

HARGREAVE HALE AIM VCT PLC
(the "Company")

Interim Management Statement

Q3 2025

Introduction

This interim management statement covers the third quarter of the 2024/25 financial year, 1 April 2025 to 30 June 2025. Investment performance measures contained in this report include income, realised and unrealised gains and losses.

Overview

With remarkable speed, the volatility that followed Liberation Day (2 April) was replaced by a more constructive outlook as markets concluded that Trump was likely to succumb to market pressure. Despite all the heat and noise, and amidst much talk of trade agreements and retaliatory tariffs, there was little of either achieved within the period, leading the US to postpone their implementation to 1 August 2025. The markets broadly agreed that the likely final position will be tariffs of 15-20% on goods imported to the US, lower than initially feared whilst higher than at any point in the last 100 years. US trade agreements with Europe, Japan, Vietnam and other SE Asian economies support this view.

The improved outlook that emerged helped equity markets post strong gains. The UK market, buoyed by its early trade deal with the USA, looks like a relative winner and notably cheap. Compositional factors, so often a drag on the FTSE 100, have helped take it, and with it the FTSE All-Share, to new highs. AIM has also enjoyed a strong rebound, recovering to its highest level in 10 months and, in the process, recording its best quarter since late 2020. There has been an improvement in interest in UK equities; however, this is yet to manifest in fund inflows. The more positive mood in stock markets was not mirrored in the UK economy, which continued to struggle with companies adjusting to the new fiscal policy that came into effect with the start of the current tax year. That having been said, June PMI data points to an improvement following two months of contraction in April and May. Business confidence has recovered following a sharp dip in April. Looking forward, the UK economy is expected to post modest growth through the balance of this year.

The unemployment rate continues to grind higher with employers, reacting to changes to national insurance and the minimum wage, reducing headcount in seven of the eight months subsequent to the 2024 Autumn Budget. It is a mixed picture for the UK consumer, with consumer confidence showing a small rebound in June whilst remaining in a downward trend that has been in place since July 2024. A small dip in the household saving ratio, which remains unusually high, and a bump in June retail sales suggest consumers have the capacity to spend should they wish. Inflation is expected to peak in the current quarter, creating capacity for two further cuts in interest rates this year and more next year. History suggests this could be positive for the valuations of small companies.

Returning to events within the three months to 30 June 2025, and as highlighted earlier, AIM¹ was notably strong over the period, gaining 12.1%. This has helped HHV to post its strongest quarterly performance in four years, as we comment on below.

Performance

In the three months to 30 June 2025, the unaudited NAV per share increased by 1.95 pence from 34.48 pence to 36.43 pence (cum-dividend), giving a total return of 5.66%.

The qualifying investments returned 1.42 pence per share whilst the non-qualifying investments made a gain of 0.71 pence per share.

Qualifying Investments

Cohort (+29.5%, +£1.51m) continued to benefit from the positive environment for defence companies. The UK Defence Strategic Review in June 2025 further underlined the UK's commitment to increasing investment in the sector. Cohort's FY24 trading update confirmed revenues and profits would be in line with expectations. Following another period of strong order intake, the company has a record high order book of £615m, and visibility over 80% of expected FY26 revenues. The shares continue to command a premium to their long-term historical average earnings multiples, reflecting the strong outlook.

The Property Franchise Group (+31.0%, £1.17m) reported strong results, with EBITDA growing 99% to £24.1m following the merger with Belvoir in May 2024, and the acquisitions of Fine & Country and The Guild of Property Professionals in June 2024. On an underlying basis, revenue grew 6% and overall EPS grew 7% to 31.7p. The company remains highly cash generative. Management's outlook is cautiously optimistic with regulatory headwinds being offset by ongoing strength in the lettings business and an improving sales pipeline.

The valuation of Gousto (+51.8%, +£0.68m) increased following a period of good operating performance, coupled with rising valuations across its peer-group.

Eagle Eye (-44.8%, -£1.4m) announced the loss of a significant, high-margin contract with a US national grocer. This prompted a material downgrade to both revenue and profit forecasts. Whilst Eagle Eye is strategically focused on driving software revenues and distributing through new larger technology partners, the contract loss is a major setback for the company. At the end of June, the company also announced a small earnings-enhancing acquisition of a promotional payments solutions business, and the balance sheet remains strong.

Shares in Oberon Investments Group (-18.6%, -£0.54m) gave back the gains made in the previous quarter. There was no notable company news during the period.

Following approval by shareholders, Maxcyte (-22.5%, -£0.34m) de-listed from AIM on 26 June 2025. The VCT continues to hold the US line as a qualifying holding until July 2026, after which point it will become non-qualifying. Q1 results reported a revenue decline of 8% to 10.4m, with 1% growth in the core business offset by lower milestone payments from strategic platform partners. The company continues to have a strong balance sheet with 175m net cash, equivalent to just under 80% of the market cap, implying a depressed valuation for the company's equity.

Non-Qualifying Investments

Within the non-qualifying portfolio, the IFSL Marlborough UK Micro-Cap Growth Fund and IFSL Marlborough Special Situations Fund increased by £1.28m over the period. Within the non-qualifying direct equities portfolio, Chemring reported strong interim results and benefited from the strong backdrop for defence spending. Shares in Wickes also performed well following a positive trading update. Negative contributors included Shell, which declined alongside falling oil prices and Hollywood Bowl, where earnings forecasts were slightly downgraded due to less favourable weather conditions impacting consumer activity. The direct equity holdings returned £0.95m whilst the fixed income portfolio returned £0.37m.

Portfolio structure

The VCT is comfortably above the HMRC defined investment test and ended the period at 93.25% invested as measured by the HMRC investment test.

The market for new qualifying investment remains unusually subdued with just two VCT qualifying IPOs within the last 12 months. The most recent quarter was exceptionally quiet, no doubt reflecting the uncertainty that swept through markets in April. Within the period under review, AIM VCTs invested £2.0m across four companies of which £0.5m was deployed by us into one follow-on investment into an existing AIM company, Fusion Antibodies.

Within the qualifying portfolio, we exited Learning Technologies Group and Science in Sport, which were both subject to private equity backed takeovers which we did not support. The Learning Technologies Group exit valued the company at £858m, a gain of 376% over book cost. The Science in Sport exit valued the company at £79m and realised a loss of 37% relative to book cost.

By market value, the VCT had a reduced 53.8% weighting to Qualifying Investments, a decreased 13.4% weighting to non-qualifying fixed income, a reduced combined 10.5% weighting to the IFSL Marlborough UK Micro-Cap Growth Fund and IFSL Marlborough Special Situations Fund and a reduced 6.8% weighting to non-qualifying direct equities. Exit activity and the partial sale of the IFSL Marlborough funds increased the weighting to cash to 14.9%. The VCT maintained a 0.6% weighting to ETFs.

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.

Share Buy Backs & Discount Control

1.5m shares were acquired in the quarter at an average price of 33.54 pence per share. The share price increased from 33.8p to 34.10p within the quarter and traded at a discount of 4.49% following the publication of the 30 June 2025 NAV on 7 July 2025.

Post Period End

The unaudited NAV per share decreased from 36.43 pence to 36.34 pence as at 18 July 2025, a decrease of 0.25%. AIM, as measured by the Deutsche Numis Alternative Market (excluding investment companies) Total Return Index increased by 0.54%.

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For further information please contact:

Oliver Bedford, Canaccord Genuity Asset Management

Tel: 020 7523 4837

LEI: 213800LRYA19A69SIT31

¹ As measured by the Deutsche Numis Alternative Markets (excluding investment trusts) Total Return Index.