

Product

## **Molten Ventures VCT plc**

Tax Status

## **Venture Capital Trust**

Fund Group

## **Elderstreet Investments Limited (a wholly owned subsidiary of Molten Ventures plc) with Molten Ventures**

**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.

Tax Efficient Review is published by  
Tax Efficient Review Ltd  
35 The Park  
London  
NW11 7ST  
Tel: +44 (0)20 8458 9003  
www.taxefficientreview.com

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## RISK WARNINGS AND DISCLAIMERS

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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

### Molten Ventures VCT (formerly Draper Esprit VCT)

Type	Generalist VCT with track record
Size	£106.5m AUM and is seeking £30m with this launch and a £10m over-allotment facility
Manager	Elderstreet Investments Limited (a wholly owned subsidiary of Molten Ventures plc) with Molten Ventures plc ("Molten Ventures")
Sponsor	Spark Advisory Partners Ltd
Registrars	The City Partnership
Focus	To generate tax free capital gains and regular dividend income for its shareholders through a diversified portfolio of VCT qualifying unquoted investments across a broad range of sectors
Promoter	RAM Capital LLP
Funds initially invested	Cash deposits
Minimum investment	£6,000 per tax year, including initial adviser charges
Initial Closing Date	5th April 2023 unless fully subscribed before for the 2022/23 tax year and 30th June 2023, unless fully subscribed before, for the 2023/24 tax year
Issue costs	3% of amount subscribed for advised investors
Annual costs	2% per annum (total annual charges are capped at 3.5% per annum)
Initial advisor charges	If charged, these may be facilitated by the VCT on subscription.

## Summary

Table 1: Tax Efficient Review summary of offering Pros and Cons

PROs	CONs
The Molten Ventures VCT allows investors to access the deal flow of the Molten Ventures EIS in the more diverse structure of a VCT, as well as the potential benefits of dividends and better liquidity from the listed offer	The long term track record over 5 and 10 years is not particularly relevant as Molten took over the Elderstreet VCT in 2017
It is refreshing to see there is no performance fee unless a realised gain is made on an investment and a hurdle rate of 7% IRR is achieved	Whilst there have been 2 small exits in recent years- from IXLPremfina and PodPoint, the VCT portfolio has yet to see the exit multiples which have been seen over the years from the Molten EIS
Molten Ventures plc has listed on the main market of the London Stock Exchange and entered the FTSE 250 index in September 2021. They can bring institutional levels of rigour and funding to tax efficient investing	The 5% dividends paid out in recent years have largely been paid out of capital from the established distributable reserves. More successful realisations will needed from within the portfolio to fund dividends out of profits

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## TER classification

TER classifies this VCT as a “Generalist VCT with track record” and Molten Ventures are experienced fund managers within the VCT and EIS mar-

ket. The Molten Ventures VCT follows a similar investment strategy to the Molten Ventures EIS and can partake in each investment the EIS makes.

## 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, (Molten Ventures VCT reference 27 October 2022) and data provided by the Manager. It should be noted that the Manager’s unaudited valuation for August 2022

is the March 2022 valuation with any AIM stocks revalued at the 31 August bid price and new investments made since March 2022 valued at cost. The VCT will release the updated September interims post launch.

## ‘Sunset’ Clause

The ‘Sunset Clause’ was introduced by the Treasury for EIS and VCT reliefs to be reviewed and renewed by 6 April 2025. The clause provides that income tax relief will no longer be given to subscriptions made on or after 6 April 2025, unless the legislation is amended to make the scheme permanent, or the “sunset clause” is extended.

legislation, which would allow the VCT & EIS schemes to operate in their current form beyond the current expiry date of the scheme.

The then Chancellor Kwasi Kwarteng announced during his mini-budget of 23 September 2022 that venture capital schemes will be safeguarded beyond 2025 but no further details were given as to how this will be implemented.

The government has the power to extend or remove the sunset clause through secondary

## The Offer

This review is for the latest round of fund raising for the Molten Ventures VCT. As a reminder

of the journey this VCT has taken, it was run for many years as the Elderstreet VCT. This was a

Table 2: **Molten Ventures (formerly Draper Esprit) VCT funds under management as at 31.8.22**

VCT	Net assets £m	Annual fee %	Still to be invested £m	Notes
<b>VCT funds</b>				
Molten Ventures VCT PLC	107	2.00%	23	Adjusted for deals queuing closed in Sep or for Q4 close
<b>NON VCT funds than can co-invest with VCT Funds</b>				
Molten Ventures EIS	220	0-2%	30	The EIS portfolio business is managed by Encore LLP
Molten Ventures plc	Evergreen	0.00%	Evergreen	The plc business is managed by Molten Ventures plc and is evrgreen for Europe wide deployment
<b>TOTAL</b>	<b>£327m</b>		<b>£53m</b>	

Source: Elderstreet Investments Limited

relatively small VCT which had struggled to raise funds each year.

The co-investment with Draper Esprit started in 2017 and since then has been given as new lease of life. Both in terms of the quality of deal flow from the same team who run the highly regarded Draper Esprit EIS, and in its ability to raise funds from investors who have been attracted to accessing this deal flow in the more diverse and liquid structure of a Venture Capital Trust.

Then in 2021, the Manager was 100% acquired by Draper Esprit Limited and the name of both the VCT and EIS offerings were changed to Molten Ventures.

Since acquiring the Elderstreet VCT, the “legacy” investments of that VCT have diminished as they have been realised or written down, and also as fresh funds have been raised and deployed into the deal flow from Molten Ventures. Today, by percentage of net asset value, the “legacy” holdings of the older Elderstreet investments only comprises 15% of the AUM of the Molten Ventures VCT.

So this is a bona fide Molten Ventures plc VCT with technology investments comprising the majority of the portfolio. There is also adjusted cash of 22% to be invested in further technology investments. If the current Offer is taken up in full, once invested, the Company will have over c £146m of net assets of which over £130m will be allocated predominantly to Molten technology investments.

The VCT follows the same investment strategy as the popular Molten Ventures EIS. The Molten Ventures VCT can, and has, participated in the available Molten Ventures EIS deals since 2017.

The co-investment right alongside the Molten Ventures plc institutional and EIS funds will be broadly based on the liquid funds available, the EIS/VCT qualifying status of each investment, the existing asset allocation within each pool of funds (i.e. conflict issues around investing in a potential competitor to an existing portfolio company), and for the VCT, the current percentage of VCT qualification in each of its pool of VCT funds. This co-investment right and allocation will be reviewed on a periodic basis and was increased after reaching the last fundraising target.

The VCT Board is independent of the Manager and Molten Ventures and while the Manager or Molten

Ventures may recommend deals on the above basis the Board has the right to decline to invest. However, the revised IMA gives the Manager discretion on investment up to £5m unless there is a conflict between the Draper entities, or in a down round scenario.

The focus of the VCT is to continue to invest predominantly in a diversified portfolio of companies, with a particular emphasis on smaller unquoted companies, through investments which will usually have the following characteristics:

- Companies which meet the VCT criteria with proven sales and the ability to grow, which are seeking growth capital
- A strong, balanced and well-motivated management team
- High gross margin, high growth business with attractive exit upside potential via IPO or M&A
- Investments where Molten Ventures can typically act as lead investor and have an active involvement in the business through a board position

The VCT currently has a portfolio with a mix of sectors and, whilst its average deal size measured by initial investment cost has been approximately £0.8m, this has increased with the last six completed new investments averaging £1.6m. The VCT is able to syndicate deals by co-investment with other Draper funds, with typical deal participation for the group being between £5m-£25m+. This makes Molten Ventures VCT able to participate in some of the larger investments possible within the limits of the VCT legislation.

The VCT has transitioned to a technology portfolio and the Managers believes the ability to join a funding syndicate of Molten Ventures funds will bring access to larger deals in companies that enjoy higher revenues and which operate in high growth sectors. These more developed companies can scale very quickly and have the potential to IPO, exit, or attract further funding rounds more quickly than lower revenue companies.

The “technology” label can be very broad, so Molten Ventures have given the following breakdown of where the investment strategy is focussed within the technology sector:

Table 3: Generalist VCT provider 3,5 &amp; 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
<b>ALBION</b>	Albion VCT	30/06/2022	3.8%	6.0%	5.7%
	Albion Technology & General VCT	30/06/2022	5.6%	10.0%	5.8%
	Kings Arms Yard VCT	30/06/2022	7.6%	7.5%	10.5%
	Albion Development VCT	30/06/2022	8.4%	12.3%	8.9%
	Crown Place VCT	30/06/2022	6.8%	10.0%	8.0%
	Albion Enterprise VCT	30/06/2022	8.3%	11.5%	11.4%
<b>BARONSMEAD</b>	Baronsmead Second Venture Trust	31/07/2022	4.5%	2.2%	5.2%
	Baronsmead Venture Trust	31/07/2022	3.7%	1.8%	5.5%
<b>BERINGEA</b>	ProVen Growth & Income New	31/08/2022	2.9%	1.9%	4.4%
	ProVen VCT	31/08/2022	1.7%	3.1%	4.4%
<b>FORESIGHT</b>	Foresight VCT	30/06/2022	10.9%	7.2%	2.2%
	Foresight Enterprise VCT	30/06/2022	6.7%	4.6%	0.1%
<b>MAVEN</b>	Maven Income & Growth VCT 3	31/05/2022	3.8%	1.8%	4.7%
	Maven Income & Growth VCT 5	31/05/2022	5.1%	4.9%	9.6%
	Maven Income & Growth VCT	31/05/2022	2.8%	2.4%	4.2%
	Maven Income & Growth VCT 4	30/06/2022	3.6%	2.2%	3.2%
<b>MERCIA</b>	Northern 3 VCT	30/06/2022	7.4%	4.4%	7.3%
	Northern 2 VCT	30/06/2022	7.3%	4.5%	6.8%
	Northern Venture Trust VCT	30/06/2022	7.5%	5.9%	6.9%
<b>MOBEUS</b>	Mobeus Income & Growth 2 VCT	30/06/2022	11.1%	9.3%	10.9%
	Income & Growth VCT	30/06/2022	15.9%	9.9%	8.9%
	Mobeus Income & Growth 4 VCT	30/06/2022	15.4%	9.7%	8.5%
	Mobeus Income & Growth VCT	30/06/2022	14.9%	11.1%	11.0%
<b>MOLTEN</b>	Molten Ventures VCT	31/03/2022	7.3%	3.7%	7.4%
<b>OCTOPUS</b>	Octopus Apollo VCT	31/07/2022	12.7%	5.5%	3.5%
	Octopus Titan VCT	30/06/2022	7.2%	5.7%	9.6%
<b>PEMBROKE</b>	Pembroke VCT B share	30/06/2022	8.6%	8.2%	
<b>PUMA</b>	Puma VCT 13	28/02/2022	22.7%		
<b>TRIPLE POINT</b>	Triple Point VCT 2011 plc Venture shares	31/07/2022	6.6%		
<b>YFM</b>	British Smaller Companies VCT	31/03/2022	13.6%	9.5%	7.4%
	British Smaller Companies VCT 2	31/03/2022	12.7%	8.8%	5.8%

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 18/10/2022

Table 4: **Provider results comparison**

PROVIDER	AVERAGE SCORE BASED ON PLACE IN PEER GROUP (lower is better)
<b>MOBEUS</b>	5
<b>ALBION</b>	11
<b>YFM</b>	12
<b>OCTOPUS</b>	15
<b>MERCIA</b>	16
<b>MOLTEN</b>	17
<b>FORESIGHT</b>	20
<b>MAVEN</b>	23
<b>BARONSMEAD</b>	24
<b>BERINGEA</b>	26

Calculation as at 18/10/2022 and based on results in Table 3 for providers with ten year performance. In order to reduce the data down to one figure, each VCTs' position in the Table 3 results is scored from 1 (first in the year) to the total number of VCTs in the analysis for the period (lower numbers are better), added together and then averaged over the three periods being measured

- **Consumer Technology** – companies with exceptional growth opportunities in international markets that are underpinned by new consumer facing products, innovative business models and proven execution capabilities
- **Enterprise Technology** – companies developing the software infrastructure, applications and services that drive productivity improvements, convenience and cost reduction for enterprises
- **Hardware and Deep Tech** – companies developing different technologies that underpin advances in computing, consumer electronics and other industries
- **Digital Health and Wellness** – companies leveraging digital and other technologies to create new products and services for the health and wellness market.

#### Dividend Policy

The board of the Molten Ventures VCT is targeting a return of 5% of NAV p.a in total dividends to shareholders. This is subject to liquidity and the availability of sufficient distributable profits, capital resources and VCT regulations.

Investors should note that in most instances the payment of a dividend will be a distribution of

capital as it will not be funded from cash generated either by dividends received by the VCT or cash received from realisations. Instead the payment will be from distributable reserves created by cancelling the share premium account. Whilst legislative changes have meant that VCTs can no longer return capital to investors (e.g. by way of dividends paid from cancelled share premium account) within three years of the end of the accounting period in which the relevant shares were issued, this does not apply in this case as the cancelled share premium was not related to the Ordinary Shares issued pursuant to this Offer. There is currently £2.8m in distributable reserves with £6.3m becoming available in April 23, £11.9m in April 2024, and £37.9m in April 2025.

Together with this new prospectus the VCT is introducing a new dividend reinvestment scheme (DRIS). Investors will have the option of receiving their dividends directly in cash to their specified bank account or can elect to have their dividend reinvested into the Company for additional Ordinary Shares.

Dividends paid in the 12-month period to the 31 March	Molten Ventures VCT Dividends
2018	3.0p
2019	3.0p
2020	3.0p
2021	2.5p
2022	3.0p
2023*	3.1p

\* paid to the 31 August 2022 consisting of the first interim dividend of 1.5p and a special dividend of 1.6p paid in August 2022 with a potential final dividend to be announced with the September interim accounts

## 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 above, and the longer term time scales of 5 and 10 years are not totally relevant as they do not reflect the involvement of Molten Ventures. However, the 3 year figures are more representative and do show a better pick up in performance.

Table 4 shows how the Molten Ventures VCT compares to their peer group and whilst they are in the middle of the table, there has been a progressive movement upwards from the bottom of the table over recent years.

Table 5 shows the current breakdown of the different technology sectors within the investee portfolio. Table 6 shows that the Molten Ventures VCT focuses on the larger and more established investment companies permitted within the VCT rules. Table 7 gives details of the two exits in the last three years: IXL Premfina and PodPoint.

In the six years since the original involvement with Molten Ventures, out of the original 'legacy' portfolio 57% of the opening NAV has been realised, for a total of £11.9m cash proceeds, reflecting significant work by the Manager to streamline this portfolio. The legacy portfolio companies now accounts for only 15% of the Company's NAV as at 31 August 2022 (with 88% of the value in the

## Share Buyback Policy

In the last three years to September 2022 £2.9m of shares have been bought back by the VCT (£2.1m in the last twelve months to September 2022). We are told that the Company intends to acquire its own Ordinary Shares in the market four times each year. The Company has entered into an agreement with a market maker to facilitate and manage the discount and buyback policy which is: "The Company intends to continue to buy back its Ordinary Shares at a discount of approximately 5.0% to the last published NAV, subject to liquidity".

## Tax Efficient Review Strategy rating: 28 out of 30

legacy holdings is represented by two companies, one of which is AIM listed).

The portfolio invested into Molten Ventures deal-flow is now showing considerable upward valuation movement, driven by multiple different assets as value drivers.

It should be noted that the NAV has increased by 27% (adding back the dividend paid in August 2022) since the March 2021 year end. Overall of the 32 companies invested by the Molten Ventures team and held in the VCT at 31 August 2022, twelve are showing uplifts of a total of £25.4m, eleven are held at cost, and nine are showing write-downs of £6.8m. In addition two of the Draper portfolio companies have exited in recent years:

- **Pod Point** - £860,000 invested in July 2018 and exited in Feb 2020 for £1.86m (at a 2.2x multiple of cost)
- **IXL Premfina** - £755,000 invested in July 2018 and exited for a slightly disappointing but far from disaster £660,000 in July 2021 (0.87x multiple of cost)
- At the time of writing the VCT has entered into an agreement to sell its holding in Roomex to Fleetcor. While the exact consideration has not been released this will deliver a multiple above cost.

Table 8 at the back of this review shows a complete breakdown of the investee companies within the

Table 5: **Sectors data as at 31 August 2022 \***

Sector name	
Consumer Technology	8%
Enterprise Technology	10%
Hardware and Deeptech	29%
Digital Health and Wellness	16%
Legacy technology	9%
Legacy other	6%
Cash (adjusted) *	22%
<b>TOTAL</b>	<b>100%</b>

\* Adjusted for new deals closed in September and deals with a high conviction of future completion, ie term sheet stage or draft legals

Source: Elderstreet Investments Limited

Table 6: **Stage of investment by number of companies at current year revenue as at 31 August 2022**

Early stage (revenue under £1m):	37%
Growth (revenue £1m-£5m):	24%
Scale up (revenue over £5m):	39%
<b>TOTAL</b>	<b>100%</b>

Source: Elderstreet Investments Limited

Table 7: **Exits achieved in the last 3 years by Molten Ventures VCT as at 30 Sep 2021**

Company	Activity	Date of investment	Date of exit	Total invested	Interest received	Total Proceeds
IXL Premfina	Software	Jul-18	Jul-21	755,608	0	660,115
PodPoint	Hardware	Jul-18	Feb-20	860,000	0	1,864,992
Servoca plc	Services	Jun-07	Jul-22	350,301	10,322	359,827
Lyalvale Express Ltd	Manufacturing	May-98	Apr-22	1,915,204	2,788,032	5,979,010
<b>TOTAL</b>				<b>£3,881,113</b>	<b>£2,798,354</b>	<b>£8,863,944</b>

Source: Elderstreet Investments Limited

Molten Ventures VCT, as well as the methodology of the valuation. It is encouraging to see that the majority of the uplifts in value are accompanied by an external 3rd party investor.

At 31 August 2022 the Company held £32m of cash. This represents 30% of NAV. In September the Manager completed two follow on investments into Apperio and Focal Point for £3.6 million. At

the time of writing the Manager tell TER they have entered into further binding commitments to invest £1.3 million into one new deal and £3.4 million into two follow on deals which are dependent on HMRC Advanced Assurance.

If all of these were to complete the adjusted cash would be equal to 22% of the August NAV with further investments then anticipated by the Manager

before shares are allotted in this current offer.

The Manager forecasts a further three to four new deals being committed between the signing of the prospectus and the allotment of the new funds from this Offer. Together with running costs and an estimated, but not guaranteed dividend, which may be paid in April 2023, the Manager forecasts cash to be 11% of August NAV.

## Manager

Molten Ventures plc is one of the most active venture capital firms in Europe, investing in high growth technology companies with global ambitions. Molten Ventures plc IPO'd on the AIM market in June 2016 and is now a constituent of the FTSE 250 following a move to the main market of the London Stock Exchange (LSE) in 2021. In the year ending March 2022, Molten Ventures plc have deployed circa £311 million into fast growing technology companies and have realised over £126 million. Molten Ventures plc is actively involved with its investments, taking non-executive positions where appropriate, and has the ability and experience to add value to the investments.

The Investment Team consists of ten executives and six Venture Partners, backed up by ten further deal process and deal origination support staff. Key Molten Ventures team members include:

- **William Horlick (Head of VCT)** has worked at Elderstreet Investments Limited since 1998. He has worked on over 70 venture capital investments. William has held several board seats in the past on Elderstreet portfolio companies. William graduated from RMA Sandhurst in 1980. Prior to joining Elderstreet Investments, he was managing director of a mail order company and spent seven years in investment banking and stockbroking.
- **Richard Marsh (Chief Portfolio Officer, Molten Ventures PLC)** has over 15 years of experience in venture capital and investing through the EIS scheme. He was a co-founder of the Molten Ventures EIS funds, is a director of Molten Ventures VCT and leads the EIS and VCT team within Molten Ventures. He is a successful entrepreneur and was Founder of software company Datanomic that was sold to Oracle. He holds an MBA from IMD,

Given the relatively modest size of this fund raising issue of maximum potential of £40m, TER are satisfied that with the potential deal flow originating from the Molten Ventures team, deployment of this cash should not be an issue.

**Tax Efficient Review Track Record rating: 33 out of 40**

Switzerland.

- **Stuart Chapman (Director, Molten Ventures PLC)** has 20+ years of experience in venture capital in UK and US (Silicon Valley) and also started his VC career at 3i. Stuart was a previously a Board member of the British Venture Capital Association (BVCA) and was co-founder of Molten Ventures.
- **Martin Davis is the CEO of Molten Ventures plc.** He has more than 20 years' experience in financial services and joined Draper from Aegon Asset Management where he was the Head of Europe, Aegon Asset Management & CEO Kames Capital. Prior to Aegon Asset Management, Martin served as CEO at Cofunds, spent 8 years at Zurich Insurance Group, and was also CEO of Zurich's joint venture, Openwork, the largest network of financial advice firms in the UK. Prior to this, Martin held senior management roles at Misys and Reuters. He also worked as Executive Vice President International for high growth start up, Corillian, an internet banking software company. Martin also served for 11yrs in the British Army. Martin has an MBA from London City Business School (CASS) and Diplomas from the Institute of Marketing and the Market Research Society.
- **Jonathan Sibilia (Partner)** joined Molten Ventures in 2009. Prior to joining the company, he was a senior associate in the technology group at Jefferies International advising on high-profile cross-border M&A, debt & equity offerings. Previously he worked at Rothschild & CIE in Paris. He also worked at Apax Partners Corporate Finance in France. Jonathan holds a MA in Management from EM-Lyon and the University of St Gallen in Switzerland and a MA in Advanced Corporate

Finance from the University of Paris IX Dauphine.

- **Michael Jackson MA FCA (Venture Partner)** founded Elderstreet Investments Limited in 1990. For the past 30 years, he has specialised in raising finance and investing in the smaller companies quoted and unquoted sector. From 1983 until 1987 he was a director and from 1987 until 2006 was chairman of FTSE 100 company The Sage Group plc. He was also chairman of PartyGaming plc, another FTSE 100 company. Michael studied law at Cambridge University and qualified as a chartered accountant with Coopers & Lybrand before spending five years in marketing for various US multinational technology companies. He was a director of Molten Ventures VCT until 2021 is now a Molten Ventures Venture Partner.
- **Nicola Mcclaferty (Partner)** joined in 2017 and focuses on investments in consumer and Saas. In addition, Nicola serves as a Board Director for NDRC, Irelands largest technology accelerator. Prior to joining Molten Ventures Nicola was co-founder and CEO of online fashion marketplace, Covetique, sold to ASOS plc in 2015. Nicola spent 5 years as a venture capital investor with Balderton Capital and media-consultancy Ravensbeck, focussing on early stage technology and digital media investments. Nicola started her career as an investment banking analyst in the technology team of Jefferies International in London. She graduated from University College Dublin with a BComm in International Business & French.
- **Vinoth Jayakumar (Partner)** joined the team in 2016. Prior to that he worked at a boutique management consulting firm in London and was an angel investor in various start-ups. He leads Fintech investing at Molten Ventures, leading investments into companies like Thought Machine, Form3, PrimaryBid, Revolut, Freetrade and Ravelin. He is focussed on investing against a thesis that is built around the future of financial services covering how people interact with money, all the way through to the infrastructure software behind the architecture of banks.
- **Christoph Hornung (Investment Director)** joined Molten Ventures in 2020 and focuses on consumer internet, financial services

and online marketplaces. Prior to Molten Ventures, Christoph was with Rocket Internet in Asia and Australia, where he helped build The Iconic and Lazada. Previously, Christoph worked as Investment manager at Seven Ventures, where he focused on consumer and e-commerce investments. Christoph is also the founder of a data company in the Sports and Entertainment industry. Christoph is from Germany and graduated from CASS Business School in London.

- **Dr Inga Deakin (Principal)** recently joined Molten Ventures to build and support the healthtech investment portfolio. Her experience includes 6 years at VC Touchstone/Imperial Innovations investing in life science and digital health companies emerging from top UK universities. She led investments, bringing in new and diverse syndicate investors, and was on the board of 5 companies, resulting in 2 acquisitions and bringing medical and life science products from research stage to the market. She then spent 3 years in the USA, gaining international industry and healthcare experience, as Chief of Staff in a commercial stage genetic molecular diagnostics company, and most recently as Entrepreneur in Residence at Duke University. Her scientific training includes a DPhil and MSc in Neuroscience from the University of Oxford, and a BA from the University of Cambridge.

The Board of Molten Ventures VCT comprises:

- **David Brock** as Chairman (formerly a main board member of MFI Furniture Group plc),
- **Nicholas Lewis** (founder of Downing LLP),
- **Hugh Aldous** (ex-partner of Grant Thornton UK LLP)
- **Richard Marsh** is the Molten Ventures representative.

The majority of this Board have been in place since inception and given the renewed focus on growth and technology it might be sensible to replace some members with entrepreneurs with more appropriate sector skillsets.

The directors stated in the March 2022 accounts they are continuing to review the composition of the board and, now that the management

arrangements have fully transitioned to the Molten Ventures Group, are expected to make some further changes in due course.

The Board and Investment Management Team, former executives, and their families have invested in excess of £1,000,000 in the Company to date

Molten Ventures VCT has a co-investment arrangement alongside the Molten Ventures institutional and EIS funds. This will be broadly based on the liquid funds available, the EIS/VCT qualifying status of each investment, the existing asset allocation within each pool of funds (i.e. conflict issues around investing in a potential competitor to an existing portfolio company), and for the VCT, the current percentage of VCT qualification in each of its pool of VCT funds. This co-investment right and allocation will be reviewed on a periodic basis and the VCT Directors believe that this co-investment arrangement will provide Shareholders with a number of advantages, particularly in relation to deal flow and the opportunity for the Company to participate in larger deals, and, therefore, later stage companies.

The Manager has delegated authority to make

investments under £5m and the board must approve investments above this level. In the event of a conflict of interest between the funds (which includes where an investment is proposed in a company in which another fund already has an interest), or where co-investments are proposed to be made other than on the above basis, such an investment by the VCT will require the approval of those members of the VCT's board who are independent of the Manager. The Board is independent of the Manager and Molten Ventures and while the Manager or Molten Ventures may recommend investments on the above basis the Board has the right to decline to invest in any such investment opportunity.

All three potential investors (the VCT, the EIS manager and the Molten Ventures institutional manager) have independent investment committees who will sign off an investment for their pool of funds. So it is possible that not all funds will participate in all deals but if a deal is VCT & EIS qualifying then the principle is that both would participate. If not, for example certain (but not all) non-UK deals, or secondaries, then VCT & EIS would not participate.

**Tax Efficient Review Team rating: 18 out of 20**

## Costs

- **Initial costs** are capped at 5.5% (variable 3%-5.5%) including commission of 2.5%.

For advised sales the effective cost is 3.0% (assuming the IFA waives 2.5% commission)

An Early Bird discount of 0.25% in the form of further shares is available on the first £10 million of valid applications, or midnight on 16th December 2022 whichever is reached first.

- **Annual management fee:** 2% of net assets per annum

The administration fee charged by Downing Management Services Limited is £85,000 plus 0.1% of further new funds raised subject to an annual cap of £100,000 plus vat per annum. Elderstreet inform us that for the year ended 31 March 2022 the Total Expenses Ratio (TER) was 2.41% (using a

weighted TER). The Manager expects the TER to reduce over time as the Company scales its NAV.

The VCT (the company) is responsible for paying trail commission covering execution-only (non-advised) investors. Regrettably, this fee is paid by the VCT and not out of any fee received by the promoter/manager. Thus it falls on all the VCT shareholders and not just the execution-only investors. TER disapprove of this.

- **Performance fee:** 20% of a realised gain (there is no performance fee unless a realised gain is made on an investment) providing that the following 2 hurdles have been met:

1. An IRR hurdle requiring the achievement of at least 7% IRR annually in respect of investments made within a five-year pool, the first such period starting on 1 April 2021

2. A NAV per share hurdle requiring the NAV per share at the end of the year in which the gain is made to be higher than the NAV per share at the commencement of the five year pool period in which the investment was made

To the extent a performance fee is not paid due to failure to meet either hurdle, it may be paid at a later date if the hurdles are then achieved.

**Arrangement and Monitoring Fees:**

The Manager may charge an arrangement fee to each portfolio company in which the Company invests. This fee is restricted to 3% of the gross

amount invested by the Company. The Manager views fees of this nature to be non-market standard in the tier of the market in which it operates, and that they present an impediment to securing competitive deals. No arrangement fees have been charged by the Manager for any of the Molten Ventures deals completed to date.

The Manager may also charge portfolio companies for its monitoring services and non-executive director fees but has not done so in recent years.

**Tax Efficient Review Cost rating: 8 out of 10**

## Conclusion

The Molten Ventures VCT has recently topped £100m of AUM, which is commendable progress from the relatively small Elderstreet VCT whose Manager was 100% acquired by Molten Ventures in 2021. Even at the start of 2021, the AUM was only £55m, and reaching the £100m AUM mark has been driven by regular, successful fund raisings and good growth in the NAV per share.

The original acquisition plan of Molten Ventures was to offer a VCT based alternative to their long-standing and popular EIS offering. It's taken time, but here in 2022, the legacy portfolio of the Elderstreet investments are down to only 15% of the portfolio and this VCT has participated regularly in all the Molten Ventures EIS dealflow.

So for advisers looking to access the Molten Ventures name and not necessarily be able to use all the tax advantages of the EIS for their clients, then this offer makes perfect sense. The investors in a VCT will not be able to use the loss relief that benefits the EIS investors, but this is more than compensated for by the additional levels of diversification and the greater possibility of liquidity after the 5 year holding period has been reached.

The Molten Ventures VCT now has 32 companies within it and the NAV has increased by 27% (adding back the dividend paid in August 2022) since the March 2021 year end. A breakdown of the 32 companies shows 12 with uplifts totalling £25.4m, 11 are held at cost, and 9 are showing writedowns of £6.8m. In addition two of the Draper portfolio companies have exited have achieved exits, but neither of these have been at particularly large multiples. One was for 2.2x return and one a slight loss at 0.87x return.

When assessing the overall track record, the 5 and 10 year analysis is not particularly relevant as this is prior to when Molten Ventures took control of the VCT. The 3 year performance, whilst short, is more relevant and it does show a good improvement, but, it would be good to see some of the more significant exit multiples which have been achieved many times in the Molten Ventures EIS offering. Admittedly, it is still relatively early for these types of companies to show what they can do, but the portfolio has been built up as a mirror of the EIS investments and all the building blocks should now be in place.

**Tax Efficient Review rating: 87 out of 100 (for a Generalist VCT with track record)**

Table 8: Molten Ventures VCT unquoted holdings as at 31 August 2022 (adjusted for completed in September, sorted by multiple on cost)

Investee Company	Cost £m	Value £m	Date invested	Syndicated Y/N	Lead investor Y/N	Structure of investment (Equity/ Loan)	Did equity involve downside protection (if so provide detail)	Industry Sector	Stage of Investment	Valuation methodology	Multiple on cost
Thought Machine Group Limited	£2.4	£9.7	May-20	Y	Y	Equity	Pref share	Technology	Scale up	Recent investment round, including new 3rd party investor	4.05
Form3 (formerly Back Office Technology Ltd)	£1.4	£5.5	Feb-19	Y	Y	Equity	Pref share	Technology	Scale up	Recent investment round, including new 3rd party investor	3.85
Freetrade Ltd	£0.6	£2.1	Mar-20	Y	Y	Equity	Pref share	Technology	Scale up	Recent investment round, including new 3rd party investor	3.56
Access Intelligence PLC	£2.6	£7.8	Oct-08	Y	Y	Equity & Debt	Loan notes	Technology	Scale up	Aim Bid Price	3.02
Endomagnetics Limited	£2.1	£6.3	Jul-18	Y	Y	Equity	Pref share	Technology	Scale up	Revenue multiple comparables	2.94
PrimaryBid Limited	£0.9	£2.8	Jan-21	Y	Y	Equity	Pref share	Technology	Scale up	Recent investment round, including new 3rd party investor	2.91
Crowdcube Limited	£0.4	£1.0	Jan-19	Y	Y	Equity	Pref share	Technology	Scale up	Revenue multiple comparables	2.57
Focal Point Positioning Limited	£0.6	£1.5	Apr-21	Y	Y	Equity	Pref share	Technology	Early Stage	Recent investment round, including new 3rd party investor	2.49
Fords Packaging Top Co Ltd	£2.4	£5.9	Dec-13	N	Y	Equity & Debt	Loan notes	Manufacturing	Scale up	Earnings multiple comparables	2.41
Cashfac plc	£0.3	£0.5	Jul-99	N	Y	Equity	n/a	Technology	Scale up	Earnings multiple comparables	2.02
River Lane Research Limited	£0.9	£1.8	Mar-21	Y	Y	Equity	Pref share	Technology	Early Stage	Recent investment round, including new 3rd party investor	1.96
Ravelin Technology Limited	£1.1	£2.1	Jun-20	Y	Y	Equity	Pref share	Technology	Scale up	Revenue multiple comparables	1.87
IESO Digital Health	£3.6	£6.1	Nov-17	Y	Y	Equity	Pref share	Technology	Scale up	Recent investment round, including new 3rd party investor	1.72
Evonetix Limited	£1.5	£1.9	Jun-18	Y	Y	Equity	Pref share	Technology	Early Stage	Cost (or New first investment into company held at cost)	1.27
Hadean Supercomputing Limited	£1.8	£2.0	Apr-19	Y	Y	Equity	Pref share	Technology	Early Stage	Recent investment round, including new 3rd party investor	1.10
Macranet Ltd T/A Sentiment Metrics	£1.2	£1.2	Jan-14	N	Y	Equity & Debt	Loan notes	Technology	Early Stage	Recent investment round, no new 3rd party investor	1.00
BeZero Carbon Ltd	£1.6	£1.6	Aug-22	Y	Y	Equity	Pref share	Technology	Early Stage	Recent funding round with new external investor	1.00
Cervest Limited	£1.3	£1.3	Oct-21	Y	Y	Equity	Pref share	Technology	Early Stage	Cost (or New first investment into company held at cost)	1.00
Expanding Circle Ltd (AltruistIQ)	£1.8	£1.8	Aug-22	Y	Y	Equity	Pref share	Technology	Early Stage	Cost (or New first investment into company held at cost)	1.00
Fluidic Analytics Limited	£1.2	£1.2	Jul-22	Y	Y	Equity	Pref share	Technology	Early Stage	Cost (or New first investment into company held at cost)	1.00

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Investee Company	Cost £m	Value £m	Date invested	Syndicated Y/N	Lead investor Y/N	Structure of investment (Equity/ Loan)	Did equity involve downside protection (if so provide detail)	Industry Sector	Stage of Investment	Valuation methodology	Multiple on cost
Focal Point Positioning Limited (completed Sep)	£2.7	£2.7	Sep-22	Y	Y	Equity	Pref share	Technology	Early Stage	Cost (or New first investment into company held at cost)	1.00
Gardin Limited	£1.5	£1.5	Feb-22	Y	Y	Equity	Pref share	Technology	Early Stage	Cost (or New first investment into company held at cost)	1.00
Global Satellite Vu Limited	£1.0	£1.0	Nov-21	Y	Y	Equity	Pref share	Technology	Early Stage	Cost (or New first investment into company held at cost)	1.00
Guybrush Limited (Agora)	£0.3	£0.3	Apr-21	Y	Y	Equity	Pref share	Technology	Early Stage	Cost (or New first investment into company held at cost)	1.00
Paragraf Limited	£1.3	£1.3	Feb-22	Y	Y	Equity	Pref share	Technology	Early Stage	Cost (or New first investment into company held at cost)	1.00
Apperio Limited (Sep follow on)	£0.9	£0.9	Sep-22	Y	Y	Equity	Pref share	Technology	Growth	Recent funding round with new external investor	1.00
Impulse Innovations Limited (Causalens)	£2.1	£2.1	Feb-22	Y	Y	Equity	Pref share	Technology	Growth	Cost (or New first investment into company held at cost)	1.00
United Authors Publishing Ltd (Unbound)	£0.5	£0.5	Nov-19	Y	Y	Equity	Pref share	Technology	Growth	Recent funding round with new external investor	1.00
Allplants Limited	£1.1	£1.1	Dec-21	Y	Y	Equity	Pref share	Technology	Scale up	Recent funding round with new external investor	1.00
Roomex UK Ltd	£1.1	£1.1	Oct-18	Y	Y	Equity	Pref share	Technology	Scale up	Revenue multiple comparables	1.00
Sweep Technologies Limited	£0.5	£0.5	Dec-19	Y	Y	Equity	Pref share	Technology	Growth	Cost (or New first investment into company held at cost)	0.99
Apperio Limited	£0.5	£0.3	Nov-18	Y	Y	Equity	Pref share	Technology	Growth	Recent funding round with new external investor	
Fulcrum Utilities Limited	£0.4	£0.2	Jul-10	Y	N	Equity	n/a	Services	Scale up	AIM bid price	
RealEyes Holding Limited	£0.4	£0.1	Jan-20	Y	Y	Equity	Pref share	Technology	Growth	Impaired / Provision taken	0.25
Lifesize - (previously Kaptivo)	£0.5	£0.0	Mar-18	Y	Y	Equity	Pref share	Technology	Growth	Impaired / Provision taken	0.09
Resolving (t/a Resolver)	£0.8	£0.0	Oct-18	Y	Y	Equity	Pref share	Technology	Growth	Impaired / Provision taken	0.01
Push Doctor	£1.9	£0.0	Mar-18	Y	Y	Equity	Pref share	Technology	Growth	Impaired / Provision taken	0.00
Streetteam Software Ltd - Pollen	£2.8	£0.0	Dec-17	Y	Y	Equity	Pref share	Technology	Scale up	Impaired / Provision taken	0.00
AppUX - (t/a Droplet)	£0.3	£0.0	Mar-18	Y	Y	Equity	Pref share	Technology	Early Stage	Impaired / Provision taken	0.00
Cauldron Entertainment	£0.0	£0.0	Aug-21	N	N	Equity	n/a	Technology	Early Stage	Cost (or New first investment into company held at cost)	0.00
<b>TOTALS</b>	<b>£50m</b>	<b>£78m</b>									<b>1.54</b>

Source: Elderstreet Investments Limited

Table 9: **Matrix of individual responsibilities for investment team**

NAMES	William Horlick	Richard Marsh	Stuart Chapman	Jonathan Sibia	Nicola Mcclaferty	Vinoth Jayakumar	Christoph Hornung	Dr Inga Deakin
	VCT WORK	VCT & EIS WORK	DE Investment team					
Deal origination	10%	0%	20%	10%	45%	45%	45%	45%
VCT General enquiries	10%	0%	0%	0%	0%	0%	0%	0%
New deal doing	10%	5%	20%	25%	25%	25%	25%	25%
VCT Fund raising	35%	20%	0%	0%	0%	0%	0%	0%
Internal VCT issues	30%	10%	0%	0%	0%	0%	0%	0%
Exits	5%	15%	10%	5%	5%	5%	5%	5%
NON VCT WORK								
Non-VCT work	0%	50%	50%	60%	25%	25%	25%	25%
<b>TOTAL</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
Years in venture capital	23	15	20	13	9	6	4	8
Years involved with VCTs	23	6	6	6	6	5	3	2
Years with current team	6	12	16	13	6	6	3	2

Source: Elderstreet Investments Ltd 30 Sept 2022