

# MATRIX VCTs UPDATE

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 MIG 2 VCT Matrix Income & Growth 2 VCT plc  
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JULY 2011

## MANAGER'S COMMENTARY

The investment market has improved when compared to the same period last year. UK economic recovery is very uneven, but there are attractively priced new investment opportunities available for us to consider. The Matrix VCTs have strong liquidity to capitalise on these new opportunities and to cover any portfolio needs that may arise.

## TEN LARGEST QUALIFYING INVESTMENTS

Across the combined asset base of approximately £130 million, the VCTs' ten largest investments account for £54 million (42% of the asset base) and are shown in the table below.

Company	Business	Total (£m)	
		Cost	Valuation
DiGiCo Europe	Audio mixing desks	2.3	8.5
ASL	Printing and photocopier services	6.3	6.3
British International	Helicopter services	4.1	5.9
ATG Media	Publisher and online auction platform operator	4.0	5.8
CB Imports	Artificial flowers and floral sundries	4.0	5.0
RDL Corporation	Recruitment specialist	5.0	5.0
Blaze Signs	Signs and sign maintenance	5.3	5.0
Focus Pharma	Generic pharmaceuticals	3.2	4.8
Iglu.com Holidays	Online ski and cruise travel agent	1.5	4.5
Westway Services	Air conditioning systems	1.0	3.1
<b>Total for ten largest investments</b>		<b>36.7</b>	<b>53.9</b>
Other Investments		51.5	39.4
<b>Portfolio Total</b>		<b>88.2</b>	<b>93.3</b>

## INVESTMENT AND PORTFOLIO NEWS

### New investment

Following a relatively quiet 2010, we have seen a noticeable uptick in deal activity involving SMEs. As a result of this, the Matrix VCTs have invested a total of £15.1 million in the last seven months, as shown in the table below.

Company	Business	Month	Amount (£m)
Faversham House	Publisher	December	1.8
Omega Diagnostics	Health diagnostics	December	1.0
ASL	Printing and photocopier services	December and March	6.3
Motorclean	Car valeting	July	6.0
		<b>Total</b>	<b>15.1</b>

### Realisations

A number of companies in the portfolio continue to be strongly cash generative. The VCTs have received full loan stock repayments in the past six months from Iglu.com, Vectair and VSI. It is particularly impressive that Iglu has generated sufficient cash to make this repayment of their loan in the short time since investment in December 2009.

The VCTs also realised their entire investment in Campden Media for a total cash consideration of £2.1 million.

As a result, a total of £8.9 million cash proceeds has been realised as shown in the table below.

Company	Month	Proceeds (£m)	Realisation
Campden Media	January	2.1	Full sale
Iglu.com Holidays	February	4.3	Loan redemption and premium
Vectair	March	1.1	Loan redemption and premium
VSI	April	1.3	Loan redemption and premium
	<b>Total</b>	<b>8.9</b>	

### Valuations

Overall, valuations have increased over the last six months. Blaze Signs, ATG Media and Iglu.com Holidays have all traded particularly strongly in recent months and as a result of this have seen an uplift in their valuations. DiGiCo and CB Imports continue to trade strongly. However, Monsal is currently trading well behind budget reflecting ongoing project delays and its valuation has been significantly reduced.

## CONTACT MATRIX

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**MATRIX**

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**ASSET MANAGEMENT**

## PERFORMANCE OF MATRIX VCTs BY FUNDRAISING

The table below shows the performance for all shareholders in the four Matrix VCTs. This is listed for each fundraising year in which shareholders invested.

VCT and fundraising	Fund-raising year	Average issue price	Net asset value per share	Bid share price	Cumulative dividends paid per share	Total return since fundraising		Increase/decrease over effective net issue price	Dividends for last financial year
						(based on NAV)	(based on bid share price)		
		p	p	p	p	p	p	%	
<b>MATRIX INCOME &amp; GROWTH VCT PLC</b>									
(net assets: £38.1 million)									5 pence
- Ordinary Shares	2004/05	100.0	90.1	80.0	26.3	116.4	106.3	+94	
- Formerly Matrix Income & Growth 3 VCT plc <sup>1</sup>	2005/06	100.0	96.0	80.0	14.9	110.9	101.1	+85	
<b>MATRIX INCOME &amp; GROWTH 2 VCT PLC</b>									
(net assets: £24.9 million)									4 pence
- Ordinary Shares (former O Ordinary Shares) <sup>1</sup>	2000/01	100.0	79.4	61.0	30.1	109.5	80.6	+37 <sup>3</sup>	
- Ordinary Shares (former C Ordinary Shares)	2005/06	100.0	96.0	61.0	10.0	106.0	71.0	+77	
- Ordinary Shares (former C Ordinary Shares)	2008/09	92.4	96.0	61.0	6.0	102.0	67.0	+45	
<b>MATRIX INCOME &amp; GROWTH 4 VCT PLC</b>									
(net assets: £24.5 million)									4 pence
- Ordinary Shares	1998/99	200.0	112.9	100.5	21.7	134.6	122.2	-16 <sup>3</sup>	
- Ordinary Shares	2006/07	120.9	112.9	100.5	11.0	123.9	111.5	+46	
- Ordinary Shares (Top-up Offer)	2010	112.4	112.9	100.5	6.0	118.9	106.5	+51	
<b>THE INCOME &amp; GROWTH VCT PLC</b>									
(net assets: £39.5 million)									4 pence
- Ordinary Shares (former O Ordinary Shares) <sup>1</sup>	2000/01	100.0	75.9	89.0	25.5	101.4	92.9	+27 <sup>3</sup>	
- Ordinary Shares (former S Ordinary Shares)	2007/08	100.0	100.1	89.0	4.5	104.6	93.5	+49	

All net asset value and largest qualifying investment data is based upon the latest announced figures for each VCT, as at 7 July 2011. Where dividends have been paid since the latest announcement of net assets, the data has been adjusted. No performance data has been shown in respect of the 2010/11 linked fundraising that closed on 30 June 2011, as the period since launch is too short to show meaningful performance.

<sup>1</sup> In the case of these three fundraisings, the shares originally issued have since been exchanged for shares in the current share class of the VCT concerned at the time of a merger. However, the performance data shown is stated so as to be comparable with the original issue price of that investment.

<sup>2</sup> The effective net issue price is the issue price less initial income tax relief. The tax relief was 20% up to 5 April 2004, 40% from 6 April 2004 to 5 April 2006 and 30% from then on.

<sup>3</sup> Investors in these three fundraisings will have enhanced these returns if they also deferred capital gains tax liabilities.

Total shareholder return on a NAV basis for the last 12 months reported by each VCT has shown increases for all four VCTs, ranging from 8.0% to 15.8%, which reflects encouraging performances in each portfolio.

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