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.

DOWNING TWO VCT PLC (K SHARE CLASS)

Product: K Shares of 0.1 pence each nominal value issued by Downing TWO VCT plc ("Shares")

ISIN GB00BZ6CSD33

Name of PRIIP manufacturer: Downing TWO VCT PLC (registered number 03150868) ("the Company")

Website for the PRIIP manufacturer: www.downing.co.uk

Call this telephone number for more information: +44(0) 207 416 7780

Competent Authority of the PRIIP Manufacturer in relation to the KID: UK Financial Conduct Authority

Date of production of this Key Information Document: 29 December 2017

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 maintain VCT status to enable shareholders to benefit from the tax reliefs available on an investment in a VCT; to reduce the risks normally associated with VCT investments; and to target a tax-free return to investors of at least 7.6% per annum (based on a cost of 70p per share net of income tax relief) over the life of the shares (expected to be approximately eight years from first issue with five years remaining from the date of this KID). **Bid-offer spread**: Shares are 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 five years from the date of this KID at which point the Company will seek to return capital derived from the Shares to shareholders. It is always open for a majority of shareholders to resolve that the Company should be liquidated before the end of that recommended period and it may take longer to realise the underlying investments so the maturity of the Shares could be delayed. 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 retail client (not a corporate) who is aged 18 or over and pays UK income tax at a higher rate and who already owns a portfolio of non-VCT investments such as unit trusts/OEICS, investment trusts and/or direct shareholdings in listed companies and has sufficient income and capital so that his investment in the Company can be held for over five years. The individual will be professionally advised and/or a sophisticated investor.

Risk Indicator

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. We have classified this product as 3 out of 7 which is a lower risk class and has been calculated based on the prescribed methodology. This rates the potential losses from future performance at a low level and poor market conditions are very unlikely to impact the capacity of the Company to pay you but the risk indicator assumes you keep the product for five years from the date of this KID. The actual risk can vary significantly if you cash in at an early stage and you may get back less. 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). If you cash in at an early stage you may not be able to sell your product easily or you may have to sell at a price that significantly impacts on how much you get back. This liquidity risk is not contractual but is due to there being a limited secondary market for shares in venture capital trusts. 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.

Performance Scenarios

The table below shows the money you could get back over the 5-year intended life of the product under different scenarios, assuming that you invest £10,000. The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and are not an exact indicator. What you get will vary depending on how the market performs and how long you keep the investment. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where the Company is not able to pay you. This product cannot be easily cashed in. This means it is difficult to estimate how much you would get back if you cash in before the end of the recommended holding period. You will either be unable to cash in early or you will have to pay high costs or make a large loss if you do.

Investment Scenarios		1 year	3 years	5 years (recommended holding period)
Stress scenario	**What you might get back after costs**	£5,168	£6,322	£5,454
	Average return each year	-48.3%	-14.2%	-11.4%
Unfavourable scenario	**What you might get back after costs**	£8,940	£8,134	£7,590
	Average return each year	-10.6%	-6.7%	-5.4%
Moderate scenario	**What you might get back after costs**	£9,916	£9,773	£9,632
	Average return each year	-0.8%	-0.8%	-0.7%
Favourable scenario	**What you might get back after costs**	£11,041	£11,787	£12,269
	Average return each year	10.4%	5.6%	4.2%

What happens if Downing TWO VCT plc is unable to pay out?

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. 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 3 years*	If you cash in after 5 years*
Total costs	£350	£920	£1,437
Impact on return (RIY) per year	3.50%	3.17%	3.10%

*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. You will also lose tax reliefs gained on subscription if you sell within five years of subscription.

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**	0.5%	Stamp duty reserve tax of 0.5% is payable if the Shares are purchased on the secondary market.
On-going costs	**Portfolio transaction costs**	0.0%	The Company's costs of buying and selling underlying investments.
	Other ongoing costs	3.0%	The Company's annual running costs are capped at 3.0% of its net assets including management fees of 2.0% payable to Downing LLP.

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

The recommended holding period is 5 years after which time the Company intends to return capital to shareholders in accordance with its planned exit strategy. Investments may also be realised by the sale of Shares back to the Company or in the market. The Company has a policy to buy back shares which its shareholders wish to sell, currently at a nil discount 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?

As a shareholder of Downing TWO VCT plc you do not have the right to complain to the Financial Ombudsman Service about the management of Downing TWO VCT plc. Complaints about the Company or the key information document should be sent to the company secretary: Mr. Grant Whitehouse, Downing LLP, St Magnus House, 3 Lower Thames Street, London EC3R 6HD.

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. Depending on how you buy Shares you may incur other costs, including broker commission, platform fees and Stamp Duty. The distributor will provide you with additional documents where necessary. Prospective investors should note that the value of an investment may not get back 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 very according to your personal circumstances: independent advice should therefore be sought. Please note that it cannot be guarantee 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.