

Product

Hargreave Hale AIM VCT

Tax Status

Venture Capital Trust

Fund Group

**Canaccord Genuity Asset
Management**

Risk Warning

This communication is provided for informational purposes only. This information does not constitute advice on investments within the meaning of Article 53 of the Financial Services and Markets Act (Regulated Activities) Order 2001. Should investment advice be required this should be sought from a FCA authorised person.

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RISK WARNINGS AND DISCLAIMERS

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GENERAL RISK WARNINGS

Your attention is drawn to the following risk warnings which identify some of the risks associated with the investments which are mentioned in the Review:

Fluctuations in value of investments

The value of investments and the income from them can go down as well as up and you may not get back the amount invested.

Suitability

The investments may not be suitable for all investors and you should only invest if you understand the nature of and risks inherent in such investments and, if in doubt, you should seek professional advice before effecting any such investment.

Past performance

Past performance is not a guide to future performance.

Legislation

Changes in legislation may adversely affect the value of the investments.

Taxation

The levels and the bases of the reliefs from taxation

may change in the future. You should seek your own professional advice on the taxation consequences of any investment.

ADDITIONAL RISK WARNINGS

Venture capital trusts

1. An investment in a VCT carries a higher risk than many other forms of investment.
2. A VCT's shares, although listed, are likely to be difficult to realise.
3. You should regard an investment in a VCT as a long term investment, particularly as regards a VCT's investment objectives and policy and the five year period for which shareholders must hold their ordinary shares to retain their initial income tax reliefs.
4. The investments made by VCTs will normally be in companies whose securities are not publicly traded or freely marketable and may therefore be difficult to realise and investments in such companies are substantially riskier than those in larger companies.
5. If a VCT loses its Inland Revenue approval tax reliefs previously obtained may be lost.
6. No investment can be made by the VCT in a company whose first commercial sale was more than 7 years prior to date of investment, except where previous State Aid Risk Finance was received by the company within 7 years (10 years for a 'knowledge intensive' company) or where a turnover test is satisfied; and
7. No funds received from an investment by the VCT into a company can be used to acquire another existing business or trade.

Factsheet

Hargreave Hale AIM VCT

Type	AIM based VCT with track record
Size	£162m AUM and is seeking £20m with this launch with a £20m over-allotment facility
Manager	Canaccord Genuity Asset Management
Sponsor	Howard Kennedy
Registrars	Equiniti Limited
Focus	To generate tax free capital gains and regular dividend income for its shareholders through a diversified portfolio of predominantly AIM listed VCT qualifying investments across a broad range of sectors
Promoter	Portunus Investment Solutions
Funds initially invested	Cash deposits, equities, fixed income securities and the Marlborough Special Situations fund
Minimum investment	£5,000 excluding initial adviser charges
Initial Closing Date	22 March 2024 unless fully subscribed before for the 2023/24 tax year and 12 August 2024 unless fully subscribed before for the 2024/25 tax year
Issue costs	3.5% of amount subscribed
Annual costs	2.2% per annum (inclusive of VAT)
Initial advisor charges	If charged, these will be facilitated by the VCT on subscription.

Summary

Table 1: Tax Efficient Review summary of offering Pros and Cons

PROs	CONS
Consistent level of dividends paid to shareholders over recent years, on average around 5p per share over the last five years	The performance of the AIM market over the past 18 months has clearly not helped the performance of the Hargreave Hale AIM VCT with the NAV per share including dividends down over 20% in the year to 31 August 2023
The Hargreave Hale investment team are not entirely dependent upon the level of VCT qualifying AIM IPOs to deploy new funds raised as they can consider unquoted VCT qualifying companies to broaden the range of investments they can consider	The VCT can at times run relatively high level of non-qualifying (NQ) equities within the portfolio. This aids liquidity but could add to volatility levels. However, the manager has kept cash at 14% and has increased the fixed income element of the NQ portfolio of late
A more diverse portfolio with the top 10 holdings accounting for 23% of the NAV, whereas the same figure for Unicorn and Amati is approximately 28% and 45%, respectively of their total NAV	The Hargreave Hale unquoted holdings have also seen falls in value, with a large write down of Gousto also adversely affecting the performance

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TER classification

TER classifies this VCT as an “AIM VCT with track record”. This VCT can also hold non-AIM

investments to aid liquidity.

Review based upon

TER always meet with fund managers prior to a review. This review is based on those meetings, the prospectus for the offer, (Hargreave Hale

AIM VCT reference September 2023) and data provided by Hargreave Hale.

‘Sunset’ Clause

The ‘Sunset Clause’ was introduced by the Treasury for EIS and VCT reliefs to be reviewed and renewed by 6 April 2025. The clause provides that income tax relief will no longer be given to subscriptions made on or after 6 April 2025, unless the legislation is amended to make the scheme permanent, or the “sunset clause” is extended.

The government has the power to extend or remove the sunset clause through secondary

legislation, which would allow the VCT & EIS schemes to operate in their current form beyond the current expiry date of the scheme.

The then Chancellor Kwasi Kwarteng announced during his mini-budget of 23 September 2022 that venture capital schemes will be safeguarded beyond 2025 but no further details were given as to how this will be implemented.

Table 2: Hargreave Hale funds under the same management as the VCT as at 31 July 2023

VCT	Net assets £m	Annual Management fee	Still to be invested £m
VCT funds			
Hargreave Hale AIM VCT	£162	1.7%	2.7
NON VCT funds than can co-invest with VCT Funds			
Marlborough Special Situations Fund	£821	0.75%	Nil
Marlborough UK Micro Cap Growth Fund	£733	0.75%	n/a
Marlborough UK Multi-Cap Income Fund	£524	0.75%	n/a
Marlborough UK Nano-Cap Growth Fund	£169	0.75%	n/a
Marlborough European Multi-Cap Fund	£264	0.75%	n/a
Marlborough UK Multi-Cap Growth Fund	£180	0.75%	n/a
Marlborough Global Innovation	£52	0.75%	n/a
Other Institutional mandates	£155	Not disclosable	n/a
TOTAL	£3,060m		£2.7m

Source: Hargreave Hale

Changes since the previous review

Before this fund raising the Net Assets in the VCT had moved from £180m in July 2022, to £162m at July 2023. In that time, the VCT raised £38.6m net from its last offer and returned £18.6m to shareholders through dividend payments (£15.7m) and share buybacks (£2.9m). The balance is a combination of expenses (OCR 2.2%, 31 July 23) and losses incurred as challenging markets persist with AIM falling a further 17% since the last review. The bear market in UK small caps recently entered its third year with AIM declining 39.5% (to 31 July 23) since peaking on 06 September 2021.

Although the investment manager is not expecting a rapid recovery in equity markets, it does believe that falling inflation will bring with it an end to the current interest rate tightening cycle, creating the conditions for a recovery on AIM. Coupled with the underlying growth inherent in the portfolio and the potential pick up in VCT qualifying deal flow, the manager believes these factors can provide the backdrop for a recovery in the net asset value over the medium and long term.

In April 2023, Abbe Martineau joined the VCT fund management at Canaccord Genuity Asset Management (CGAM, formerly Hargreave Hale)

The Offer

This is an offer from Hargreave Hale AIM VCT managed by Canaccord Genuity Asset Management ("CGAM") for £20m of Ordinary Shares at an offer price at a 3.5% premium to the latest published unaudited NAV per Ordinary Share of the Company. There is an over-allotment facility for a further £20 million, which may be used at the Board's discretion, taking the total available under the offer to £40 million.

The Hargreave Hale AIM VCT is one of four active AIM VCTs in the market, with the others being from Amati, Octopus and Unicorn.

The AIM market, where most of the investments in these VCTs are held, has certainly had a tumultuous time over the past 5 years. It saw a large drop in value at the onset of the COVID-19 pandemic, followed by a rapid surge in valuations as the world emerged from lockdowns in 2021.

tin-house legal counsel, increasing the size of the VCT team to and bringing it back up to full strength. Her prior legal experience includes eight years at Freshfields Bruckhaus Deringer, where she advised international businesses on a range of corporate matters and strategic M&A, and eight years at Prudential plc, where she worked on delivering the group's strategic priorities, including its first ESG Report and the demerger of M&G.

There were no changes to the board during the twelve months to July 2023. The board consists of six non-executive directors, of which five are independent and three are female.

The Hargreave Hale AIM VCT tell us that they have completed 10 qualifying investments in the 12 months to 31 July 2023, with a further 4 investments made since the balance sheet date. The investment manager must invest a further £2.7m by September 2024 to complete its obligation to invest 30% test of the funds raised under the 2022/23 offer within the first full financial year in which the funds were raised. We understand that the investment manager is confident this can be achieved in late 2023.

But since the start of 2022, the gains seen in 2021 have all been unwound with a rather long, slower decline in the performance of the AIM market.

This has also been combined with a general lack of new companies choosing to list on the AIM market. The AIM VCTs can only purchase either VCT qualifying companies which list on the AIM market as an IPO, or additional equity released by existing VCT qualifying AIM companies.

This means that the AIM VCTs have had a fairly constrained number of investments which they can choose to invest into. Research shows there have been two VCT qualifying companies listing on the AIM market since the start of 2023, and 12 companies have issued additional VCT qualifying equity (follow-on investments).

It is for this reason that the four AIM VCTs mentioned here typically have small fund raisings in comparison to their Generalist VCT counterparts, as they know that a large fund raising could be difficult to deploy in subdued markets.

The Hargreave Hale AIM VCT fund raising total of £40m may seem high given the current market conditions, but they do have the flexibility to consider non-AIM listed VCT qualifying companies, particularly those which may look to list on the AIM market in the future.

Strategy

The Company intends to achieve its investment objectives by making qualifying investments in companies primarily listed on AIM, but also private companies and companies listed on the AQSE Growth Market, and non-qualifying investments as allowed by the VCT regulations.

The manager will maintain a diversified portfolio of Qualifying Investments which may include equities and fixed interest securities as allowed by the VCT regulations. These smaller companies will be UK based or have a UK presence and, whilst of high risk, will have the potential for significant capital appreciation.

The portfolio of qualifying investments has been built steadily since launch in 2004. CGAM's preference for long term investment has allowed these investments to mature over time with 14 companies now held for more than 10 years.

Consistent with the VCT rules, qualifying companies are often very small at the point of investment; however, the passage of time means that the market capitalisation of qualifying companies within the VCT's portfolio varies from less than £10 million to greater than £1,000 million, with a weighted average of £286.0 million. Revenues and profits vary significantly, too. Some companies are pre-revenue whilst others have revenues in the hundreds of millions, the weighted average being £78.2 million. Whilst many qualifying companies are loss making at the point of investment, the increasing levels of maturity within the portfolio means that many qualifying companies are profitable. The weighted average profit before tax across the VCT's portfolio of qualifying companies is £8.0 million, all as at 31 July 2023.

The non-qualifying investments must be

permitted by the VCT regulations and may include equities and exchange traded funds listed on the main market of the London Stock Exchange, fixed income securities, bank deposits that are readily realisable and the Marlborough Special Situations Fund. In a recent change to the investment policy, the Company will also allow investment into the Marlborough UK Micro-Cap Growth Fund alongside the Marlborough Special Situations Fund to improve portfolio diversification and liquidity. Overall asset allocations will not change.

The VCT is able to maintain its exposure to small companies by investing up to 10% of the net assets into the Marlborough Special Situations Fund and/or Marlborough UK Micro-Cap Growth Fund (both managed by CGAM), whilst the manager identifies opportunities to invest the proceeds of the fundraising into qualifying companies.

The manager strongly believes in the benefits of a diversified portfolio and point to the performance of the Marlborough Special Situations Fund and Marlborough UK Micro-Cap Fund as two examples of highly diversified funds that have delivered strong long-term performance. CGAM believes this focus on risk management provides some protection in volatile markets, although it must be recognised that the VCT rules and the lower number of holdings make a comparison difficult.

The focus on risk management leads the manager to weigh each investment up against a series of factors, some specific to the company and others relating to portfolio construction. These include, the business model, financial controls, management track record, balance sheet strength and portfolio risk.

CGAM describes its approach as stock specific and based on fundamental analysis of the investee company. Their management of the VCT has evolved over the 19 years it has been managing VCTs, with more emphasis placed on risk management and volatility. This is primarily achieved through diversification of the qualifying and non-qualifying investment portfolios, but is also supported by the increased maturity of the qualifying portfolio, which features many established and profitable qualifying companies. The manager also actively manages the VCT's exposure to different kinds of risk and uses investment into private companies to broaden the

investment opportunity.

As at end of 31 July 2023, the portfolio of the Hargreave Hale AIM VCT had the following characteristics:

- Qualifying investments account for 59.1% of the VCT's net assets
- Non-qualifying direct equity investments account for 9.5%
- Non-qualifying fixed income for 10.7%,
- Non-qualifying exchange traded funds for 1.2%
- Marlborough Special Situations Fund for 5.3%
- Cash for 14.2%

The 68 qualifying companies are valued at about £95.6 million against an underlying book cost of £89.4m. The book cost within the management accounts shown (see Table 6 for detail), reflects the transfer value of the qualifying investments from Hargreave Hale AIM VCT 2 (as opposed to their purchase price).

The 10 largest qualifying holdings accounted for 23.3% of the VCT's net asset value of approximately £161.9 million

43% of the qualifying portfolio (when weighted by market value) is invested in profitable companies

The weighted average revenue and profit before tax within the qualifying portfolio was £78.2m and £8.0m respectively.

The weighted average market capitalisation was £286.0m

We cover these figures in more detail in the tables and the Track Record section of this report. But some highlights of the investment portfolio include:

- **GlobalData:** A supplier of proprietary data and analytics and insights to 4,600 clients with a market cap of £1.3bn, revenues of £242 million and a profit before tax of £61 million for the year to 31 December 2022
- **Eagle Eye:** A cloud-based SaaS technology platform, which provides real-time, scalable, and personalized loyalty and promotions capabilities to retail, travel and hospitality brands. Eagle Eye has a market cap of £159m and reported revenues of £43 million and a

profit before tax of £4 million for the year to 30 June 2023

- **Surface Transforms:** A developer and manufacturer of carbon-ceramic material automotive brake discs with a market cap of £36m and reported revenues of £5 million and a loss before tax of £6 million for the year to 31 December 2022

We have previously highlighted our concerns about access to the deal flow on AIM which, as a consequence of the challenging environment in public markets, has declined alongside the significant drop off in the number of companies listing on AIM. We continue to welcome a reduced dependence on AIM IPOs with the management team able to deploy monies into companies already listed on AIM and private companies when there are periods of reduced IPO activity. We note, too, that the manager has deployed funds ahead of budget in the current financial year despite the difficult markets.

Non-qualifying investments

The CGAM VCT Team works closely with the wider CGAM fund management team to deliver the investment strategy when making non-qualifying investments. Typically, this will include a focused portfolio of direct investments in companies listed on the main market of the London Stock Exchange.

As at 31 July 2023, the average market cap of an investment in the non-qualifying portfolio, when weighted by market value was £7.1bn. The manager is keen to emphasize the balancing effect this has on the whole portfolio as investors with investors gaining exposure to both small qualifying companies and more stable and liquid larger companies in the same VCT. Although in prior years the manager has run weightings of 20%+ to non-qualifying equities; more recently these weightings have more than halved to less than 10% with the manager preferring to hold a more defensive allocation to fixed income and cash.

Subject to a maximum of 10% of the net assets, the investment policy allows the initial investment of the proceeds of fundraisings into the Marlborough Special Situation Fund and/or the Marlborough UK Micro-Cap Growth Fund pending investment into qualifying companies. The two funds, with £821m and £733m of funds under management respectively, have a very significant weighting to UK small companies

Table 3: AIM VCT provider 3, 5 & 10 year performance comparison

VCT manager (alphabetical order)	VCT name	Data as at	Annual return over last 3 years	Annual return over last 5 years	Annual return over last 10 years
AMATI GLOBAL	Amati AIM VCT	31/08/2023	-7.6%	-3.5%	5.6%
HARGREAVE HALE	Hargreave Hale AIM VCT	31/08/2023	-3.0%	-2.9%	4.0%
OCTOPUS	Octopus AIM VCT	31/08/2023	-5.1%	-3.7%	2.6%
	Octopus AIM VCT 2	31/08/2023	-4.8%	-3.2%	2.8%
UNICORN	Unicorn AIM VCT	31/08/2023	2.3%	3.2%	8.6%

Source: Tax Efficient Review calculation based on dividend and Net Asset Value data from public accounts

Calculation: (Closing period NAV less Opening period NAV plus dividends paid in the period) divided by number of years in the period

Figures do not include tax relief

Report produced 16/09/2023

Table 4: Hargreave Hale AIM VCT key characteristics as at 31 July 2023

Asset Allocation	
Qualifying Investments	59.1% of which 52.5% are AIM and 6.6% Unquoted Investments
Marlborough Special Situations Fund	5.3%
Non-Qualifying Equities	9.5%
Non-Qualifying Fixed Income	10.7%
Non-Qualifying Exchange Traded Funds	1.2%
Cash	14.2%
Total	100%
Qualifying Portfolio	
Average Revenue	£78.2m
Average Net Cash/(Debt)	(£0.4)m
Average Market Capitalisation	£286.0m

Source Hargreave Hale September 2023

Table 5: Hargreave Hale Matrix of individual responsibilities

	Oliver Bedford	Lucy Bloomfield	Anna Salim	Archie Stirling
VCT WORK				
Managing VCT funds/assets	100%	100%	100%	100%
Years in fund management	19	15	7	2
Years with current team	19	5	5	2
Years involved with VCTs	19	5	5	2

Source Hargreave Hale August 2022

and are also managed by CGAM, have produced 1/3/5 year returns of -14.2%/0.6%/-7.2% and -11.9%/-0.2%/-0.4% respectively (as at 31 July 2023). Again, the manager has kept this allocation much lower than has been the case in prior years.

Dividend Policy

The VCT has a well-established track record of paying out tax free dividends to their shareholders. The intention is to continue the existing policy of targeting a 5% tax free dividend distribution yield (referenced to the year-end net asset value of each company). The VCT has a good track record of making distributions consistent with this policy, including several special dividends in recent years.

The most recent total annual dividends paid from the Hargreave Hale AIM VCT (in relation to a financial year) are:

2022 -	3.0p per share
2021 -	7.4p per share
2020 -	5.4p per share
2019 -	3.75p per share
2018 -	5.4p per share
2017 -	4.0p per share

Hargreave Hale AIM VCT pays its dividends out of capital. To date this has been done through distributions from the Special Reserve, which was created by a court approved conversion of the Share Premium Account.

As at 31 July 2023, Hargreave Hale AIM VCT has £69.1m of special reserves available for

Track record

Our approach to comparing track records between providers is to use 3, 5 & 10 year measures of the annual increase in total return (calculated as closing net asset value less opening net asset value plus dividends paid during the period).

The results are in Table 3 and consist of results for each AIM provider and their VCTs over a 3, 5 and 10 year period.

The number of qualifying AIM listed companies in the portfolio is a diverse 68 for the Hargreave Hale AIM VCT (see Tables 6).

distribution. The VCT has a further £108.9m within the special reserves that will become available for distribution over the course of the next 3 years as the HMRC VCT restrictions (which prevent the distribution of special reserves within three years of the end of financial in which the funds were raised) roll off.

Share Buyback Policy

The Board targets a 5% discount to the NAV but like most managers reserves the right to suspend the discount control policy, if required. The manager has discretion to buy shares back in on a weekly basis, subject to certain limits. These are set by the Board to ensure compliance with the Listing Rules and shareholder authorities. Nevertheless, these policies have proven to be very robust and have never been suspended. The consistent application of the policy has been particularly effective at controlling the share price, which has tightly tracked the published net asset value per share, with an average discount of 5.0% to the net asset value for the 3 years to 31 July 2023.

We believe the policy, and the execution of it, is good news for existing investors, provided the team is able to maintain it. Individuals should be aware that there is no guarantee that this policy will be sustainable or adhered to over the long term.

Tax Efficient Review Strategy rating: 29 out of 30

As at 31 July 2023, the five largest sector weightings of the qualifying portfolio within the Hargreave Hale AIM VCT was:

- 34% in Information Technology
- 23% in Healthcare
- 18% in Industrials
- 13% in Consumer Discretionary
- 5% in Energy and Materials

As can be seen in Table 3, the Hargreave Hale AIM VCT is second only to the Unicorn AIM VCT over 3 and 5 years but lags behind the Amati AIM VCT and the Unicorn AIM VCT over 10

years.

Part of the reason for this may be explained by the Hargreave Hale AIM VCT holding a more diversified portfolio in comparison with Amati and Unicorn. The Hargreave Hale AIM VCT can also choose unquoted investments, which allows them to consider a wider range of investments and makes them less reliant upon VCT qualifying AIM IPOs. But the unquoted holding can also provide a less volatile influence on the portfolio than the majority of the daily priced AIM stocks. Although one of the unquoted holdings is Gousto, the online delivery cooking kit company which has been one of the EIS manager MMC's star holdings for many years, has also seen significant falls in valuations.

Within the Hargreave Hale AIM VCT the top 10 investment holdings comprise 23% of the AUM. This compares with the top 10 holdings comprising approximately 28% of the Amati AIM VCT as at 31 July 2023 and 45% of the Unicorn AIM VCT as at 31 March 2023 .

If the top 10 investments comprise a higher percentage and perform well, this could lead

to better performance, but a relatively high level of weighting of the top 10 holdings could lead to higher volatility within the portfolio performance.

Table 4 shows the breakdown of the asset allocation of the Hargreave Hale AIM VCT. As one would expect, the largest allocation by percentage of net assets is to AIM listed qualifying investments (52%), followed by cash (14%), non-qualifying fixed income (11%), non-qualifying equities (10%), unquoted qualifying investments (7%), the Marlborough Special Situations Fund (5%) and exchange traded funds (1%).

Table 6 shows that many of these listed non-qualifying equities are well known names such as BAE Systems, National Grid and WH Smith. These holdings undoubtedly aid liquidity within the portfolio, being more accessible than the AIM listed holdings, but they could also add to volatility within the portfolio.

Tax Efficient Review Track Record rating: 31 out of 40

Manager

In total, Canaccord Genuity Asset Management e has £3.1 bn in funds under management and over £2.0 bn invested in UK small companies. Table 5 shows the team at present and the time allocated to VCT work.

The investment team of the Hargreave Hale AIM VCT comprises:

- **Oliver Bedford** - Lead Manager - graduated from Durham University in 1995 with a degree in Chemistry. He served in the British Army for 9 years before joining CGAM in 2004. After initially working as an analyst in support of the VCT, Oliver was appointed as co-manager in 2011 and then lead manager in 2019.
- **Lucy Bloomfield** - Deputy Fund Manager - joined CGAM in August 2018. Prior to this she spent eight years as an analyst and UK Small & Mid-cap fund manager at BlackRock before her most recent role as a European Small & Mid-cap fund manager with Ennismore Fund Management. Lucy graduated from Durham University with a degree in Economics and is a CFA charter holder.
- **Anna Salim** - joined CGAM in April 2018. Her prior experience includes European lower mid-market private equity investments at Revolution Capital Group and equity research at Cormark Securities. Anna graduated from the University of Toronto and holds an MBA from the University of Western Ontario. She is a CFA charter holder.
- **Archie Stirling** - joined CGAM as an investment analyst in September 2021. He graduated from Bristol and joined KPMG in 2013. Following qualification in 2016, he joined KPMG's transaction services team where he remained until joining CGAM.
- **Abbe Martineau** - joined CGAM in April 2023. Her prior legal experience includes

eight years at Freshfields Bruckhaus Deringer, where she advised international businesses on a range of corporate matters and strategic M&A, and eight years at Prudential plc. She graduated from the University of Birmingham and went on to qualify as a lawyer in 2005.

The Board of Hargreave Hale AIM VCT comprises:

- David Brock
- Angela Henderson

- Oliver Bedford
- Justin Ward
- Busola Sodeinde
- Megan McCracken

There were no changes to the board during the twelve months to July 2023. The board consists of six non-executive directors, of which five are independent and three are female.

Tax Efficient Review Team rating: 18 out of 20

Costs

Initial costs: Initial costs are usually 3.5% including commission to introducers of either 1% or 0.5% up-front with 0.375% annual trail subject to availability and paid by the manager out of their annual management charge (where no advice is given to the investor).

There is a discount of up to 2% available to existing shareholders for applications received by 5pm on 27 October 2023. The full early bird discount of 2% is only available when CGAM is not required to pay any initial commission, either because the introducing adviser gives advice (and therefore cannot accept commission), or the introducing adviser waives the introductory commission in favour of the client.

Annual management fee: 1.7% of the VCT's NAV. As at 31 July 2023, the VCT's on-going charges ratio (OCR) was 2.2% inclusive of VAT. CGAM expects the OCR to remain close to 2.2% following the fundraise.

Performance fee: There is no performance fee levied by the manager within the Hargreave Hale AIM VCT. This is in line with its peer group in the AIM VCT market.

The Hargreave Hale AIM VCT has always had competitive costs in relation to its peers and this has continued with this fund raising.

Tax Efficient Review Cost rating: 9 out of 10

Conclusion

Tax Efficient Review previously undertook a review of the Hargreave Hale AIM VCT in September 2022 when they launched a fund raising in the previous tax year. They have now come out for a fund raising in the current tax year, but little can highlight the recent performance of the AIM Market better than comparing the performance of the two reviews.

The previous review showed the annualised return of this VCT over the 3 years prior to that review as 5.7%, but as Table 3 in this review shows, that same annualised return figure of the 3 years prior is now -3%. This is a huge swing in a 3 year performance figure and the 5 and 10 year performance comparison tells a similar story.

To Independent Financial Advisers who follow the small cap and AIM markets this story will not be a huge surprise, as all the AIM VCTs have seen dramatic falls in NAV per share over the past 12 months. The NAV of this particular VCT (including dividends) is down 20% over the past year. Despite these market conditions, the performance of the Hargreave Hale AIM VCT is now looking impressive against their AIM VCT peer group and are now only behind Unicorn over the past 3 and 5 years.

The Hargreave Hale AIM VCT has managed to deploy £11.5m since the beginning of the year. The majority of this has been into follow on investments, reflecting the dearth of VCT qualifying companies choosing to list on the AIM market in recent times. Fortunately, this VCT does have the flexibility to invest into unquoted VCT qualifying companies, which significantly broadens the range of investments they can select from.

At Tax Efficient Review we do not comment on market timing, but investor psychology is such that investors are keen to invest when a market is surging on the back of strong performance, yet not so keen once the market is subdued for a long period of time. The manager of the Hargreave Hale AIM VCT told Tax Efficient Review that 43% of their qualifying portfolio (when weighted by market value) is invested in profitable companies, but that this profitability is not reflected in the share prices of these companies. The dividend track record is good and we hope that the market sentiment improves for the AIM market, and all the AIM VCTs can start to deliver for their shareholders once more.

Tax Efficient Review rating: 87 out of 100 for an AIM VCT

HARGREAVE HALE AIM VCT

Table 6: Hargreave Hale VCT holdings as at 31 July 2023

	Cost £000	Current Value £000	% of NAV
Qualifying Portfolio			
Equipmake	3,705	7,721	4.77%
Eagle Eye	1,763	4,675	2.89%
Kidly	4,060	3,518	2.17%
PCI PAL	2,368	3,461	2.14%
Learning Technologies	945	3,375	2.08%
Surface Transforms	1,775	3,367	2.08%
Zoo Digital	396	3,080	1.90%
Abcam	55	3,014	1.86%
My First Years Ord D	2,500	2,743	1.69%
Engage XR	3,453	2,676	1.65%
Maxcyte	989	2,625	1.62%
Cohort	619	2,432	1.50%
Itaconix	3,025	2,313	1.43%
Fadel Partners	2,300	2,300	1.42%
XP Factory	4,174	2,193	1.35%
C4X Discovery	2,300	2,171	1.34%
Diaceutics	1,550	2,039	1.26%
Mexican Grill	513	2,025	1.25%
Beeks Financial	945	1,945	1.20%
Aquis	767	1,888	1.17%
Ilika	1,724	1,627	1.01%
Centralnic	500	1,600	0.99%
Gousto	2,002	1,555	0.96%
Blackbird (Forbidden Tech)	615	1,476	0.91%
Zappar	1,600	1,430	0.88%
Polarean	2,081	1,422	0.88%
Osirium	1,701	1,397	0.86%
Eden Research	1,355	1,355	0.84%
Craneware	125	1,333	0.82%
Intelligent Ultrasound (Medaphor)	1,751	1,239	0.77%
Arecor Therapeutics	1,687	1,216	0.75%
Belvoir	848	1,150	0.71%
Idox	135	1,131	0.70%
Instem life	298	1,020	0.63%
Equals Group (FairFX)	589	1,004	0.62%
Bidstack	2,733	1,004	0.62%
Animal Care	320	960	0.59%
Crimson Tide	1,260	924	0.57%
Property Franchise Group	338	878	0.54%
Nexteq (Quixant)	280	822	0.51%
Skillcast	1,571	806	0.50%
EKF	450	795	0.49%
Bivictrix	1,200	780	0.49%
Creo	2,128	736	0.45%
OneMedia IP	1,141	733	0.45%
Verici	1,939	713	0.44%
Tristel	79	669	0.41%
Hardide Ord 4P+	2,917	638	0.39%
Globaldata	173	637	0.39%
Eneraqua	1,401	556	0.34%
Velocys	2,221	556	0.34%
Crosswords	2,039	550	0.34%
Intercede	338	492	0.30%

Table 6: Hargreave Hale VCT holdings as at 31 July 2023

	Cost £000	Current Value £000	% of NAV
Faron Pharma	914	455	0.28%
K3	270	366	0.23%
Science in Sport	1,295	349	0.22%
Smooove Plc (ULS Tech)	290	341	0.21%
Angle	1,200	321	0.20%
Strip Tinning	1,054	285	0.18%
Everyman	343	247	0.16%
TrakM8	197	143	0.09%
Mycelx	450	90	0.06%
Renalytix	82	74	0.05%
Rosslyn Data	500	45	0.03%
Fusion Antibodies	564	41	0.03%
Yourgene - Premaitha	689	23	0.01%
Gfinity	1,929	22	0.01%
Portr	1,888	-	0.00%
	89,406	95,567	59.02%
Non Qualifying Portfolio			
Non Qualifying Equity Investments			
Bodycote	1,534	1,557	0.96%
Hollywood Bowl	1,566	1,344	0.83%
Chemring	1,361	1,274	0.79%
WH Smith	1,220	1,194	0.74%
Bytes Technology	747	1,187	0.73%
Ashtead Group	1,115	1,151	0.71%
National Grid	1,041	1,032	0.63%
Watches of Switzerland	1,216	942	0.58%
BAE Systems	782	922	0.57%
TP ICAP	1,023	890	0.55%
Diversified Energy	1,051	853	0.53%
Energiean	926	811	0.50%
Rotork PLC	737	648	0.40%
XP Power	743	611	0.38%
On The Beach	1,081	400	0.25%
Wickes Group plc	585	341	0.21%
Mexican Grill	157	220	0.14%
MyCelx	378	104	0.06%
	17,263	15,481	9.56%
Gilts and Bonds			
Marks & Spencer	2,995	2,974	1.84%
British Telecomms	3,162	2,966	1.83%
Natwest Markets	3,056	2,917	1.80%
Royal Bank of Canada	3,046	2,883	1.78%
Next Plc	2,979	2,844	1.76%
Barclays plc	2,870	2,702	1.67%
	18,108	17,286	10.68%
MFM Special Situations	9,717	8,603	5.31%
iShares ETF	2,001	1,951	1.21%
TOTAL PORTFOLIO	136,495	138,887	85.77%
Cash at Bank		22,195	13.71%
Prepayments and Accruals		841	0.51%
NET ASSETS		£161.9m	100.00%

Source Hargreave Hale July 2023