

Product

Molten Ventures VCT plc

Tax Status

Venture Capital Trust

Fund Group

Elderstreet Investments Limited (a wholly owned subsidiary of Molten Ventures PLC)

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	£131m AUM and is seeking £6.7m with this launch and no over-allotment facility
Manager	Elderstreet Investments Limited, a wholly owned subsidiary Molten Ventures plc ("Molten Ventures")
Sponsor	N/A – This is a Non Prospectus Top up Offer
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 2025 unless fully subscribed before for the 2024/25 tax year and 30th June 2025, unless fully subscribed before, for the 2025/26 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	Whilst the successful exit of Endomagnetics is recent good news, there have been many more complete write-offs of portfolio companies, including Cervest, Push Dr, Pollen, Resolving, and Fluidic Analytics.
There was a profitable exit achieved in July 2024 from Endomagnetics, where a £2.1m investment returned a total of £8.3m with the potential of a further £0.8m escrow subject to certain conditions. This was a Molten investment made in 2018.	The share price is currently trading at a 10% discount to the NAV per share, which is wider than the target discount of 5%.
The VCT Board have recently taken the decision to restore the dividend yield to 5.2% of NAV in the current year. There is also an option to for shareholders to have dividends reinvested	The Board is temporarily controlling the level of funds allocated for share buybacks to ensure that compliance with the VCT regulations is maintained. The Board expects the constraints from this VCT regulation to pass in April 2025.

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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.

VCT ‘Sunset’ Clause

A condition of the European Commission’s State Aid approval of the UK’s VCT scheme in 2015 was the introduction of a retirement date for the current scheme at midnight on 5 April 2025. This was passed into UK law through the Finance (No 2) Act 2015.

2025 would not be able to claim upfront VCT income tax relief in respect of such shares and further this may have an adverse impact on the continuation of a company as a VCT or it being able to raise further funds and/or meet its objectives in the future.

If the relevant legislation is not renewed or replaced with similar or equivalent legislation before this date, investors issued with new VCT shares (whether through an offer or through a dividend reinvestment scheme) after 5 April

After a series of statements by the UK Government in the course of 2022 and 2023 of its intention to extend the VCT scheme beyond 5 April 2025, it was formally announced by the Chancellor in the Autumn Statement on 22

Table 2: **Funds under management as at 31 August 2024**

Product Name	Net assets	Annual Management fee	Still to be invested
	Net assets £m	Annual fee %	Still to be invested £m
VCT funds			
Molten Ventures VCT PLC	131	2.00%	30.9
NON VCT funds than can co-invest with VCT Funds			
Molten Ventures EIS funds	267	see note	14.5
Molten Ventures PLC	1,379	n/a	n/a
TOTAL	£1,777m		45.4

For fund closes up to an including Apr19: £nil - no further fees For fund closes from Jul19 onwards 2% (for initial years, then reducing)

EIS and PLC stats as at 31 March 24

Source: Elderstreet Investments Limited

November 2023 that the VCT scheme would be extended by secondary legislation for a further ten years to 5 April 2035. Finance Act 2024 includes provision for the VCT scheme to be extended to 5 April 2035.

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 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

The Offer

The Molten Ventures VCT has now reached almost £131m 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 24% to be invested in further technology investments (see Table 2). If

This will be subject to a Treasury Order being laid following EU approval being obtained for the continuation of the VCT scheme. It was recently announced that the European Union have granted approval for the continuation of the VCT scheme.

group. 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 opportunity for the VCT industry to continue to support UK industry was boosted by the recent extension of the Sunset Clause on the VCT scheme which has now been extended to 2035. Molten remains an active member of the VCT Association (VCTA) which represents 14 of the largest VCT fund managers and makes up over 90% of the £6.6 billion VCT industry. The VCTA worked tirelessly to lobby Government and all political parties as to the merits of the VCT and EIS tax incentives.

the current Offer is taken up in full, once invested, the Company will have over c £137m 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 entities, or in a down round scenario.

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

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

The VCT currently has a portfolio with a mix of sectors and, whilst its average deal size measured by initial investment cost has been approximately £1.2m, this has increased with the last five completed new investments averaging £1.57m, having been as high as £2.2m. The VCT is able to syndicate deals by co-investment with other Molten 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:

- **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 2024, there was £9.0m in distributable reserves with £36m becoming available in April 2025, £16m in April 2026, and £30.6m in April 2027.

There is also a 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 1.5p per share paid in the year ended 31 March 2024 which represented a yield of 2.8% on the 31 March 2023 NAV. This was restricted by VCT regulations over use of reserves.

Dividends of 1.0p have been paid since the 31 March 2024, with a further 1.5p paid in September 2024 which represents a yield of 5.2% on the 31 March 2024 NAV. This is a welcome return to the VCT target yield. The manager expects the next dividend to be paid in April 2025.

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*
2025	2.5p*

* paid since the 31 March 2024 consisting of the first interim dividend of 1.0p and final of 1.5p paid in September 2024

Share Buyback Policy

In the last three years to August 2024 £3.2m of shares have been bought back by the VCT (£0.7m in the last twelve months to August 2024). We are told that the Company intends to acquire its own Ordinary Shares in the market up to four times each year, but due to fluctuations in NAV more normally twice per year after year end and interim NAVs have been issued. 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 pass in April 2025.

The current discount of the share price to NAV per share is close to 10% as at the time of this report. This is getting wider than Tax Efficient Review like to see, and hopefully the share price discount can improve come April 2025.

Tax Efficient Review Strategy rating: 28 out of 30

Table 3: Generalist VCT provider 3,5 & 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
ALBION	Albion VCT	30/06/2024	0.7%	1.3%	5.3%
	Albion Technology & General VCT	30/06/2024	3.6%	4.2%	5.2%
	Albion KAY VCT	30/06/2024	4.7%	6.4%	7.5%
	Albion Development VCT	30/06/2024	6.2%	7.7%	9.2%
	Albion Crown VCT	30/06/2024	3.7%	5.1%	7.2%
	Albion Enterprise VCT	30/06/2024	7.0%	8.1%	9.8%
BARONSMEAD	Baronsmead Second Venture Trust	31/07/2024	-4.3%	2.5%	2.7%
	Baronsmead Venture Trust	31/07/2024	-3.7%	2.3%	2.8%
BERINGEA	ProVen Growth & Income New	31/05/2024	1.1%	1.5%	2.5%
	ProVen VCT	31/05/2024	0.7%	1.2%	3.9%
CALCULUS	Calculus VCT plc New Ord share	30/06/2024	1.9%	0.4%	
FORESIGHT	Foresight Enterprise VCT	30/06/2024	8.5%	6.7%	1.9%
	Foresight VCT	30/06/2024	11.1%	10.3%	5.9%
MAVEN	Maven Income & Growth VCT 5	31/08/2024	0.9%	3.7%	4.5%
	Maven Income & Growth VCT	31/08/2024	1.2%	2.0%	3.5%
	Maven Income & Growth VCT 4	30/06/2024	0.3%	2.4%	2.7%
	Maven Income & Growth VCT 3	31/08/2024	0.4%	2.9%	3.5%
MERCIA	Northern 2 VCT	30/06/2024	-0.5%	4.7%	4.5%
	Northern Venture Trust VCT	30/06/2024	-1.6%	4.6%	4.6%
	Northern 3 VCT	30/06/2024	-0.6%	4.8%	4.8%
MOBEUS	Mobeus Income & Growth VCT	30/06/2024	0.5%	9.5%	6.1%
	Income & Growth VCT	30/06/2024	0.4%	10.5%	5.9%
MOLTEN	Molten Ventures VCT	31/03/2024	3.8%	1.6%	3.0%
OCTOPUS	Octopus Titan VCT	30/06/2024	-11.9%	-1.9%	2.2%
	Octopus Apollo VCT	31/07/2024	6.3%	9.1%	3.0%
PEMBROKE	Pembroke VCT B share	30/06/2024	-0.4%	3.7%	
PUMA	Puma VCT 13	31/05/2024	4.9%	12.3%	
	Puma Alpha VCT	31/05/2024	-0.1%		
SENECA	Seneca Growth Capital VCT B shares	30/06/2024	-12.3%	-5.5%	
TRIPLE POINT	Triple Point Venture VCT Venture shares	31/05/2024	1.8%	1.9%	
YFM	British Smaller Companies VCT 2	30/06/2024	5.4%	10.1%	6.4%
	British Smaller Companies VCT	30/06/2024	6.3%	11.6%	6.8%

Source: Tax Efficient Review calculation based on dividend and Net Asset Value data from public accounts

Calculation: (Closing period NAV less Opening period NAV plus dividends paid in the period) divided by number of years in the period

Figures do not include tax relief

Report produced 27/10/2024

Table 4: **Provider results comparison**

PROVIDER	AVERAGE SCORE BASED ON PLACE IN PEER GROUP (lower is better)
YFM	5
FORESIGHT	8
ALBION	10
OCTOPUS APOLLO	10
MOBEUS	11
MERCIA	18
MOLTEN	18
MAVEN	19
BERINGEA	21
BARONSMEAD	24
OCTOPUS TITAN	29

Calculation as at 27/10/2024 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

Table 5: **Elderstreet Investments Limited VCT unquoted analysis of sector (% of original cost) as at 31 August 2024**

SECTORS	%
Consumer Technology	2%
Enterprise Technology	29%
Hardware and DeepTech	19%
Digital Health and Wellness	7%
Legacy	11%
Cash (adjusted)	32%
TOTAL	100%

Source: Elderstreet Investments Limited

Table 6: **Elderstreet Investments Limited VCT unquoted portfolio analysis of investment stage (% of original cost) as at 31 August 2024**

STAGES	%
Early stage (revenue under £1m):	15%
Growth (revenue £1m-£5m):	40%
Scale up (revenue over £5m):	45%
TOTAL	100%

Source: Elderstreet Investments Limited

Table 7: Realisation analysis including write-offs - last three years to 31 August 2024

Company	Activity	Date of investment	Date of exit	Total invested	Total Proceeds	Multiple
Endomagnetics	Software	01/07/2018	01/07/2024	£2,147,141	£8,305,159	3.87
Fluidic Analysis	Software	01/07/2022	01/11/2023	£1,249,995	£0	
Resolving	Software	01/10/2018	01/03/2023	£799,489	£0	
Pollen (StreetTeam)	Software	01/12/2017	01/12/2023	£2,819,852	£0	
Roomex	Software	01/10/2018	01/11/2022	£1,080,999	£1,356,623	1.25
Cervest	Software	01/10/2021	01/10/2022	£1,312,230	£1	
Servoca	Services	01/06/2007	01/07/2022	£333,334	£359,827	1.08
Lyalvale Express	Manufacturing	01/05/1998	01/04/2022	£1,915,204	£8,588,168	4.48
Push Dr	Software	01/12/2017	01/12/2021	£1,873,054	£0	
IXL Premfina	Software	01/07/2018	01/07/2021	£755,608	£660,115	0.87
PodPoint	Hardware	09/07/2018	01/02/2020	£860,000	£1,864,992	2.17
TOTAL				£15,146,906	£21,134,885	1.40

Source: Elderstreet Investments Limited

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.

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 15.9% IRR on this investment less impressive, but it does show that venture capital/private equity needs time!

The remaining legacy holdings represent only 11% of the portfolio and all new investments since Molten Ventures took over the Elderstreet VCT have been co-investments with the Molten Ventures EIS.

Overall of the 41 companies invested by the Molten Ventures team and held in the VCT at 31 August 2024, 10 are showing uplifts of a total of £20.4m, 14 are held at cost, and 17 are showing

writedowns of £14m.

If we strip out the legacy holdings of Lyalvale Express and Servoca, there have only been 2 profitable exits from the Molten Ventures portfolio over the past 2 years:

- **Endomagetics** - £2.14m invested in July 2018 and exited in July 2024 for £8.3m (at a 3.9x multiple of cost) with the prospect of a further £0.8m of escrow subject to certain conditions
- **Roomex** - £1,080,000 was invested back in 2018 and the exit proceeds generated a small level of profit at £1,356,000.

But against these two profitable exits, there have been more complete write offs, including Cervest, Push Dr, Pollen, Resolving, and Fluidic Analytics. The investment in Fluidic Analytics is particularly disappointing in that it was only made in July 2022 and was completely written off by November 2023. Table 7 gives details of the exits in the last three years.

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 August 2024 the Company held £42.7 million of cash and debtors. This represents 32% of NAV. The Manager has entered into further binding commitments to invest £7.1 million into four new deals and two follow-ons (which are dependent on HMRC Advanced Assurance).

If all of these were to complete the adjusted cash

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 over 450p per share down to a price of 210p per

would be equal to 27% of the August unaudited NAV and 24% post payment of the September dividend, with further investments then anticipated by the Manager before shares are allotted in this current offer.

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 modest size of fund raising, with a maximum potential of £6.7m, TER are satisfied that with the potential deal flow originating from the Molten Ventures team, deployment of this cash should not be an issue.

But the small size of this fund raising could be a good thing for the Molten Ventures VCT. Whilst the last three years have been a difficult time for VCT and EIS managers to generate profitable exits from investee companies, since the start of 2024 Tax Efficient Review have seen an increase in the trade sales of companies from within VCTs.

But this increase in activity has not really translated across to this Molten Ventures VCT. There was only one profitable exit in 2024, which, as mentioned earlier, was preceded by multiple losses on investee companies in 2023. Molten Ventures can therefore no longer hide results like this behind depressed market conditions, as other VCT managers have secured a number of impressive exits in the past 12 months, and this VCT will need to improve in this area if it is to keep pace with the peer group.

Tax Efficient Review Track Record rating: 33 out of 40

share share and it dropped out of the FTSE250. Since the previous report, however, the share price of Molten Ventures has recovered somewhat back to a share price of 374p at the time of writing this report.

In the year ending March 2024, Molten Ventures plc have deployed circa £65 million into fast growing technology companies and have realised over £39 million. Molten Ventures plc is actively involved with its investments, taking non-exec-

utive 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.

On 30 October 2024, Molten Ventures plc announced that CEO Martin Davis will be stepping down after five years at the Company. He will be succeeded as CEO by CFO Ben Wilkinson, and Finance Director Andrew Zimmermann will step up as Interim CFO. These changes took place with immediate effect, with Martin remaining with Molten until the end of April 2025 to provide handover support and ongoing strategic advice.

Key Molten Ventures team members include:

- **Richard Marsh (Chief Portfolio Officer, Molten Ventures PLC)** has over 16 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
- **William Horlick (Head of VCT)** worked at Elderstreet Investments Limited from 1998 to its acquisition by Molten Ventures plc in 2021. He has worked on over 70 venture capital investments. William has held several board seats in the past on portfolio companies. William graduated from RMA Sandhurst in 1980. Prior to joining the Manager, he spent seven years in investment banking and stockbroking. and was managing director of a mail order company
- **Nic Brisbane (Senior Partner and Chair of the Investment Committee)** originally joined Molten in 2006 before leaving to set up his own firm, Forward Partners, in 2013. Forward raised two funds and listed on the London Stock Exchange in 2021 before being acquired by Molten in 2024. Nic's career in venture capital started in 1999 when he joined Reuters Venture Capital and prior to that he was a management consultant
- **Nicola McClaferty (Partner)** joined Molten Ventures in 2017 and focuses on investments in consumer and Saas. In addition, Nicola serves as a Board Director for NDRC, Irelands largest technology accelerator and previously was chairperson of the Irish Venture Capital Association. Prior to joining Molten Ventures, Nicola was co-founder and CEO of online fashion marketplace, Covetique. 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
- **Vinoth Jayakumar (Partner)** joined Molten Ventures in 2016, prior to which he worked at a boutique management consulting firm in London and was an angel investor in various startups. Vinoth leads Fintech investing at Molten Ventures, leading investments into companies like Thought Machine, Form3, and Ravelin. He is focussed on investing against a thesis that is built around the future of financial services covering how people interact with money, all the way through to the infrastructure software behind the architecture of banks.
- **Christoph Hornung (Partner)** 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
- **Dr Inga Deakin (Principal)** joined Molten Ventures in 2021 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. Inga 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 more recently as Entrepreneur in Residence at Duke University

- **George Chalmers (Principal)**, before joining Molten Ventures, was a founder of an energy-tech start-up and prior to being an entrepreneur George worked in public market equities at Credit Suisse for 6 years. He is a Chartered Financial Analyst. Within Molten Ventures, George works on direct investments where his primary focus is on climate-tech.
- **Luke Smith (Head of Early Stage - Principal)** joined Molten Ventures in 2024 following the acquisition of Forward Partners by Molten Ventures plc. Luke started his career in strategy consulting with Oliver Wyman and spend five years at the corporate fund Reed Elsevier Ventures. Prior to joining Molten he was Investment Partner at Forward Partners, where he led the venture team
- **Edel Coen (Principal)** started her career in Silicon Valley where she spent five years working with Irish enterprise software companies on all aspects of their US market entry strategy. Prior to Molten, she invested in early-stage sustainability and digital health ventures with BVP. Edel is Head of Dealflow and manages Molten's Deal Origination team. Her investment focus areas are Enterprise, Deeptech, and Digital Health and she acts on the Boards of Gardin, Aktiia, MostlyAI, Clue, and Automation Hero

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)
- **Sally Duckworth** (chair of StorMagic Limited, software data storage co)
- **Richard Marsh** is the Molten Ventures representative.

The majority of this Board have been in place since inception and it is pleasing to see the recruitment of Sally Duckworth in 2024 who has a background in growth and technology, private equity, and the city. .

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.

All three potential investors (the VCT, the EIS manager and the Molten Ventures institutional manager) have independent investment committees who will sign off an investment for their pool of funds. So it is possible that not all funds

will participate in all deals but if a deal is VCT & EIS qualifying then the principle is that both would participate. If not, for example certain (but not all) non-UK deals, or secondaries, then VCT & EIS would not participate.

Tax Efficient Review Team rating: 18 out of 20

Costs

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

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

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

The administration fee charged by the new administration manager ISCA Administration Services Limited is £65,000 plus vat per annum. Elderstreet inform us that for the year ended 31 March 2024 the Ongoing Charges Fee (OCF) was 2.4% (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. Regretfully, 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:

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.

This latest fund raising for the Molten Ventures VCT is for a relatively small amount, for a VCT which is £131m in size, and it is expected to be capped at £6.7m. The reason for this small amount is because this is a non-prospectus offer, which VCTs are allowed to issue, and in this case it has to be for a maximum of 8m Euros (which currently equates to £6.7m).

If we look at the track record of the Molten Ventures VCT, and in particular the exits which have been achieved recently, the overall results are disappointing. There was one substantial profitable exit in 2024 from Endomagnetics, from £2.14m invested in July 2018 and which exited in July 2024 for £8.3m (at a 3.9x multiple of cost). But this was preceded by complete write offs from Cervest, Push Dr, Pollen, Resolving, and Fluidic Analytics. The investment in Fluidic Analytics is particularly disappointing in that it was only made in July 2022 and was completely written off only 16 months later in November 2023.

Normally at this point we would point out the mitigating circumstances that the past few years have been difficult times for VCT and EIS managers across the board to secure profitable exits, but that is no longer the case. The market for trade sales of private equity/venture capital companies has been steadily improving since the beginning of 2024. There have been a significant number of profitable exits achieved in 2024 by the VCT industry and some generalist VCT managers have delivered multiple profitable exits over the past 12 months.

So, whilst Molten should be congratulated on Endomagnetics, they will need to deliver additional profitable exits to overcome the recent losses incurred if they are to keep pace with the rest of the generalist VCT market.

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

Table 8: Molten VCT unquoted holdings analysis for Tax Efficient Review as at 31 August 2024

Investee name	Amount invested	Current Value	Date of this investment	Syndicated	Lead investor	Structure of investment	Industry sector	Financing stage	Valuation method	Multiple of cost
Form3 UK Limited(formerly Back Office Technology Ltd)	1.42	7.96	Feb-19	Y	Y	Soft non participating	Technology	Scaleup	Uplift in value, manager valuation based on industry valuation benchmarks	5.60
Thought Machine Group Limited	2.40	9.69	May-20	Y	Y	Soft non participating	Technology	Scaleup	Uplift in value, manager valuation based on price of recent investment	4.04
Fords Packaging TopCo Ltd	2.43	7.10	Dec-13	N	Y	Ords and loan	Manufacturing	Scaleup	Earnings: Uplift in value, manager valuation based on earnings multiple	2.92
Pulsar Group (was Access Intelligence PLC)	2.59	5.81	Oct-08	N	Y	Ordinary	Technology	Scaleup	AIM bid price	2.25
Not disclosed	0.26	0.53	Jul-99	Y	Y	Ordinary	Technology	Scaleup	Earnings: Uplift in value, manager valuation based on earnings multiple	2.02
Ravelin Technology Limited	1.13	2.19	Jun-20	Y	Y	Hard participating	Technology	Scaleup	Uplift in value, manager valuation based on industry valuation benchmarks	1.93
Not disclosed	0.40	0.68	Jan-19	Y	Y	Hard participating	Technology	Scaleup	Uplift in value, manager valuation based on industry valuation benchmarks	1.71
Focal Point Positioning Limited	3.80	6.42	Apr-21	Y	Y	Hard participating	Technology	Early Stage	Uplift in value, manager valuation based on price of recent investment	1.69
RiverLane Ltd	2.66	4.11	Mar-21	Y	Y	Soft non participating	Technology	Growth	Uplift in value, manager valuation based on price of recent investment	1.55
Not disclosed	1.77	1.89	Apr-19	Y	Y	Soft non participating	Technology	Growth	Uplift in value, manager valuation based on price of recent investment	1.07
Global Satellite Vu Limited	4.69	4.98	Nov-21	Y	Y	Soft non participating	Technology	Early Stage	Uplift in value, manager valuation based on price of recent investment	1.06
Not disclosed	1.19	1.19	Jan-14	Y	Y	Soft non participating	Technology	Early Stage	Pref stack	1.00
Morressier GmbH	3.16	3.16	Jul-23	Y	Y	Soft non participating	Technology	Early Stage	Cost	1.00
Expanding Circle Ltd (AltruistIQ)	2.93	2.93	Aug-22	Y	Y	Soft non participating	Technology	Growth	Cost	1.00
Anima Group Inc	2.65	2.65	Oct-23	Y	Y	Soft non participating	Technology	Growth	Cost	1.00
Melio Healthcare t/a IMU bioscience	2.52	2.52	Sep-23	Y	Y	Soft non participating	Technology	Early Stage	Cost	1.00
Juliand Digital Limited (t/a Zaptic)	2.44	2.44	Mar-23	Y	Y	Soft non participating	Technology	Early Stage	Cost	1.00
Binalyze	2.16	2.16	Aug-23	Y	Y	Soft non participating	Technology	Early Stage	Cost	1.00
Not disclosed	1.63	1.63	Apr-23	Y	Y	Soft non participating	Technology	Early Stage	Cost	1.00
Not disclosed	1.57	1.57	Aug-22	Y	Y	Soft non participating	Technology	Early Stage	Cost	1.00
Not disclosed	1.49	1.49	Jul-24	y	y	Soft non participating	Technology	Scaleup	Cost	1.00
Not disclosed	1.33	1.33	Feb-22	Y	Y	Soft non participating	Technology	Early Stage	Uplift in value, manager valuation based on price of recent investment	1.00
Not disclosed	0.95	0.95	Jan-21	Y	Y	Soft non participating	Technology	Early Stage	Cost	1.00
Not disclosed	0.89	0.89	May-24	y	y	Soft non participating	Technology	Scaleup	Cost	1.00
Not disclosed	0.54	0.54	Nov-19	Y	Y	Hard participating	Technology	Growth	Cost	1.00
Not disclosed	0.30	0.30	Jul-24	Y	Y	Soft non participating	Technology	Growth	Cost	1.00
Not disclosed	0.51	0.51	Dec-19	Y	Y	Soft non participating	Technology	Early Stage	Uplift in value, manager valuation based on price of recent investment	1.00

Table 8: Molten VCT unquoted holdings analysis for Tax Efficient Review as at 31 August 2024

Investee name	Amount invested	Current Value	Date of this investment	Syndicated	Lead investor	Structure of investment	Industry sector	Financing stage	Valuation method	Multiple of cost
Not disclosed	0.43	0.43	Jan-20	Y	Y	Soft non participating	Technology	Scaleup	Impaired	0.99
Not disclosed	0.60	0.57	Mar-20	Y	Y	Soft non participating	Technology	Scaleup	Revenue: Uplift in value, manager valuation based on revenue multiple	0.95
Impulse Innovations Limited (Causalens)	2.08	1.95	Feb-22	Y	Y	Soft non participating	Technology	Early Stage	Cost	0.94
Not disclosed	1.70	1.50	Nov-22	Y	Y	Soft non participating	Technology	Early Stage	Cost with fx adjustment	0.88
Not disclosed	1.48	1.27	Feb-22	Y	Y	Soft non participating	Technology	Early Stage	Write down 0-25%	0.85
Not disclosed	1.60	1.11	Nov-18	Y	Y	Soft non participating	Technology	Growth	Impaired	0.70
Not disclosed	3.00	1.51	Jun-18	Y	Y	Soft non participating	Technology	Early Stage	Impaired	0.50
Not disclosed	2.20	0.80	Dec-21	Y	Y	Soft non participating	Technology	Scaleup	Recent funding round no new External investor: Price of recent investment (price of last investment round)	0.36
Not disclosed	3.57	1.23	Nov-17	Y	Y	Hard participating	Technology	Scaleup	Impaired	0.35
Not disclosed	0.27	0.00	Apr-21	Y	Y	Soft non participating	Technology	Early Stage	Impaired	0.01
Not disclosed	0.39	0.00	Jul-10	N	N	Ordinary	Services	Scaleup	AIM bid price	0.01
Not disclosed	0.86	0.00	Dec-14	N	N	Ordinary	Technology	Early Stage	Impaired	0.00
Not disclosed	1.25	-	Jul-22	Y	Y	Soft non participating	Technology	Early Stage	Cost	0.00
Not disclosed	0.48	-	Mar-18	Y	Y	Soft non participating	Technology	Early Stage	Impaired	0.00
Not disclosed	0.33	-	Mar-18	Y	Y	Soft non participating	Technology	Early Stage	Write-down 76%-100%	0.00
Not disclosed	0.19	-	Aug-02	N	N	Ordinary	Leisure	Scaleup	Impaired	0.00
Not disclosed	0.13	-	Jun-07	N	N	Ordinary	Technology	Growth	Impaired	0.00
Not disclosed	0.80	-	Oct-18	Y	Y	Soft non participating	Technology	Early Stage	Impaired	0.00
Not disclosed	0.13	-	Oct-00	N	N	Ordinary	Technology	Early Stage	Impaired	0.00
Not disclosed	2.82	-	Dec-17	Y	Y	Soft non participating	Technology	Growth	Impaired	0.00
Not disclosed	0.66	-	Dec-04	N	N	Ordinary	Services	Growth	Impaired	0.00
Not disclosed	0.50	-	Nov-99	N	N	Ordinary	Services	Growth	Impaired	0.00
Not disclosed	0.27	-	Nov-01	N	N	Ordinary	Services	Early Stage	Impaired	0.00
TOTALS	£75.54m	£88.84m								1.17

Source: Elderstreet Investments Limited

Table 11: Matrix of individual responsibilities Elderstreet Investments Limited 31 August 2024

NAMES	William Horlick	Richard Marsh	Nic Brisbane	Stuart Chapman	George Chalmers	Christoph Hornung	Jonathan Sibilila	Nicola Mcclaferty	Vinoth Jayakumar	Christoph Hornung	Dr Inga Deakin
Deal origination %	10%			5%	45%	45%	10%	45%	45%	45%	45%
VCT General enquiries %	10%										
New deal doing %	5%	5%	5%	5%	15%	15%	15%	15%	15%	15%	15%
VCT Fund raising %	35%										
Internal VCT issues %	30%	5%	5%								
Boards and monitoring	5%	35%	35%	20%	10%	10%	10%	10%	10%	10%	10%
Exits %	5%	5%	5%		5%	5%	5%	5%	5%	5%	5%
NON VCT WORK											
Non VCT work	0%	50%	50%	70%	25%	25%	60%	25%	25%	25%	25%
TOTAL	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Years in venture capital	23	20	20	20							
Years involved with VCTs	23	12	1	16							
Years with current team	6										

Source: Elderstreet Investments Limited