

## Value Statement – Molten Ventures VCT plc

### Product

**Molten Ventures VCT plc** (the “**Product**”) is a venture capital trust (“**VCT**”) listed on the main market of the London Stock Exchange (LSE: MVCT). The Product is an unauthorised Alternative Investment Fund (AIF). The Product is managed by Elderstreet Investments Limited (the “**Manager**”).

The Product makes venture capital (VC) investments into unquoted companies in the technology and healthcare sectors, utilising the tax efficiency of the Product, (subject to VCT qualifying criteria being met).

### Our Approach and Assumptions

In line with FCA's Final Non-Handbook Guidance for firms on the Consumer Duty (FG 22-5), our focus with respect to the price and value outcome rules is to ensure the cost an investor pays for the Product is reasonable compared to the benefits, taking into account the nature, quality and the benefits the investor will experience in aggregate when these factors are taken into consideration.

Many non-financial costs associated with the Product, as well as some of the benefits are subjective and difficult to quantify. However, it is appropriate that we recognise these in this document, so that an informed assessment may be made. We have assumed that the investor in this instance, falls within the specified target market, and is able to avail themselves in full of the tax benefits available.

We are required to consider foreseeable harm when making investment decisions. It should be noted that there is no certainty that these returns will be realised, and that the ultimate returns will be impacted by our costs, any adviser fees payable, as well as the potential failure of some portfolio companies. In addition, realisation of the VCT portfolio may take longer (or shorter) than expected. Future investment returns will depend on the state of the economy, as well as the prevailing valuation environment, and prevailing tax reliefs available under UK law.

This document is to be read in conjunction with the Product's latest Key Information Document and Prospectus which can be located at: <https://investors.moltenventures.com/investor-relations/vct>.

### Overall Value Assessment

The Manager has considered historic and forecasted returns, along with academic and research pieces which contemplate risk adjusted returns on similar assets. It is generally considered that VCT investments are capable of providing higher returns than listed large and small capitalisation equities in compensation for the long term commitment of capital (minimum 5 years for VCT tax reliefs, target 10 years), and early stage technology focus increases concentration risk and the likelihood of portfolio company failures. In addition, the tax benefits available should serve to enhance returns.

Having considered the historic and forecasted returns of the Product, its characteristics, as well as a number of other relevant factors, such as:

- the cost structure of the Product, the cost of comparable tax efficient products and potential distribution costs;

- whether any of the Manager's other products are priced significantly lower for a similar or better level of benefit;
- the potential benefits and other costs, both financial and non-financial; and
- the cost of providing the Product,

we consider that the product offers fair value as at the date of this assessment.

## Cost Structure and Comparables

Having reviewed the costs associated with the Product, together with the quality of service provided and benefits generated by the wider Molten Ventures platform, associated administration efficiencies, and framework through which to assess investments, the Manager has concluded that the Product is priced appropriately based on NAV performance and dividend returns, and that such costs are justified given the overall proposition delivered to investors. The industry acclaimed Tax Efficient Review published annually by Martin Churchill benchmarks the Product's performance against other VCT products and confirms alignment with peers. The latest copy of the Tax Efficient Review can be located at: <https://ramcapital.co.uk/portfolio-item/molten-ventures-vct>. An indicative summary of costs is included below for completeness:

		Worked Example £25k	Worked Example £100k	Worked Example £200k
Entry Costs	Advised Clients – 3%	£750	£3,000	£6,000
	(One off, capped at 5.5%)*	(£1,375)	(£5,500)	(£11,000)
Operating Costs (incl. VAT & Mgmt Fee)	Total Expense Ratio (TER) average for 3 years prior – 2.56%	£640	£2,560	£5,120
	(p.a., capped at 3.5%)	(£875)	(£3,500)	(£7,000)

\* Fees vary depending on entry route: Promotion Fee of 3% payable for applications through intermediaries (with some Execution Only intermediaries charging an additional Initial Commission of 2.5%) and 3.5% payable for direct applications for those with no intermediary involvement. Trail commissions may be paid for execution only activities. In line with other VCT providers, an 'EarlyBird' incentive and/or interest rate rebate may be offered to all investors on the launch of a new offer up to a certain date or amount. These pricing models reflect, in the Manager's view, general VCT market practice. Please refer to the relevant Prospectus for further details.

The Manager is entitled to a performance fee calculated on a whole pool basis as 20% (plus VAT) of the amount above an IRR and NAV 'hurdle' return.

Additionally, the Manager believes that the Product is comparable to other tax advantaged VCTs. We note that unlike many of its peers, the Manager does not seek to charge transaction fees on underlying portfolio investments, which are ultimately borne by investors, which could prove detrimental to investor cash and returns. The Manager has not charged any fees to new portfolio companies since 2016. The annual running costs of the Product are capped with any excess being refunded by way of a reduction in the fees payable to the Manager. The Manager does not currently enforce or make use of exit penalties given the illiquidity of the Product's underlying portfolio.

The Manager does not offer any other VCT products which are comparable to this Product due to its unique features.

## Potential Benefits

The Product offers access to early stage technology companies and the advantages offered by the Molten Ventures platform. The Product benefits from preferential tax treatment which the Manager believes outweighs the financial and non-financial costs of the Product such as the Product's restrictions (e.g. minimum holding periods), the opportunity cost of holding the Product, and the risks associated with the Product.

The Product has an established track record of delivering capital and income returns to investors from a diversified VCT qualifying portfolio. Please refer to the Track Record section of the latest Prospectus for further details: <https://investors.moltenventures.com/investor-relations/vct>.

Whilst current macroeconomic events have impacted technology company valuations, the Product's long-term investment horizon should smooth any fluctuations in short term market movements. The expectation is that investors could be rewarded for taking a longer term view than more liquid and shorter term investment products. The industry acclaimed Tax Efficient Review published annually by Martin Churchill benchmarks the Product's performance against other VCT products confirming the competitiveness of the Product's performance. The latest copy of the Tax Efficient Review can be located at: <https://ramcapital.co.uk/portfolio-item/molten-ventures-vct>.

Investors benefit from comprehensive bi-annual reports from the VCT. The Manager utilises industry standard communication channels via use of its website and online portals for outbound communications, with options for hard copies on request and telephone / email for inbound communications.

Other than the Administrator's fee which has a sliding scale to a cap, all other costs and charges are attributable to a percentage of investors commitment amount. Nonetheless, the co-investment approach with other entities within the Molten Ventures group enables the Product to benefit from the resourcing of the wider Molten Ventures platform.

## Other considerations

The Manager has capped its tolerance on intermediary fees (which can be waived where deemed to be appropriate on the facts presented), and quantums are reviewed as part of the application process. Distributors must factor any fees or charges or other adviser / distributor remuneration related to the distribution chain of the Product into their own value assessments.

The Product often appeals to those who are later in life who wish to put disposable income and/or assets to work in a tax efficient manner. Age related health vulnerabilities may be present which distributors should consider carefully given the illiquid nature of the Product.

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