Unicorn AIM VCT plc ("the Company")
Interim Management Statement
For the period from 1 October 2016 to 31 December 2016

Introduction

This voluntary Interim Management Statement (IMS) covers the three month period ended 31 December 2016, together with relevant information up to the date of publication.

Investment Objective

The Company's objective is to provide Shareholders with an attractive return from a diversified portfolio of investments, predominantly in the shares of AIM quoted companies, by maintaining a steady flow of dividend distributions to Shareholders from the income as well as capital gains generated by the portfolio.

It is also the objective that the Company should continue to qualify as a Venture Capital Trust, so that Shareholders benefit from the taxation advantages that this brings. To achieve this at least 70% of the Company's total assets are to be invested in qualifying investments of which 30% by VCT value (70% for funds raised after 6 April 2011) must be in ordinary shares carrying no preferential rights (save as permitted under VCT rules) to dividends or return of capital and no rights to redemption.

Performance

UK equities performed strongly in the final quarter of 2016.

The FTSE AllShare Index recorded a total return of +3.9% during the period under review, while the FTSE AIM All Share Index ended the quarter up by +3.5%, on the same total return basis.

The positive performance of UK equity indices was driven by a continued recovery in the value of companies operating in the Natural Resources sectors. This recovery, which began in early 2016, was sustained throughout the year, with total returns of 231%, 106% and 62% being recorded for the Industrial Metals, Mining and Oil & Gas sectors respectively in the calendar year to 31 December 2016.

As has been the case since inception in 2001, Unicorn AIM VCT continues to have extremely limited exposure to the Commodities, Mining or Oil & Gas sectors, in either a direct or an indirect sense. The Company's performance is therefore always likely to lag that of the UK equity market during periods in which resource-focused stocks perform strongly. In addition, the value of the portfolio was affected by two unforeseen, but meaningful profit warnings experienced during the period under review. As a result, the Company's Net Asset Value per share remained essentially unchanged over the period under review. Having started the period at 160.5 pence per share, the unaudited NAV per share as at 31 December 2016 was 160.2 pence per share, while net assets fell by £0.6 million to £147.1 million at the period end.

VCT Qualifying Investments

Twenty-eight of the VCT qualifying investments held in the portfolio recorded share price gains during the period under review. Of these, sixteen generated unrealised capital profits in excess of £150,000 (+0.1%) each, while the top ten qualifying holdings achieved a combined unrealised capital appreciation of over £6.9 million.

Of particular note were the three largest contributors to performance, which between them, generated a combined total of over £3.4 million in unrealised capital gains during the period under review. These were:-

Cohort (+30.2%)

Maxcyte (+61.8%)

ULS Technology (+47.0%)

Other notable contributors to performance included; **Animalcare (+12.1%), Anpario (+15.4%), Keywords Studios (+25.3%), Mattioli Woods (+7.6%) and Surgical Innovations (+79.0%)**.

During the period, there were thirteen VCT qualifying holdings that contributed unrealised capital losses of more than £150,000 (-0.1%) each. Only three investee companies experienced share price falls that were a direct consequence of poor trading or specific operational issues, while the remainder experienced share price weakness largely triggered by uncertainty and negative investor sentiment in the aftermath of the BREXIT vote in late June.

In absolute terms, the combined unrealised capital loss from the three companies whose value was materially impacted by operational and/or trading issues, amounted to £2.9 million. In percentage terms, these three stocks accounted for approximately 2% of negative performance contribution.

The companies in question were:-

Crawshaw Group (-32.4%), is a retailer of fresh meat and food-to-go, which in September released disappointing Interim Results. As a consequence, Crawshaw's share price fell sharply initially and has subsequently drifted further, falling by over 75% from a peak reached in November 2015. Although the business struggled for most of the second half of 2016, recent sales performance has been encouraging. Improvements in sales and customer numbers have been reported over the festive period. In total, group sales were up 13% in the 5 week trading period to 31 December 2016 (versus the prior year), with total customer numbers also up 13% over the same period. The management team have taken decisive action to restore a positive sales trend and are now confident of meeting downwardly revised market expectations for the financial year ending 31 March 2017.

NCC Group (-48.5%), an independent global cyber security and risk mitigation expert, released a trading update in the period, which revealed strong growth in revenues (+36% to £79.6m) over the prior six month period, but which also highlighted the cancellation of three large contracts, together with significant contract deferrals. The impact on revenues and profits in the current financial year is likely to be material and as a result NCC's share price has fallen sharply.

Redcentric (-48.9%), a leading UK IT managed services provider, announced during the period that the Company's audit committee had discovered historic accounting misstatements. The Board of Redcentric immediately implemented a forensic review, which has resulted in a £20.8 million asset impairment, an increase in net debt and the resignation of the Chief Financial Officer. The misstatements are reported to have been attributable to profit overstatement over a number of years with revenues being overstated and costs understated in broadly equal proportions. As an immediate consequence, the market value of the business fell significantly, although since the findings of the Forensic Review were released, the share price has started to recover. The investment in Redcentric has been retained in the belief that the business model is fundamentally sound, necessary remedial action has been swiftly taken and that a full recovery in value is achievable over time.

Non-Qualifying Investments

The performance of the non-qualifying holdings was unremarkable during the period under review, with an absence of any notable newsflow or significant share price movements to report on.

Material Transactions

One new VCT qualifying investment was made during the period. Approximately £2.5 million was allocated to **ECSC Group**, a provider of specialist cyber security services, which listed on AIM on 14 December 2016. ECSC has performed well in the short period since listing with its share price having increased by 27% as at 31 December 2016.

The only sale in the period was Pinewood Studios. The total proceeds from this disposal amounted to just under £2.8 million, while the realised capital profit was £937,000.

Top 10 Equity Holdings at 31 December 2016

Stock	% of fund
Abcam	8.1
Tracsis	6.3
Mattioli Woods	5.3
Anpario	4.0
Cohort	3.6
Animalcare	3.4

Directa Plus	3.2
IDOX	2.8
ULS Technology	2.4
ECSC Group	2.2
Total	41.3

Share Buy-Backs

During the period from 1 October 2016 to 31 December 2016, the Company bought back 265,734 of its own Ordinary Shares for cancellation, at an average price of 137.5 pence per share.

There were 91,809,577 Ordinary Shares in issue as at 31 December 2016.

Material Events

On 30 November 2016, the Company announced its intention to launch an Offer for Subscription to raise up to £15 million of new capital. The Prospectus relating to this Offer is expected to be available shortly.

The Board has recommended a final dividend of 6.25 pence per share in relation to the financial year ended 30 September 2016. The proposed dividend has been approved by Shareholders at the Company's Annual General Meeting, which was held on 12 January 2017. The dividend will be paid on 3 February 2017 to Shareholders on the register as at 13 January 2017.

There were no other material events during the period from 1 October 2016 to 31 December 2016.

Chris Hutchinson
Unicorn Asset Management

16 January 2017