ShareSoc
UK Individual Shareholders Society

PO Box 62, Chislehurst, BR7 5YB
Phone: 020-8467-2686
Email: info@sharesoc.org
Web: www.sharesoc.org

1 June 2012

Newsletter No. 4

Rensburg AIM VCT - Comments on the Year End Results

Rensburg AIM VCT yesterday issued a "Preliminary Results" announcement and you will be receiving an Annual Report from the company soon that contains the same information and some more detail.

It reports on the year ending 29 February 2012, and the company made a small loss in that period. Loss per share was 0.51p but they paid dividends of 8p during the year. They intend to make a Final Dividend payment of 2.5p. In essence the company is returning the capital of the company to shareholders via dividend payments and dividends are not solely being paid out of profits.

Bearing in mind that the company seems to be having difficulty in finding suitable new AIM investments (as most AIM VCTs are finding which is one reason why many have changed their investment policies which this VCT seems reluctant to do), this may not be unreasonable, particularly as the long term performance of the company is poor. Only two small new investments were made during the year at a total cost of £0.6m when they realised £5.1m from older investments.

Company Performance

The company claims in the announcement that according to the Association of Investment Companies (AIC), the company was placed 1st over one, three, five and ten years in terms of share price total return for AIM VCTs. This is a very selective statistic to use because the effect of share buy-backs (see below) has had a significant impact on the share price of late. The best statistic to use, and the one normally used when comparing the performance of VCTs, is simply total return (change in net asset value plus dividends) and you can obtain the current AIC figures for AIM VCTs from their web site - see: http://www.aicstats.co.uk/vct/perf_nav_cumulative.asp?SectorKey=260&include=

At the time of writing this note, 8 of the companies listed there are no longer primarily AIM focussed VCTs (Amati, all the Downing ones and Maven Inc & Gr VCT5) and have changed their investment policies. Of the five remaining, over 1 year Rensburg AIM VCT is 3rd, over 3 years they are 3rd, over 5 years they are 3rd and over 10 years they are indeed 1st being the sole survivor (being 1st out of one may not be such a great achievement though!). In essence therefore the company has been somewhat selective in their performance claims.

Share Buy-Backs

The other way the assets and cash of the company have been returned to shareholders is via share buy-backs in the last year where they have undertaken an active buy-back programme when previously they did not have one. This has narrowed the share price discount to Net Asset Value substantially so that it was now a very reasonable 12% at the end of the year. At least dissatisfied shareholders or those who need to realise their investments can now get out at a reasonable price. So that has been one positive result from our shareholder activism (although the company may deny that it influenced their policy).

Performance Fees and Investment Agreement

The company reported Investment Management Fees of £970,000 for last year (i.e. an outrageous 5.6% of net assets reported at the year end). This is no doubt the result of the performance incentive arrangements that were put in some years ago when the company, and AIM in general, were in a depressed state and have since recovered substantially. The prior losses by the same investment manager were effectively forgotten about and the base for the performance fee reset, a very advantageous arrangement for them, but not for shareholders.

At least the company has now agreed a new Investment Agreement with the fund manager which looks a lot more appropriate. We would like to reserve full judgement on this before we see the details in the Annual Report but a reduced annual fee (1.5% of assets) and no performance fee is a very positive move.

Investment Policy and Strategy

The company continues to resist any change to its investment policy despite the fact that other AIM VCTs have done so in the last year. It's possible the company might claim that they have done well with AIM investments, when others have not and hence changed their investment policy but that does not seem to be true if you examine some of the companies who have changed and their stated reasons for doing so. But as the company seems to be returning cash to shareholders rather than making new investments (so you can reinvest it yourself in other VCTs if you wish), this may be less of a concern.

Summary

The change in the Investment Management Agreement is a very positive move and the high costs of running this VCT was one thing we highlighted as unsatisfactory in our original letter to shareholders. The reluctance to consider a wider investment strategy is still of concern because it seems unlikely that the long term return from investing primarily in AIM companies is going to be as good as from a wider mandate.

I do of course personally intend to attend the forthcoming Annual General Meeting of this company to raise pertinent questions on the affairs of this company, but would encourage you to attend also.

Call 020-8467-2686 now if you have any questions.

Yours sincerely

Roger Lawson
Chairman

More background information about the campaign on Rensburg AIM VCT is present on this web page where further news will be posted as it becomes available: www.sharesoc.org/campaigns.html