

# MATRIX INCOME & GROWTH VCT PLC

## MIG VCT UPDATE DECEMBER 2010

**SHARE PRICE 84.5p**

**NET ASSET VALUE 92.6p**

Welcome to the latest Matrix Income & Growth VCT ("MIG VCT") Newsletter, providing an update of activity since the Half-Yearly Report was circulated to shareholders in August.

As at 30 September 2010, MIG VCT's total shareholder return (NAV basis) from launch was 113.9p per share comprising NAV per share of 92.6p plus cumulative dividends paid of 21.3p. This represents an increase of 5.9% over the equivalent figure at 30 June 2010 of 107.6p.

## THE MATRIX VCTS LINKED OFFER AND INVESTOR WORKSHOP

The Company launched a joint fundraising with The Income & Growth VCT plc and Matrix Income & Growth 4 VCT plc on 12 November 2010 to raise, in aggregate, up to £21 million. It is intended that each subscription received will be divided equally between each of the three companies in the Offer. The funds raised will spread fixed costs over a larger asset base. Shareholders should have received their copy of the fundraising document together with an invitation to attend the first Matrix VCT investor workshop on Wednesday, 15 December 2010.

## HIGHLIGHTS IN THE PORTFOLIO

### AUST RECRUITMENT GROUP LIMITED

The VCT has used its investment in the acquisition vehicle Aust to support the MBO of RDL Corporation Limited (RDL), a pan European recruitment provider within the pharmaceutical, business intelligence and IT sectors.

RDL, which was established in 1992, is based in London and Woking and employs 70 Staff. RDL sources staff for over 300 major companies, matching niche professionals with hard to fill contract assignments and staff positions.

The company's management team will be further strengthened by the introduction of one of Matrix's operating partners, Iain Livingston, who will become chairman. Livingston has significant experience within this sector and has worked with Matrix previously at Maven Management and at Tottel Publishing, both of which were successful exits.

Following the re-organisation that accompanied the MBO in October, the VCT's current investment in this company, which changed its name to Aust Recruitment Group following the MBO, stands at £1.59 million.



Image provided courtesy of www.imagesource.com

## DiGiCo EUROPE

DiGiCo Europe repaid another tranche of loan stock to the Company at the end of June. This growing company has to date repaid nearly £1 million of MIG's July 2007 total loan stock investment of £1.2 million. The company's sustained strong profit growth since investment is mainly due to innovative product development, leading to a series of successful launches.



DiGiCo consoles are used the world over at major live events

DiGiCo's range of digital consoles continues to raise the bar for live sound engineering expertise. The combination of its impressive knowledge base and strong technical innovation has made it a market leader in its field. Its sound mixing consoles are in demand at corporate and sporting events, live theatre and shows including The Killers' maiden appearance at the White House on 4 July this year.

## FUND BREAKDOWN AT 30 SEPTEMBER 2010

### BY ASSET TYPE AT VALUATION

	30 September 2010 £	30 June 2010 £
Unquoted loan stock	16,639,021	16,426,261
Unquoted equities	12,423,060	10,271,140
AiM quoted equities	0	30,017
Money market funds	8,180,231	8,219,791
Cash	249,500	305,798
Net working capital	(26,213)	(92,783)
<b>Net assets</b>	<b>37,465,599</b>	<b>35,160,224</b>
Number of shares in issue	40,474,574	40,767,266
<b>Net asset value per share</b>	<b>92.6p</b>	<b>86.3p</b>

## CONTACT MATRIX

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SIX MONTHLY UPDATE DECEMBER 2010  
ASSET MANAGEMENT

TEN LARGEST INVESTMENTS IN THE QUALIFYING INVESTMENT PORTFOLIO AT 30 SEPTEMBER 2010<sup>1</sup>

Company	Business	Investment Cost £ <sup>2</sup>	Investment Valuation £	% of the Investment Portfolio
DiGiCo Europe	Audio mixing desks	1,984,962	3,554,179	12.2%
British International	Helicopter services	2,026,316	2,787,334	9.6%
C B Imports (Country Baskets)	Artificial flowers and floral sundries	2,000,000	2,398,914	8.3%
Iglu.com Holidays	Online ski and cruise travel agent	1,421,750	2,295,395	7.9%
ATG Media	Publisher and online auction platform operator	1,667,900	2,253,262	7.8%
Monsal	Engineering in water and waste sectors	1,181,856	2,119,510	7.3%
Aust Recruitment	Recruitment specialist	2,000,000 <sup>3</sup>	2,000,000 <sup>3</sup>	6.9%
Focus Pharma	Generic pharmaceuticals	1,370,126	1,711,649	5.9%
VSI	Software for CAD and CAM vendors	907,993	1,691,907	5.8%
Westway	Air conditioning systems	692,850	956,139	3.3%
	<b>Total for ten largest investments</b>	<b>15,253,753</b>	<b>21,768,289</b>	<b>75.0%</b>
	Other investments	11,239,859	7,293,792	25.0%
	<b>Total portfolio</b>	<b>26,493,612</b>	<b>29,062,081</b>	<b>100.0%</b>

<sup>1</sup> Excluding investment acquisition vehicles Apricot, Bladon Castle, Fullfield and Vanir Consultants, each of which have an investment cost and valuation of £1 million

<sup>2</sup> Cost includes the cost of acquiring the investments previously owned by Matrix Income & Growth 3 VCT plc at fair value in May 2010

<sup>3</sup> At 30 September 2010. The acquisition vehicle, Aust Construction Investors has since been used to support the MBO of RDL Corporation (see overleaf for further details)

MANAGER'S COMMENTARY

We are seeing an increase in the number and quality of management buy-out opportunities. There appear to be two reasons for this: more business owners are coming forward that are committed to a sale of their business at a realistic valuation and there is also reduced availability of bank finance to assist management teams who wish to buy their business. The effect is to increase the number of MBO opportunities for equity investors, including VCTs and Matrix.

A number of companies in the portfolio are trading strongly and since July, Westway, Monsal and ATG Media have all made partial repayments of their loan stock totalling £386,119. Westway has made a very encouraging start since investment. The Monsal partial repayment in July was part of the closing of a second investment round that brought in the specialist investor FourWinds, who invested £4 million as part of a total commitment of £14 million at a materially higher valuation than we had previously applied. ATG Media has benefited from increased interest in its online auction technology, and enhanced advertising revenues have led to an improvement in profits generated by the Antiques Trade Gazette.

Both CB Imports and Iglu.com have made strong starts since investment in December of last year. The uplifts in the valuations of both companies reflect this encouraging performance and that they are trading ahead of plan. Despite seeing a fall in licence income, VSI has gained from the relative weakness of sterling and is developing a number of strategic relationships. Vectair continues to expand its export markets and is now making significant inroads into the US market. Focus Pharma continues to trade well and, having comfortably exceeded its budget for the year to 31 December 2009, is continuing this trend in 2010. At Campden Media, improved performance has been driven by recent product diversification into wealthcare research roundtables, an online healthcare advertorial initiative and the increasing success of its online health publication websites.

The construction and house building sectors remain weak. To contend with this, Youngman, PXP and Plastic Surgeon have worked to reduce their costs and manage their cash resources effectively. Youngman has almost fully repaid its external bank debt since investment and is well positioned to benefit from an upturn in its markets. PXP has moved away from its dependence on private and public sector house builds towards commercial buildings including hotels, doctor's surgeries and convenience stores. Plastic Surgeon has diversified into commercial property and insurance markets.

Having retained significant uninvested cash, the VCT is well placed to capitalise on attractive new investment opportunities as they arise. We continue to believe that the portfolio, taken as a whole, is resilient and of high quality and we expect to unlock additional value over time.

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