

Reasons Why Letter

Albion VCTs Prospectus Top-Up Offers 2022/2023



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 2022/2023 Prospectus dated 10 October 2022 (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 10 October 2022. 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 the Manager for your use of this information, which is provided at your own risk.

The offers are designed to provide investors with an income producing, tax-efficient exposure to a diverse portfolio of early-stage companies that can drive long-term value. The fundraising will enable the Albion VCTs to capitalise on interesting investment opportunities in the current market and provide additional liquidity. The offers may be attractive to investors seeking:

1. Diversification

As VCTs invest in early-stage companies, whose values are closely aligned to the underlying performance of the business, they typically have lower correlation to listed equities. Albion’s VCTs have a substantial portfolio of c.60 companies covering Albion’s target sectors and the split across businesses from early stage to scale up provides additional diversification.

2. Tax-free income stream

The current target yield of around 5.0% p.a. of NAV across each of the six VCTs is equivalent to c.7.1% on the net cost (after up-front tax relief at 30% for UK taxpayers). Each of the VCTs pays dividends twice a year and subscribers for shares in all six VCTs should receive a dividend at the end of every month.

Investors may opt to reinvest their dividends automatically in new shares, which avoids dealing costs and attracts 30% income tax relief. This allows investors to compound their capital growth until they wish to start taking the income.

3. Established track record

Albion’s VCTs have an annual return rate net of fees and excluding tax relief of:

- 6.3% over 1 year
- 9.6% over 5 years

- 8.4% over 10 years

Albion's VCTs have c.£620m in AUM as at 30 June 2022, making them among the industry's largest. Size matters because it offers a number of diversification benefits referenced in paragraph 1. Over the past five years the VCTs have returned over £150m in dividends and over £39m in buy-backs to shareholders.

4. Experienced manager

With 26 years in venture capital investing, Albion has the experience to navigate difficult markets. This is attributable to the people, which Albion believes are the bedrock of their success.

Albion's large and experienced investment team have backgrounds in healthcare, accountancy, investment banking and strategy consulting. These key skills are not only vital to evaluating the businesses they invest in but allows them to offer valuable strategic support to help them scale.

5. Access to innovation

VCTs focus on small and medium-sized businesses. These are the companies that develop innovative technologies to solve challenges in or disrupt their industries, creating growth potential for those with a stake in their businesses. As thematic investors, Albion focuses on long-term trends that can drive long-term value, specialising in healthcare and B2B mission critical software.

Investors should bear in mind these key risks as well as those listed in the Prospectus:

Capital at risk

The value of a VCT investment, and any income from it, can fall as well as rise. Investors may not get back the full amount that they invest.

Tax rules

Tax treatment depends on individual circumstances and may change in the future. Some tax benefits require the shares to be held for a minimum of 5 years. Tax reliefs depend on the VCT meeting and maintaining its VCT-qualifying status.

VCT shares may be difficult to sell

There isn't an active secondary market for VCT shares in the way there is for most other listed companies' shares. This means that an investor who wishes to sell may have to accept a price lower than the Net Asset Value (NAV) of the investment. (See Buy-back policy below).

Other relevant information:

Subscription terms: Investments are spread equally across the six VCTs, unless directed otherwise by investors, subject to a minimum subscription of £1,000 for each VCT and £6,000 in aggregate. The offers are targeting up to £50m and may raise up to a further £30m via over-allotment facilities. Applications may also be made for the 2023/2024 tax year. The first allotment of shares is expected to be on 2 December 2022.

Buy-back policy: The Albion VCTs, where possible, buy back shares in the market with a target discount to NAV of c.5%, market and liquidity conditions permitting. To date, Albion VCTs have returned over £113m to shareholders through buy-backs.

Costs: The Offer issue costs are 2.5%. The Manager charges an annual management fee to the VCTs ranging from 1.75% to 2.25% of the NAVs, depending on the VCT. Total annual running costs are limited to 2.5%-3%, 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, **which is expected to be reached soon after launch**, as follows: applications from existing shareholders will benefit from a 1% discount; new investors will benefit from a 0.5% discount. The cost of the discounts will be borne by the Manager.

Submission of application forms and payments: Applications must be made online at <https://www.albion.capital/current-offers>. Subscription monies must be paid electronically. Applications or cheques received by post will not be accepted.

Share certificates and income tax certificates: All confirmations of successful applications made through financial advisers will be emailed to both the adviser and the client. Share and tax certificates will be sent within 30 business days after the allotment of the new shares to the investor. These documents are important and should be **kept in a safe place**. Registrars normally charge for issuing replacement share certificates and indemnity insurance may be required.

FSCS and FOS: VCT shareholders are not covered by the Financial Services Compensation Scheme and do not have access to the Financial Ombudsman Service in relation to a complaint about a VCT investment.

The Prospectus relating to the Albion VCTs Prospectus Top Up Offers 2022/2023 is available on the Albion Capital's website: <https://www.albion.capital/current-offers>. **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.**