

Product

Hargreave Hale AIM VCT

Tax Status

Venture Capital Trust

Fund Group

Hargreave Hale Limited

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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Table of Contents

RISK WARNINGS AND DISCLAIMERS	4
GENERAL RISK WARNINGS	4
ADDITIONAL RISK WARNINGS	4
Factsheet.....	5
Summary	5
Disclaimer	5
TER classification	6
Review based upon	6
Changes since the previous review	6
The Offer.....	7
Track record	11
Manager	11
Costs	12
Conclusion	13

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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	£180m AUM and is seeking £20m with this launch with a £30m over-allotment facility
Manager	Hargreave Hale Limited ("Hargreave Hale")
Sponsor	Dickson Minto W.S.
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	24 March 2023 unless fully subscribed before for the 2022/23 tax year and 11 August 2023 unless fully subscribed before for the 2023/24 tax year
Issue costs	3.5% of amount subscribed
Annual costs	2.07% 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 over 5 and 10 years has lagged the Amati and Unicorn AIM VCTs
The Hargreave Hale investment team are not entirely dependent upon the level of VCT qualifying AIM IPOs to deploy new funds raised	The VCT can at times run relatively high level of non-qualifying equities within the portfolio. This aids liquidity but could add to volatility levels. As at 31 July 22, the VCT had a lower than normal 9% weighting to non-qualifying equities with the investment manager instead preferring to overallocate to cash (24%)
A more diverse portfolio with the top 10 holdings accounting for 26% of the NAV, whereas the same figure for Unicorn and Amati is approximately 36% and 37%, respectively of their total NAV	There is a history of paying dividends to shareholders out of capital

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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 5 September 2022) and data provided by Hargreave Hale.

Changes since the previous review

Before this fund raising the Net Assets in the VCT had moved from £135m at July 2020, to £229m at July 2021, to £180m at July 2022 (plus £21m of dividends paid out in the twelve months to 31 July 2022) as a result of challenging markets that have weighed on the back of a strong performance in the valuations of long duration assets globally, including those of small high growth companies listed on AIM market.

Looking ahead, and noting the significant decline in equity markets and the holding period required by the VCT Rules, the investment manager believes that now may be a good time for investors to provide the Company with further capital for investment into qualifying companies. Previous recessions, often accompanied by heavy

falls in equity markets, have spawned innovation and led to the investment manager seeing an increased amount of investment opportunity in qualifying companies, often attractively priced. Although the investment manager is not expecting a rapid recovery in the economic outlook or equity markets, it does believe that inflation will peak in 2023 and that the current challenges will ultimately give way to a more benign environment that will lay the foundations for strong performance over the medium and long term.

The Hargreave Hale VCT fund management has continued to expand following the introduction of a new investment analyst in September 2021. In March 2022, Barbara Walshe, the VCT

Table 2: Hargreave Hale funds under the same management as the VCT as at 31 July 2022

VCT	Net assets £m	Annual Management fee	Still to be invested £m
VCT funds			
Hargreave Hale AIM VCT	£180	1.7%	2.0
NON VCT funds than can co-invest with VCT Funds			
Marlborough Special Situations Fund	£1,198	0.75%	Nil
Marlborough UK Micro Cap Growth Fund	£1,036	0.75%	n/a
Marlborough UK Multi-Cap Income Fund	£806	0.75%	n/a
Marlborough UK Nano-Cap Growth Fund	£208	0.75%	n/a
Marlborough European Multi-Cap Fund	£399	0.75%	n/a
Marlborough UK Multi-Cap Growth Fund	£239	0.75%	n/a
Marlborough Global Innovation	£64	0.75%	n/a
Other Institutional mandates	£415	Not disclosable	n/a
TOTAL	£4,399m		Nil

Source: Hargreave Hale

team's in-house legal counsel, resigned to take up a new role at a high profile European hedge fund. Canaccord Genuity is in the process of recruiting a replacement for Barbara Walshe. At full strength, the Hargreave Hale VCT fund management team has five team members.

Ashton Bradbury retired from his role as a non-executive director in February 2022. We understand that Ashton's retirement was not expected and was made for personal reasons unrelated to the VCT. Megan McCracken and Busola Sodeinde were both appointed to the board on 1 June 2022, taking the board to

six non-executive directors, of which five are independent and three are female.

Hargreave Hale tell us that they have completed 9 qualifying investments in the 12 months to 31 July 2022, with a further 3 investments made since the balance sheet date. The investment manager must invest a further £2.0m by September 2023 to complete its obligations under the 30% test as they relate to funds raised under the 2021/22 offer. We understand that the investment manager is confident this can be achieved later in 2022.

The Offer

This is an offer from Hargreave Hale AIM VCT managed by Hargreave Hale (trading as Canaccord Genuity Fund Management), 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 £30 million, which may be utilized at the Board's discretion, taking the total available under the offer to £50 million.

The investment objectives of the VCT are to generate capital gains and income from its portfolio and to make distributions from capital or income to shareholders whilst maintaining its status as a Venture Capital Trust.

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. Hargreave Hale's preference for long term investment has allowed these investments to mature over time with 13 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 £248.8 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 £91.8 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 £3.1 million, all as at 31 July 2022.

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.

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 (also managed by Hargreave Hale), 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. Hargreave Hale 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.

Hargreave Hale describes its approach as stock specific and based on fundamental analysis of the investee company. Their management of the VCT has evolved over the 18 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 2022, the portfolio of the Hargreave Hale AIM VCT had the following characteristics:

- Qualifying investments account for 65.2% of the VCT's net assets, whilst the non-qualifying direct equity investments account for 8.5%, the Marlborough Special Situations Fund for 2.1% and cash for 24.2%
- The 70 qualifying companies are valued at about £117.3 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 26.4% of the VCT's net asset value of approximately £179.8 million

- 44% 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 £91.8m and £3.1m respectively.
- The weighted average market capitalisation was £248.8m

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 £1.1bn, revenues of £189 million and profit before tax of £51 million for the year to 31 December 2021
- **Gousto (Unquoted):** A data-driven recipe box company delivering ingredients and recipe cards direct to doorsteps across the UK. Gousto is a private company and reported revenues of £315 million and a loss before tax of £20 million for the year to 25 December 2021
- **Maxcyte:** A provider of cell-engineering platform technologies to advance innovative cell-based research, development and potential commercialization of next-generation cell therapies. Maxcyte has a market cap of £450m and reported revenues of \$34 million and loss before tax of \$19 million for the year to 31 December 2021

The split of the portfolio by market value of the Hargreave Hale AIM VCT is currently:

- | | |
|------------------------------|-------|
| • Qualifying Investments | 65.3% |
| AIM Investment | 55.4% |
| Unquoted Investments | 9.9% |
| • Non-Qualifying Investments | |
| FTSE 350 direct equities | 8.5% |
| Marlborough Spec Sits Fund | 2.0% |
| • Cash and other holdings | 24.2% |

We have previously highlighted our concerns about access to the deal flow on AIM. Although

the number of AIM qualifying IPO's reached a multi-year high in 2021 and AIM VCTs deployed more capital in 2021 than in any of the prior 5 years, we note that AIM IPO activity has fallen away recently as a result of the more challenging environment in public markets. We continue to welcome a reduced dependence on AIM IPOs with the management team able to deploy monies into private companies when there are periods of reduced IPO activity on AIM and note that the investment manager has deployed funds ahead of budget in the current financial year despite the reduction in IPO activity.

Non-qualifying investments

The Hargreave Hale VCT Team works closely with the wider Hargreave Hale 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 2022, the average market cap of an investment in the non-qualifying portfolio, when weighted by market value was £2.0bn. 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 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 pending investment into qualifying companies. The £1.2bn fund, which has a very significant weighting to UK small companies and is also managed by Hargreave Hale, has produced a 1, 3 and 5 year return of -23.1%, 17.8% and 22.5%, respectively (as at 31 July 2022). 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:

- 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 2022, Hargreave Hale AIM VCT had £64.2m of distributable reserves available to it.

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 6.2% to the net asset value for the 3 years to 31 July 2022.

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

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	31/07/2022	4.3%	6.1%	11.8%
HARGREAVE HALE	Hargreave Hale AIM VCT	31/07/2022	5.7%	3.3%	8.9%
OCTOPUS	Octopus AIM VCT	31/07/2022	4.0%	0.8%	7.6%
	Octopus AIM VCT 2	31/07/2022	4.2%	1.2%	7.9%
UNICORN	Unicorn AIM VCT	31/07/2022	10.3%	7.2%	15.0%

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 08/09/2022

Table 4: Hargreave Hale AIM VCT key characteristics as at 31 July 2022

Asset Allocation	
Qualifying Investments	65.3% of which 55.4% are AIM and 9.9% Unquoted Investments
Marlborough Special Situations Fund	2.0%
Non-Qualifying Equities	8.5%
Non-Qualifying Fixed Income	0%
Cash	24.2%
Total	100%
Qualifying Portfolio	
Average Revenue	£91.8m
Average Net Cash	£3.1m
Average Market Capitalisation	£248.8m

Source Hargreave Hale September 2022

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	18	14	6	1
Years with current team	18	4	4	1
Years involved with VCTs	18	4	4	1

Source Hargreave Hale August 2022

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 64 for the Hargreave Hale AIM VCT (see Tables 6).

As at 31 July 2022, the five largest sector weightings of the qualifying portfolio within the Hargreave Hale AIM VCT was:

- 31% in Information Technology
- 24% in Healthcare
- 21% in Consumer Discretionary
- 15% in Industrials
- 3% 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 years but lags behind the Amati AIM VCT and the Unicorn AIM VCT over 5 and 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, although the growth in the VCT from £22m of net assets in July 2012 will have also

influenced performance in the early years.

Within the Hargreave Hale AIM VCT the top 10 investment holdings comprise 26% of the AUM. This compares with the top 10 holdings comprising approximately 37% of the Amati AIM VCT as at 31 July 2022 and 36% of the Unicorn AIM VCT as at 30 June 2022 .

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 (55%), followed by cash (24%), unquoted investments (10%), non-qualifying equities (9%) and the Marlborough Special Situations Fund (2%).

Table 6 shows that many of these listed non-qualifying equities are well known names such as BAE Systems, JD Sports and Watches of Switzerland. 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, Hargreave Hale has £4.4 bn in funds under management and over £3.0 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 Hargreave Hale 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 Hargreave Hale 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 Hargreave Hale 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 Hargreave Hale 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 Hargreave Hale.

The Board of Hargreave Hale AIM VCT comprises:

- David Brock
- Angela Henderson
- Oliver Bedford
- Justin Ward
- Busola Sodeinde
- Megan McCracken

Ashton Bradbury retired from his role as a non-executive director in February 2022. We understand that Ashton's retirement was not expected and was made for personal reasons unrelated to the VCT. Megan McCracken and Busola Sodeinde were both appointed to the board on 1 June 2022, taking the board to six non-executive directors, of which five are independent and three are female.

- Megan McCracken is a non-executive director with State Street Trustees Limited, GB Bank,

and Folk2Folk. Previously, she worked across financial services (HSBC and Citibank), consulting (PwC), and engineering (Boeing Satellite Systems). Megan is passionate about the future of financial services, including digital products and services, innovative technology, and sustainable investing. She has an MBA from MIT Sloan School of Management, a Bachelor of Science in Aerospace Engineering from the University of Notre Dame, and was awarded the Institute of Directors' Chair's Award.

- Busola Sodeinde is a qualified Chartered Accountant and has spent most of her executive career in Financial Services. Until 2019, she was a Managing Director/CFO - Global Markets EMEA for State Street Bank. She was appointed to the Board of Governors for Church Commissioners (and sits on its Audit & Risk Committee), is a non-executive director at The Ombudsman Services and a Trustee of The Scouts, where she chairs its People & Culture committee. She is the founder of a social start up, and is also an activator supporting women-led ventures.

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 28 October 2022. The full early bird discount of 2% is only available when Hargreave Hale 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 2022, the VCT's on-going

charges ratio (OCR) was 2.1% inclusive of VAT. Hargreave Hale expects the OCR to remain close to 2.1% immediately following the £20m fundraise, although it notes that the currently high levels of inflation may result in a very modest increases in costs from third party suppliers as the company rolls over contracts at the start of its next financial year.

- **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

The AIM VCTs represent a sub sector of the overall VCT market that currently comprises four main fund managers: Amati, Hargreave Hale, Octopus and Unicorn. There are other VCTs from Baronsmead and Downing which have significant weightings in AIM stocks, but these four set out their stall to invest in VCT qualifying AIM companies.

If we go back 10 to 15 years, there were many more AIM based VCTs, but they have largely fallen away or been merged into others. One of the reasons for this is that running an AIM VCT is a specialised role and one that has to be taken seriously. An AIM VCT manager cannot raise money and then go out and buy the companies listed on the AIM market that they like the look of and run them over time. They can only deploy new money raised into companies which meet the VCT qualifying criteria and which are listing on the AIM market for the first time or are issuing new equity. So, there is a small universe of stocks to choose from each year.

The Hargreave Hale AIM VCT does have the flexibility to choose unquoted companies as well as AIM listed companies, which gives the manager Oliver Bedford a bit more leeway in deploying funds raised. Indeed the largest holding within the current portfolio is the online meal kit company Gousto, which is not listed on AIM.

This extra freedom could be useful as, on top of holding around £40m of cash as at 31 July 2022, this offer from Hargreave Hale is looking to raise £20m, but with a £30m over allotment facility. It is up to the discretion of the board of this VCT if they are going to use the over allotment facility, but if they do, that could mean a total of £50m to deploy. A full raise of £50m could mean that at around a market cap of £230m, the VCT could be holding around £85m of cash, or around 37%. To put this into context, most of the existing AIM VCTs raise around £20m - £30m a year. They could raise larger amounts, but the Achilles Heel of AIM VCTs is the relatively small number of VCT qualifying companies listing on the AIM market and deployment is key if they wish to avoid the performance erosion caused by cash drag.

The performance of the Hargreave Hale AIM VCT is second only to the Unicorn AIM VCT over 3 years but lags behind the Amati AIM VCT and the Unicorn AIM VCT over 5 and 10 years. The top 10 companies within the portfolio only comprises 27% of the overall portfolio, which is a much lower level than that found within Unicorn and Amati. This reduced reliance of the top 10 holdings, along with the unquoted company exposure, should make the Hargreave Hale AIM VCT a less volatile offering and TER are happy to recommend them as a good quality AIM manager.

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 2022

	Cost £000	Current Value £000	% of NAV
Qualifying Portfolio			
Gousto	2,484	8,558	4.76%
Learning Technologies	2,238	5,981	3.33%
Zoo Digital	2,266	5,774	3.21%
Eagle Eye	1,642	4,761	2.65%
Surface Transforms	1,744	4,456	2.48%
Equipmake	3,340	4,322	2.40%
PCI PAL	2,280	4,153	2.31%
Maxcyte	1,270	3,263	1.81%
Bidstack	1,983	3,173	1.76%
Mexican Grill	1,125	3,000	1.67%
Ilika	1,636	2,848	1.58%
Beeks Financial	1,038	2,832	1.57%
Polarean	2,081	2,774	1.54%
My First Years	2,500	2,743	1.53%
Kidly	2,560	2,567	1.43%
Cohort	619	2,546	1.42%
Blackbird (Forbidden Tech)	615	2,153	1.20%
XP Factory	4,068	2,129	1.18%
C4X Discovery	1,550	2,076	1.15%
Abcam	55	2,021	1.12%
Aquis	765	1,938	1.08%
Zappar	1,600	1,876	1.04%
Diaceutics	1,550	1,835	1.02%
Craneware	125	1,813	1.01%
Eneraqua	1,955	1,764	0.98%
Creo	2,329	1,679	0.93%
Velocys	2,221	1,656	0.92%
Verici	1,939	1,604	0.89%
Animal Care	720	1,600	0.89%
Angle	1,158	1,583	0.88%
Centralnic	588	1,544	0.86%
Belvoir	762	1,422	0.79%
OneMedia IP	1,141	1,181	0.66%
Intelligent Ultrasound (Medaphor)	1,150	1,181	0.66%
Instem life	298	1,173	0.65%
Hardide Ord 4P+	3,566	1,160	0.64%
Idox	135	1,117	0.62%
EKF	565	1,110	0.62%
Bivictrix	1,200	1,080	0.60%
Crosswords	1,289	1,055	0.59%
Equals Group (FairFX)	750	983	0.55%
Osirium	1,658	958	0.53%
Arecor Therapeutics	712	945	0.53%
Skillcast	1,571	934	0.52%
Crimson Tide	1,260	924	0.51%
Quixant	1,209	889	0.49%
Property Franchise Group	377	884	0.49%
Eden Research	1,355	757	0.42%
Science in Sport	1,479	721	0.40%
Tristel	543	679	0.38%
Smoove Plc (ULS Tech)	770	585	0.33%
Strip Tinning	1,054	570	0.32%

Table 6: Hargreave Hale VCT holdings as at 31 July 2022

	Cost £000	Current Value £000	% of NAV
E-Therapeutics	306	538	0.30%
Portr	1,888	529	0.29%
Project Paladar	1,749	521	0.29%
Globaldata	173	513	0.29%
Intercede	305	462	0.26%
Everyman	600	445	0.25%
Fusion Antibodies	624	428	0.24%
K3	270	420	0.23%
Faron Pharma	1,374	390	0.22%
Youngene - Premaitha	472	342	0.19%
In the Style	1,667	300	0.17%
Gfinity	2,026	263	0.15%
Diurnal	672	199	0.11%
Roslyn Data	550	187	0.10%
Trellus Health	904	180	0.10%
TrakM8	486	125	0.07%
Mycelx	361	96	0.05%
Renalytix	82	67	0.04%
Total Qualifying Investments	89,397	117,335	65.25
Non Qualifying Portfolio			
Bytes Technology	842	1,249	0.70%
Hilton Foods	1,262	1,322	0.74%
Sthree	1,687	1,260	0.70%
JD Sports	1,421	990	0.55%
NCC	985	979	0.54%
Trifast	1,318	940	0.52%
Future	599	914	0.51%
WH Smith	948	895	0.50%
Watches of Switzerland	975	887	0.49%
Bodycote	990	809	0.45%
Workspace	1,025	674	0.38%
Shaftsbury	761	637	0.35%
Diversified Energy	505	557	0.31%
Hollywood Bowl	797	563	0.31%
Rotork PLC	737	546	0.30%
Chemring	358	370	0.21%
BAE Systems	346	362	0.20%
Wickes Group plc	585	341	0.19%
Mexican Grill	161	327	0.18%
On The Beach	868	250	0.14%
Seraphine Group	1,853	163	0.09%
MyCelx	298	112	0.06%
Cohort	62	95	0.05%
Total Non Qual	19,383	15,242	8.47
MFM Special Situations	4,610	3,790	2.11%
TOTAL PORTFOLIO	113,390	136,367	75.83%
Cash at Bank		43,602	24.24%
Prepayments and Accruals		-117	-0.07%
NET ASSETS	113,390	179,852	100.00%

Source Hargreave Hale July 2022