

Venture Ahead

A Year On From Its Management Buy Out, Acuity Capital's Directors Reflect On A Successful Year

2009 Breakout Investment

Acuity Capital is focused on delivering top class returns to investors by offering well-structured products and employing an innovative buy and build investment strategy – which it calls Breakout Investment.



After completing a management buy out in February this year, the team is building on its private equity heritage by seeking out and investing in small quoted and unquoted companies which have the potential to grow quickly.

"Breakout companies are profitable and growing private businesses with the potential to dominate a market niche," one of Acuity's managing partners Antony Fraser said. "We look to invest in companies which can be transformed through a combination of higher quality management, access to capital and decisive strategic action towards organic and acquisitive growth."

The company's breakout, buy and build strategy puts a high level of importance on working with strong, experienced and highly motivated management teams.

"The buy and build model allows us to attract high quality management," said Nick Ross, another of Acuity Capital's three managing partners. "The combination of organic growth and bolt on acquisitions can enable a management team to develop a much larger company in a shorter timescale which can lead to highly attractive investment returns."

Over the past year, the team has supported a management buy in for menswear brand Peter Werth, provided capital to interactive games publisher Connect 2 Media and exited its investment in marketing agency Gyro Group.

In September 2008, the company broadened its offer, launching two investment products: a quoted special situations small-cap fund and a protected inheritance tax service.

"At a time when many other investment companies are running

for cover, Acuity Capital is seeking to raise new capital to take full advantage of the opportunities generated by the market downturn," Nick Ross said. "Good deals are still to be found and opportunities to acquire relatively cheap distressed assets are likely to come up in 2009."

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In the current market conditions, adhering to strict investment criteria is very important. In a typical week, Acuity Capital's investment team assesses between five and ten unquoted deals, progressing only those that meet its strict investment criteria.

The company's investment committee has two external advisors - Angela Lane and Tony Everett - both with great experience of unquoted investments. Lane has 18 years of private equity experience, while Everett is a seasoned small business entrepreneur.

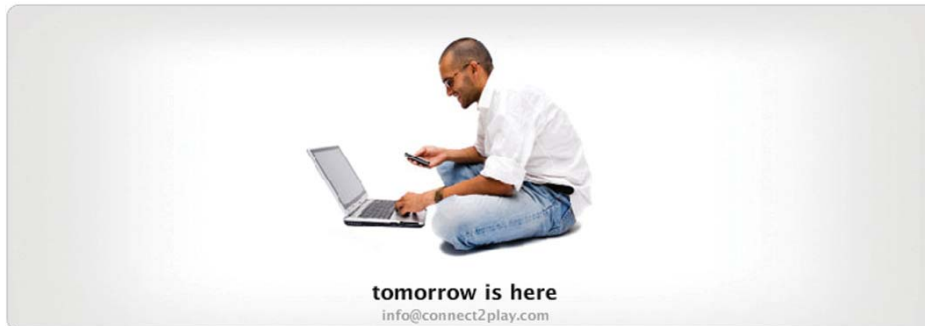
"The dynamics of investment committee is a critical part of the unquoted investment process as it promotes a rigorous assessment of every investment opportunity," said Mark Speeks, one of Acuity Capital's managing partners. "Our own committee now comprises six members, with an average experience of 12 years in smaller company investing."

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Investing For Growth: Connect 2 Media



connect2play

Acuity Capital's recent investment in interactive games publisher Connect 2 Media marked the company's seventh media sector deal and provides a good example of Acuity Capital's breakout investment strategy, which targets companies with potential to grow organically and through acquisitions.

Recognising the potential in Connect 2 Media, which develops and distributes interactive games via mobile phones, the internet and digital television channels, Acuity Capital invested £4.5 million in the company.

"Key to any investment for us is the strength of the management team along with strong growth potential," said Antony Fraser, a managing partner at Acuity Capital, who heads the company's media division. "The gaming market has enormous potential

to extend brands across platforms and Connect 2 Media is well positioned to exploit this."

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The capital provided is helping Connect 2 Media to grow its business organically and is also supporting its plans to cherry-pick other games firms, taking advantage of the fragmented state of Europe's mobile games market.

Earlier this year, the company acquired the Europe, Middle East and Africa assets of U.S. games publisher Hands-On Mobile, whose portfolio includes Guitar Hero III,

"We're delighted that Acuity Capital recognised the potential of the company," said Eric Hobson, Managing Director of Connect 2 Media. "The partnership with leading global mobile games play Hands-On Mobile along with the investment from Acuity Capital provides us with a strong base from which to scale our business."



World Poker Tour and WPT Texas Hold 'Em. The companies agreed to maintain a reciprocal global publishing partnership which enlarged both firms' global distribution capabilities.

Gaming entrepreneurs Eric Hobson and Peter Scott founded Connect 2 Media in 2008. Headquartered in Macclesfield, North-west England, the company employs 75 people.

The Team



Nick Ross

Co-founder, Managing Partner



Antony Fraser

Co-founder, Managing Partner



Mark Speeks

Co-founder, Managing Partner



Hugh Mumford

Chairman, Advisory Board



Judith MacKenzie

Partner



Mike Kennedy

Partner

About Acuity Capital

- Acuity Capital is a London-based asset management company specializing in private equity and active investment in U.K. small businesses
- Combining sector knowledge and entrepreneurial expertise, the Acuity Capital team identify investment opportunities to deliver top class returns
- Formed after a management buyout from Electra Partners Group, Acuity Capital has more than 20 years' investing experience and an established track record

If you are interested in learning more about our portfolio companies or any of our products, please contact us to arrange a meeting on 020 7306 3884.

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