

Product

**Molten Ventures VCT plc**

Tax Status

**Venture Capital Trust**

Fund Group

**Elderstreet Investments Limited (a wholly owned subsidiary of 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.

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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	£123.8m AUM and is seeking £20m with this launch and a £20m over-allotment facility
Manager	Elderstreet Investments Limited, a wholly owned subsidiary 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 and Money Market instruments
Minimum investment	£6,000 per tax year, including initial adviser charges
Initial Closing Date	5th April 2024 unless fully subscribed before for the 2023/24 tax year and 30th June 2024, unless fully subscribed before, for the 2024/25 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	Along with many other VCTs, the performance of the Molten Ventures VCT has decreased by 6.9% (adding back the dividend paid in the period since the March 2022)
There was a large exit achieved in 2022 from Lyalvale Express, where a £1.9m investment returned a total of £8.5m, but this was a legacy investment made back in 1998!	There have only been 2 profitable exits and one partial return generated from the Molten Ventures portfolio, along with 2 write offs, since the management Elderstreet VCT was taken over by Molten in 2017
There is no performance fee unless a realised gain is made on an investment and a hurdle rate of 7% IRR is achieved	Whilst it does not directly impact the performance of this VCT, the share price of Molten Ventures plc has fallen significantly in the past 18 months and is no longer a constituent of the FTSE 250, which reflects the mood surrounding the venture capital industry

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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 market. 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 10 October 2023) and data provided by Molten Ventures. It should be noted that the Manager’s unaudited valuation for July

2023 is the March 2023 valuation with any AIM stocks revalued at the 31 July bid price and new investments made since March 2023 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.

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

The government has the power to extend or

The then Chancellor Kwasi Kwarteng announced during his mini-budget of 23 September 2022 and Jeremy Hunt reiterated in his March 2023 budget that venture capital schemes will be safeguarded beyond 2025 but no further details

Table 2: **Molten Ventures (formerly Draper Esprit) VCT funds under management as at 31 July 2023**

VCT	Net assets £m	Annual fee %	Still to be invested £m	Notes
<b>VCT funds</b>				
Molten Ventures VCT PLC	124	2.00%	35.0	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 funds	261	see note	19.5	For fund closes up to and including Apr 2019: £nil - no further fees. For fund closes from July 2019 onwards 2% (for initial years, then reducing)
Molten Ventures PLC	1,194	n/a	n/a	The plc business is managed by Molten Ventures plc and is evrgreen for Europe wide deployment
<b>TOTAL</b>	<b>£1578.8m</b>		<b>£54.5m</b>	

EIS and PLC stats as at 31 March 2023

Source: Elderstreet Investments Limited

were given as to how this will be implemented.

## The Offer

The Molten Ventures VCT has now reached almost £125m of AUM which is quite an achievement from when this VCT was taken over in 2017 by Molten Ventures (who at the time of the take over of the VCT were called Draper Esprit).

In its previous incarnation before being acquired in 2017, this VCT was the Elderstreet VCT. The take over of this VCT introduced it to a refreshed management and, more importantly, the deal flow of the Draper Esprit EIS. Then in 2021, the Draper Esprit name was replaced with Molten Ventures for both the EIS and VCT offers.

The “legacy” investments of the Elderstreet VCT have diminished as they have been realised or written down, and essentially this is a bona fide Molten Ventures plc VCT with technology investments comprising the majority of the portfolio. There is also adjusted cash of 28% to be invested in further technology investments (see Table 2). If the current Offer is taken up in full, once invested, the Company will have over c £160m of net assets.

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 Molten enti-

ties, 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 £1.1m, this has increased with the last five completed new investments averaging £2.2m. 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	31/03/2023	5.5%	4.5%	5.9%
	Albion Technology & General VCT	31/03/2023	9.4%	8.7%	5.3%
	Kings Arms Yard VCT	31/03/2023	13.4%	6.6%	8.2%
	Albion Development VCT	31/03/2023	13.1%	9.9%	8.4%
	Crown Place VCT	31/03/2023	10.3%	8.6%	8.1%
	Albion Enterprise VCT	30/06/2023	10.6%	7.8%	9.2%
<b>BARONSMEAD</b>	Baronsmead Second Venture Trust	31/07/2023	2.6%	-0.3%	3.5%
	Baronsmead Venture Trust	31/07/2023	2.0%	-0.7%	3.6%
<b>BERINGEA</b>	ProVen Growth & Income New	31/05/2023	4.6%	-0.1%	2.5%
	ProVen VCT	31/05/2023	4.3%	-0.9%	4.0%
<b>CALCULUS</b>	Calculus VCT plc New Ord share	31/05/2023	3.7%	-1.0%	
<b>DOWNING</b>	Thames Ventures VCT 2 Healthcare shares	31/08/2022	1.3%	-3.0%	
<b>FORESIGHT</b>	Foresight VCT	30/06/2023	18.6%	9.1%	4.3%
	Foresight Enterprise VCT	30/06/2023	13.9%	5.6%	0.6%
<b>MAVEN</b>	Maven Income & Growth VCT	28/02/2023	2.9%	2.3%	3.8%
	Maven Income & Growth VCT 4	30/06/2023	6.1%	2.3%	3.0%
	Maven Income & Growth VCT 3	31/05/2023	6.0%	2.0%	4.1%
	Maven Income & Growth VCT 5	31/05/2023	6.3%	3.6%	7.2%
<b>MERCIA</b>	Northern Venture Trust VCT	30/06/2023	10.6%	4.9%	5.2%
	Northern 3 VCT	30/06/2023	11.7%	4.9%	5.7%
	Northern 2 VCT	30/06/2023	11.3%	4.9%	5.2%
<b>MOBEUS</b>	Mobeus Income & Growth 4 VCT	31/03/2023	21.9%	10.5%	7.2%
	Mobeus Income & Growth VCT	30/06/2023	16.0%	11.6%	8.1%
	Mobeus Income & Growth 2 VCT	30/06/2023	14.6%	9.0%	7.7%
	Income & Growth VCT	31/03/2023	20.4%	10.9%	7.1%
<b>MOLTEN</b>	Molten Ventures VCT	31/07/2023	10.5%	2.9%	5.1%
<b>OCTOPUS</b>	Octopus Titan VCT	30/06/2023	-0.1%	1.0%	4.5%
<b>PEMBROKE</b>	Pembroke VCT B share	31/03/2023	7.2%	5.9%	
<b>PUMA</b>	Puma VCT 13	31/07/2023	16.4%	10.8%	
<b>SENECA</b>	Seneca Growth Capital VCT B shares	30/06/2023	-4.1%		
<b>TRIPLE POINT</b>	Triple Point VCT 2011 plc Venture shares	07/07/2023	7.8%		
<b>YFM</b>	British Smaller Companies VCT 2	30/06/2023	17.8%	9.1%	6.2%
	British Smaller Companies VCT	30/06/2023	18.5%	10.6%	7.5%

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 04/10/2023



Table 4: **Provider results comparison**

PROVIDER	AVERAGE SCORE BASED ON PLACE IN PEER GROUP (lower is better)
<b>MOBEUS</b>	6
<b>YFM</b>	7
<b>ALBION</b>	11
<b>FORESIGHT</b>	14
<b>MERCIA</b>	15
<b>MOLTEN</b>	18
<b>MAVEN</b>	22
<b>OCTOPUS</b>	25
<b>BERINGEA</b>	26
<b>BARONSMEAD</b>	27

Calculation as at 04/10/2023 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. As at 31st August 2023, there was £2.1m in distributable reserves with £11.4m becoming available in April 2024, £11.9m in April 2024, and £36m in April 2025.

Last year the VCT introduced 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.

There were dividends of 3.1p per share paid in the year ended 31 March 2023 which represented a yield of 5.1% on the 31 March 2022 NAV.

Dividends of 1.5p have been paid since the 31 March 2023 year end which represents a yield of 2.8% on the 31 March 2023 NAV. The manager expects the next dividend to be paid in April 2024.

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
2024*	1.5p*

\* paid since the 31 March 2023 consisting of the first interim dividend of 1.0p and final of 0.5p paid in September 2023

**Share Buyback Policy**

In the last three years to August 2023 £3.3m of shares have been bought back by the VCT (£1m in the last twelve months to August 2023). 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”.

The March 2023 accounts state, however, that the Board is temporarily controlling the level of funds allocated for share buybacks to ensure that compliance with the VCT regulations is maintained. Buybacks are still expected to be undertaken from time to time, and the Board is working with the Company’s broker to ensure that funds are allocated on a fair basis at any time where demand might exceed the funds available. The Board expects the constraints from this VCT regulation to ease significantly over the next one to two years.

The current discount of the share price to NAV per share is a respectable 5.7%, but TER will monitor this closely in light of the above statement.

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

**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 exits in the last three years: Roomex, PodPoint, IXL Premfina, Push Dr and. Cervest. There were also two legacy exits from Lyalvale Express and Servoca.

When the Elderstreet VCT was taken over by Molten Ventures (which were called Draper Esprit at the time they took over the Elderstreet VCT), there was a rump of legacy holdings in the existing portfolio. Over time these were realised or written off, so that ultimately only 4 holdings remained of the older “Elderstreet” portfolio.

Two of those holdings have exited in the past year, Lyalvale Express and Servoca. Lyalvale Express manufactures shot gun cartridges, and has done, on the face of it, particularly well with a £1.9m investment returning a total of £8.5m. But one must take into account that the original investment was made back in May 1998, so it took 24 years to generate this return. This makes the IRR on this investment less impressive, but it does show that venture capital/private equity needs time!

Table 5: **Sectors data as at 31 July 2023**

Sector name	
Consumer Technology	4%
Enterprise Technology	17%
Hardware and Deeptech	29%
Digital Health and Wellness	17%
Legacy technology	5%
Legacy other	5%
Cash (adjusted)	23%
<b>TOTAL</b>	<b>100%</b>

Source: Elderstreet Investments Limited

Table 6: **Stage of investment by number of companies at current year revenue as at 31 July 2023**

Early stage (revenue under £1m):	36%
Growth (revenue £1m-£5m):	13%
Scale up (revenue over £5m):	50%
<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
Roomex	Software	Oct-18	Nov-22	£1,080,999	£0	£1,356,623
Cervest	Software	Oct-21	Oct-22	£1,312,230	£0	£1
Servoca	Services	Jun-07	Jul-22	£333,334	£0	£359,827
Lyalvale Express	Manufacturing	May-98	Apr-22	£1,915,204	£2,609,157	£8,588,168
Push Dr	Software	Dec-17	Dec-21	£1,873,054	£0	£0
IXL Premfina	Software	Jul-18	Jul-21	755,608	0	660,115
PodPoint	Hardware	Jul-18	Feb-20	860,000	0	1,864,992
<b>TOTAL</b>				<b>£8,130,429</b>	<b>£2,609,157</b>	<b>£12,829,726</b>

Source: Elderstreet Investments Limited

The remaining legacy holdings represent only 10% of the portfolio and all new investments since Molten Ventures took over the Elderstreet VCT have been co-investments with the Molten Ventures EIS.

The NAV has decreased by 6.9% (adding back the dividend paid in the period since the March 2022 year end), but one must acknowledge the wider market has also seen declines in small cap and private equity valuations.

Overall of the 35 companies invested by the Molten Ventures team and held in the VCT at 31 July 2023, 13 are showing uplifts of a total of £25.2m, 11 are held at cost, and 11 are showing writedowns of £7.8m.

If we strip out Lyalvale Express and Servoca, there have been 2 profitable exits from the Molten Ventures portfolio as seen below and one partial recoupment of capital.

- **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)
- **Roomex** - £1,080,000 was invested back in 2018 and the exit proceeds generated a small level of profit at £1,356,000.

There have also been two complete write offs with Cervest and Push Dr. But post the 31 July 2023 NAV, the Manager informs us that an undisclosed portfolio company which has been in M&A discussions may enter liquidation with a further negative impact of 0.5p on 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 was a constituent of the FTSE 250 following a move to the main market of the London Stock Exchange (LSE) in 2021. However, since then the share price, which has the code "GROW" has gone from a high of

Table 8 at the back of this review shows a complete breakdown of the investee companies within the 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 July 2023 the Company held £35 million of cash. This represents 29% of NAV. In September the Manager completed one new investment, and has entered into further binding commitments to invest £5.2 million into two new deals (which are dependent on HMRC Advanced Assurance).

If all of these were to complete the adjusted cash would be equal to 23% of the July NAV with further investments then anticipated by the Manager before shares are allotted in this current offer.

The Manager forecasts a further five or six 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 8% of July NAV.

Given the rise in interest rates the VCT has opened money market accounts with two large funds which are producing qualifying VCT income and are paying higher rates of interest than are currently available through the VCT bank accounts.

At a relatively modest size of fund raising, with a 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**

over 450p per share down to a current price of 210p per share. It is no longer a constituent of the FTSE 250 or the FTSE 350. This drop in the share price is reflective to the hard times that small cap and unquoted venture capital stocks have had since the surges seen in 2021.

In the year ending March 2023, Molten Ventures plc have deployed circa £138 million into fast

growing technology companies and have realised over £48 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 oversight of the portfolio companies 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, 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 startups. 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 Horning (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 2023 accounts that *“an exercise has commenced to identify suitable candidates to oversee the Company in this new phase of its life. I expect that the Company will have news of some changes over the coming months”*.

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 £5million and the board must approve investments above this level, or in the case of a down round.

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.

## 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)

- **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 2023 the Ongoing Charges Fee (OCF) was 2.5% (using a weighted OCF). The Manager expects the OCF 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. While TER disapprove of this the amount payable is de-minimis at £29,000 in this current year.

- **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:

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**

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 allows investors to replicate the investments of the popular Molten Ventures EIS but in the more diverse and (after the 5 year holding period) potentially more liquid structure of a VCT.

When TER reviewed the Molten Ventures EIS recently (Issue 528 - August 2023) it was clear that whilst there had been a few profitable exits in 2022 from the EIS, that Molten had suffered from the general lack of profitable exits which has been witnessed across the board of the VCT and EIS managers in 2023.

The same could therefore be said of the VCT, yet there was an exit in 2022 from a company called Lyalvale Express in which a £1.9m investment returned a total of £8.5m. This would be a fantastic return in any year, but against the declining AIM market and tech stocks of 2022/2023, it's almost newsworthy. But this is not the full story. This company makes shot gun cartridges and it was first invested in back in May 1998 when this was the Elderstreet VCT. When Molten Ventures took over the management of the Elderstreet VCT, this was one of the 4 legacy holdings to remain. Yet what it shows is that sometimes even companies which make shot gun cartridges can return a profitable exit, albeit over a 24 year holding period!

However, the legacy holdings are now only 10% of the portfolio and at £128m of AUM, the investment portfolio is now a bone fide reflection of the Molten Ventures deal flow. Since Molten Ventures took over the portfolio in 2017, there have been two profitable exits from their holdings, one partial exit and two complete write offs. Perhaps this is a bit unfair given that two years after taking over the portfolio we had the delaying effects of the COVID-19 years of 2020 and 2021. So it's hard to say that they have had a full 6 years since taking over the portfolio. But more exits, particularly from the Molten Ventures investments rather than the legacy Elderstreet investments would certainly be welcome at this time.

In a disappointing move, Molten Ventures have recently adopted the same approach as Octopus Ventures and have started to only give tax efficient reviewers granular data on the top 15 holdings in the portfolio, however they do represent over 80% of the portfolio NAV (excluding cash). The reasons they cite for this is commercial sensitivity as the parent company, Molten Ventures plc, is a listed entity on the London Stock Market. TER would urge them to reconsider as a transparent portfolio allows for proper analysis of where the performance is being driven from by independent reviewers.

**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 July 2023 (sorted by multiple on cost)

Investee Company	Cost £m	Value £m	Date invested	Syndicated Y/N	Lead investor Y/N	Structure of investment (ordinary shares, non-participating, participating, loan)	Industry Sector	Stage of Investment	Valuation methodology	Multiple on cost
Thought Machine Group Ltd	2.40	10.30	May-20	Y	Y	non participating	Technology	Scaleup	Note 1	4.29
Endomagnetics Ltd	2.15	8.64	Jul-18	Y	Y	participating	Technology	Scaleup	Note 2	4.02
Form3 UK Ltd(formerly Back Office Technology Ltd)	1.42	6.61	Feb-19	Y	Y	non participating	Technology	Scaleup	Note 1	4.65
Fords Packaging TopCo Ltd	2.43	5.87	Dec-13	N	Y	Ords and loan	Manufacturing	Scaleup	Note 3	2.41
Focal Point Positioning Ltd	3.30	5.56	Apr-21	Y	Y	participating	Technology	Early Stage	Note 1	1.69
Access Intelligence PLC *	2.59	4.49	Oct-08	N	Y	Ordinary	Technology	Scaleup	AIM bid price	1.74
RiverLane Ltd	2.66	4.11	Mar-21	Y	Y	non participating	Technology	Growth	Note 1	1.55
Global Satellite Vu Ltd	4.09	4.10	Nov-21	Y	Y	non participating	Technology	Early Stage	Note 1	1.00
IESO Digital Health Ltd	3.57	3.88	Nov-17	Y	Y	participating	Technology	Scaleup	Note 1	1.09
Evonetix Ltd	3.00	3.38	Jun-18	Y	Y	non participating	Technology	Early Stage	Note 1	1.13
Morressier GmbH	3.16	3.16	Jul-23	Y	Y	non participating	Technology	Early Stage	Cost	1.00
Expanding Circle Ltd (AltruistIQ)	2.93	2.93	Aug-22	Y	Y	non participating	Technology	Growth	Cost	1.00
Juliand Digital Ltd (t/a Zaptic)	2.44	2.44	Mar-23	Y	Y	non participating	Technology	Early Stage	Cost	1.00
Apperio Ltd	1.60	2.05	Nov-18	Y	Y	non participating	Technology	Growth	Note 4	1.28
Impulse Innovations Ltd (Causalens)	2.08	1.95	Feb-22	Y	Y	non participating	Technology	Early Stage	Cost	0.94
Not disclosed for commercial reasons	1.77	1.94	Apr-19	Y	Y	non participating	Technology	Growth	Note 1	1.09
Not disclosed for commercial reasons	1.70	1.70	Nov-22	Y	Y	non participating	Technology	Early Stage	Cost	1.00
Not disclosed for commercial reasons	1.63	1.63	Apr-23	Y	Y	non participating	Technology	Early Stage	Cost	1.00
Not disclosed for commercial reasons	1.57	1.57	Aug-22	Y	Y	non participating	Technology	Early Stage	Cost	1.00
Not disclosed for commercial reasons	1.13	1.43	Jun-20	Y	Y	participating	Technology	Scaleup	Note 1	1.26
Not disclosed for commercial reasons	1.48	1.42	Feb-22	Y	Y	non participating	Technology	Early Stage	Write down 0-25%	0.96
Not disclosed for commercial reasons	2.20	1.37	Dec-21	Y	Y	non participating	Technology	Scaleup	Note 4	0.62
Not disclosed for commercial reasons	1.33	1.33	Feb-22	Y	Y	non participating	Technology	Early Stage	Note 1	1.00
Not disclosed for commercial reasons	1.25	1.25	Jul-22	Y	Y	non participating	Technology	Early Stage	Cost	1.00
Not disclosed for commercial reasons	1.19	1.19	Jan-14	Y	Y	non participating	Technology	Early Stage	Pref stack	1.00
Not disclosed for commercial reasons	0.95	0.95	Jan-21	Y	Y	non participating	Technology	Early Stage	Cost	1.00
Not disclosed for commercial reasons	0.40	0.68	Jan-19	Y	Y	participating	Technology	Scaleup	Note 2	1.71
Not disclosed for commercial reasons	0.54	0.54	Nov-19	Y	Y	participating	Technology	Growth	Cost	1.00

Table 8: Molten Ventures VCT unquoted holdings as at 31 July 2023 (sorted by multiple on cost)

Investee Company	Cost £m	Value £m	Date invested	Syndicated Y/N	Lead investor Y/N	Structure of invest- ment (ordinary shares, non-participating, participating, loan)	Industry Sector	Stage of Investment	Valuation methodology	Multiple on cost
Not disclosed for commercial reasons	0.26	0.53	Jul-99	Y	Y	Ordinary	Technology	Scaleup	Note 3	2.02
Not disclosed for commercial reasons	0.51	0.51	Dec-19	Y	Y	non participating	Technology	Early Stage	Cost	1.00
Not disclosed for commercial reasons	0.60	0.50	Mar-20	Y	Y	non participating	Technology	Scaleup	Write-down 51%-75%	0.84
Not disclosed for commercial reasons	0.43	0.24	Jan-20	Y	Y	non participating	Technology	Scaleup	Impaired	0.55
Not disclosed for commercial reasons	0.48	0.04	Mar-18	Y	Y	non participating	Technology	Early Stage	Impaired	0.09
Not disclosed for commercial reasons	0.00	0.03	Aug-21	N	N	Ordinary	Technology	Early Stage	Note 1	N/A
Not disclosed for commercial reasons	0.39	0.03	Jul-10	N	N	Ordinary	Services	Scaleup	AIM bid price	0.07
Not disclosed for commercial reasons	0.27	0.00	Apr-21	Y	Y	non participating	Technology	Early Stage	Impaired	0.01
Not disclosed for commercial reasons	0.86	0.00	Dec-14	N	N	Ordinary	Technology	Early Stage	Impaired	0.00
Not disclosed for commercial reasons	0.33	0.00	Mar-18	Y	Y	non participating	Technology	Early Stage	Write-down 76%-100%	0.00
Not disclosed for commercial reasons	0.19	0.00	Aug-02	N	N	Ordinary	Leisure	Scaleup	Impaired	0.00
Not disclosed for commercial reasons	0.13	0.00	Jun-07	N	N	Ordinary	Technology	Growth	Impaired	0.00
Not disclosed for commercial reasons	0.80	0.00	Oct-18	Y	Y	non participating	Technology	Early Stage	Impaired	0.00
Not disclosed for commercial reasons	0.13	0.00	Oct-00	N	N	Ordinary	Technology	Early Stage	Impaired	0.00
Not disclosed for commercial reasons	2.82	0.00	Dec-17	Y	Y	non participating	Technology	Growth	Impaired	0.00
Not disclosed for commercial reasons	0.66	0.00	Dec-04	N	N	Ordinary	Services	Growth	Impaired	0.00
Not disclosed for commercial reasons	0.50	0.00	Nov-99	N	N	Ordinary	Services	Growth	Impaired	0.00
Not disclosed for commercial reasons	0.27	0.00	Nov-01	N	N	Ordinary	Services	Early Stage	Impaired	0.00
<b>TOTALS</b>	<b>£66.57m</b>	<b>£88.35m</b>								<b>1.33</b>

Note 1 Uplift in value, manager valuation based on price of recent investment

Note 2: Uplift in value, manager valuation based on industry valuation benchmarks

Note 3: Earnings: Uplift in value, manager valuation based on earnings multiple

Note 4: Recent funding round no new External investor: Price of recent investment (price of last investment round)

Source Elderstreet

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

NAMES	William Horlick	Richard Marsh	Stuart Chapman	Jonathan Sibiliala	Nicola Mcclaferty	Vinoth Jayakumar	Christoph Hornung	Dr Inga Deakin
	VCT WORK	VCT & EIS WORK	DE Investment team	DE Investment team	DE Investment team	DE Investment team	DE Investment team	DE Investment team
Deal origination %	10%		5%	10%	45%	45%	45%	45%
VCT General enquiries %	10%							
New deal doing %	5%	5%	5%	15%	15%	15%	15%	15%
VCT Fund raising %	35%							
Internal VCT issues %	30%	5%						
Boards and monitoring	5%	35%	20%	10%	10%	10%	10%	10%
Exits %	5%	5%		5%	5%	5%	5%	5%
NON VCT WORK								
Non-VCT work		50%	70%	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	20	20	13	9	6	4	8
Years involved with VCTs	23	12	6	6	6	5	3	2
Years with current team	6	12	16	13	6	6	3	2

Source: Elderstreet Investments Ltd 30 Sept 2023