Key Information Document

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product: Ordinary Shares of 5 pence each nominal value issued by Northern 3 VCT PLC (registered number 04280530) ("Shares")
ISIN GB0031152027
Name of PRIIP manufacturer: Mercia Fund Management Limited (registered number 06973399)
Website for the PRIIP manufacturer: www.mercia.co.uk/n3vct
Call this telephone number for more information: +44(0) 330 223 1430
Competent Authority of the PRIIP Manufacturer in relation to the KID: UK Financial Conduct Authority
Date of production of this Key Information Document: 18 September 2023

Comprehension alert:

YOU ARE ABOUT TO PURCHASE A PRODUCT THAT IS NOT SIMPLE AND MAY BE DIFFICULT TO UNDERSTAND.

What is this product?

Type: Venture Capital Trust

Objectives: To provide high long-term tax-free returns to investors through a combination of dividend yield and capital growth by investing primarily in smaller unquoted UK manufacturing, service and technology businesses which meet the manufacturer's key criteria of growth potential, strong management and ability to generate cash in the medium to long term and on all of which the return will depend. **Bid-offer spread:** Shares can be bought and sold via markets. Typically, at any given time on any given day, the price you pay for a Share will be higher than the price at which you could sell it. **The recommended holding period**: is in the range from five to ten years but at the annual general meeting in 2029 and at each fifth subsequent annual general meeting the PRIIP may be subject to proposals for its liquidation, unitisation or reorganisation if shareholders cast 25% or more of the total votes against the directors' proposal that the Company should continue as a venture capital trust. There are no other potential maturity dates but it is always open for a majority of shareholders to resolve that the Company should be liquidated. If you subscribe for Shares at issue and hold them for less than five years you will lose any tax reliefs for which you may have been eligible in respect of that subscription. **Intended retail investor**: a UK higher-rate income tax payer, over 18 years of age and with an investment range of between £6,000 and £200,000 who is capable of understanding and is comfortable with the risks of VCT investment.

What are the risks and what could I get in return?

Risk Indicator

Description of the risk-reward profile

1	2	3	4	5	6	7

Lower risk — Higher risk

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because you are not able to realise any value from your investment. We have classified this product as 6 out of 7 which is the second highest risk class. This rates the potential losses from future performance at a high level, and poor market conditions are very likely to impact your investment. The risk indicator assumes you keep the product for ten years. This investment offers no capital guarantee against credit risk. If the underlying companies in which the Company invests do not pay what they owe the Company, you could lose part of the capital you invest (but you do not bear the risk of incurring additional financial obligations or commitments). This investment offers no capital protection against future market performance so you could lose all or part of your investment if you sell in a poor market. You may not be able to sell your shares easily or you may have to sell at a price that significantly impacts on how much you get back. The actual risk to your investment can vary significantly if you cash in at an early stage and you may get back less than you invested.

Performance information

The performance of the product is largely dependent on the ability to identify appropriate investee companies and on the ability of the investee companies to perform in line with their respective business plans. The income received by the investee companies will depend on the revenues generated by the activities they undertake, which may be less than the costs they incur.

The availability of the various VCT tax reliefs are dependent on individual circumstances and anyone that is unsure as to whether they will be able to take advantage of any such reliefs should seek tax or financial advice before investing. Please note there is no relevant index or benchmark for Venture Capital investments.

What could affect my return positively?

The proportion of successful investments, and their level of performance, will be a key factor in increasing the likely returns to investors. The returns will be generated through the growth and income generated from the Company's portfolio and the sale of portfolio investments. The buoyancy of the M&A and IPO markets will impact the ability to capitalise on the strong performance of investee companies.

What could affect my return negatively?

The proportion of underperforming investments within the Company's portfolio will be a key factor negatively affecting the value of investment. A negative economic cycle may mean that there is less opportunity to successfully exit promising portfolio businesses, or that further development capital is harder or not possible to obtain.

What happens if the PRIIP Manufacturer is unable to pay out?

The Company will invest in smaller and unquoted companies which involve a higher degree of risk than investment in larger listed companies because they generally have limited product lines, markets and financial resources and may be more dependent on their management or key individuals. The value of the Shares and the income derived from them is dependent on the performance of the Company's underlying investments and can fluctuate. Investors could lose all or part of their investment. Your capital is at risk. As a shareholder of the Company you would not be able to make a claim to the Financial Services Compensation Scheme about the Company in the event that the Company is unable to pay out.

What are the costs?

The Reduction in Yield (RIY) in the table below shows what impact the total costs you pay will have on the investment return you might get under the moderate scenario. The total costs take into account one-off, ongoing and incidental costs. The amounts shown here are the cumulative costs of the product itself, for three different holding periods. They include potential early exit penalties. The figures assume you invest £10,000. The figures are estimates and may change in the future.

Costs over time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time.

Investment Scenarios	If you cash in after 1 year*	If you cash in after 5 years*	If you cash after 10 years
Total costs	£730	£1,786	£2,934
Impact on return (RIY) per year	7.0%	3.5%	2.8%

*This product cannot be easily realised. This means it is difficult to estimate how much you would get back if you attempt to realise your investment early. You will either be unable to realise your investment early or you will have to pay high costs or make a large loss if you do so.

Composition of costs

The table below shows: the impact each year of the different types of costs on the investment return you might get at the end of the recommended holding period and the meaning of the different cost categories.

This table shows the impact on return per year			
One-off costs	**Entry costs**	0.50%	The impact of the costs you pay when entering your investment. In the case of Shares acquired through an Offer of new shares in the Company, a fee will be payable to the Promoter of the Offer, up to a maximum of 5% of your initial investment. Stamp duty reserve tax of 0.5% is payable if the Shares are purchased on the secondary market. You may also incur other costs, including broker commission and platform fees. The distributor will provide you with additional documents where necessary.
	Exit costs	-	The impact of the costs of exiting your investment.
Recurring costs	**Other ongoing costs**	2.15%	The impact of the costs that we take each year for managing your investment and other recurring running costs of the Company, including the costs incurred by the Company when purchasing underlying investments.
	Portfolio transaction costs	0.35%	The impact of the costs of the Company buying and selling underlying investments.
Incidental costs	**Performance fees**	0.31%	The impact of the performance fee, which is equivalent to 14% of the amount by which the total return per share exceeds the hurdle return each year and is also subject to a high water mark.
	Carried interest	-	Not applicable.

How long should I hold it and can I take money out early?

The recommended holding period is between 5 and 10 years because investing in smaller and unquoted companies involves a higher degree of risk and volatility and investments by the Company which prove to be successful may take longer to mature compared to those which prove to be less successful. Investments are likely to be realised by the sale of Shares back to the Company or in the market. The Company currently has a policy, subject to regular review by the Directors, of being willing to buy back shares which its shareholders wish to sell, at a discount of 5% to the most recently announced NAV but its ability to do so may be limited by available cash, the rules of the UKLA, the Companies Act 2006 and the VCT Rules. Accordingly, it is unlikely there will be a liquid market as there is a limited secondary market for shares in VCTs and Investors may find it difficult to realise their investments.

How can I complain?

Complaints about the Company or the key information document should be sent to: The Compliance Officer, Mercia Fund Management Limited, Forward House, 17 High Street, Henley-in-Arden, B95 5AA.

Other relevant information:

The cost, performance and risk calculations included in this KID follow the methodology prescribed by EU rules. Performance has been based on share price total return with dividends reinvested. You are recommended to read the Company's published documents including the annual and interim reports, and the latest Prospectus published by the Company on 18 September 2023, in particular, the risk factors contained therein, before making an investment decision and to confirm with your independent financial adviser that you have the expertise, experience and knowledge to properly understand the risks of investing in the Company. Prospective investors should note that the value of an investment may not return the amount originally invested. Therefore, you should only make investments in the fund that you can afford to lose without having any significant impact on your overall financial position or commitments. Taxation levels, bases and reliefs may change if the law changes and the tax benefits of products will vary according to your personal circumstances: independent advice should therefore be sought. Please note that it cannot be guaranteed that the companies invested in by the Company will be qualifying companies or that the Company will maintain its qualifying status as a venture capital trust.