

Draper Esprit VCT Share Offer 2018/2019

Reasons Why Letter

The factual information set out below does not constitute a suitability letter or a personal recommendation by Elderstreet Investments Limited (the Investment Manager to Draper Esprit VCT plc) (the "Manager") to you or your underlying clients to invest in Draper Esprit VCT and should not be treated as such. This document is issued by the Manager and is intended for the use of FCA authorised financial advisers only. It contains information extracted from the Draper Esprit VCT Offer Document 2018/2019 dated 11 January 2019 (the "Offer Document"). The information is provided to assist you in determining whether an investment in the Draper Esprit VCT is suitable for your clients. Whilst you may choose to use the information below to assist in assessing the suitability of the Fund for your clients, you should note that the template is not intended to constitute a suitability report within the meaning of the FCA Conduct of Business Sourcebook. You are responsible for complying with all regulatory obligations to assess suitability of the Fund for your clients. This document has not been approved or issued by RAM Capital Partners LLP and they accept no responsibility for the accuracy of or use of the information contained herein. This summary does not contain a comprehensive review of the risks of the product which are summarised in the Offer Document. You are responsible for complying with all regulatory obligations to assess suitability of the Fund for your clients and no responsibility is accepted by the Manager for your use of this information, which is provided at your own risk.

The Manager believes that the Draper Esprit VCT offers the following:

- Investment into an established diversified, yielding portfolio with an investment focus on technology
- Target tax free income yield of around 6-7% p.a.*
- Much improved deal flow secured by co-investment agreement with Draper Esprit funds
- Access to larger more mature fast-growing tech companies
- Award winning experienced manager with a strong track record
- Distributable Reserves allowing on-going dividends

Background

The Company was launched in 1998, has raised approximately £53.8 million (after expenses) since 1998, has an unaudited net asset value of £41.6 million and is now invested in 24 trading companies. Income from investments and proceeds of profitable realisations have enabled the Board to pay cash dividends of £26 million, a total of 99.0p per Ordinary Share to original investors who subscribed at £1.00 (80p after the initial tax relief) at the Company's launch in 1998 (source: unaudited interim accounts as at 30 September 2018).

In November 2016 the managers, Elderstreet, formed a close association with Draper Esprit, the award winning and successful technology investment manager thus transforming the prospects of this VCT. Draper Esprit target a portfolio return of 20% per annum, and the VCT targets a potential tax free yield of 6% to 7% per annum (*based on the Estimated Offer Price after factoring in initial tax reliefs after taking into account initial tax reliefs)

Income Yield on Ordinary Shares

The following table gives an illustration of potential returns to Ordinary Shareholders, assuming a dividend of either 2p, 3p or 4p per annum is paid, and the equivalent taxable yield based on the Estimated Offer Price net of 30% income tax relief grossed up for a taxpayer paying 40% or 45% tax on his income.

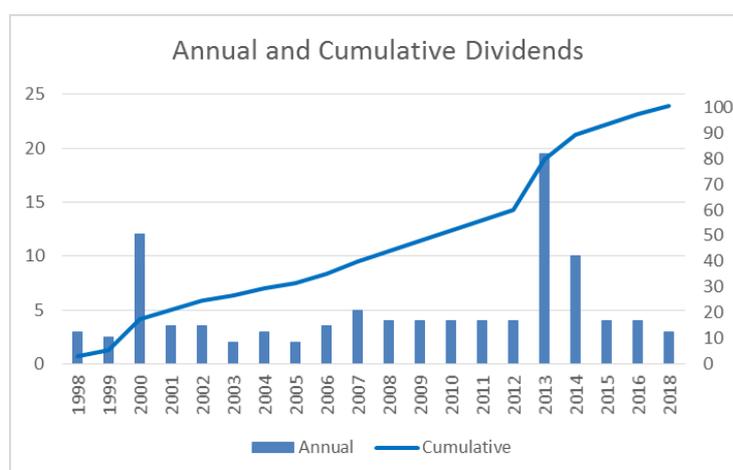
Offer Price * (net of tax relief)	Target annual dividend	Tax free yield per annum	Grossed up yield to a	
			40% taxpayer	45% taxpayer
43.3p	2.0p	4.6%	7.7%	8.4%
43.3p	3.0p	6.9%	11.5%	12.6%
43.3p	4.0p	9.2%	15.4%	16.8%

* Using an Estimated Offer Price of 61.9p multiplied by 70% to reflect the initial 30% up front income tax relief. The September 2018 NAV of 60.1p has been adjusted down by the 1.5p dividend payable in March 2019 and for the issue costs of 5.5%. No forecast or projection should be implied or inferred.

Investors should note that the level of dividend is not guaranteed, and no profit forecast is to be inferred or implied from these statements. Distributable reserves as at 30 September 2018 were £3.8 million. Future dividends are expected to be funded from portfolio exits rather than loan interest income.

Performance

The Company has a track record of providing good returns for its Shareholders. Income from investments and proceeds of profitable realisations have enabled the Board to pay cash dividends of £25.8 million, a total of 99.0p per Ordinary Share to original investors who subscribed at £1.00 (80p after the initial tax relief) at the Company's launch in 1998. The Company has raised approximately £53.8 million (after expenses) since 1998, has an unaudited net asset value of £41.6 million and is now invested in 24 trading companies (source: unaudited interim accounts as at 30 September 2018).



Co-investment agreement with Draper Esprit plc

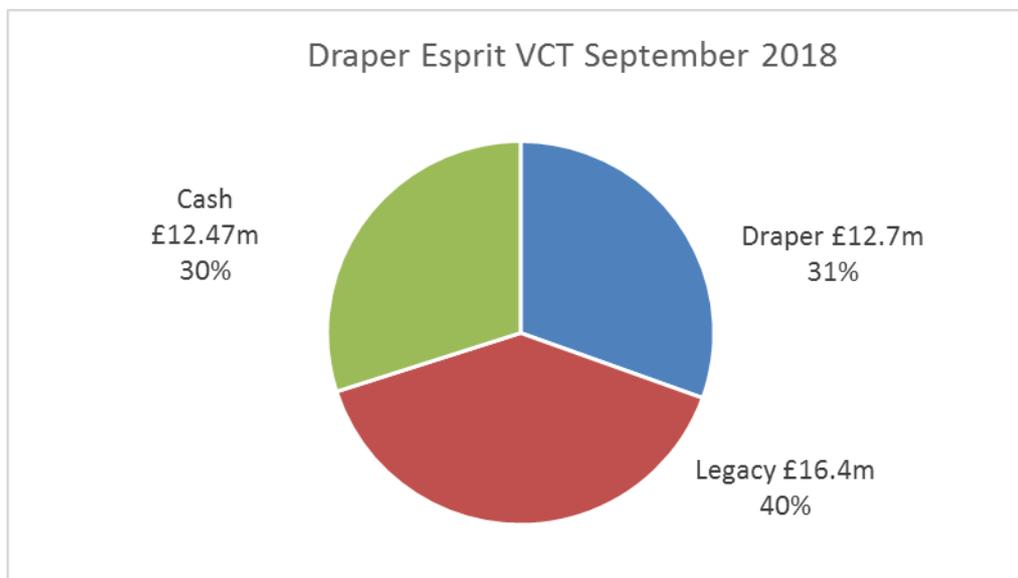
Draper Esprit plc has access to quality growth opportunities often in much larger and more mature companies compared to other VCT managers. By co-investing alongside the Draper Esprit plc and the EIS, the VCT gains access to some companies requiring funds in excess of \$10m. Draper Esprit is a highly regarded venture capital investor in the UK and European technology sector, floated on the AIM market in June 2016 and at the time of writing has a market capitalisation of over £500 million. The Draper Esprit team has a wealth of experience. The team has now operated for eleven years and, prior to that, its members worked in leading firms within the venture capital industry. Draper Esprit is also a part of the Draper venture network. This global network is a valuable resource for deal flow, market intelligence and further funding.

A recent example of a Draper Esprit portfolio company is Graphcore, a Bristol based silicon chipmaker developing AI Processors. The Draper Esprit plc and EIS funds had invested into Graphcore earlier in 2016. In December 2018, Graphcore gained ‘unicorn’ status when it closed a \$200 million funding round with a valuation above \$1.5 billion. Investors into Graphcore alongside the Draper Esprit funds included well know names in the venture capital and corporate investment world such as Sequoia Capital, Atomico, Amadeus Capital, Robert Bosch Ventures, C4 Ventures, Dell Technologies Capital, Foundation Capital, and AI experts such as Demis Hassabis (co-founder of DeepMind) as an angel investor.

The Draper Esprit EIS Funds have achieved the highest rating for the last five years running from Martin Churchill of Tax Efficient Review

Investment Policy

The recent changes to the VCT legislation designed to encourage more investment into fast growing companies has had a significant impact on the VCT industry. The Board believes that many established VCT managers can no longer access the type of deal flow which they have nurtured over many years. This has led to a significant reduction in their ability to invest money. A typical Draper Esprit investment, by contrast, would be largely unaffected by these changes, allowing them to continue to invest in the sectors from which they have nurtured a strong deal flow. This is illustrated by the notable increase in the number of deals the VCT has invested in since the Manager’s co-investment agreement with Draper Esprit was enacted. Draper Esprit receive circa 2,500 business plans per annum, meet about 1,000 companies, and make approximately 20 new investments a year.



Today, by percentage of net asset value, new subscribers would be buying into a portfolio made up of 31% Draper Esprit technology investments (including committed but not completed investments), cash of 30% to be invested in further technology investments and a legacy portfolio representing 40% of the total.

Consequently, if this offer is taken up in full, once invested, the Company will have over £30 million allocated predominantly to technology investments which will be driven by one of the UK’s leading technology investment managers.

As for the legacy portfolio, 91% is made up of four companies. Two are AIM quoted and the other two are private companies which are profitable engineering and manufacturing businesses and which the Board are confident can be realised at considerable gain in the future.

Buy-back policy

Draper Esprit VCT intends to continue to buy back its Ordinary Shares at a discount of approximately 7.5% to the last published NAV, subject to liquidity, VCT regulations and the Listing Rules.

Fees and Costs and Early Bird

There is an up-front cost of 3% for advised applications. Execution only application's Initial costs are capped at 5.5% including commission, where payable, of 2.5% plus trail of 0.25% for 5 years. Adviser Charges may be facilitated separately.

Where an Investor's Application Form is received and accepted on or before 4.00 p.m. on 28 February 2019 (1) 1.5% rebate of Promoter's Fee as additional New Ordinary Shares; and (2) Full rebate of initial commission, where the Adviser has waived this for additional New Ordinary Shares.

The Manager receives an annual fee equal to 2.0% of the Net Assets of the Company subject to the expenses cap of 3.5% of net assets with any excess borne by the Manager and Administrator through a reduction in their fees. For the year ending March 2018 (15 months period) the Total Expenses Ratio (TER) was 3.4%, equivalent to 2.73% on a weighted 12-month basis. In 2016 the TER was 3.3%, 2015 3.2%, and 2014 3.3%. In line with normal market practice the Manager receives a performance fee which is aligned with investors and based on paying regular dividends and maintaining NAV. Please refer to the Offer Document for further details.

The minimum investment in the aggregate Offer is £6,000. The Offer is targeting to raise up to £7 million. The Offer will close on 5 April 2019 for 2018/2019 tax year, unless fully subscribed earlier. Applications may also be made for the 2019/2020 tax year.

If you would like to receive a digital copy of the Offer Document, please call

RAM Capital Partners on 020 3006 7530

The Draper Esprit VCT Offer Document 2018/2019 is available from RAM Capital Partners by telephone on 020 3006 7530 or by download from www.ramcapital.co.uk. RAM Capital Partners is a Limited Liability Partnership whose registered office address is RAM Capital Partners LLP, 4 Staples Inn, London, WC1V 7QH. Registered in England and Wales - Registration No: OC329154. RAM Capital Partners LLP is authorised and regulated by the Financial Conduct Authority. RAM Capital Partners LLP accepts no responsibility for your use of this information which is provided at your own risk. Elderstreet Investments Limited is an FCA authorised and regulated company (148527) whose registered office is 20 Garrick Street, London WC2E 9BT.