurdle. The hurdle is £1.00 per share up to 31 March 2020, £1.03 per share at 31 March 2021 and will rise by 3p p.a. thereafter.

Other charges apply. Please see the Prospectus for full details of the Offer and charges.

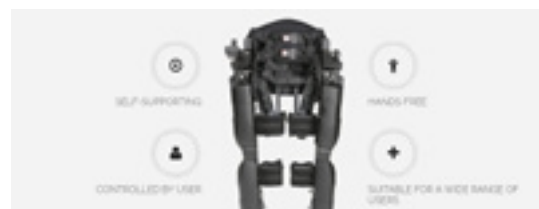
Example investments

Set out below are examples of investments made by our healthcare investment adviser – BioScience Managers. These examples represent similar opportunities that Downing FOUR's Healthcare Share Class will seek to invest in.

Rex Bionics

Rex Bionics plc is an AIM-listed manufacturer of robot assisted mobility devices. Rex Bionics has developed a hands-free Robotic Exoskeleton: the "Rex", for clinical rehabilitation use; and the "Rex P", for personal use. The devices are for wheelchair users enabling them to stand and walk autonomously, without crutches. The company is now an ISO accredited manufacturing facility that can supply global markets. MaxHealth (associate of MAAB Group), a Chinese distributor of high technology medical products, has become an investor.

Source: BioScience Managers



Adherium

Adherium Limited is a company seeking to tackle medical non-adherence (the failure to follow a prescribed medical plan). Adherium helps patients manage and track their chronic respiratory conditions. Their SmartInhalers™ synchronise with their app and secure online database to provide reminders and information improving medical adherence in children by 180%. Adherium was successfully listed on the Australian Stock Exchange in August 2016. They have conducted 22 clinical trials across six countries. The company has received US FDA 510(k) clearance and their CE Marking allowing for greater international market access.

Source: BioScience Managers



Track record of BioScience Managers

Downing has appointed BioScience Managers Pty Ltd as our healthcare investment adviser. BioScience Managers has launched two funds since their formation in 2008:

► **IB Australian Bioscience Fund I**

► **Asia Pacific Healthcare Fund II**

Additionally, in 1994 Jeremy Curnock Cook (BioScience Managers' Founder and Managing Director) launched and managed the International Biotechnology Trust plc which he managed until August 2000.



	Launch	End	No. of core investments	Size of fund	IRR ¹
The International Biotechnology Trust plc ("IBT")	May 1994	August 2000 ²	30	£349.3m	40.0%
IB Australian Bioscience Fund I ("Fund I")	July 2008	November 2014	12	AUS\$42m ³	22.5%
Asia Pacific Healthcare Fund II	September 2012	N/A ⁴	7	AUS\$56m	N/A ⁴

Past performance is not a reliable indicator of future results.

¹ The IRR calculated on IBT is the gross IRR by investment, before fees, for investments made in the period from May 1994 to August 2000. It is derived from cashflows of IBT extracted from publicly available information and where information was unavailable assumptions were made. The IRR calculated on Fund I is net of fees, including performance fees. ² End date of August 2000 is the date when Jeremy Curnock Cook ceased to manage the fund. ³ AUS\$42m of committed capital (AUS\$35m drawn down) and a total of AUS\$56m returned to investors, net of performance fees. ⁴ This is a 10 year fund and so it is too early to accurately judge performance.

AUS\$ - Australian dollars. Source: BioScience Managers

Risk factors

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- **VCT rules are restrictive:** Downing FOUR's ability to obtain maximum value from its investments may be limited by the VCT rules. Changes in the VCT rules may be applied retrospectively and may reduce the level of returns for investors.
- **You cannot rely on past performance:** Downing FOUR invests in small unlisted companies which, by their nature, are higher risk than larger "blue-chip" companies. Past performance is not a reliable indicator of future performance.
- **Tax reliefs are not guaranteed:** If Downing FOUR does not maintain VCT qualifying status investors could lose the upfront 30% income tax relief and all other tax reliefs.
- **Nature of smaller companies:** VCT funds must be invested in smaller companies which may be more risky than their larger counterparts and where shares may be less liquid.
- **There are market risks:** The investments the Company will make in funds managed by Downing and/or listed shares will be subject to normal market fluctuations and other risks inherent in investing in securities.
- **This is a long-term investment:** You should be prepared to hold your shares for a minimum of five years to qualify for the available VCT tax reliefs.
- **Single sector exposure:** The qualifying investments in this share class will only be invested in the healthcare sector, which may increase risks compared to a VCT share class that is diversified by sector.
- **You may lose money:** the value of shares may go down as well as up and shareholders may not receive back the full amount invested. In addition, there is no certainty as to the level of dividends.

Funds awaiting investment

With returns on cash deposits currently at very low levels, up to 70% of the funds awaiting investment will instead be invested in listed shares and funds managed by Downing's award winning Public Equity team*, subject to market conditions and cashflow requirements. The Company will focus on investing in Downing funds with a micro-cap investment strategy, although funds with other strategies will also be considered in order to provide additional diversification.

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MI Downing UK Micro-Cap Growth Fund Discrete performance – Class B Shares (%)

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