

24 November 2021

HARGREAVE HALE AIM VCT PLC
(the “Company”)

Interim Management Statement

Q4 2021

Introduction

This interim management statement covers the fourth quarter of the 2020/21 financial year, 1 July 2021 to 30 September 2021. 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

Investor sentiment has weakened through the fourth quarter as concerns about the global (and local) supply chain constraints were coupled with the potential of economic contagion related to the Chinese property development market.

The UK debate on inflation mirrored the global discussion, with central bankers starting to row back from their prior statements that the spike in inflation would prove to be transitory and short lived. There is an abundance of evidence to suggest this may not be so; however, the case is not yet proven. All the same, hawks are in the ascendancy. Energy prices, logistics and labour costs are all rising quickly, suggesting investors should focus on companies with robust business models and the ability to pass higher input prices on to their customers. In the background, there remains concern regarding the UK’s trading relationship with the EU, with disputes over fishing rights and Northern Ireland driving some unease in the investor community.

It’s easy to forget that there is good news to reflect upon: the UK appears to be emerging from its most recent spike in COVID-19 infection rates; the outlook for the UK and developed economies looks very positive in the short-term; many companies continue to report high levels of demand; and, whilst inflation will erode real wages, the UK enters this more tricky period with good levels of household wealth.

The increased uncertainty has refocussed investors on risks to their portfolios, leaving some of the more fully valued early stage companies or operationally vulnerable companies exposed. The outlook for markets will remain uncertain until we get a clearer indication of the outlook for inflation and rates, both here and in international markets.

Performance

In the 3 months to 30 September 2021, the unaudited Net Asset Value (NAV) per share decreased from 100.95 pence to 100.39 pence, and after adding back the 1.75 pence interim dividend paid in July the NAV total return (dividends reinvested) was +1.20%. During the same period, the FTSE AIM All-share Total Return Index returned -0.13% and the FTSE All-Share Total Return Index gained +2.23%. The qualifying investments made a net contribution of +0.76 pence per share whilst the non-qualifying investments returned +0.85 pence per share. The adjusting balance was the net of running costs and investment income.

Qualifying Investments

Gousto (+24.6%, +1.37 pence per share) continues to report strong growth in the current financial year. Beeks Financial (+62.7%, +0.61 pence per share) released a positive trading update for its first quarter alongside its full

year results. The year saw revenues grow by 24% to £11.6m, with annual recurring revenues growing by 23% and the company increased revenue guidance for the 12 months to 30 June 2022 by 8% to £16.8m. Ideagen (+20.2%, +0.60 pence per share) released results that were in line with expectations, demonstrating another year of solid growth in both revenues and profits. Underlining the quality of its business model, recurring revenues are expected to account for 85% of revenues reported in the current financial year. The company is confident about the outlook and expects to continue to acquire companies that will enrich its product set or deliver other strategic benefits. PCI-Pal (-28.6%, -0.79 pence per share) advised the market that a US competitor had filed claims of patent infringement in the UK and US. This unwelcome development, which the company believes is without merit, cast a shadow over the company, which continues to trade well, and led to a pullback in the shares. Early trading at Dickie's, the Out In Collective's (-50.2%, -0.38 pence per share) first virtual restaurant, has been slower than hoped. The company took the sensible decision to slow down its rollout whilst it adjusted the menu design and developed its marketing channels. Following its admission to trading on AIM in March 2021, In The Style (-44.1%, -0.35 pence per share) reported good demand for its online womenswear fashion brand with revenues ahead of forecast but profit guidance reduced reflecting some margin pressure due to a shift in product mix and the cost of mitigating supply chain friction.

Non-Qualifying Investments

In comparison to the positive news flow of the first three quarters of the year, company updates were more mixed in the fourth quarter. Positive contributors over the period included Future, S4 Capital and Watches of Switzerland where the strong operational momentum seen in previous quarters continued. E-commerce retailer Seraphine issued a profit warning following supply chain issues which impacted product availability.

Portfolio structure

The VCT is comfortably above the HMRC defined investment test and ended the period at 98.74% invested as measured by the HMRC investment test. By market value, the weighting to qualifying investments increased from 72.6% to 75.7%, a consequence of investment performance and the new qualifying investments.

Qualifying investment activity remained strong in the quarter with £4.6m invested into 5 qualifying companies, including two new investments into AIM listed companies and follow on investments into three AIM listed companies. We disposed of 2 qualifying companies during the period. We also decreased the investment in the Marlborough Special Situations Fund within the period to release funds for investment into qualifying companies. The allocation to non-qualifying equities reduced from 12.5% to 11.2%. Cash increased from 11.2% to 11.8% 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 decreased to 96.07p as at 19 November 2021. Adjusting for the 2.50 pence per share special dividend paid on 29 October 2021, this equates to a loss of 1.81%. A further £5.1 million has been invested into 3 qualifying companies, including one investment into a new qualifying company pending admission to AIM.

Share Buy Backs & Discount Control

2,187,840 shares were acquired in the quarter at an average price of 95.75 pence per share. The share price decreased by 3.1% and traded at a discount of 5.0% on an ex-dividend basis on 30 September 2021.

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For further information please contact:

Oliver Bedford, Canaccord Genuity Fund Management

Tel: 020 7523 4837

LEI: 213800LRYA19A69SIT31