

Northern VCTs - NEW OFFER

A longstanding and highly respected VCT manager with a stellar track record of delivering strong performance and dividends to its clients in the past 25 years. Northern is seeking to raise £40m across its three VCTs

CHELSEA VIEW

Northern (NVM) investors will have the best of both worlds with access to a strong portfolio of mature legacy investments, as well as a growing number of capital growth deals, following the 2015 rule changes in the VCT market. This means investors should benefit from income and any potential capital returns from the mature portfolio, whilst funds are still allocated to earlier stage investments with a view to long-term capital growth.**

Chelsea Client Discount:

*The initial charge is reduced to 1.75% for existing investors and 2.25% for new investors. There is also a 0.4% one off cashback.**

*The minimum investment is
£6,000*

The trio of VCTs are managed by Tim Levett and Charles Winward. Tim was involved in the launch of NVM in the 1980s and has been managing each VCT since launch.

These VCTs are always highly sought after by investors, with Northern's previous raising of almost £20m in January 2019 reaching full subscription in only 11 days. This year's raising marks the first time in three years that top-ups are not restricted to existing investors, meaning anyone can invest. With this in mind, we expect this raising to sell out quickly.

Mercia acquisition gives Northern VCTs best of both worlds

NVM's VCT business was acquired by Mercia Asset Management in December 2019, with the team, headed by Tim and Charles joining the firm to set up a new VCT division.

As Tim, Charles and the existing management team will continue to run all three VCTs, we view this as a very positive move for the range. Mercia is an aim-listed regional venture capital business which focuses on early stage growth deals. The firm has over 60 investment professionals working across eight regional offices.

NVM now has access to this wider team which means investors are buying into VCTs with a number of mature holdings as well as gaining access to a rich source of new growth orientated companies. With its focus on earlier stage and smaller deals, Mercia sees around 2,000 businesses a year and has a portfolio of around 200 companies, which could provide opportunities for all three VCTs.

Investment Process and Portfolio Holdings

All three are generalist VCTs that have had the same investment strategy since launch. The established management buyouts (MBO) investments form the legacy part of the portfolio and currently account for 45% of assets**. Management also voluntarily invest in each VCT, aligning their interests with investors.

The £7m investment in airport hospitality specialist No.1 Lounges, supporting its management buy-out, is a good example of a legacy business held across the NVM VCT range. No.1 Lounges customer base has increased significantly year-on-year and the future looks bright with an estimated 6.7bn passengers traveling through airports by 2032. The firm has limited competition in the market, many airports now proactively asking for No.1 Lounges at their sites.**

Examples of growth companies include the likes of health and safety provider SHE Software, online education platform KnowledgeMotion and Currentbody.com, which is an online marketplace for home beauty devices.

Investor Returns and Dividend Target

The portfolios have combined assets of £270m and offer 4-5% dividend of their net asset value (NAV).

All three portfolios have been strong performers in the past decade. The Northern Venture Trust has returned 185.7%, while Northern 2 and Northern 3 have returned 170% and 152.8% respectively.****

UNDERSTAND THE RISKS

VCTs carry a higher risk than many other forms of investment. The value of the investment into a VCT and income from it may go down as well as up and investors may not get back the full amount invested even after taking into account tax relief. Please note that VCTs usually trade at a discount to their net asset value and invest in small and illiquid companies. They should be considered long term investments. This research does not constitute advice. Potential investors are reminded that VCTs are complex, higher risk investments. If you are in any doubt about the suitability of this investment, you should seek professional advice.

Past performance is not a reliable guide to future returns. You may not get back the amount originally invested and tax rules change over time.

HOW TO INVEST

Please find an application form and key information documents enclosed. Please ensure you read and understand the terms and conditions, prospectus and key information documents, which sets out the risks, before you invest. Please return all applications to Chelsea in the prepaid envelope provided. The minimum investment is £6,000.

*Chelsea will send you a one-off cashback for 0.4% of the amount invested at the end of April 2021. Please see terms and conditions.

**Northern VCTs Investment Trust brochure

***NVM website <https://nvm.co.uk/our-companies/no-1-lounges/>

****nvm.co.uk, as at 08/01/2020