



FORESIGHT VCT AND FORESIGHT 2 VCT INFRASTRUCTURE SHARES INVESTOR GUIDE

NEW £30M VCT SHARE OFFER WITH PLANNED EXIT OPTION

An opportunity to invest where institutional money
has been profiting quietly for the last 20 years



TAX-EFFICIENT INVESTMENTS IN UK INFRASTRUCTURE

Investing in infrastructure is accepted by many pension funds and other institutional investors as a recognised part of their portfolio, offering diversification away from the traditional mix of equities, bonds and real estate and is regarded by some as uncorrelated to, and protected against, market volatility and inflation.

Today, institutional investors can choose from a range of diversified or specialist infrastructure funds and some invest directly in the underlying assets. For private individuals, however, access to infrastructure investments can be limited.

To help make this sector more accessible to private investors, we are pleased to introduce a joint offer for subscription to raise, in aggregate, up to £30 million in a new class of VCT shares in Foresight VCT plc and Foresight 2 VCT plc; Infrastructure Shares.

This offer provides an opportunity to benefit from the anticipated combination of high income, capital growth and potential lower risk than traditional VCTs, in addition to the attractive tax benefits of a VCT.

The infrastructure investment opportunity

It is intended that the Infrastructure Shares fund invests in companies which own and operate essential assets and services. The investments are expected to involve long-term contracts with strong counterparties, Governmental concessions or other measures intended to support long-term stability.

This may include the delivery of infrastructure between the public and private sectors through Private Finance Initiative ("PFI") contracts. Some infrastructure assets do not meet VCT qualification criteria, however, Foresight Group has identified a range of opportunities which it expects to be qualifying including street-lighting, waste recycling and photovoltaic solar systems.

What returns can be expected?

Investing in infrastructure has the potential to deliver high levels of income, often in the region of 8% to 12% (compound equity annual return), depending on the level of risk inherent in the underlying contracts, whether the project is fully operational or at the construction stage and other factors. These returns assume a high level of gearing alongside the equity investment. Foresight Group will aim to select investments in infrastructure that can provide a more predictable cash yield that will help support the objective of a 5p annual dividend per Infrastructure Share. This is equivalent to a gross annual yield of up to 10.6% (for a 40% tax payer) and 12.4% (for a 50% tax payer) subject to investors' personal circumstances.

Infrastructure investment would kick-start UK growth

Investor Today
14 Sept 2011

Key Features

- Planned exit or individual roll-over option
- Targeted 5p per share tax-free income per annum after year 1
- £1.30 targeted total tax-free return after five years
- Dedicated, experienced in-house team
- Lower risk VCT shares*
- Liquidity - zero-discount buy-back within first five years**
- Full VCT benefits for qualifying investors include: 30% income tax relief, tax-free capital growth, tax-free income

*Lower risk to traditional VCTs resulting from long-term contracts with strong counterparties and Governmental concessions

**Subject to clawback by HMRC of up-front tax reliefs

Targeted Return Profile Assuming Planned Exit Option Elected

Investment Example	Target distributions						
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
Year 0							
£10,000	-	5p	5p	5p	5p	110p	130p
Cash Flows	Performance (after 30% tax relief)						
-£7,000	-	£500	£500	£500	£500	£11,000	£13,000
Effective yield / uplift	-	7.1%	7.1%	7.1%	7.1%	157.1%	185.7%
Gross equivalent yield for 50% tax payer	-	12.4%	12.4%	12.4%	12.4%	-	-
	Compound annual returns (IRR) (per year, after 30% tax relief)						
Cash flows as shown	11.8%						
Gross equivalent for 40% tax payer	19.6%						
Gross equivalent for 50% tax payer	23.5%						



What is infrastructure?

A traditional definition of “infrastructure” might mean simply roads, utility networks and public buildings. In reality, the range of services with infrastructure characteristics is much wider, ranging from street-lighting, information technology and recycling centres to energy efficiency contracting and onsite power plants. Infrastructure businesses can have a number of attractive characteristics for investors including:

- long-term contracts with Governmental or blue-chip counterparties;
- protection from competition, because of natural monopolies, regulation or concessions granted by public authorities;
- inflation-linked revenues over 10-50 year contract durations; and
- barriers to entry because of high capital costs.

Benefits of infrastructure investing

Investing in infrastructure is expected to achieve an appealing combination of:

- stable and predictable cashflows;
- low correlation to economic, business and market cycles; and
- relatively low default rates.

Foresight Group expects to focus the investment programme of the Infrastructure Shares fund in the following three key areas of infrastructure (though the Companies may also invest in other infrastructure sectors).

PFI

The Private Finance Initiative or “PFI” is an approach to contracting between the public and private sectors for the delivery of infrastructure. Under PFI, a private sector consortium contracts with public sector clients to provide services on a long-term basis, typically 25-30 years. Since the launch of PFI in 1992, over 700 projects delivering investment of over £49 billion have been signed, of which 500 projects are already operational.

Energy efficiency

There is increasing demand for energy performance contracting, whereby building improvements that save energy are paid for through the resulting utility bill savings. In some cases the installer guarantees the improvement in energy efficiency and commits to pay the difference if at any time the savings fall short of the guarantee. This sort of project absorbs approximately £48 million of investment each year in the UK and the potential market is estimated to be £1 billion.

Onsite power

Generating electricity or heat on-site - also known as “distributed energy” - can reduce both overall energy cost and dependence on potentially unreliable grid electricity. The market is expected to grow significantly over the next five years, with technologies such as photovoltaic solar systems and ground-source heating becoming increasingly attractive alongside combined heat and power plants, which represent the majority of currently installed distributed energy capacity in industry. There are more than 1,400 such plants in the UK with a capital cost estimated at around £400 million, excluding the largest plants. Most combined heat and power plants are fuelled by natural gas, where the technology has a long track record of reliable operation.

Small businesses welcome infrastructure investment

Link2
7 Oct 2011

Leading VCT manager with an infrastructure focus

Foresight Group has been managing VCTs for more than 13 years and has built a significant capacity to fund and invest in infrastructure opportunities, starting with waste processing infrastructure in 2006. Since then the focus was broadened to cover social infrastructure, onsite power and energy efficiency, as well as environmental infrastructure sectors including waste processing, biomass and solar power. The group has already invested in infrastructure projects with a total transaction value to date of more than £250 million. In early 2011, the group secured a further £60 million commitment from the European Investment Bank and other investors for a £70 million institutional fund for investment in waste processing infrastructure.

Pension funds urged to invest in infrastructure

Financial Times
25 Sept 2011

DETAILS OF THE OFFER

Companies Foresight VCT plc and Foresight 2 VCT plc

Offer size £30,000,000

Offer Opened 7 October 2011

Offer Closes 29 June 2012*

Planned Exit Option five years

Individual Roll-over Option at any time up to year 4

Investment Sector UK Infrastructure

Target Portfolio

Onsite Power (including Solar)

Energy Efficiency

PFI

Minimum Subscription £5,000

Maximum Subscription £200,000 (in each tax year for VCT tax reliefs)

Targeted Return for Planned Exit Option of £1.30 after year 5 comprising

Targeted dividend 20p

Targeted capital return £1.10

Targeted Dividend

Year 1	Year 2	Year 3	Year 4	Year 5
0p	5p	5p	5p	5p

Return Profile

On a net investment cost of 70p (after applying 30% income tax relief) achieving £1.30 would represent an IRR of 11.8% p.a., equivalent to a gross return of 19.6% p.a. for a 40% taxpayer and 23.5% for a 50% taxpayer

Management Incentive

15% of distributions in excess of £1

Share Buyback Policy

Zero discount buyback policy for the first five years (subject to clawback by HMRC of up-front tax reliefs)

Initial Charges 5.5%

AMC 1.75%

Adviser Commission

3% initial commission + 0.5% trail (capped at a further 3%)

Early Bird (new investors)

2% up to 20 December 2011

1% up to 29 February 2012

Early Bird (existing shareholders of the Companies)

2.5% up to 20 December 2011

1% up to 29 February 2012

Investment Split

Equally between the Companies

TIMETABLE



* unless extended or fully subscribed earlier, or otherwise at the discretion of the boards

WHAT'S NEXT

If you would like to discuss this investment offering with someone at Foresight Group please do not hesitate to contact us on **01732 471 812** or **sales@foresightgroup.eu**



IMPORTANT INFORMATION

Issued by Foresight Group LLP ("Foresight Group"), ECA Court, 24-26 South Park, Sevenoaks, Kent, TN13 1DU, which is regulated in the conduct of investment business by the Financial Services Authority, 25 The North Colonnade, Canary Wharf, London, E14 5HS. FSA No. 198020. This document is not a prospectus or an offer or invitation to apply for Infrastructure Shares, nor does it solicit any offer or invitation. Applications for Infrastructure Shares may only be made on the basis of the prospectus (constituted by a summary, securities note and registration document) published by Foresight VCT plc and Foresight 2 VCT plc ("Companies" and each a "Company") on 7 October 2011. No reliance is to be placed on the information contained in this document in making any such application. Investors can obtain copies of the prospectus from Foresight Group.

VCTs must invest 70% in qualifying investments within three years and you must hold the investment for five years to retain the 30% income tax relief. VCTs should be seen as longer term investments and may be higher risk and more difficult to realise than investing in other securities listed in the Official List of the UK Listing Authority and admitted to trading on the London Stock Exchange. The secondary market for shares in VCTs is limited and as a result shares in VCTs can trade at a discount to the net asset value. Past performance should not be seen as an indication of future performance. The value of shares in a VCT, and any income from them, may fall as well as rise and investors may not get back what they originally invested, even taking into account the tax breaks. VCTs are designed to provide capital for small companies and each Company will invest in several companies. As such, there is a risk that these companies may not perform as hoped and in some circumstances may fail completely. Whilst it is intended that some of the Infrastructure Shares should be invested in secured loans, it is possible that in the event of a default the Companies may recover less than the amount lent notwithstanding that it might hold security. There can be no guarantee that suitable investment opportunities will be identified in order to meet the objectives of the Companies. This information does not constitute or form part of any offer for sale solicitation or any offer to buy or subscribe for any securities. When considering what action to take you are recommended to seek your own personal financial advice from an appropriately authorised independent financial adviser. You should also seek advice about your own personal financial position in relation to entitlement to tax reliefs associated with an investment in the Companies.