ShareSoc
UK Individual Shareholders Society

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

19 May 2015

Rensburg AIM VCT Wind Up

Shareholders on the register of Rensburg AIM VCT will have received a letter from Bill Nixon of Maven Capital Partners (if you have not received that letter there is a copy on our campaign web page here (near the foot): http://www.sharesoc.org/campaigns.html

Maven are an experienced Venture Capital Fund manager and have experience of taking over the management of existing VCTs as the letter indicates. They are proposing to take over the management of the Rensburg AIM VCT instead of the company winding up as the board of directors has proposed.

The company has previously announced that they propose to formally wind up via a members voluntary liquidation and the listing of the company's shares will be cancelled. It would thereafter have 3 years to dispose of its assets under the VCT regulations during which it would not need to make further investments. **Shareholders are being given a vote on this matter and it is exceedingly important that you do vote so as to ensure that your views are taken into account.**

ShareSoc cannot give you individual investment advice on this matter for legal reasons, but below is an outline of the issues that you may wish to consider. Because the position of investors in the company will differ greatly dependent on your tax and financial position, we urge you to consult your tax advisor or accountant so that you fully understand the pros and cons of winding up versus other possible alternatives for the company.

Those shareholders who are likely to be most affected by a wind-up are those who claimed capital gains tax roll-over relief when they originally invested in the company. If the shares are sold, or otherwise disposed of (and a wind-up would imply that), then the capital gain is rolled back into liability and hence those investors would likely end up with a tax liability. This could be near to the current market valuation of the shares being held. So although investors in this position would receive cash from the wind-up this might be offset completely by your tax liability. Investors might avoid the tax liability by using up their annual capital gains tax allowance over the next 3 years, or by realising other tax losses if you have any. Note that Venture Capital Trusts no longer provide capital gains tax roll-over relief although they do provide income tax relief and EIS companies or funds might be another alternative, but investors should take advice on these options.

Those shareholders who did not originally claim capital gains roll-over relief or who purchased the shares in the market are more likely to be influenced by whether they wish to realise cash or remain invested in a Venture Capital Trust. VCTs do have advantages in that their dividends are tax free and they provide portfolio diversification in that the performance of non-AIM VCTs may not be directly linked to the overall performance of stock markets, but they often have high management costs and unexciting investment returns.

The winding-up of Venture Capital Trusts (VCTs) is very unusual because of the tax implications mentioned above but also because of the difficulty of disposing of the investments in small companies. Though one advantage that Rensburg AIM VCT has is that most of their investments are either in listed AIM companies or in blue chip stocks so liquidating those holdings over 3 years might not be difficult. However, winding ups of any company usually incur significant accounting and legal costs.

What are the alternatives to a wind up? The company could continue but as the directors rightly point out it is now becoming small in size, and hence overheads are becoming a larger factor, and there are few new good investment opportunities in AIM companies. For the latter reason, if it was to continue then a change of investment strategy would be required (as Maven is proposing). However generalist VCTs have in reality often outperformed AIM VCTs for a number of reasons so this might not be disadvantageous.

We understand that the company has had conversations with several VCT organisations about the future of the company but has chosen instead to propose the wind-up. It is not totally clear why that is so because if the company continued or a merger was implemented those investors impacted by the roll-over relief issue might benefit substantially while others would not be prejudiced. The latter could always sell their shares in the market if they wish to liquidate their holdings if they have held the shares long enough not to prejudice income tax relief, as most will have done so. That is assuming the company continues to buy back shares in the market in the short term at a reasonably small discount, or any successor company does so.

In summary, we do not see any benefit in winding up this company rather than continuing but with a change of fund manager who has a mandate to rebuild the fund (as Maven is proposing), or trying to obtain a merger with another VCT, but ultimately shareholders need to decide for themselves what is in their best interests. The company does however have to consider the costs of any proposal from Maven in terms of the management fees they would propose to charge as this might have a significant impact on the returns to shareholders.

However the author of this note will be voting against the wind up as a personal investor in the company as I believe the company would be able to arrange a suitable alternative.

If you have any questions on this matter please contact Roger Lawson at info@sharesoc.org . ShareSoc has already made representations on this matter to the Chairman of the company, Mr Battersby. We emphasise that ShareSoc cannot give you personal tax or investment advice, so you will need to take professional advice on this matter if you are unclear on the implications of the wind up proposal on your personal affairs.

Roger W. Lawson
Deputy Chairman