ProVen VCT O share offer	**Type**	"O" share fund raising in the ProVen VCT
	Size	£15m.
	Manager	Beringea LLP
	Sponsor	Howard Kennedy
	Focus	Unquoted companies
	Minimum investment	£5,000
	Minimum subscription	None
	Closing	5 Apr 2012/ 31 May 2012
	Commission	3% or 2.5% plus trail of 0.25% of net asset value per annum for up to 5years

Strategy

The offer is for £15m in new Ordinary shares of ProVen VCT , which already has a diversified mature portfolio of venture capital investments valued at £12m.

Performance to date of both ProVen VCT and ProVen Growth & Income VCT has been excellent and the offerings from 2000 to 2005 occupy positions well up their peer group ranking, a significant achievement for the management team .

Investors will be buying into an existing mature portfolio, offering immediate access to a potential stream of dividends, and may therefore receive comparatively higher levels of dividends over the first few years of their investment compared to a new VCT share class. The strategy of the VCT is to invest 75% of the funds raised in a portfolio of small and medium sized unquoted companies with strong growth prospects which meet the criteria for VCT qualification.

The key selection criteria for VCT Qualifying Investments will normally be as follows:

- a strong, balanced and well motivated management team with a proven track record of achievement, and a substantial shareholding in the business
- a defensible market position;
- good growth potential;
- an attractive entry price for the Fund;
- the ability to structure the investment with a proportion of secured loan notes in order to reduce risk; and
- a clearly identified route for a profitable realisation within a 3-4 year period.
- a proven successful business model

The Fund will invest in companies at various stages of development, including those requiring capital for expansion and in management buy-outs, but not in start-ups and investments will be spread across a range of different sectors.

A buy-back policy should operate at a maximum discount of 10% to net asset value.

As this is an existing porfolio there is no minimum level of subscription to proceed. The "O" shares will invest in new investment situations as well as potentially investing in existing portfolio companies.

Tax Efficient Review rating: 28 out of 30

Track record

Beringea manage over £80m of funds with the bulk of it in two VCTs, ProVen VCT and ProVen Growth & Income VCT (which was ProVen Media VCT). ProVen VCT has an ordinary share pool, a C share pool and a D share pool. ProVen Growth and Income VCT has an ordinary share pool comprising a merged original ordinary share and C share pool (the merger took place on 26 October 2009) and a D share pool. Beringea took over the management of ProVen Health VCT (formerly

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Noble Health Fund VCT) from 1 February 2009. ProVen Planned Exit VCT was launched in November 2010.

The performance of both the VCTs Beringea has managed since launch has been excellent under the leadership of Stuart Veale with large dividend payments being made to investors. Apart from the stellar performance of Mergermarket in 2006, an investment which originally cost £1.1 million and was sold for proceeds of £15 million, the investment in ILG Digital Limited was sold in early 2008 as part of a private equity transaction generating proceeds of £7.1 million against an original cost of £2.1 million. In February 2011, Beringea sold its stake in Saffron Digital, the original investment of £1.15m was invested in 2007 through ProVen VCT & ProVen Growth & Income VCT, the deal valued the company at £30m and generated an IRR of 65% on an investment return of 5.8x, for the two VCTs.

A potential issue for investors going forward is that 44% of the ordinary share net asset value is in three investments, although this concentration issue is not uncommon in a mature venture capital portfolio. This concentration will be reduced by the funds raised under the offer and also by the merger of the O and C shares which is expected to take place in October 2012. Espresso now represents around 22.8% of the Net Asset Value of the Ordinary Share of ProVenVCT as at 31 August 2011, the fund manager says that the company continues to perform well and has entered the US market about 1 year ago. Think has been revalued upwards by 200% since February 2011 from £0.741m to £1.591m. During the period, Think, a digital media agency, announced that it had been selected as the lead digital agency for "Pottermore", the online reading experience created by J.K. Rowling and built around the Harry Potter books. This, together with new client wins such as Formica and Warner Brothers, has contributed to the uplift in valuation. SPC International is a hardware support company specialising in the repair, refurbishment and remarketing of electronic equipment in the IT, banking and retail sectors. This is a large investment and is still held near cost after eight years.82% of the value of SPC relates to loan notes.

The investment management team approves potential investments. The members of the investment management team have over 60 years' combined experience of venture capital investment.

Sitting on the the Board of the VCT are:

Andrew Davison (chairman, 62, former MD of NatWest Ventures and Council member of BVCA,

Malcolm Moss (52, a Senior Managing Director and founder of Beringea LLC) and

Barry Dean (62, formerly managing director of Dresdner Kleinwort Benson Private Equity Ltd. He is currently a director of Henderson Private Equity Investment Trust plc).

Tax Efficient Review rating: 32 out of 40

Deal Flow The Manager will source investment opportunities from its established network of introducers, including corporate finance advisers, management consultants and other intermediaries. Where Beringea has identified an attractive market opportunity it will also make direct approaches to companies operating in that sector.

Tax Efficient Review rating: 17 out of 20

Costs Initial costs will be capped at 5.5%, out of which commissions are paid of either 3% initial and no trail or 2.5% initial plus annual trail of 0.25% for up to 5 years. The initial commission is included in the 5.5% charge. The Manager will also receive an annual commission of 0.2% of gross funds raised for a period of 5 years but will pay all IFA trail commission.

Annual running costs will be capped at 3.5% of net assets (including VAT), costs are running currently at 2.6%. However as noted above the cost of trail commission is not included. The fixed running costs of the company will be spread over a larger base, thereby reducing the overall level of the running costs to all shareholders as a % of the company assets.

In line with normal VCT practice, the Manager will be entitled to receive a performance related incentive fee in relation to the New Ordinary shares in order to align the interests of the Manager as closely as possible with those of the Investors and to encourage and reward exceptional investment performance. The incentive fee structure is designed to encourage significant payments to Investors by means of tax-free dividends, as well as capital growth.

Tax Efficient Review rating: 8 out of 10

Concclusion A £15m "O" share linked offer from ProVen VCT. Performance to date has been excellent and both ProVen Growth & Income VCT and ProVen VCT are top of their respective categories of generalist VCTs based on year of launch.

The focus of this VCT will be on unquoted companies generally, with a slight portfolio bias towards the media sector. Major personnel changes in 2003 have produced eight good years of performance and we consider that the investment team is well resourced to invest the funds being raised under this offer.

The incentive fee structure is designed to encourage significant tax-free payments to Investors as well as capital growth.

A highly rated generalist offer which should be attractive for investors seeking an investment into an existing mature portfolio.

Tax Efficient Review rating: 85 out of 100.

Table 1: VCT Performance of BERINGEA fund raisings as at 31 August 2011

Launch year	Net Asset Value/Date	Total Dividends to date	Total return (dividends plus latest net asset value)	Annual IRR post initial tax relief/Position in peer group
ProVen VCT ord share (1999/00 raised £19m in tax year at 100p per share)				
1999/00	55.9p 31/08/2011	107.7p	163.6p	9% 1st out of 8
ProVen Growth & Income VCT ord shares (2001/02 investors)				
2001/02	49.2p 31/08/2011	149.7p	198.9p	14% 1st out of 8
ProVen Growth & Income ord shares (2005/06 investors in C shares)				
2005/06	79.7p 31/08/2011	14.1p	93.8p	9% 12th out of 20
Source: Data London Stock Exchange; Calculation Tax Efficient Review				