

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.

Tax Efficient Review is published by

Tax Efficient Review Ltd
35 The Park
London
NW11 7ST

Tel: +44 (0)20 8458 9003
www.taxefficientreview.com

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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	£152m AUM and is seeking £20m with this launch
Manager	Canaccord Genuity Asset Management Limited
Sponsor	Howard Kennedy Corporate Services LLP.
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, the IFSL Marlborough Special Situations Fund and the IFSL Marlborough UK Micro-Cap Fund
Minimum investment	£5,000 excluding initial adviser charges
Initial Closing Date	21 March 2025 unless fully subscribed before for the 2024/25 tax year and 12 August 2025 unless fully subscribed before for the 2025/26 tax year
Issue costs	3.5% of amount subscribed
Annual costs	2.4% 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
The Hargreave Hale AIM VCT is a large and well established AIM VCT, with over £151m of assets under management and 63 qualifying companies with in it	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 4% in the year on a total return basis
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 recent changes to the Inheritance Tax/Business Relief status of AIM stocks may have a longer term impact on the AIM market which is not yet fully appreciated
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 36% and 37%, respectively of their total NAV	The uncertainty surrounding the AIM market ahead of the Autumn Budget in October 2024 has meant there were higher levels of selling of AIM stocks ahead of this date

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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 October 2024) and data provided by Hargreave Hale.

‘Sunset’ Clause

On 3 September 2024 the Treasury made The Finance Act 2024, Section 11 (Extension of Enterprise Investment Scheme Relief and Venture Capital Trusts Relief) (Appointed Day) Regulations 2024 (SI 2024/897). These regulations brought into effect the extension of the Enterprise

Investment Scheme (EIS) and the Venture Capital Trust (VCT) Scheme sunset clause to 2035. The schemes will continue to support early-stage companies to raise the financing they need to grow and succeed.

Consumer Duty

The FCA’s Consumer Duty came into force from 31 July 2023 for existing products and services. One of the main purposes of this new legislation is that it seeks to ensure customers receive “fair value” and that fund management firms provide evidence that these outcomes are being met.

The assessment carried out by each firm is to ensure that its products provide fair value to retail customers in the target markets for those products; and that it has carried out a value assessment of its products which they review on a regular basis (appropriate to the nature and duration of the product).

Table 2: Hargreave Hale funds under the same management as the VCT as at 31 August 2024

VCT	Net assets £m	Annual Management fee	Still to be invested £m
VCT funds			
Hargreave Hale AIM VCT	£152	1.7%	£3.6 Note 1
NON VCT funds than can co-invest with VCT Funds			
Marlborough Special Situations Fund	£660	0.75%	Nil
Marlborough UK Micro Cap Growth Fund	£639	0.75%	n/a
Marlborough UK Multi-Cap Income Fund	£452	0.75%	n/a
Marlborough UK Nano-Cap Growth Fund	£151	0.75%	n/a
Marlborough European Multi-Cap Fund	£293	0.75%	n/a
Marlborough UK Multi-Cap Growth Fund	£173	0.75%	n/a
Marlborough Global Innovation	£43	0.75%	n/a
Other Institutional mandates	£119	Not disclosable	n/a
TOTAL	£2,682m		£3.6m

Note 1: The investment manager must invest a further £3.6m by September 2025 to complete its obligation to invest 30% test of the funds raised under the 2023/24 offer within the first full financial year in which the funds were raised.

Source: Hargreave Hale

Each firm being reviewed by TER has created their own "Confirmation of Value" assessment, which are available directly from the fund

manager. Please note that in each TER report, there is a Fees section which compares the costs of the offer being reviewed against its peer group.

2024 Autumn Budget

After several months of uncertainty, the Autumn Budget has provided greater clarity, with a continued commitment to business relief, albeit with effect from April 2026 the rate of relief has

reduced to 50% for AIM shares. In essence, this will mean 20% inheritance tax will be payable on AIM shares rather than the standard 40% on assets above the inheritance tax thresholds.

Changes since the previous review

Before this fund raising the Net Assets in the VCT had moved from £158m in August 2023, to £152m at August 2024. In that time, the VCT raised £19.9m net from its last offer and returned £17.1m to shareholders through cash dividend payments (£12.8m) and share buybacks (£4.3m). The balance is a combination of expenses (OCR 2.4%, 31 August 24) and losses incurred as challenging markets persist with AIM declining 40.3% (to 31 August 24) since peaking on 06 September 2021.

Notwithstanding the short-term risk associated with the 2024 Autumn Budget, the investment manager is expecting a gradual recovery in AIM.

There were no changes to the VCT team or

the board during the twelve months to August 2024. The VCT team consists of 4 investment managers, 1 legal counsel, and 4 administrators.

The Hargreave Hale AIM VCT tell us that they have completed 10 qualifying investments in the 12 months to 31 August 2024, with a further 4 investments made since the balance sheet date. The investment manager must invest a further £2.5m by September 2025 to complete its obligation to invest 30% test of the funds raised under the 2023/24 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 2025.

The Offer

This is an offer from Hargreave Hale AIM VCT managed by Canacord 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.

The Hargreave Hale AIM VCT is one of six active AIM VCTs in the market, with the others being the larger established AIM VCT offers from Amati, Octopus and Unicorn. There is also a small Oberon AIM VCT and a newly launched Puma AIM VCT.

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.

But since late 2021, the post-COVID gains have all been unwound with a long, slow decline in the AIM market that now exceeds the global financial crisis in duration.

This decline in AIM market valuations has also been combined with a general lack of new companies choosing to list on the AIM market. By and large, the AIM VCTs are limited to the

purchase of VCT qualifying companies which list on the AIM market as an IPO or those that subsequently raise additional VCT qualifying follow on funding through a placing on AIM.

Research shows that in the twelve months to the end of October 2024 there has been only one VCT qualifying company listing on the AIM market (Microsalt), one VCT qualifying listing on the AQSE market (Earnz) and 24 companies issued additional equity (follow-on investments). With fewer companies listing on AIM in recent years, the AIM VCTs have experienced a reduced pipeline of potential investments which they can choose to invest into.

To manage this risk, the 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. In the case of the Hargreave Hale AIM VCT, the investment policy also allows the investment manager to consider investments into private companies and we note the VCT led a private round into a Cambridge based biotech company in March 2024.

So although a £20m may not seem that large for a VCT with £151m of AUM, it is in keeping with previous fund raising and reflects the general lack of IPO activity for VCT qualifying companies choosing to list on the AIM market. In speaking with the manager, they are expecting an uptick in the number of IPOs on the AIM market in Q1 2025, once the various elections and Budgets of 2024 have settled down.

Investment 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 £168.0 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 £80.9 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 £7.9 million, all as at 31 August 2024.

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 IFSL the Marlborough Special Situations Fund and IFSL Marlborough UK Micro-Cap Growth Funds 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 IFSL Marlborough Special Situations Fund and the IFSL 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 IFSL Marlborough Special Situations Fund and the IFSL 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 nearly 20 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 August 2024, the portfolio of the Hargreave Hale AIM VCT had the following characteristics:

- Qualifying investments account for 55.5% of the VCT's net assets
- Non-qualifying direct equity investments account for 8.1%
- Non-qualifying fixed income for 13.9%,
- Non-qualifying exchange traded funds for 0.4%
- IFSL Marlborough Special Situations Fund for 6.5%
- Cash for 8.3%

The 63 qualifying companies are valued at about £84.5 million against an underlying book cost of £92.4m (see Table 6 for detail).

The 10 largest qualifying holdings accounted for 23.0% of the VCT's net asset value of approximately £152.3 million

Furthermore, 54% 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 £80.9m and £7.9m respectively. The weighted average market capitalisation was £168.0m

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 propriety 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
- **Animal Care:** A European veterinary pharmaceutical and services business with direct commercial presence in seven European countries and product sales in 40 countries in Europe and worldwide. Animal Care has a market cap of £164m and reported revenues of £74 million and a profit before tax of £9 million for the year to 31 December 2023
- **Beeks Financial:** is a managed cloud computing, connectivity and analytics provider for Capital Markets and Financial Services clients with a market cap of £188m and reported revenues of £22 million and a loss before tax of £0.7 million for the year to 31 June 2023

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 reported that they continue to see high levels of exit activity. With limited opportunities for reinvestment in the current market in recent years, the board has instead preferred to return the capital to shareholders through the payment of special dividends. Although the manager reports that they have been slower to deploy capital than they would have liked, the current levels of investment activity and decision to return the proceeds from exit activity, they remain on track to maintain compliance with their internal investment test targets

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, as permitted by the VCT Rules. The Investment Manager will vary the exposure to the available asset classes to reflect its view of the equity markets, balancing the potential for capital appreciation with risk management, liquidity and income.

The Non-Qualifying Investments 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, the IFSL Marlborough Special Situations Fund and the IFSL Marlborough UK Micro-Cap Fund. Subject to the investment controls below, the allocation to each of these investment classes will vary to reflect the Investment Manager’s view of the market environment and the deployment of funds into Qualifying Companies. The market value of the Non-Qualifying Investments (excluding bank deposits) will vary between nil and 50 per cent. of the net assets of the Company. The value of funds held in bank deposits will vary between nil and 30 per cent. of the net assets of the Company.

The Non-Qualifying Investments will typically include a focused portfolio of direct investments in companies listed on the main market of the London Stock Exchange. The portfolio will mix long term structural growth with more tactical investment to exploit short term mispricing within the market. The use of the IFSL Marlborough Special Situations Fund and the IFSL Marlborough UK Micro-Cap Growth Fund enables the Company to maintain its exposure to small UK companies whilst the Investment Manager identifies opportunities to invest the proceeds of fundraisings into Qualifying Companies.

The Investment Manager may use certain exchange traded funds listed on the main market of the London Stock Exchange to gain exposure to asset classes not otherwise accessible to the Company.

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:

2023	4.5p per share
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

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 August 2024, Hargreave Hale AIM VCT has £50.5m of special reserves available for 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 4.8% to the net asset value for the 3 years to 31 August 2024.

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

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. Showing -14.7%, -1.4% and 0.8% respectively.

As at 31 August 2024, the five largest sector weightings of the qualifying portfolio within the Hargreave Hale AIM VCT was:

- 40% in Information Technology
- 21% in Healthcare
- 14% in Industrials
- 12% in Consumer Discretionary
- 5% in Real Estate

As TER have pointed out in the recent reports of other AIM VCTs, there has been an increasing level of commonality across the performance of the established AIM VCTs in the market. In Table 3 there is little to distinguish between the different AIM manager. Clearly the past 3 years have been difficult market conditions for the AIM market, and the uncertainty surrounding potential changes to the IHT efficient status of AIM shares ahead of the recent Budget in October 2024 did little to help.

The Hargreave Hale AIM VCT has 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, also saw a significant fall in valuation.

Within the Hargreave Hale AIM VCT the top 10 investment holdings comprise 23.0% of the AUM. This compares with the top 10 holdings comprising approximately 35.4% (25.7% excluding WS Amati UK Listed Smaller Companies Fund 9.7%) of the Amati AIM VCT as at 31 August 2024, 35.8% of the Unicorn AIM VCT as at 31 August 2024, 39.6% of the Octopus AIM VCT as at 31 August 2024 and 42.2% of the Octopus AIM VCT 2 as at 31 August 2024. 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 (49%), followed by non qualifying fixed income (14%), cash (8%), non-qualifying equities (8%), the IFSL Marlborough Special Situations Fund (7%), the IFSL Marlborough UK Micro-Cap Growth Fund (7%), unquoted qualifying investments (7%), qualifying fixed income (<1%), and exchange traded funds (<1%).

The number of qualifying AIM listed companies in the portfolio is a diverse 56 for the Hargreave Hale AIM VCT (see Tables 6). Table 6 also shows that many of these listed non-qualifying equities are well known names such as BAE Systems, Shell, 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

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	30/09/2024	-16.3%	-1.6%	4.3%
HARGREAVE HALE	Hargreave Hale AIM VCT	30/09/2024	-14.7%	-1.4%	0.8%
OCTOPUS	Octopus AIM VCT	30/09/2024	-13.8%	-0.8%	1.1%
	Octopus AIM VCT 2	30/09/2024	-13.2%	-0.6%	1.7%
UNICORN	Unicorn AIM VCT	30/09/2024	-9.9%	4.4%	5.5%

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 29/10/2024

Table 4: Hargreave Hale AIM VCT key characteristics as at 31 August 2024

Asset Allocation	
Qualifying Investments	55.5% of which 48.8% are AIM and 6.7% Un-quoted Investments
IFLS Marlborough Special Situations Fund	6.5%
IFSL Marlborough UK Micro-Cap Growth	7.3%
Non-Qualifying Equities	8.1%
Non-Qualifying Fixed Income	13.9%
Non-Qualifying Exchange Traded Funds	0.4%
Cash	8.3%
Total	100%
Qualifying Portfolio	
Average Revenue	£80.9m
Average Net Cash/(Debt)	£8.5m
Average Market Capitalisation	£168.0m

Source Hargreave Hale October 2024

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	20	16	8	3
Years with current team	20	6	6	3
Years involved with VCTs	20	6	6	3

Source Hargreave Hale August 2022

Manager

In total, Canaccord Genuity Asset Management has £2.7 bn in funds under management and £1.8 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** - 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 - Co-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
- **Anna Salim - Portfolio Manager** - 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
- **Archie Stirling - Analyst** - joined CGAM as an

investment analyst in September 2021. He joined KPMG in 2013. Following qualification in 2016, he joined KPMG's transaction services team where he remained until joining CGAM.

- **Abbe Martineau - Legal Counsel** - 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 qualified 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:** 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 2024. 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 August 2024, the VCT's on-going charges ratio (OCR) was 2.4% inclusive of VAT. CGAM expects the OCR to remain close to 2.4% 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

This review is for the latest fund raising of £20m for the Hargreave Hale AIM VCT, which at £151m is one of the larger and more established of the six AIM VCTs in the market.

Clearly the first point to discuss is the track record, not just of this AIM VCT, but the other AIM VCTs as well. The AIM market has suffered a long, slow decline over the past 3 years and there has been an increasing level of commonality in the performance of the AIM VCTs over the 3, 5 and 10 year timescales which Tax Efficient Review track.

The AIM market was declining before 2024, but the general election in the summer resulting in a new government, plus the uncertainty swirling around the AIM market ahead of the Autumn Budget by the new Chancellor has done little to help boost the AIM market. It is now well known that AIM stocks, whilst not losing all of their Inheritance Tax/Business Relief benefits, will see a 50% relief applied to them. It is too early to see how this change will affect the overall AIM market, but AIM still remains a place of Inheritance Tax benefits.

The uncertainty pervading most of 2024 also meant that AIM was not a particularly attractive place for VCT qualifying companies to raise funds via an IPO. There have only been two VCT qualifying AIM IPOs in 2024, although the AIM VCTs can also invest into additional fund raisings from existing AIM companies.

So overall a pretty bleak picture for AIM VCTs? Not quite, as there are signs of encouragement. The year 2024 will be known as "Election Year" due to all the elections which have taken place. Now these are out of the way, as is the Autumn Budget, at least there is more certainty about government policies in 2025. Also, the changes to the inheritance tax status of AIM shares still make it advantageous for private investors to hold them for the long term.

The Hargreave Hale AIM VCT looks to deploy around £9m a year and the manager Ollie Bedford says that there is more AIM IPO activity building towards Q1 2025. They also have the benefit of being able to deploy into non-AIM VCT qualifying companies if need be.

In summary, yes the AIM market has not been a good area for managers to make profits, but it is important for advisers to remember some of the benefits of the AIM VCT market. They have the ability to top-slice holdings which are performing well, as Hargreave Hale have done recently with Beeks Financial and Intercede, which helps to fund dividends. Advisers should also remember that whilst we do not comment upon market timing, the AIM market is clearly cyclical. The manager of this VCT states that 54% of the Hargreave Hale AIM qualifying portfolio (when weighted by market value) is invested in profitable companies but this is not recognised by the wider market. Only time will tell when this market sentiment turns around.

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 August 2024

	Cost £000	Current Value £000	% of NAV
Qualifying Portfolio			
Abingdon Health	1,823	1,777	1.2%
Angle	1,200	298	0.2%
Animal Care	320	1,559	1.0%
Aquis	767	1,888	1.3%
Arecor Therapeutics	1,687	531	0.3%
Beeks Financial	945	4,796	3.1%
Bivictrix	1,600	635	0.4%
Blackbird	595	595	0.4%
Team Internet	480	1,598	1.0%
Cohort	619	4,209	2.8%
Craneware	125	2,107	1.4%
Creo	2,128	656	0.4%
Crimson Tide	1,260	567	0.4%
Crosswords	2,039	275	0.2%
C4X Discovery	2,300	1,107	0.7%
Diaceutics	1,550	2,651	1.7%
Equipmake	4,162	2,328	1.5%
Eagle Eye	1,764	3,930	2.6%
Eden Research	1,855	1,211	0.8%
EKF	450	810	0.5%
Eneraqua	1,401	202	0.1%
Engage XR	3,453	691	0.5%
XP Factory	4,174	1,677	1.1%
Everyman	343	243	0.2%
Equals Group	589	1,176	0.8%
Fadel Partners	2,300	1,869	1.2%
Faron Pharma	914	330	0.2%
Fusion Antibodies	564	20	0.1%
Gfinity	1,929	6	0.1%
Globaldata	173	899	0.6%
Gousto	2,002	1,555	1.0%
Hardide	2,917	319	0.2%
Idox	135	1,095	0.7%
Illika	1,724	851	0.6%
Intelligent Ultrasound	1,751	1,412	0.9%
Intercede	339	2,072	1.4%
Itaconix	3,025	1,684	1.1%
K3	270	210	0.1%
Kidly	4,060	1,262	0.8%
Learning Technologies	945	3,110	2.1%
Maxcyte	989	2,325	1.5%
Mexican Grill	513	1,250	0.8%
My First Years Ord D	2,500	3,107	2.0%
Mycelx	450	109	0.1%
Oberon Investments Group	1,100	1,100	0.7%
OneMedia IP	1,141	652	0.4%
PCI PAL	2,791	4,376	2.9%
Polarean	2,081	121	0.1%
Portr	2,161	0	0.0%

Table 6: Hargreave Hale VCT holdings as at 31 August 2024

	Cost £000	Current Value £000	% of NAV
Property Franchise Group	1,186	3,963	2.6%
Qureight	2,500	2,500	1.6%
Nexteq	280	597	0.4%
Rossllyn Data	1,645	778	0.5%
Science in Sport	1,295	577	0.4%
Skillcast	1,571	1,698	1.1%
Strip Tinning	3,054	2,488	1.6%
Surface Transforms	1,775	153	0.1%
Tan Delta	503	465	0.3%
TrakM8	197	53	0.1%
Tristel	79	911	0.6%
Verici	1,938	463	0.3%
Zappar	1,600	671	0.4%
Zoo Digital	396	1,980	1.3%
Total	92,422	84,548	55.5%
Non Qualifying Portfolio			
Non Qualifying Equity Investments			
BAE Systems	593	1,022	0.7%
Bodycote	1,534	1,485	1.0%
Chemring	1,023	1,376	0.9%
Hollywood Bowl	1,566	2,004	1.2%
Mexican Grill	157	136	0.1%
MyCelx	378	127	0.1%
National Grid	1,229	1,289	0.8%
Rotork PLC	944	932	0.6%
Shell	809	804	0.5%
TP ICAP	1,023	1,361	0.9%
WH Smith	1,220	1,025	0.7%
Wickes Group plc	951	845	0.6%
Total	11,427	12,406	8.1%
Gilts and Bonds			
RBC 5% 28 Bond	3,036	3,019	2.0%
BT 5.75% 28 Bond	3,133	3,123	2.1%
Barclays 3.25% 27 Bond	2,909	2,870	1.9%
Natwest 6.375% 27 Bond	3,020	3,026	2.0%
Next 4.375% 26 Bond	2,987	2,966	1.9%
Next 3.00% 25 Bond	968	980	0.6%
M&S 3.75% 26 Bond	3,031	3,045	2.0%
Unilever 1.375% 24 Bond	2,100	2,097	1.4%
Total	21,184	21,126	13.9%
IFSL Marlborough Special Situations Fund	9,833	9,824	6.5%
IFSL Marlborough UK Micro-Cap Fund	9,321	11,117	7.3%
Vaneck UCITS ETFs	634	651	0.4%
TOTAL PORTFOLIO	144,821	139,672	91.7%
Cash at Bank		12,234	8.1%
Prepayments and Accruals		373	0.2%
NET ASSETS		£152,279	100.0%

Source Hargreave Hale October 2024