

10 August 2021

HARGREAVE HALE AIM VCT PLC
(the “Company”)

Interim Management Statement

Q3 2021

Introduction

This interim management statement covers the third quarter of the 2020/21 financial year, 1 April 2021 to 30 June 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

Whilst passage through the Government’s four stage roadmap out of lockdown has not been without its challenges, significant progress has been made with much of the UK economy once again operating without restriction. Despite setbacks, the economy has recovered more quickly than many had anticipated. Household wealth is high as a consequence of Government support and employment is strong. Companies are trading well, in many cases ahead of expectations.

Some sectors are reporting demand and/or supply shocks, with the outcome of this key to the outlook for inflation. A squeeze on the labour market is another area of concern and inflationary pressures are building. The expectation is that these will ease next year as supply chains recover, labour market liquidity improves and, in the UK’s case, we settle into life outside of the European Union. However, this is not a universally held view.

Performance

In the 3 months to 30 June 2021, the unaudited Net Asset Value (NAV) per share increased from 95.71 pence to 100.95 pence, a gain of +5.47%. During the same period, the FTSE AIM All-share Total Return Index gained 4.50% and the FTSE All-Share Total Return Index gained 5.60%. The qualifying investments made a net contribution of +4.14 pence per share whilst the non-qualifying investments returned +1.42 pence per share. The adjusting balance was the net of running costs and investment income.

Qualifying Investments

Polarean (+39.4%, +0.85 pence per share) reported an additional research unit order for its 9820 Xenon Polariser system from a US hospital and raised £27 million to prepare for the commercial launch of its drug-device combination. Learning Technologies (+25.2%, +0.74 pence per share) released a positive AGM statement that noted a strong start to the year driven by a strong recovery in its content and services division and encouraging performance within its software and platforms division. The company also reported that it was making good with the integration of its recent acquisitions. Angle (+68.8%, +0.55 pence per share) continues to release incrementally positive news with third party clinicians using the Parsortix solution to gather circulating tumour cells for research and evaluation in a wide range of oncology applications. More significantly, the company announced its first substantial large contract for its new laboratory services division. Angle has continued to progress its FDA registration for Parsortix with an outcome expected later this year. There was no materially bad news within the quarter with the poorest performers (Eden Research, Ilika and Surface Transforms) driven by consolidation within their share prices following good performance last year.

Non-Qualifying Investments

The quarter was again a positive period for company news. Notable contributors over the period included Future, S4 Capital, Watches of Switzerland and Liontrust which are all trading well and issued positive updates combined with earnings upgrades.

Portfolio structure

The VCT is comfortably above the HMRC defined investment test and ended the period at 97.69% invested as measured by the HMRC investment test. By market value, the weighting to qualifying investments increased from 70.0% to 72.6%, a consequence of investment performance and new qualifying investment.

Qualifying investment activity remained strong in the quarter with £5.1m invested into 5 qualifying companies, including two AIM IPOs, a new investment into an AIM listed company and follow on investments into one AIM listed and one private company. We made a partial disposal in one qualifying company following strong share price performance. We made no changes to the investment in the Marlborough Special Situations Fund within the period. The allocation to non-qualifying equities was largely unchanged at 12.5% and cash decreased from 13.8% to 11.2% 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 99.73p as at 31 July 2021. Adjusting for the 1.75 pence per share dividend paid on 30 July 2021, this equates to a gain of 0.53%. A further £2.9m has been invested into 3 qualifying companies including one investment into a new qualifying company.

Share Buy Backs & Discount Control

1,403,449 shares were acquired in the quarter at an average price of 96.13 pence per share. The share price increased by 6.7% and traded at a discount of 5.0% following the publication of the 30 June 2021 NAV on 7 July 2021.

Fundraising Update

The Board is pleased to announce that, further to the announcement made on 22 June 2021, preparations to launch a new offer for subscription (the "Offer") are progressing well. Subject to receiving shareholder approval for the issue of new shares under the Offer and other regulatory approvals, the Company is seeking to raise up to £20 million together with an over-allotment facility to raise up to a further £20 million. Full details of the Offer will be contained in a prospectus that is expected to be published on or around 2 September 2021. A further announcement will be made when the prospectus is made available.

VCT Fund Management Team Update

As previously announced, Giles Hargreave stepped down as co-manager on 31 December 2020; he has not been involved in the management of the VCT portfolio since then. Looking forward, Giles is not expected to provide any input to the VCT's portfolio, although he remains available to support the VCT team in his role as Life President of Canaccord Genuity Fund Management (the trading name of Hargreave Hale Ltd). The Board would like to thank Giles for his contribution to the VCT since it first launched in 2004.

Additionally, the Hargreave Hale AIM VCT fund management team is expected to further expand with the addition of a second investment analyst in September 2021, taking the VCT team to five. This follows the addition of Barbara Walshe as legal counsel in May 2020.

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