

Reasons Why Letter

Albion VCT's Prospectus Top Up Offers 2019/2020

This document is issued by Albion Capital Group LLP (the "Manager") and is intended for the use of FCA authorised financial advisers only. It contains information extracted from the Albion VCTs Prospectus Top Up Offers **2019/2020 Prospectus dated 22 October 2019** (the "Prospectus"), that may be of use when writing suitability letters. The information and its format are for demonstration purposes only. This summary does not contain a comprehensive review of the risks of the product which are set out in the Prospectus dated 22 October 2019. Headings and layout are for example only and should not be taken as a definitive example for the form and content of your suitability letters. You have sole responsibility for ensuring your letter is appropriate and tailored for each client ensuring that their financial needs and requirements, their individual circumstances and their risk tolerance are all considered. You also have sole responsibility for ensuring your letter meets regulatory requirements and no responsibility whatsoever is accepted by Albion Capital for your use of this information, which is provided at your own risk.

The Offers have been designed to provide investors with an income producing, tax-efficient exposure to a portfolio of UK smaller unquoted companies.

The Manager believes that the Offers may be attractive to investors seeking the following:

- 1) Experienced manager with strong track record
- 2) Thematic investment strategy
- 3) Investment into an existing portfolio of around 70 businesses
- 4) Up-front income tax relief at 30% for UK taxpayers
- 5) Target monthly tax-free income yield of around 5.5% (7.8% p.a. net of upfront tax relief)
- 6) Dividend reinvestment scheme provides a capital growth option, if selected

Leading Venture Capital Investment Manager

The Manager is a leading venture capital investor which has been managing investments in small unquoted UK companies for over 22 years. The team manages VCT funds of around £460m and has returned in excess of £230m in dividends and £80m through share buy-backs to shareholders as a result of an active policy of returning cash to shareholders.

The Manager has one of the largest VCT teams dedicated to VCTs consisting of 15 investment managers, 7 of whom are partners.

Thematic investment strategy

The Offers give an investor immediate exposure to the five Albion VCTs that are raising funds, with a combined portfolio of approximately 70 unquoted smaller UK businesses with a total asset value of £365m. The VCTs' current focus is to make investments in growth companies particularly in areas such as digital healthcare, automation, data analytics and digital risk management.

Investment portfolio profile

Each VCT will invest in a broad portfolio of higher growth businesses across a variety of sectors of the UK economy with an increasing focus on higher risk technology companies. Every effort will be made to ensure that the portfolio is diversified both in terms of the number of investee companies and their maturity.

Investment Opportunity

The new fundraising will enable the Albion VCTs to capitalise on the attractive investment opportunities available in the current market and provide additional liquidity. Amounts subscribed may be invested equally across the five Albion VCTs raising funds or otherwise as directed by investors subject to a minimum subscription of £1,000 for each VCT selected. The minimum investment in aggregate is £5,000. The Offers are targeting to raise up to £34m and there is no minimum amount raised for each Offer to proceed. The Offers will close on 3 April 2020 for the 2019/2020 tax year, unless fully subscribed earlier. Applications may also be made for the 2020/2021 tax year. The first allotment of shares under the Offers is expected to be 31 January 2020.

Target tax-free income yield of around 5.5% (7.8% p.a. net of upfront tax relief)

The current target yield of around 5.5% p.a. on an equal investment across each of the five VCTs is equivalent to 7.8% on the net cost of 70p (after up-front tax relief at 30% for UK taxpayers).

Capital growth option

The VCTs managed by the Manager operate dividend reinvestment schemes under which shareholders who do not want immediate tax-free dividends may reinvest their dividends automatically in new shares. Buying new shares in this way avoids dealing costs and attracts income tax relief at 30% on the value of the dividend for UK taxpayers. This allows investors to compound their capital growth until such time an investor may decide they wish to start taking the income.

Committed management team

Directors of the Albion VCTs and partners and staff of the Manager hold over £5m by value in the Albion VCTs.

Buy-back policy

The Albion VCTs, where possible, buy back their shares in the market. It is the stated aim of the VCTs that the target discount to net asset value at which they seek to buy back shares is around 5%, in so far as market and liquidity conditions permit. To date, Albion VCTs have returned in excess of £80m to shareholders through buy-backs.

Costs

The Offer Costs are 2.5% of the subscription amount. The Manager charges an annual management fee to the VCTs ranging from 1.75% to 2.5% of the net asset values, depending on the VCT. Total annual running costs are limited to between 2.5% to 3% depending on the VCT, with any excess borne by the Manager through a reduction in its management fee.

An Early Bird discount is available for the first £10m raised before 2pm on 31 January 2020: Applications from existing shareholders in any of the Albion VCTs will benefit from a 1% discount in the Offer Costs and applications from new investors in the Albion VCTs will benefit from a 0.5% reduction in the Offer Costs. The cost of the discounts will be borne by the Manager.

The Prospectus relating to the Albion VCTs Prospectus Top Up Offers 2019/2020 is available from Albion Capital by telephone on 020 7601 1850 and on Albion Capital's website: www.albion.capital. Albion Capital Group LLP is a Limited Liability Partnership whose registered office is at 1 Benjamin Street, London EC1M 5QL and is authorised and regulated by the Financial Conduct Authority.