

25 February 2021

HARGREAVE HALE AIM VCT PLC
(the “Company”)

Interim Management Statement
Q1 2021

Introduction

This interim management statement covers the first quarter of the 2020/21 financial year, 1 October 2020 to 31 December 2020. Investment performance measures contained in this report are calculated on a pence per share basis and include realised and unrealised gains and losses.

Investment report

The quarter started with three areas of significant concern: a contested US election result; a no deal departure from the European Union; and a winter resurgence of CV19 pandemic. The eventual resolution to the two political risks will in time get greater attention, but for now we remain focussed on understanding and navigating the short-term consequences of the pandemic.

The UK’s vaccination programme, further Government intervention and a trade agreement with the European Union, has allowed equity investors to look beyond the weakness in the UK economy which, despite the summer rebound, remained around 8% lower year on year in the 3 months to December 2020. After a tricky start to the quarter, the UK’s equity markets moved materially higher through November and December. We feel positive about the outlook for small, well managed UK companies, particularly those rich in intellectual property as the economy returns to growth later this year.

Performance

In the three months to 31 December 2020, the unaudited Net Asset Value (NAV) increased from 73.66p to 87.40p, a gain of 18.65%. During the same period, the FTSE AIM All-Share Total Return index gained 20.87%, whilst the FTSE All Share Total Return index returned +12.62%. The qualifying investments made a net contribution of 12.37 pence per share whilst the non-qualifying investments made a smaller positive contribution of 1.70 pence per share. The adjusting balance was the net of running costs and investment income.

Qualifying Investments

Ilika was the top performing qualifying investment (+135%, +2.15 pence per share) following the successful IPO of US peer Quantumscape. Investors noted the very sizeable valuation gap. Like its US peer, Ilika’s large format battery is well suited to automotive applications and several years from commercial readiness. Ilika’s miniaturised batteries for industrial IOT, consumer electronics and medical devices are more advanced and expected to move into commercial production in early

2022. Gousto (+23%, +1.08 pence per share) enjoyed another quarter of strong trading and closed 2020 with revenue growth of 114%. Among the many positives, the successful commissioning of a second factory was an important milestone. Learning Technologies (+39%, +1.07 pence per share) shares, which have drifted in and out of favour over the years, enjoyed good support as the company raised £78m to continue its acquisition strategy and progress towards its 2022 strategic goals. The recent trading update reported that profits and cash generation in FY20 were ahead of expectations.

For Yourgene (-28%, -0.14 pence per share), resilient trading in the six months to September 2020 was offset by a report of extended sales cycles. Forecasts were maintained, implying a heavy weighting to the second half. Whilst progress was made during the second half of the year, the company subsequently reduced expectations post period end. Faron Pharma (-35%, -0.13 pence per share) reported that Traumakine did not result in reduced mortality rates amongst CV19 patients when included in a WHO trial. Disappointing as this was, it is important to note that the WHO trial was not core to the development of Traumakine. A further investigation using different protocols will be run at Harvard Medical School. Clevegen continues to progress through its combined Phase I/II trial. Fusion Antibodies (-24%, -0.12 pence per shares) slipped back as investors acknowledged that a sharp move higher in September was difficult to justify. The company reported that trading was in line with expectations in the six months to September 2020.

Non-Qualifying Investments

The successful development of CV19 vaccines in November was positive for our non-qualifying holdings as markets began to look towards the potential recovery. Notable contributors to performance over the quarter included Melrose, On The Beach and Taylor Wimpey, which all rose over 50%.

Portfolio structure

The VCT is comfortably above the HMRC defined investment test and ended the period at 87% invested as measured by the HMRC investment test. By market value, the weighting to qualifying investments decreased from 76.5% to 72.9%, primarily a consequence of the £18m of offer proceeds.

In the 3 months to 31 December 2020, we deployed £1.1m into 2 qualifying companies, one an AIM IPO and the other an existing AIM listed company. We continued to adjust the qualifying portfolio and rebalance where necessary. For the most part, this was in response to considerable gains in share prices. We made four complete exits: two sales of non-core underperforming companies and two to M&A. We made partial disposals in 4 qualifying companies. We redeployed modest amounts of capital into the Marlborough Special Situations Fund, increasing the weighting from nil to 3.4%. Our allocation to non-qualifying equities reduced marginally from 13.3% to 12.5% and cash increased from 10.7% to 11.7% of net assets.

The HMRC investment tests are set out in Chapter 3 of Part 6 Income Tax Act 2007, which should be read in conjunction with this interim management statement. Funds raised by VCTs are first

included in the investment tests from the start of the accounting period containing the third anniversary of the date on which the funds were raised. Therefore, the allocation of qualifying investments as defined by the legislation can be different to the portfolio weighting as measured by market value relative to the net assets of the VCT.

Post Period End Update

The NAV has increased to 94.96p as at 19 February 2021. Adjusting for the 2.65 pence per share dividend paid on 11 February 2021, this equates to a gain of 11.68% within the current quarter. A further £2.26m has been invested into 3 qualifying companies including one investment into a new private qualifying company.

Share Buy Backs & Discount Control

In total, 806,227 shares (nominal value £8,062) were purchased during the period at a cost of £593,702 and an average price of 73.64 pence per share. The Board continues to target a share price discount of approximately 5% to the NAV per share (as measured against the mid-price). It should be emphasised that this target is non-binding and depends upon a range of factors, including the Company's liquidity, its shareholder permissions and market conditions.

The share price traded at a discount of 6.2% (after adjusting for the dividend) following the publication of the 31 December 2020 NAV on 8 January 2021.

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