



For Immediate Release

15 November 2004

## **CORE GROWTH CAPITAL LAUNCHES £30M PRIVATE EQUITY VCTs**

- **Tax efficient access to the pure Private Equity asset class for high net worth private investors**
- **No management fees – manager earns performance only rewards, after investors have received back all their investment**
- **Enhanced Liquidity – the funds are structured to deliver high income and capital distributions**

Core Growth Capital, the specialist private equity partnership, announced today the launch of two new Venture Capital Trusts, which will provide private investors with tax-efficient access to small to mid sized UK companies. Core VCTs I and II (“Core VCTs”) will invest in parallel, taking significant equity stakes of £2 – £5 million in established small to mid sized private companies. Collins Stewart, the leading stockbroker specialising in investment trusts, is sponsoring the Core VCTs.

Rolly Crawford of Collins Stewart said: “We have seen many VCTs recently and this is the one we decided to sponsor. We believe this issue is unique in a number of areas, particularly in the area of fees, where the managers’ interests are fully aligned with those of the shareholders. Most importantly, we believe the managers are capable of delivering significant growth to the VCT, through investing in the private equity arena.”

Stephen Edwards, Managing Partner of Core Growth Capital, continued: “We have developed these funds for high net worth investors to take full advantage of the investment opportunity that exists in private equity. The funds are structured for the efficient delivery of investment gains back to investors, within the enhanced tax wrapper of the new VCT structure.”

As an asset class, VCTs have historically delivered poor performance for investors. Since inception, they have generated an underlying gain of just 1.2p, but have created an effective loss of 20.5p for investors, once management fees of 9.2p and a share price discount to NAV of 12.5p are taken into account.

However, Private Equity VCTs as a sub-class have performed markedly better – generating underlying value of 30.3p and an effective gain of 9.7p, even after accounting for management fees and the price to NAV discount.

Stephen Edwards continued: “The Core VCTs will focus purely on making Private Equity investments in established companies, where we have delivered a 10 year rate of return of 33%<sup>1</sup> per annum. The Core VCTs follow Core Growth Capital’s “performance only rewards” and “investor first” approach:

- **No management fee, performance only rewards** – The manager will earn its rewards once investors receive 100p cash back (including 40p in income tax relief), and only out of further distributions to shareholders;
- **Enhanced liquidity** – The stated policy of the Core VCTs is to return as much cash back to investors as soon as is practicable;
- **Reduced investor risk** – By eliminating management fees, there will be more cash available for distribution to investors; we estimate that the maximum investors equity at risk will be around 30p after Year 3;<sup>2</sup>
- **£3 million+ Manager commitment** to invest into and alongside the VCTs, thereby completely aligning the interests of the Manager and the investors.

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<sup>1</sup> The annual compound rate of return (calculated annually) of all investments (realised and unrealised) led or managed by Stephen Edwards, using the latest available published valuations (in accordance with extant BVCA Guidelines) at the date he ceased to be employed by the respective legacy private equity firm

<sup>2</sup> See Investor Profile at end

Walid Fakhry, Founding Partner, explained: “The way the fee structure and the new tax breaks work means that we make no money unless investors have received back their full investment cost. We are fully incentivised to make distributions of capital and profits rather than retain profits within the fund<sup>2</sup>. Our £3 million commitment alongside investors ensures that their interests and ours are fully aligned. We know of no other fund in the market where this is the case, and it shows our total confidence in the performance of this fund.”

An independent Board for the VCTs is to be appointed, comprising experienced, active practitioners with experience of the key disciplines required in a successful venture capital business. They are :

**Peter Smail (Chairman)** – a highly experienced private equity investor, and a Director of Dunedin Capital Partners until 2004. He is a non executive director of AIM Holdings plc and Portman Holdings Limited.

**Lord Walker**– has pursued an active business career and a distinguished career in British politics. He is currently Vice Chairman of Dresdner Kleinwort Wasserstein, Chairman of Allianz Cornhill Insurance plc, and a non executive director of Caparo plc.

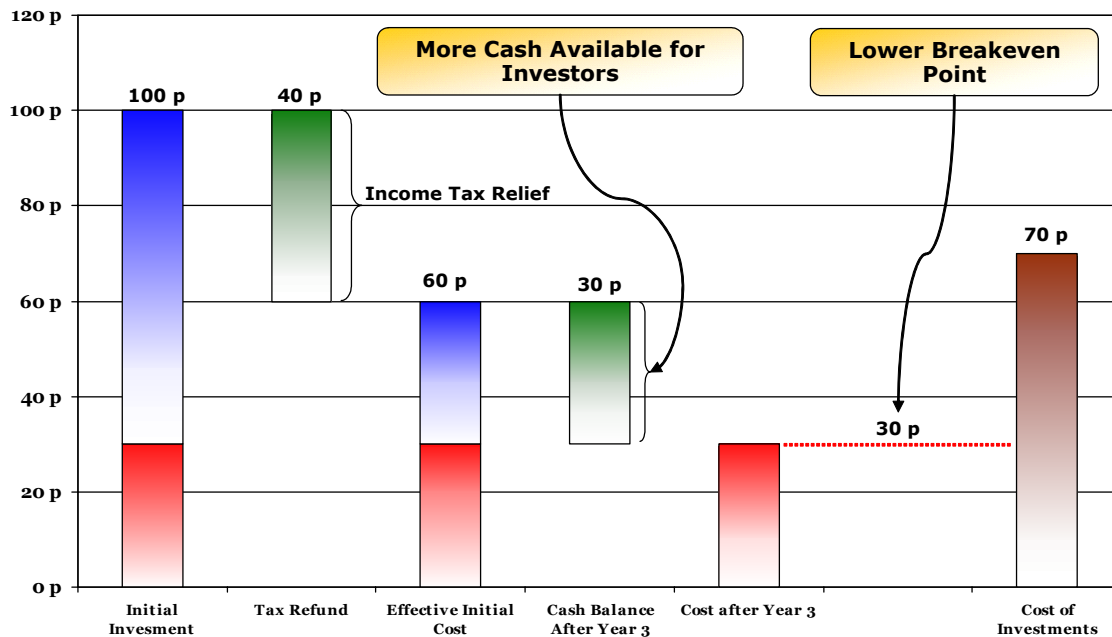
**Helen Bagan** – has 4 years experience in corporate finance, and 11 years experience in private equity and investment trusts, latterly as Finance Director of ProVen Private Equity. She is a non executive director of Ofex Holdings plc.

#### **Details of the VCTs:**

- The VCTs are structured as two separate VCTs, which will enable Core to make larger initial investments than a single VCT investing in isolation
- The offer for subscription to the Core VCTs is expected to open on 15th November 2004.



## (2) Investor Profile

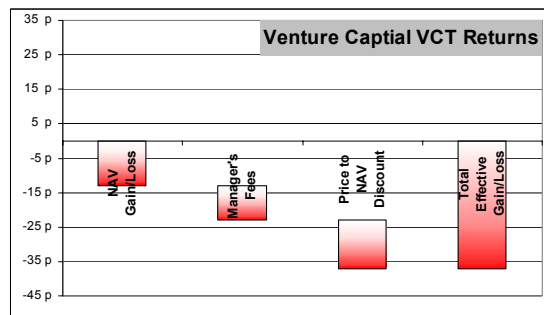
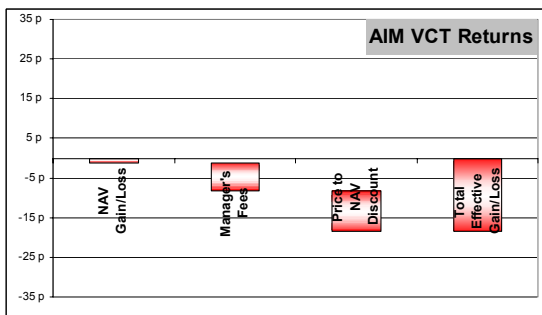
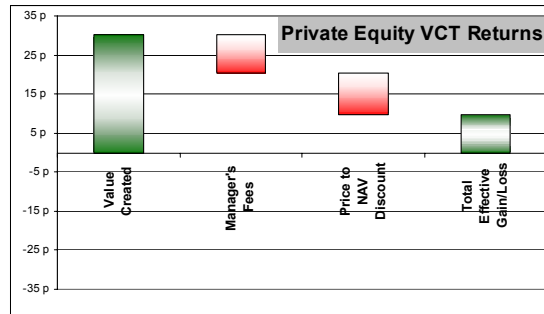
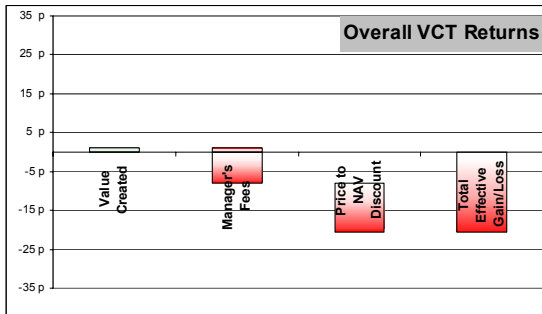


For Illustration Only

The chart above shows that :

- Investors initially subscribe 100p per share
- Within the first year, they receive back 40p in income tax relief
- This reduces the Effective Initial Cost to 60p
- Core will invest at least 70p over three years in qualifying investments consistent with our investment approach and strategy
- The Cash Assets remaining on the VCTs balance sheet after Year 3 should be 30p.
- A significant proportion of this would be distributed to further reduce the effective cost to c.30p, matched by assets with an original cost of over 70p.
- Investors continue to receive distributions tax efficiently as we realise gains from exiting the investments
- At any point in time, investors will have a very significant asset to equity ratio which should provide them with both an enhanced return as well as significant downside protection.

### (3) VCT Returns



Source : [www.allenbridge.co.uk](http://www.allenbridge.co.uk), as at 13<sup>th</sup> September, 2004, London Stock Exchange 13<sup>th</sup> September, 2004, Core Growth Capital LLP analysis of data extracted from the latest annual reports for all VCTs as at 30<sup>th</sup> June, 2004 where such data has been published, and excluding protected VCTs as these are no longer permitted. All data is weighted by initial funds raised as published on [www.taxshelterreport.co.uk](http://www.taxshelterreport.co.uk), and for an initial subscription price of 100p per share.