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Review

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Product

Molten Ventures EIS Fund

Tax Status

Enterprise Investment Scheme

Fund Group

Molten Ventures Plc

Editors

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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 in- vestment 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

Enterprise Investment Scheme offerings:

- EIS companies are unquoted
- The value of EIS Shares can fluctuate and Investors may not get back their investment;
- There is no market for EIS Shares and Shareholders may not be able to realise their shareholding unless the EIS company is sold or floated on a recognised Stock Exchange. Dividends may not be paid
- Potential Investors should consider that past performance of the EIS Manager is no indication of future performance and there can be no guarantees that the EIS Company will meet its objectives.
- Investment in unquoted companies can offer good investment returns, but, by its uncertain nature involves a much higher degree of risk than investment in a quoted portfolio
- Whilst it is the intention of the EIS Directors that the EIS company will be managed so as to qualify as an EIS, there can be no guarantee that it will maintain such status. A failure to qualify could result in the Company losing the tax reliefs previously obtained, resulting in adverse tax consequences for Investors, including a requirement to repay the 30 per cent. income tax relief
- The past performance of investments should not be regarded as an indication of the future performance of an investment
- Levels and bases of, and relief from, taxation are subject to change. Such changes could be retrospective.
- From 6 April 2014 changes to scheme rules:
  For investments made on or after 30 November 2015, trades which consist substantially in making available reserve energy capacity, or using that capacity to generate electricity, will no longer be qualifying trades
- For investments made on or after Royal Assent November 2015, new legislation prevents all the following types of acquisitions from being a qualifying use of money:
  - an interest in another company such that that company becomes a 51% subsidiary of the issuing company
  - a further interest in another company which is already a 51% subsidiary of the issuing company
  - a trade
  - intangible assets employed for a trade
  - goodwill employed for the purposes of a trade
- For investments made on or after Royal Assent November 2015, there is an age limit on companies issuing EIS shares of 7 years from the date of first commercial sale, or 10 years in the case of a knowledge-intensive company

Factsheet

Molten Ventures EIS	
Type	Generalist EIS
Manager	Encore Ventures, a subsidiary of Molten Ventures Plc
Custodian	Mainspring Fund Services
Promoter	RAM Capital LLP
Focus	Unapproved fund investing in growth/venture capital based companies
Approved Fund Available	Not currently Launch planned for December 2023
Minimum investment	£25,000
Closing dates	Quarterly closes - 5th January, 5th April, 5th July, 5th October
Issue costs	2% (plus VAT)
Annual costs	2% (plus VAT) per annum for years 1-5, partially deferred and contingent on the receipt of sale proceeds. Reducing beyond year 5 so fees are payable only on the cost of assets still held
Est. number of companies per investment	8 - 12 companies
Est. deployment timescale	12 - 18 months
Initial advisor charges	If charged, these will be facilitated by the EIS on subscription.

Summary

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

PROs	CONs
Molten Ventures have achieved a large number of profitable exits over the years from investee companies within the EIS portfolio	The timescale to achieve full of deployment has come down recently from 18 months to 12-14 months. Whilst an improvement, it could be improved further
Established venture capital manager with an extensive network and international reach. This international reach improves the Molten Ventures EIS deal flow by not restricting themselves purely to UK based companies	The performance fee on successful exits is paid on a deal-by-deal basis rather than total return to investors, but there is a significant performance hurdle to be reached first and investors entire subscriptions must be returned before it is able to be charged
Invests in some of the largest fund raising permissible within the EIS legislation and on the same terms as institutional investors	Whilst there have been many exits, there were only two profitable exits in 2022 from Roomex.and Bright Computing.

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Classification

Tax Efficient Review currently classify EIS managers using the following three categories:

- Established EIS managers with a track record in growth return EIS investments (e.g. MMC, Parkwalk, Molten)
- Established EIS managers who have had to change their investment strategy to making growth return investments (e.g. Puma, Great Point Media, Ingenious)
- EIS managers who make growth return EIS investments, but are without a significant track record of investing in and exiting these investments

Molten Ventures have been EIS managers since 2012 and have generated numerous profitable exits from investee companies. As such TER classify this offer as **"EIS Growth fund, established provider, Non sector specific, with track record ".**

Review based upon

This review is based upon the Brochure dated April 2023 and reporting based on the 31st March 2023 valuation date, phone calls and meetings with the investment team and data provided by Molten Ventures Plc (formerly known as Draper Esprit Plc).

Consumer Duty

The FCA's Consumer Duty comes into force from 31 July 2023 for existing products and services. One of the main purposes of this new legislation is that it seeks to ensure customers receive "fair value" and that fund management firms provide evidence that these outcomes are being met.

The assessment carried out by each firm is to ensure that its products provide fair value to retail customers in the target markets for those products; and that it has carried out a

Table 2: Molten funds under management as at 31/03/2023

Product Name	Net assets	Annual Management fee	Still to be invested
	£m	£m	£m
	EIS FUNDS		
EIS 1	£0.87	£Nil- no further fees	nil
EIS 2	£1.01	£Nil- no further fees	nil
EIS 3	£2.74	£Nil- no further fees	nil
EIS 4	£3.29	£Nil- no further fees	nil
EIS 5	£8.53	£Nil- no further fees	nil
Molten Ventures EIS Evergreen	£244.61	For fund closes up to an including Apr19: £nil - no further fees For fund closes from Jul19 onwards 2% (for initial years, then reducing)	£19.5
	NON EIS FUNDS THAT CAN CO-INVEST WITH EIS FUNDS		
VCT	£110.00	2.00%	£27.0
PLC	£1,194.10	n/a	n/a
	NON EIS FUNDS THAT CANNOT CO-INVEST WITH EIS FUNDS		
	None		
TOTAL UNDER MANAGEMENT	**£1,565.15m**		**£46.5m**

Source: Molten Ventures EIS

value assessment of its products which they review on a regular basis (appropriate to the nature and duration of the product). Each firm being reviewed by TER has created their own "Confirmation of Value" assessment, which are available directly from the fund manager. Please note that in each TER report, there is a Fees section which compares the costs of the offer being reviewed against its peer group.

'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. The government has the power to extend or 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 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.

Review Process

Tax Efficient Review has enhanced the contents of the EIS reviews to focus more on the areas of investment performance and underlying fees.

To increase the comparison of performance, we now include Table 3 which details and amalgamates how many investments the EIS manager has held and their performance across the following categorisations:

1. Exited above cost (EAC - creating a profit for investors)
2. Exited below cost (EBC – creating a loss for investors)
3. Completely written-off (CWO – resulting in no return for investors)
4. Still Held (SH)
5. Partially exited (PART)

We also now compare total five year predicted fees between products.

Molten no longer providing publishable valuation data by company

In a move that TER finds regrettable, Molten have decided that, whilst they will provide TER with the data, they will no longer allow TER to publish Company Names for their current holdings. This impacts our Tables 7 & 8 covering holdings and impacts the ability of readers of our reviews to properly identify which investments are driving performance.

Molten's reasoning behind this is due to sensitivities on publishing detailed valuation data attributable to specific companies, given the assets are also held by listed entities in the group.

Structure

Molten Ventures EIS is an Alternative Investment Fund (AIF) and consists of a collection of parallel discretionary managed portfolios. TER, by reviewing the product, does not validate, ratify, endorse of confirm its classification.

Companies that are hoping to attract investments under the EIS can seek an assurance from HMRC, in advance of inviting applications for shares, to the effect that it is accepted that the conditions of the scheme will be satisfied. The response to a request for an assurance will take the form of a statement as to whether, on the basis of the information provided, HMRC would be able to authorise the company to issue certificates under ICTA/S306 (2) or ITA/S204 in respect of the shares to be issued, following receipt of a form

EIS1 satisfactorily completed. For this Fund, we are told that no investment will be made into a company unless advance assurance has been received prior to the date of investment.

The Molten Venture EIS Fund is an unapproved fund so tax relief will only be available from the date of the underlying EIS investments. The risk for investors in an unapproved fund is that they cannot be sure how much tax relief will be available in a certain tax year, as it is driven by the investment rate of the provider, nor when they will become fully invested. Please note Tax Efficient Review does not give tax advice.

The Molten Ventures EIS programme has been managed from inception in 2012 by Encore Ventures LLP, which is independently regulated and authorised by FCA. In 2020 Molten Ventures Plc acquired the partnership interests of the two Managing Partners in Encore Ventures LLP (Richard Marsh and David Cummings) and became the 100% ultimate owner of the manager.

The Offer

Molten Ventures EIS is known to focus on larger and later stage investment rounds in syndicated deals that would otherwise generally beyond the reach of most EIS managers. The fund intends to invest in 8-12 companies for each fund raising close within 12-18 months of each close.

The deployment of Molten EIS has been their ‘Achilles Heel’ in recent years, as they have been taking the full 18 months to achieve full deployment. However, TER are pleased to see that there has been an increase in the rate of deployment. Full deployment of recent tranches has been achieved within 14 months and Molten say their aim is to reach full deployment of current tranches in 12 months.

Since the previous Molten review, the team raised £33m in 2021/22 and, £26m in 2022/23.

The fund manager sees its EIS investment strategy as differentiated because it offers private investors participation in investments through the same processes, and meeting the criteria, for a large publicly-listed venture capital fund run by an established manager with a strong exit track record. This will hopefully provide quality deal flow, including later stage investments into growth rounds for companies which have substantial revenues and high growth rates.

A further differentiator of the Molten Ventures EIS is that it often looks to source EIS qualifying tech companies in the European Union, which is permissible under EIS rules. Whilst there could be downsides to this such as currency fluctuations adding to volatility, it certainly has helped to widen the net for deals to be assessed by Molten Ventures EIS. Within the recently deployed tranche, 3 of the investee EIS companies were non-UK domiciled companies. Molten also have a seed fund of funds programme to give additional sources of dealflow.

The fund has a co-investment strategy to invest alongside other funds and managers, including an internal deal sharing agreement with Molten Ventures PLC and the Molten Ventures VCT.

Molten Ventures Plc moved to a main market listing on the London Stock Exchange in 2021 and subsequently entered the FTSE 250 index in September 2021.

Molten first entered the EIS market following changes in the 2012 Budget which expanded the number of employees an EIS qualifying company could have from 50 to 250. At a stroke, this enabled a lot of the companies that Molten were investing in to become EIS qualifying. Therefore, the investment strategy they have pursued since the launch of the first EIS fund in 2012 has really been unchanged since 2006.

So, how has this strategy performed for investors? The EIS funds have achieved 18 exits to date, of which 11 have been profitable outcomes ranging from 1.3x - 10x gross return vs cost. Set against these 11 profitable exits, only 7 investments have returned less than their cost, with 3 of these achieving a partial recovery of capital of 0.2x-0.9x (with EIS reliefs in addition to this). This profile with its high proportion of profitable outcomes is worth noting and comparing against earlier stage investment strategies where a higher failure rate for investments is expected.

Whilst exit markets are more subdued than at the beginning of 2022 when Molten sold their EIS portfolio company Bright Computing to Nvidia, there has also been a profitable exit transaction for Roomex in November 2022 which gives confidence that exits may continue despite the backdrop of the performance of the public markets.

Within the portfolio, Thought Machine, a software business developing 'cloud-based' core banking reached a $1bn+ valuation following an investment round that included J. P. Morgan, adding another "unicorn" (valuation $1bn) to the portfolio.

By way of recent examples of larger and/or late stage deals which the Molten team have invested in:

- **Thought Machine Group Ltd:** The EIS funds first invested in 2020 as part of a funding round that was led by Molten and reported as an $83m investment round, which demonstrates the scale of deals that the firm can lead and that the EIS fund can access. Thought Machine is a software business that is developing next generation core banking software built using modern, flexible, cloud computing-based technologies and design approaches to replace legacy IT systems. In November 2021 the company announced a further $200m funding round including J. P. Morgan as a strategic investor, that resulted in another $1bn+ valuation company in the portfolio

- **Form3 UK Ltd:** The EIS funds first invested in 2019 and again 16 months later in 2020. The company is another 'Fintech' software business serving the finance sector and enabling account to account payments, again via a cloud computing-based software architecture that can be rapidly integrated into other systems and workflows. In September 2021 the company announced a new funding round of $160m led by Goldman Sachs which resulted in an 8x uplift in (unrealised) valuation for the fund's initial investment and over 3x for the second investment

- **Endomagnetics Ltd:** Endomag is a healthcare company that has developed minimally-invasive surgical guidance technology that is applicable across much of surgical oncology. Its first use has been in the treatment of breast cancer and the technology has been used in over 300,000 procedures across 30 countries, and Endomag's products are now used in an operation somewhere in the world every five minutes. Endomag won a Queen's Award for Innovation in 2018. This is an investment where the commercial success of the business will go hand in hand with improving the treatment and outcomes for many patients and families. The EIS funds first invested in 2018 and then again in 2020 when Molten Ventures led a further investment round to accelerate international expansion and since then the company has continued to grow strongly.

The Molten Ventures EIS fund will typically focus its investment strategy on the following sectors:

1. **Consumer Technology**: companies with exceptional growth opportunities in national or international markets that are underpinned by new consumer facing products, innovative business models and proven execution capabilities

2. **Enterprise Technology**: companies developing the software infrastructure, applications and services that drive productivity improvements, convenience and cost reduction for enterprises

3. **'Deep Tech' Hardware:** companies developing differentiated technologies that underpin advances in computing, consumer electronics and other industries

4. **Healthcare:** companies leveraging digital and genomic technologies to create new products and services for the health and wellness markets

Historically, the Molten Ventures EIS funds have held back a portion of the fund (10%) as a reserve to provide follow-on funding to companies to protect investors from future dilution where companies need support. This follow-on funding is expected to be EIS Qualifying but may occur in later years. Now, however, this follow-on reserve has been made an option and investors may choose to opt-out and accelerate the deployment of their capital.

Tax Efficient Review Strategy rating: 29 out of 30

Track Record/Performance

Performance measurement in the EIS area is difficult to measure and this is down to a number of factors:

- EIS providers have moved away from raising funds in tranches where all investors received holdings in the same set of investee companies (and where performance of the set of companies could be measured) and have moved to multiple closings. This means that investors have more individual portfolios.
- Some providers are reluctant to provide data on individual portfolio performance claiming that, in some instances, poor performance can be down to pressure from investors to invest quickly and therefore ending up with little diversification which can lead to poor performance.
- With very few exits, performance becomes driven by manager valuation of unquoted holdings.
- There are multiple variations to performance measurement, both in methodology (Internal Rate of Return, multiple of cost) and whether fees and tax breaks are included or excluded from the calculation.

As part of our review process, we compile a performance measure (Table 3) as follows:

- Initially it will be based on investment cash flows to provide a current valuation compared to initial cost.
- The data will be compiled by tax year of investment (not calendar year).
- Follow-on investments will be shown in the year the follow-on investment is made, whereas in the Holdings table any follow-on investment is included in the initial cost figure.
- Fees and tax breaks will not be accounted for.
- The output will be a table showing, for each year of investment since tax year 2013/14, figures for "Cost", "Total Value (Realised & Unrealised)" and "Gross Multiple of investments purchased in the tax year" as a multiple of cost.

The data will help to compare performance between providers but suffers from the following restrictions:

- The performance measure will not reflect any individual investor unless they happened to participate in all investments made by the provider in any one tax year and in exactly the same proportions.
- Individual performance will need to reflect fees which will not be included in the measurement and so the TER measure will inflate return number.
- The measure will be heavily dependent upon provider valuations of current holdings.
- It will not differentiate between performance based on realisations and that based on provider valuation of holdings.
- It will not recognise early return of capital in the way that an Internal Rate of Return based calculation does.

Data for Molten EIS is in Tables 3 to 13. As an estimate of performance to compare EIS managers, Table 3 compares the growth figures by year for all investments made by a manager in that tax year.

Actual investor return data is not available so data for performance for tax years 2013/14 to 2022/23 is compared to some of the other Growth EIS providers.

Compared to the rest of the peer group, the Molten positions by tax year are as follows:

2013/14	4th out of 8
2014/15	7th out of 8
2015/16	2nd out of 8
2016/17	6th out of 11
2017/18	11th out of 15
2018/19	5th out of 17
2019/20	7th out of 19
2020/21	6th out of 20
2021/22	17th out of 20

In order to amalgamate all these positions together, for the main providers with over five years track record, we sum the yearly positions and divide by the number of data points. This gives a single number representing the average yearly position in their peer group and where a lower number if better.

The results are:

Providers with at least five years track record	Average yearly position (lower is better)
MMC	**2**
Oxford	**6**
Deepbridge Tech	**7**
Fuel	**7**
Molten	**7**
Parkwalk	**7**
Puma	**7**
Ascension	**8**
Calculus	**8**
Foresight	**8**
Guinness	**8**
Par	8
Deepbridge Life Sciences	**10**
Praetura	**10**
Mercia	**11**
Edition	**12**
Seneca	**12**
Blackfinch	**13**

Table 4 is a new table included in TER EIS reviews and it is designed to show (for providers with at least fi ve years of track record) the average length of time for an exit to be achieved in an investee company. This includes exits above cost, below cost and completely written off . As can be seen in the table, 4 years is the average for Molten EIS Fund which is the best result of the average of the exits achieved by its peer group.

As the earlier EIS funds are maturing and generating their own track record alongside the long standing Molten track record, they have generated 18 exits to date, of which 11 were profitable outcomes from 1.3x up to 10x, and 7 which returned less than their investment cost.

Within the investments that did not return their investment cost, three were partial recoveries of capital for investors. The investments are, and remain, risk equity, but this ratio of successes is demonstrating a different return profile when compared with earlier stage and seed investment strategies that have been more common with EIS. The 2019 Grapeshot and Tails exits have shown that Molten's late stage investment strategy does not restrict the upside from these investments (c.10x was achieved in both of these exits).

The exit track record of Molten as a group has been consistently strong over the years, albeit a substantial portion of this exit track record was historically for investments that pre-dated the EIS programme.

However, there were only two exits in 2022, Bright Computing (a software provider to high performance computing clusters) and Roomex (a business and corporate travel management company). The two must be put against the backdrop of a quiet 2022 for many EIS managers regarding their exits, so even achieving two could be seen as commendable in the current environment.

The manager's first EIS fund was invested during 2013 and, in total, the EIS funds have invested in over 50 companies as at 31st March 2023, of which 18 have been realised at the time of writing.

The ratio of profitable exits vs non-profitable is approximately 2:1, and there have been partial cost recovery from the non-profitable outcomes. This is consistent with the long run track record of the investment strategy that is also followed by Molten Ventures Plc and was set out in its IPO admission document.

Successful exits (1.3x to 10x gross investments return vs cost, including escrow / earnout, prior to performance fee):

- **Neul** (2.0x gross return) via an M&A exit to Chinese telecoms giant Huawei
- **Datahug** (1.3x gross return) via an M&A exit to NASDAQ-listed Callidus Cloud
- **Conversocial** (1.4x gross return, 0.8x for an earlier investment; profitable overall) via an M&A exit to NASDAQ-listed Verint Systems
- **Horizon Discovery** (two separate exits for two separate original investments, a 2.0x gross return, and a 2.7x gross return) via a sale of shares following IPO and the expiry of the EIS 3 year holding period
- **Unbound** (2.5x gross return) via an optional exit for investors who had the opportunity to sell their sharesto Molten Ventures Plc during a 2017 financing round
- **PodPoint** (2.7x gross return, and 2.2x gross

Table 3 (1 of 2): Summary of EIS Performance by Tax Year - Gross multiple of investments made in the tax year

Tax Year	Ascension EIS Fund as at 31/12/2022	Blackfinch as at 31/03/2023	Calculus as at 05/04/2023	Deepbridge Tech as at 05/05/2023	Deepbridge Life Sciences as at 05/04/2023	Edition as at 31/03/2023	Foresight WAE as at 31/03/2023	Fuel Ventures Follow-On Fund as at 31/05/2023	Guinness as at 31/01/2023	Hambro Perks as at 28/02/2023
2013/14			1.34x 7th/8 11 (1 EAC, 1 EBC, 5 CWO, 3 SH, 1 PART)	3.12x 3rd/8 6 (1 EAC, 1 SH, 1 PART)						
2014/15			1.52x 5th/8 12 (3 EAC, 3 EBC, 4 CWO, 2 SH)	3.04x 1st/8 4 (1 EAC, 2 SH, 1 PART)						
2015/16			1.41x 5th/8 14 (3 EAC, 1 EBC, 4 CWO, 6 SH)	2.64x 3rd/8 6 (1 EAC, 1 CWO, 3 SH, 1 PART)						
2016/17			1.06x 7th/11 11 (4 EAC, 2 EBC, 1 CWO, 4 SH)	1.68x 5th/11 11 (1 EAC, 1 CWO, 8 SH, 1 PART)	6.69x 1st/11 4 (4 SH)	0.89x 9th/11 9 (9 SH)				
2017/18	2.61x 2nd/15 14 (4 EAC, 1 CWO, 8 SH, 1 PART)		0.64x 15th/15 10 (1 EAC, 1 EBC, 3 CWO, 5 SH)	1.21x 9th/15 14 (2 CWO, 11 SH, 1 PART)	1.54x 6th/15 14 (1 CWO, 13 SH)	0.70x 14th/15 6 (6 SH)	1.18x 10th/15 1 (1 SH)		1.62x 5th/15 15 (3 EAC, 2 CWO, 7 SH, 3 PART)	
2018/19	1.58x 7th/17 11 (1 EAC, 1 CWO, 9 SH)	0.73x 15th/17 4 (2 CWO, 2 SH)	1.92x 6th/17 11 (4 EAC, 1 CWO, 6 SH)	1.32x 11th/17 20 (3 CWO, 17 SH)	1.32x 11th/17 20 (1 CWO, 19 SH)	1.39x 10th/17 14 (1 CWO, 13 SH)	2.35x 2nd/17 11 (1 EAC, 1 CWO, 9 SH)	2.19x 3rd/17 5 (5 SH)	2.15x 4th/17 15 (1 EAC, 3 CWO, 11 SH)	
2019/20	1.03x 15th/19 4 (1 CWO, 3 SH)	0.84x 18th/19 10 (1 EAC, 3 CWO, 6 SH)	0.89x 17th/19 9 (1 EAC, 1 EBC, 2 CWO, 5 SH)	1.34x 9th/19 23 (4 CWO, 19 SH)	1.11x 15th/19 26 (2 CWO, 24 SH)	0.92x 16th/19 15 (2 CWO, 13 SH)	1.12x 12th/19 9 (1 CWO, 8 SH)	5.06x 1st/19 5 (1 EAC, 3 SH, 1 PART)	1.21x 11th/19 23 (1 EAC, 4 CWO, 18 SH)	2.49x 4th/19 16 (16 SH)
2020/21	1.64x 7th/20 10 (10 SH)	1.12x 14th/20 14 (1 EAC, 2 CWO, 11 SH)	1.25x 13th/20 11 (11 SH)	1.21x 12th/20 20 (2 CWO, 18 SH)	1.02x 18th/20 26 (2 CWO, 24 SH)	0.84x 20th/20 16 (2 CWO, 14 SH)	1.35x 10th/20 12 (1 EAC, 3 CWO, 8 SH)	1.75x 5th/20 11 (1 EAC, 1 CWO, 8 SH, 1 PART)	1.57x 8th/20 14 (1 EAC, 1 CWO, 12 SH)	2.14x 2nd/20 9 (1 CWO, 8 SH)
2021/22	1.05x 10th/20 10 (10 SH)	0.99x 14th/20 16 (16 SH)	1.15x 4th/20 8 (8 SH)	1.07x 9th/20 22 (1 CWO, 21 SH)	0.97x 15th/20 29 (2 CWO, 27 SH)	0.95x 16th/20 9 (2 CWO, 7 SH)	1.11x 7th/20 11 (11 SH)	0.79x 20th/20 7 (1 CWO, 6 SH)	1.00x 13th/20 17 (17 SH)	1.20x 3rd/20 10 (10 SH)
2022/23	1.00x 7th/17 6 (6 SH)	1.01x 5th/17 20 (20 SH)	1.15x 2nd/17 8 (8 SH)	1.03x 4th/17 17 (1 CWO, 16 SH)	1.00x 7th/17 29 (1 CWO, 28 SH)	1.31x 1st/17 5 (5 SH)	1.01x 5th/17 14 (14 SH)	1.00x 7th/17 5 (5 SH)	1.00x 7th/17 4 (4 SH)	1.00x 7th/17 5 (5 SH)

Source: Return calculations from providers, analysis by Tax Efficient Review 20/08/2023. Annual numbers of investments include new and follow-on

Table 3 (2 of 2): Summary of EIS Performance by Tax Year - Gross multiple of investments made in the tax year

Tax Year	Mercia as at 31/03/2023	MMC as at 05/04/2023	Molten as at 31/03/2023	Oxford Capital as at 05/10/2022	Octopus Ventures as at 14/02/2023	Par as at 31/12/2022	Parkwalk as at 31/01/2023	Praetura Ventures Growth Fund as at 30/04/2023	Puma Ventures as at 31/05/2023	Seneca EIS Portfolio Fund as at 31/03/2023
2013/14	4.84x 2nd/8 6 (2 EAC, 1 EBC, 3 CWO)	2.13x 5th/8 10 (3 EAC, 1 EBC, 5 CWO, 1 PART)	2.48x 4th/8 7 (4 EAC, 2 EBC, 1 SH)			9.38x 1st/8 3 (2 EAC, 1 CWO)	1.85x 6th/8 17 (5 EAC, 1 EBC, 6 CWO, 5 SH)			0.55x 8th/8 7 (1 EAC, 1 EBC, 2 CWO, 3 SH)
2014/15	2.34x 2nd/8 11 (1 EAC, 8 CWO, 2 SH)	1.89x 3rd/8 11 (3 EAC, 1 EBC, 4 CWO, 2 SH, 1 PART)	1.40x 7th/8 8 (2 EAC, 1 EBC, 2 CWO, 3 SH)			1.02x 8th/8 6 (2 CWO, 4 SH)	1.41x 6th/8 22 (3 EAC, 3 EBC, 7 CWO, 9 SH)			1.86x 4th/8 12 (4 EAC, 3 EBC, 2 CWO, 3 SH)
2015/16	1.25x 7th/8 22 (2 EAC, 1 EBC, 12 CWO, 7 SH)	2.97x 1st/8 16 (6 EAC, 5 CWO, 3 SH, 2 PART)	2.78x 2nd/8 10 (4 EAC, 1 EBC, 2 CWO, 3 SH)			0.50x 8th/8 1 (1 SH)	1.39x 6th/8 31 (6 EAC, 4 EBC, 10 CWO, 11 SH)			1.45x 4th/8 14 (4 EAC, 5 EBC, 2 CWO, 3 SH)
2016/17	0.79x 11th/11 19 (2 EAC, 7 CWO, 10 SH)	3.33x 2nd/11 11 (3 EAC, 2 CWO, 4 SH, 2 PART)	1.57x 6th/11 11 (2 EAC, 4 CWO, 5 SH)	2.79x 3rd/11 12 (1 EBC, 4 CWO, 7 SH)		0.80x 10th/11 6 (2 EAC, 3 CWO, 1 SH)	1.79x 4th/11 34 (6 EAC, 4 CWO, 24 SH)			0.92x 8th/11 12 (4 EAC, 4 EBC, 2 CWO, 2 SH)
2017/18	1.39x 7th/15 26 (3 EAC, 1 EBC, 7 CWO, 15 SH)	1.75x 4th/15 12 (3 EAC, 3 CWO, 5 SH, 1 PART)	1.15x 10th/15 6 (2 EAC, 3 CWO, 1 SH)	3.12x 1st/15 10 (2 EAC, 2 CWO, 5 SH, 1 PART)		2.23x 3rd/15 7 (1 EAC, 2 CWO, 4 SH)	1.26x 8th/15 39 (3 EAC, 1 EBC, 10 CWO, 25 SH)		0.79x 12th/15 2 (2 CWO)	0.79x 12th/15 14 (2 EAC, 1 EBC, 5 CWO, 6 SH)
2018/19	0.65x 16th/17 15 (1 EAC, 7 CWO, 7 SH)	2.46x 1st/17 14 (2 EAC, 1 EBC, 3 CWO, 7 SH, 1 PART)	2.14x 5th/17 14 (2 EAC, 1 EBC, 3 CWO, 8 SH)	1.41x 9th/17 10 (4 CWO, 6 SH)		0.84x 14th/17 9 (2 CWO, 7 SH)	1.55x 8th/17 39 (4 EAC, 3 EBC, 7 CWO, 25 SH)		0.38x 17th/17 4 (3 CWO, 1 SH)	0.89x 13th/17 10 (2 EBC, 1 CWO, 7 SH)
2019/20	1.06x 14th/19 17 (4 CWO, 12 SH, 1 PART)	3.12x 3rd/19 16 (1 EAC, 1 EBC, 14 SH)	1.68x 7th/19 15 (1 EAC, 2 CWO, 12 SH)	1.75x 5th/19 6 (1 CWO, 5 SH)		1.39x 8th/19 11 (1 EAC, 2 CWO, 8 SH)	1.74x 6th/19 55 (2 EAC, 1 EBC, 2 CWO, 50 SH)	1.27x 10th/19 12 (2 CWO, 10 SH)	3.19x 2nd/19 4 (1 EAC, 2 CWO, 1 SH)	0.80x 19th/19 6 (1 EBC, 1 CWO, 4 SH)
2020/21	0.99x 19th/20 21 (2 CWO, 19 SH)	3.67x 1st/20 12 (1 EAC, 1 CWO, 10 SH)	1.74x 6th/20 10 (1 EAC, 3 CWO, 6 SH)	1.77x 4th/20 5 (1 CWO, 4 SH)	1.05x 16th/20 4 (4 SH)	1.06x 15th/20 15 (2 CWO, 13 SH)	1.47x 9th/20 37 (1 EAC, 2 CWO, 34 SH)	1.14x 13th/20 12 (1 CWO, 11 SH)	1.88x 3rd/20 5 (1 CWO, 4 SH)	1.03x 17th/20 6 (1 EBC, 5 SH)
2021/22	0.86x 18th/20 16 (1 CWO, 15 SH)	1.24x 2nd/20 15 (1 EAC, 14 SH)	0.92x 17th/20 11 (1 CWO, 10 SH)	1.02x 12th/20 6 (6 SH)	1.10x 8th/20 21 (21 SH)	1.15x 4th/20 14 (14 SH)	1.12x 6th/20 43 (1 EAC, 42 SH)	1.05x 10th/20 20 (1 CWO, 19 SH)	1.28x 1st/20 6 (1 CWO, 5 SH)	0.85x 19th/20 10 (9 SH 1 PART)
2022/23	0.98x 16th/17 27 (27 SH)		1.11x 3rd/17 9 (9 SH)	1.00x 7th/17 5 (5 SH)	1.00x 7th/17 18 (18 SH)			1.00x 7th/17 21 (21 SH)	1.00x 7th/17 5 (5 SH)	0.90x 17th/17 5 (5 SH)

IMPORTANT NOTE: The main constituent in the valuation is the manager's view of their investments (as there are few exits) - where an investee company is still held then the manager has provided the valuation. As a result of this element of discretion, valuations can vary materially, so a detailed analysis of the manager's valuation methodology is recommended in order to make meaningful comparisons

HOW TO READ THIS TABLE: This table seeks to provide some performance data related to unquoted investments made by the EIS managers in each tax year. As no investor investing in the tax year will have received holdings in each investee company, it does not reflect individual portfolio performance. In addition, different valuation dates between providers makes comparison a difficult task

Gross Valuation multiple and position in year group → 1.23x 3rd of 8

10 (1 EBC, 2 CWO, 7 SH) ← Number of investments (including follow-on) and current status

Colour of cell indicates tertile position of that year's performance: green indicates first tertile (best); yellow indicates second tertile; red indicates third tertile (worst)

CWO Complete Write-off or where current valuation is less than 5% of cost; EAC Exit Above Cost; EBC Exit Below Cost; PART Partial Exit; SH Still Held

Provider fees have not been accounted for nor have any EIS tax breaks such as up-front tax relief or Loss Relief

For each tax year in column 1, the numbers in columns for each provider show the current value of all the investments made by the provider in that tax year followed by the number of holdings. So for example, a figure of 1.4x means that the value of the investments made that tax year are now valued by the manager at 1.4 times cost. A figure below 1 means the current value has declined below cost

Source: Return calculations from providers, analysis by Tax Efficient Review 20/08/2023. Annual numbers of investments include new and follow-on

Table 4: Average time to exit by provider

Providers with data going back at least five years (in alphabetical order)	Exited Above Cost	Exited Below Cost	Partially Exited	Completely Writen-Off	All Exits
Ascension EIS Fund as at 31/12/2022	3.11 years (5 Companies)	None	2.23 years (1 Company)	3.02 years (3 Companies)	2.98 years (9 Companies)
Blackfinch as at 31/03/2023	2 years (1 Company)	1.7 years (1 Company)	None	2.2 years (3 Companies)	2.1 years (5 Companies)
Calculus as at 05/04/2023	4.5 years (11 Companies)	5.3 years (5 Companies)	7 years (1 Company)	4.4 years (9 Companies)	5.3 years (26 Companies)
Deepbridge Tech as at 05/05/2023	6 years (1 Company)	None	10 years (1 Company)	5 years (4 Companies)	6 years (6 Companies)
Deepbridge Life Sciences as at 05/04/2023	None	None	None	4.5 years (3 Companies)	4.5 years (3 Companies)
Edition as at 31/03/2023	None	None	None	None	None
Fuel Ventures Follow-On Fund as at 31/05/2023	1.3 years (2 Companies)	None	None	1.5 years (1 Companies)	1.4 years (3 Companies)
Guinness as at 31/01/2023	3.01 years (5 Companies)	None	2.68 years (3 Companies)	1.99 years (5 Companies)	2.54 years (13 Companies)
Mercia as at 31/03/2023	5.2 years (10 Companies)	2.4 years (3 Companies)	1.8 years (1 Company)	4.1 years (8 Companies)	4.3 years (22 Companies)
MMC as at 05/04/2023	4.7 years (8 Companies)	8 years (1 Company)	6.3 years (2 Companies)	2.9 years (7 Companies)	4.4 years (18 Companies)
Molten as at 31/03/2023	4.4 years (11 Companies)	3 years (3 Companies)	None	3.8 years (6 Companies)	4 years (20 Companies)
Oxford Capital as at 05/10/2022	2.5 years (2 Companies)	1.3 years (1 Company)	5.6 years (1 Company)	4.6 years (7 Companies)	4 years (11 Companies)
Par as at 31/12/2022	5.5 years (5 Companies)	4.2 years (2 Companies)	0 years (0 Companies)	5 years (5 Companies)	5.1 years (12 Companies)
Parkwalk as at 31/01/2023	3.9 years (22 Companies)	4.5 years (7 Companies)	None	5.3 years (26 Companies)	4.6 years (55 Companies)
Seneca EIS Portfolio Fund as at 31/03/2023	5.5 years (10 Companies)	5.1 years (5 Companies)	None	3.2 years (6 Companies)	4.8 years (21 Companies)

Data from providers for exits where EIS offering has been in existence for at least five years. Where an exited company has received more than one investment then only the time from the first investment to the first exit receipt has been counted
Report produced 20/08/2023

return for a later investment) via an M&A exit to utilities company EDF Energy

- **SportPursuit** (4.7x gross return, and 2.8x gross return for a later investment round) via a sale to private equity investor BD Capital
- **Bright Computing** (5.0x gross return, and 2.0x gross return and 2.6x gross return for earlier investment rounds) via an M&A exit to NASDAQ-listed Nvidia
- **Tails** (10.3x gross return, and 4.7x gross return for a later investment round), via an M&A exit to Purina Petcare, a subsidiary of Nestlé
- **Grapeshot** (9.8x gross return, and 4.8x gross return for a later investment round) via an M&A exit to NASDAQ-listed Oracle
- **Roomex** (1.9x gross return and 1.0x gross return for an earlier investment round) via an M&A exit to NYSE-listed Fleetcor.

The high multiple exits from Grapeshot and Tails show that the investment strategy, and the firm's portfolio and exit management, can deliver high return multiples as well as numbers of exits. The Molten investment team and style is described as experienced, hands-on investors that will act early and work hard to find successful outcomes via M&A for investments that have not performed to plan. The partial cost recoveries from Premfina, Aveillant and Campanja come from pro-active portfolio management to secure modest M&A transactions and exits rather than allowing the companies to fail. This is also demonstrated in the exit of Datahug which is described as “securing a profitable exit from an underperforming investment”.

Non-profitable / partial recovery investment outcomes (0x-0.9x):

- **Achica** (initially sold to Worldstores in a stock transaction, equivalent to ~0.45x of investment cost, excluding EIS reliefs). Ultimately Worldstores was acquired by Dunelm Group Plc in a low value transaction that yielded a 0x outcome for the EIS investment through this second transaction
- **Cervest** (0x return)
- **Push Dr** (0x return)
- **Streetteam** (0x return)
- **Campanja** (0.4x gross return) via an M&A exit to a private company
- **Aveillent** (0.2x gross return) via an M&A exit to Thales
- **Premfina** (0.9x) gross return) via an M&A exit to a private equity buyer.

We asked the manager to provide data on exits which have already been achieved to date from EIS investments. This is shown in Table 9. As can be seen, there have been a large number of exits to date.

The one which stands out the most from this table is Cervest, which, as mentioned above, was a complete write off. But, more alarmingly it was a relatively large investment of £4.3m which was only made in the 2021/2022 tranche.

Whilst it is understandable that failures occur earlier than successes within EIS investments, but this is really early to see such a complete write off. We asked Molten Ventures to comment on this:

“Cervest was in advanced negotiations for a substantial new funding round earlier in the year, prior to the deterioration in wider market conditions. The outcome was that this funding round did not conclude.

The business sought other routes, but the only funding offer it received was from a US family office for a majority stake in the business. This transaction would have resulted in the withdrawal of EIS relief due to the company effectively becoming a subsidiary of the new majority corporate shareholder. The new investment would also have materially diluted all existing holdings and our assessment was that achieving a successful return in future was unlikely.

We elected on behalf of the investors to crystalise and sold the holding prior to the transaction for a nominal amount.

Table 7 shows the data for each cohort/tranche of EIS investments which Molten have made since 2013. Table 8 shows the list of existing investments within the Molten EIS portfolio.

Table 10 shows the percentage split of the portfolio by the changes to the valuations. The majority of the portfolio is covered by either being held at cost or up-rated in value.

Table 11 shows the sector split of the portfolio with technology, computing and healthcare taking up dominant positions across the investments.

Table 12 shows the split of the portfolio by stage of investment, and this reflects one of the defining characteristics of Molten Ventures EIS of investing in the larger/later stage companies permissable within the EIS legislation.

In summary, the long term track record of Molten Ventures (formerly Draper Esprit), is still good. If some one had invested in their first tranche (Table 7) in 2013/2014, there were six investments of which two exited at a profit, two are still held (at a higher valuation), one was exited at a loss and one was a complete write-off. Any EIS investor would be very happy with such returns.

Later tranches have also seen large exit gains from companies such as Podpoint, Perkbox and Grapeshot.

Yet it’s the more recent tranches which have yet to reflect these earlier successes. To be clear, EIS companies need time to show their potential, and there was also the disruption of the COVID-19 years of 2020 and 2021. But investors in the 2019/2020 tranche (see Table 7 in the appendix) have seen two complete write offs, one profitable exit and the rest of the investments held at or around cost. There is one holding in this tranche, Thought Machine Group, which has seen it’s valuation rise from £7.4m to £31.8m. Whilst this is a beacon of performance in the tranche, it's not yet exited. We hope this happens, yet if we remove this holding, the rest of the investments in the 2019/2020 tranche are looking distinctly lack lustre in comparison to other years.

Last year (2022) there were significant write downs in star holdings such as Graphcore and Lyst, with only two profitable exits from Roomex and Bright Computing. Hopefully the remainder of 2023 will see more profitable exits coming down the pipeline.

Tax Efficient Review Track Record rating: 35 out of 40

The Manager

Molten Ventures, is one of the largest and most active venture capital investors in Europe and the combined investment deployment in its financial year to 31st March 2023 was £179m across the group vehicles (Plc, EIS, VCT).

The investment team today has expanded and now comprises 28 professionals (Partners, Venture Partners, Principals and Associates). There is a single investment team that operates to find investments, and manage those assets through to exit, and there is an allocation to the EIS and VCT funds for Qualifying deals.

Since the last review Richard Marsh, co-founder of Molten's EIS funds, has taken on additional responsibility as Chief Portfolio Officer of Molten Ventures Plc to focus on management of and exits from the whole of the firm's investment portfolio, including EIS and VCT. He remains on the investment committee and management board of Encore Ventures, manager of the EIS funds. Lucy Collins who was previously Director of Operations EIS is now Head of EIS and responsible for the operations and fundraising aspects of the EIS funds.

Key team members include:

- **Lucy Collins (Head of EIS).** Lucy has 20 years of operational experience working in EIS funds, including 4 years within Molten. She has a MA in Physiological Sciences from Oxford, a CISI Diploma in Investment Compliance and is a member of the EISA regulatory committee.

- **Richard Marsh** (Chief Portfolio Officer, Molten Ventures Plc; formerly Managing Partner of Encore Ventures LLP the EIS fund manager prior to its 100% acquisition by Molten Ventures Plc). Richard has over 15+ years of experience in venture capital and investing through the EIS scheme. 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** (Co-founder and Director Molten Ventures PLC. Stuart has 20+ years of experience in venture capital in UK and US (Silicon Valley) having started his Venture Capital career at 3i. Stuart was a previously a Board member of the British Venture Capital Association (BVCA).

- **Ben Wilkinson** (Chief Financial Officer, Director, Molten Ventures Plc) Ben is an experienced leader of public company finance teams having previously served for 5 years as CFO of AIM-listed President Energy Plc. Ben is a Chartered Accountant, FCA, with a background in M&A investment banking from ABN Amro/RBS

Table 13 in the appendix of this report contains a breakdown of their roles within the running of the Molten Ventures EIS. We asked Molten for a list for the investments made in recent years and who was the lead investment partner for each deal:

- **2019** – Fluidic Analytics (Vishal Gulati/Richard Marsh), Form3 (Vinoth Jayakumar), Hadean Supercomputing (David Cummings), Ieso Digital Health (Vishal Gulati), Conversocial (Stuart Chapman), Streetteam (Simon Cook), Paragraf (David Cummings), Real Eyes (Stuart Chapman), Sweepr (Nicola McClafferty), Perkbox (Simon Cook / Vinoth Jayakumar),

- **2020** - Thought Machine (David Cummings / Vinoth Jayakumar), Curio Labs (Richard Marsh), PushDr (Stuart Chapman), Freetrade (Simon Cook / Vinoth Jayakumar), Perkbox (Simon Cook / Vinoth Jayakumar), Evonetix (Vishal Gulati), Ravelin Technology (Vinoth

Table 5: E**IS offers estimated five year costs ranked by cost per £1 of profit**

Provider	Simulated 5 year return net of fees and charges based on 20% growth per annum	Simulated 5 year fees and charges based on 20% growth per annum	Simulated 5 year cost per £1 of investor profit (column 3 divided by excess of column 2 over £100,000) Lower is better	% of costs charged to investors	% of costs charged to investee companies	*Provider treatment of VAT on fees R indicates recoverable (Note 1)*		
						VAT charged on Initial charge?	*VAT charged on AMC?*	*VAT charged on Performance Fee?*
ASCENSION	£200,314	£33,913	£0.34	86%	14%	*N/A*	*Yes*	*No*
PAR EQUITY	£197,006	£34,752	£0.36	73%	27%	*Yes*	*Yes*	*Yes*
BLACKFINCH	£192,501	£34,573	£0.37	54%	46%	*No*	*No*	*No*
FUEL VENTURES	£194,273	£35,955	£0.38	65%	35%	*N/A*	*Yes/R*	*Yes*
HAMBRO PERKS	£190,565	£35,373	£0.39	100%	0%	*N/A*	*No*	*No*
EDITION	£195,878	£39,212	£0.41	61%	39%	*N/A*	*Yes*	*Yes*
PARKWALK	£177,071	£35,718	£0.46	100%	0%	*No*	*Yes*	*No*
GUINNESS	£196,618	£44,022	£0.46	70%	30%	*N/A*	*N/A*	*Yes*
MOLTEN	£178,342	£35,772	£0.46	100%	0%	*Yes*	*Yes*	*Yes*
PRAETURA	£192,231	£45,302	£0.49	92%	8%	*Yes*	*Yes*	*Yes*
DOWNING HEALTHCARE	£191,327	£44,666	£0.49	94%	6%	*No*	*Yes*	*Yes*
CALCULUS Note 2	£188,165	£46,618	£0.53	89%	11%	*Yes*	*Yes*	*Yes*
SENECA	£190,093	£48,500	£0.54	92%	8%	*Yes*	*Yes*	*Yes*
DEEPBRIDGE TECH	£182,830	£44,317	£0.54	48%	52%	*N/A*	*N/A*	*Yes*
DEEPBRIDGE LIFE SCIENCES	£182,830	£44,317	£0.54	48%	52%	*N/A*	*N/A*	*Yes*
OXFORD CAPITAL	£179,883	£43,741	£0.55	97%	3%	*Yes*	*Yes*	*Yes*
FORESIGHT	£176,588	£43,632	£0.57	94%	6%	*No*	*Yes*	*Yes*
MMC	£172,627	£44,248	£0.61	100%	0%	*Yes*	*Yes*	*Yes*
OCTOPUS	£189,614	£54,797	£0.61	100%	0%	*No*	*Yes*	*Yes*
MERCIA EIS	£178,210	£50,378	£0.64	80%	20%	*Yes*	*Yes*	*Yes*

Note 1: The treatment of VAT on fees differs between offers. "Yes" indicates that VAT is charged by the provider. "N/A" indicates that the fee is not charged. "No" indicates that the fee is not subject at present to VAT. This could change in the future. TER does not give VAT advice

Note 2: Calculus charge both a 10%+VAT performance fee and invest in shares that give Calculus 12% of any upside. Calculus claim that the effect is similar to a 22% fee which is what is modelled in the Calculus numbers

This table illustrates the effect of total charges on a £100,000 portfolio invested for five years

Level of charges based on data provided by the portfolio manager

Some providers have higher annual costs to reflect the more extensive levels of in-house management and administration of their EIS activities

Key unrealistic assumptions made by Tax Efficient Review for modelling purposes only: 20% annual growth rate of all investee companies, no investee company is written-off, all companies are sold together after five years

No estimate of return is either intended nor implied. Investee company values can go down as well as up. TER does not give tax advice

Source: Data from Provider, Calculation by Tax Efficient Review. Report produced 16/08/2023

Table 6: **Tax Efficient Review Estimate of Total Charges over a five year period for MOLTEN VENTURES EIS**

Fee type	Amount	Description
Investor- Initial charge	2.40%	2%+VAT
Investor- Annual management charge	2.40%	2%+VAT of net subscription
Investor- Annual operating costs	0.00%	None
Investor- Transaction specific costs	0.20%	0.2% (no VAT)
Investor- Performance hurdle	125.00%	6% pa with max 125%
Investor- Performance Fee	24.00%	20% plus VAT of profitable exits above hurdle, subject to 100% of an investors subscription being returned
Investor- Custodian Fees-Admin per annum	0.00%	£80 per annum
Investee companies- arrangement fees	0.00%	None
Investee companies- dealing fee	0.00%	None
Investee companies- annual monitoring fees	0.00%	None
Investee companies- Exit fees	0.00%	None
Number of investee companies	8	
Held back upfront to cover fees	10.00%	Covers 2.4% initial charge, 6 years of custodian fees and 2.75 years of management fees
% of fund invested in yr1	50.00%	
% of fund invested in yr2	50.00%	
Assumed growth*	20.00%	Tax Efficient Review assumption

Cell colour indicates fee charged to Investor (Yellow) or Investee Company (Pink)	Year 1	Year 2	Year 3	Year 4	Year 5	TOTAL 5 YEAR FEES
Value of portfolio beg year	£100,000	£98,901	£118,573	£142,288	£170,745	
Less Initial charge	£10,000	£0	£0	£0	£0	£10,000
Less Transaction fees	£90	£90	£0	£0	£0	£180
Less Annual Operating Costs	£0	£0	£0	£0	£0	£0
Less Annual management charge	£0	£0	£0	£0	£4,800	£4,800
Less Arrangement fee	£0	£0	£0	£0	£0	£0
plus Assumed growth*	£8,991	£19,762	£23,715	£28,458	£33,189	
Monitoring fees	£0	£0	£0	£0	£0	£0
Exit fees/Deferred fees	£0	£0	£0	£0	£0	£0
Performance Fee	£0	£0	£0	£0	£20,792	£20,792
Value of portfolio at year end	£98,901	£118,573	£142,288	£170,745	£178,342	£35,772
Total cumulative charges	£10,090	£10,180	£10,180	£10,180	£35,772	

This table illustrates the effect of total charges on a £100,000 portfolio invested for five years.
Level of charges based on data provided by the portfolio manager.
Some providers have higher annual costs to reflect the more extensive levels of in-house management and administration of their EIS activities
***Assumed annual growth rate of investee companies is made by Tax Efficient Review for modelling purposes only.**
No estimate is either intended nor implied. Investee company values can go down as well as up.

Source: Fees data from Providers, Calculation by Tax Efficient Review. Report produced 16/08/2023

Jayakumar), Roomex (Nicola McClafferty), Form3 (Vinoth Jayakumar), Endomagnetics (David Cummings)

- **2021** - Primary Bid (Vinoth Jayakumar), Fluidic Analytics (Vishal Gulati), Riverlane (David Cummings / Stuart Chapman), Agora (Will Turner / Christoph Hornung), Focal Point Positioning (David Cummings), Cervest (Vinoth Jayakumar), Ieso (Vishal Gulati), SateliteVu (George Chalmers / Vinoth Jayakumar)

- **2022**- BeZero (George Chalmers), Allplants (Nicola McClafferty), Alt ruist iq (George Chalmers), Gardin Limited (Edel Coen), Paragraf (David Cummings), Apperio (Richard Marsh), Causalens (Christoph Hornung), Worldr (Leonora Ross-Skinner), Focal Point Postitioning (David Cummings), Fluidic Analytics (Vishal Gulati), Hadean Supercomputing (David Cummings).

- **2023** - Evonetix (Nelly Marjova), Alt ruist iq (George Chalmers), Zaptic (Nelly Markova), Riverlane (Stuart Chapman).

Molten Ventures is one of the largest and most active venture capital investors in Europe and the combined investment deployment in its financial year to 31st March 2023 was £179m across the group vehicles (Plc, EIS, VCT).

Tax Efficient Review Management Team/Deal Flow/Exit rating: 17 out of 20

Fees and Costs

The difficulty in trying to compare fees and costs between EIS offers is that they can be charged to both the EIS investor directly or indirectly through the underlying EIS companies. TER considers that any charges made to the EIS companies affects the return to the EIS investor and therefore TER amalgamates both direct and indirect fees to compile a total “five year cost of ownership”. In order to compile the comparison table to illustrate the effect of total charges on a £100,000 portfolio invested for five years, TER have had to make a few assumptions which by definition are not “real world”. The key ones are:

- Level of charges are based on data provided by the portfolio manager

- The 20% assumed annual growth rate of investee companies is made by Tax Efficient Review for modelling purposes only. No estimate is either intended nor implied. Investee company values can go down as well as up.

- No investee company is written-off and all companies are sold together after five years

- Some providers have higher annual costs to reflect the more extensive levels of in-house management and administration of their EIS activities

From the data, TER has compiled two tables. Table 4 shows the detail of how the fees and charges accrue over five years together with a potential exit value of the portfolio if sold after five years.

Table 5 then compares the total fees for all the EIS providers and relates total fees to the level of gain driven by the assumed 20% growth rate of the portfolio.

As can be seen from Table 5, Molten are middle of the pack when comparing fees per £ of profit on our simulation.

Molten Ventures EIS fees are paid by investors and the fund does not make any charges to portfolio companies. Whilst this reduces the amount of an investor’s subscription on which EIS relief is obtained, and some investors may grumble about the upfront charges, Molten say it is an essential factor to maintain the quality of investments.

Molten say it is not market practice for mainstream venture capital funds to charge their portfolio companies and so if they were to do so, they would not be competitive in winning deals. The manager points out that charging deal fees to portfolio companies is not attractive to entrepreneurs. It would also need to invest more money in order to cover the outflow of these fees, and at a higher valuation for an equivalent equity ownership in the company– which is ultimately detrimental to investors’ cash and returns.

Due to this policy, Molten have always charged its fees to investors, however, this reduces the amount of tax relief an investor can claim. In 2019, Molten evolved their charging structure, so for each £1 subscribed into the fund (after any adviser fees, if relevant) 90p is invested and to achieve this a portion of the fees are deferred. The 4 year fee cap has been removed, but the management fee reduces down pro rata as holdings are sold and are no longer under management.

- **Initial Charge : 2% (+ VAT)**

- **Annual management charge : 2%+VAT** - for Years 1-5. Then reduces to 2% (+VAT) of the cost of remaining holdings in later years subject to a minimum threshold of 0.5% (+VAT) of the original subscription amount

  However, the combined amount payable from initial subscriptions will not exceed of 7.5% (+VAT) plus £480 custodian fees and purchase dealing costs held back, so that ~90p in each £1 subscribed can be invested. The balance of the managers' fees is deferred, and subject to, realisations of the investments.

- **Performance Fee**: 20%+VAT of proceeds above a hurdle rate of return for each investment

  The performance fee is payable on a deal by deal basis but investors must be in profit on their overall subscription to the fund at the end of the fund life for the manager to retain the performance fees. For each investment the hurdle rate is the part of an investor's subscription that is committed to that particular investment plus 6% per annum (compounded) until it reaches 1.25x of the amount invested, after which it shall not increase further.

A performance fee based on successful investment realisations rather than being paid on the total return to the investor is not in the best interests of investors. However, our disappointment in this area is counterbalanced by the incorporation of a hurdle before the fee is paid and the fact that an investor's entire subscription needs to be returned before these can be billed.

To judge how well Molten perform, one of the measures of satisfied investors is the performance fee earned by Molten. Molten tell us that they have earned a performance fee of "undisclosed, seven figures".

Tax Efficient Review Costs rating: 7 out of 10

Conclusion

Molten Ventures are one of the largest and best known EIS managers in the market. Last year they raised £26m from investors and they consistently invest in some of the largest companies permissible under the current EIS legislation.

The Molten Ventures EIS fund was first launched in 2013/2014 (branded Draper Esprit back then) and the long term track record is very good. If someone had invested back in their first tranche their return would be 2.48 times their investment (before fees and both in cash and in one investment still held), of the seven investments made, four exited at a profit, one is still held (at a higher valuation) and two were exited at a loss. Any EIS investor would be delighted with such returns.

The Molten team have scored a large number of profitable exits and have demonstrated a consistent ability to return EIS funds back to investors. But, later years are yet to display similar levels of consistency. The 2019/2020 tranche in particular has seen two complete write offs, no profitable exits and the rest of the investments held at or around cost. There is one holding in this tranche, Thought Machine Group, which has seen its valuation rise from £7.4m to £31.8m. Yet whilst this is a beacon of performance in the tranche, it has not yet been exited. If we were to remove this holding as an outlier, the rest of the investments in the 2019/2020 tranche are looking distinctly lack lustre in comparison to other years across the Molten Ventures EIS.

To be clear, EIS companies do need time to show their potential, and there was also the disruption of the COVID-19 years of 2020 and 2021 to take into account. But last year saw a number of write downs across previous “star” holdings such as Graphcore and Lyst. It is certainly prudent for managers to write down their holdings to try and reflect their value to investors and manage expectations, and this is certainly not an exact science within EIS investing. But there were only two profitable exits in 2022 from Roomex and Bright Computing, and these were offset by large write offs such as Cervest.

In more positive news, the deployment rate of the Molten Ventures EIS, historically an Achilles Heel of this fund, has picked up. In the past Molten were often taking up to 18 months to achieve full deployment. This time frame has recently shortened, no doubt helped by Molten casting their investment network wider to include EIS eligible companies from across the EU. They now aim for full deployment within 12 months.

Whilst this is welcome, the decline in performance in recent years, along with long term manager Richard Marsh broadening his role within Molten, means that TER are reducing their rating from the top position of 89/100 to 88/100. Molten Ventures need to start to deliver actual exits from the 2019 tranches onwards if they are to maintain their standing in the EIS market.

Tax Efficient Review Total rating: 88 out of 100 (for “EIS Growth fund from an established provider with track record”)

Table 7: **Analysis of Molten EIS unquoted holdings as at 31 March 2023**

Year	Amount Invested	Number of Investments	Number of +ve Exits	Number of -ve Exits	Value of Exits	Earn Out Value	Current Value	Total Value	Return Multiple on cost	% of subscriptions returned in cash inc. Earn Out
2012/13	1,468,610	6	2	2	£501,056	£-	£236,151	£737,207	0.50	34%
2013/14	3,044,970	9	5	3	£6,738,149	£13,330	£788,096	£7,539,576	2.48	222%
2014/15	3,886,945	11	3	4	£4,095,245	£-	£1,355,786	£5,451,030	1.40	105%
2015/16	4,937,903	11	4	4	£11,675,578	£46,619	£2,001,307	£13,723,504	2.78	237%
2016/17	7,246,794	13	3	3	£4,731,728	£-	£6,666,289	£11,398,017	1.57	65%
2017/18	7,360,585	8	3	3	£6,182,633	£-	£2,264,738	£8,447,371	1.15	84%
2018/19	27,508,552	14	2	2	£5,279,164	£387,211	£53,218,862	£58,885,236	2.14	21%
2019/20	30,565,639	18	1	4	£1,254,144	£134,954	£50,027,725	£51,416,823	1.68	5%
2020/21	23,606,287	10	1	2	£2,753,517	£526,850	£37,712,190	£40,992,556	1.74	14%
2021/22	31,749,012	11	0	1	£-	£-	£29,141,512	£29,141,512	0.92	0%
2022/23	23,637,884	10	0	0	£-	£-	£26,133,723	£26,133,723	1.11	0%
Total	**£165,013,183**	**121**	**24**	**28**	**£43,211,214**	**£1,108,964**	**£209,546,378**	**£253,866,557**	**1.54**	**27%**

Source Molten Ventures EIS

Table 8: **Molten Ventures EIS Unquoted portfolio analysis for Tax Efficient Review as at 31/03/2023**

Investee name	Amount invested	Current Value	Date of first investment	Syndicated	Lead investor	Structure of investment	Industry sector	Financing stage	Valuation method	Multiple of cost
Molten would not disclose investee company names	694,235	3,511,300	12/09/2016	Y	Y	Equity	Technology Hardware & Equipment	Later Stage, Pre-profit expansion	Note 2	5.06
	5,113,128	24,820,044	14/02/2019	N	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	4.85
	7,431,509	31,894,176	24/02/2020	N	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	4.29
	7,974,468	33,312,014	13/07/2018	N	Y	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Note 2	4.18
	5,212,945	10,006,653	24/03/2021	Y	N	Equity	Software & Computer Services	Early Stage, Pre-Revenue	Note 1	1.92
	5,279,998	9,387,217	15/04/2021	N	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.78
	4,384,121	6,520,732	03/10/2019	Y	N	Equity	Construction & Materials	Later Stage, Pre-profit expansion	Note 1	1.49
	2,266,541	3,300,522	30/10/2015	Y	N	Equity	General Financial	Later Stage, Pre-profit expansion	Note 2	1.46
	6,427,950	8,441,355	08/12/2016	N	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.31
	6,087,074	7,677,102	04/06/2020	N	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Note 2	1.26
	1,704,027	2,102,389	29/01/2013	N	Y	Equity	General Retailers	Later Stage, Pre-profit expansion	Note 2	1.23
	5,255,791	6,256,038	25/03/2022	Y	N	Equity	Software & Computer Services	Early Stage, Pre-Revenue	Note 1	1.19
	4,349,988	5,001,911	30/04/2019	N	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Note 1	1.15
	7,204,251	7,690,198	30/05/2018	Y	N	Equity	Pharmaceuticals & Biotechnology	Early Stage, Pre-Revenue	Note 1	1.07
	5,992,233	6,369,149	08/12/2017	N	Y	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Note 1	1.06
	1,097,487	1,164,865	02/04/2015	Y	N	Equity	Technology Hardware & Equipment	Later Stage, Pre-profit expansion	Note 2	1.06

Table 8: **Molten Ventures EIS Unquoted portfolio analysis for Tax Efficient Review as at 31/03/2023**

Investee name	Amount invested	Current Value	Date of first invest-ment	Syndicated	Lead investor	Structure of investment	Industry sector	Financing stage	Valuation method	Multiple of cost
	2,006,261	2,110,693	13/12/2019	N	Y	Equity	Software & Computer Services	Early Stage, Pre-Revenue	Note 1	1.05
	1,036,363	1,074,348	17/07/2014	N	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Note 2	1.04
	1,954,734	1,986,587	24/11/2021	Y	N	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.02
	8,116,326	8,116,394	19/12/2014	Y	N	Equity	Health Care Equipment & Services	Later Stage, Pre-profit expansion	Cost	1.00
	3,938,802	3,938,802	19/08/2022	Y	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
	3,048,825	3,048,825	08/03/2023	Y	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
	3,052,973	3,052,973	11/01/2021	Y	N	Equity	General Financial	Later Stage, Pre-profit expansion	Cost	1.00
	2,120,971	2,120,971	18/11/2022	Y	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Cost	1.00
	1,100,922	1,100,862	27/02/2020	Y	N	Equity	Media	Later Stage, Pre-profit expansion	Cost	1.00
	357,142	337,467	03/07/2015	Y	N	Equity	General Financial	Later Stage, Pre-profit expansion	Write-down up to 15%	0.94
Molten would not disclose investee company names	4,158,918	3,906,554	21/02/2022	Y	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down up to 15%	0.94
	2,964,718	2,585,326	24/02/2022	Y	Y	Equity	Food Producers	Early Stage, Pre-Revenue	Write-down up to 15%	0.87
	2,400,000	2,005,096	11/03/2020	N	Y	Equity	General Financial	Later Stage, Pre-profit expansion	Write-down 16%-25%	0.84
	4,092,992	2,862,567	01/11/2018	N	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 26%-50%	0.70
	3,699,992	1,992,193	21/12/2021	Y	Y	Equity	Food & Drug Retailers	Later Stage, Pre-profit expansion	Write-down 26%-50%	0.54
	3,101,847	1,416,104	16/02/2017	Y	Y	Equity	Software & Computer Services	Later Stage, Pre-profit expansion	Write-down 51%-75%	0.46
	1,670,618	319,608	20/12/2012	Y	Y	Equity	Media	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.19
	544,611	25,196	14/06/2018	Y	N	Equity	Technology Hardware & Equipment	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.05
	889,382	118	01/04/2021	N	Y	Equity	General Retailers	Later Stage, Pre-profit expansion	Write-down 76%-100%	0.00
	412,496	-	04/07/2018	N	Y	Equity	Software & Computer Services	Early Stage, Pre-Revenue	Write-down 76%-100%	-
	-	90,025	15/10/2021	N	N	Equity	Software & Computer Services	Early Stage, Seed	Note 1	#DIV/0!
TOTAL	**£127.1m**	**£209.6m**								

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

Source Molten Ventures EIS

Table 9: **Realisation analysis including write-offs - last three years to 31/03/2023**

Investee Company Name	Bright	Cervest	Conversocial	IXL Premfina	Push Dr	Resolving	Roomex	SportPursuit	Streetteam
Structure of investment (Equity/Debt)	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity	Equity
Sector	Software,& Computer services	Software & Computer Services	Software,& Computer services	Insurance technology	Health Care Equipment & Services	Software & Computer Services	Travel & Leisure	eCommerce	Travel & Leisure
Financing stage when first invested	Later Stage, Pre-profit expansion	Later Stage, Pre-profit expansion	Later Stage, Pre-profit expansion	Early Stage, Pre-Revenue	Later Stage, Pre-profit expansion	Later Stage, Pre-profit expansion	Later Stage, Pre-profit expansion	Later Stage, Pre-profit expansion	Later Stage, Pre-profit expansion
Board Seat	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Syndicated	Yes	No	Not initially	Yes	Yes	No	No	Not initially	No
Amount EIS originally invested	£392,848	£4,330,360	£174,747	£926,176	£750,033	£370,446	£2,374,201	£993,814	£1,605,152
Date	27/07/2015	18/10/2021	24/05/2013	28/07/2018	21/12/2015	13/03/2017	31/10/2018	25/10/2013	08/12/2017
Further investment amounts (if any)	£278,834		£52,422		£710,751	£1,942,207	£1,749,316	£1,025,001	£4,700,673
Realisations/ Dividends	£5,502,317	£0	£2,047,666	£809,111	£0	£0	£5,691,298	£7,609,296	£0
Annual internal rate of return	29%	Total loss	7%	-4%	Total loss	Total loss	9%	21%	Total loss
Length of investment (years)	6.5 years	1.3 years	8.2 years	3.0 years	6.3 years	6.2 years	4.0 years	7.6 years	4.7 years

Source: Molten Ventures EIS

Table 10: **Molten Ventures EIS EIS unquoted portfolio analysis of valuation methodology (% of original cost) as at 31/03/2023**

Valuation Category	%
Cost	24%
Write-down up to 15%	6%
Write-down 16%-25%	2%
Write-down 26%-50%	3%
Write-down 51%-75%	3%
Write-down 76%-100%	3%
Uplift in value, manager valuation based on price of recent funding round (Note 1)	42%
Uplift in value, manager valuation based on industry valuation benchmarks	17%
TOTAL	100%

Note 1: Parkwalk do not track whether investments have new external investors or no new external investors but tell TER that they will all have some external investors
Source: Molten Ventures EIS

Table 11: **Molten Ventures EIS EIS Fund EIS unquoted analysis of sector (% of original cost) as at 31/03/2023**

Sector	%
Construction & Materials	3%
Food Producers	2%
Health Care Equipment & Services	17%
Pharmaceuticals & Biotechnology	6%
Food & Drug Retailers	3%
General Retailers	2%
Media	2%
General Financial	6%
Software & Computer Services	56%
Technology Hardware & Equipment	2%
TOTAL	**100%**

Source: Molten Ventures EIS

Table 12: **Molten Ventures EIS EIS unquoted portfolio analysis of investment stage (% of original cost) asat 31/03/2023**

STAGES	%
Early Stage, Pre-Revenue	18%
Later Stage, Pre-profit expansion	82%
TOTAL	**100%**

Source: Molten Ventures EIS

Table 13: **Matrix of individual responsibilities Molten Ventures EIS 31/03/2023**

NAMES	Richard Marsh	Stuart Chapman	Lucy Dighton	Ben Wilkinson	Additionally, Investment Team across all funds (Plc, EIS, VCT), headcount 25
EIS RELATED WORK					
Deal origination		5%			40%
General enquiries			10%		
New deal doing				5%	5%
Investee board observer seat					
Investee board director seats No.	2 board 1 observer	5 board 2 observer			c.50
Sitting on Boards/Monitoring	35%	20%			40%
Fund raising	5%		20%		
Internal issues	5%	5%	70%	5%	10%
Exits	5%			5%	5%
NON EIS WORK					
Non EIS work	50%	70%		85%	
TOTAL	100%	100%	100%	100%	100%
Years in venture capital	20+	20+	19	6	
Years involved with EIS Funds	20+	10+	19	6	
Years with current team	12	16	5	6	

Source: Molten Ventures EIS