Molten Ventures VCT launches £30 million fundraise

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- Molten Ventures VCT has launched an offer for up to £30 million (£10 million + £20 million overallotment)

- The VCT has total net assets of £117.8 million and a portfolio of around 40 companies
- London listed Molten Ventures is one of the largest, most established venture capital investors in the UK. The VCT invests alongside its parent in all VCT qualifying deals, giving it firepower that many smaller VCTs lack, helping it access some of the UK's fastest growing companies.
- Over the five years to June 2025 the VCT has delivered a NAV total return of 19.9%
- The VCT targets an average annual dividend equal to 5% of NAV

Nicholas Hyett, Investment Manager at Wealth Club commented:

"Molten Ventures VCT is managed by one of the largest, best established venture capital teams in the UK. It's nearly ten years since Molten took over management of the VCT and, after a lengthy transition, we're starting to see the fruits of their investment strategy come through.

In the last 18 months the VCT has reported four exits, including selling breast cancer scanner Endomag to US listed Hologic, fraud detection business Ravelin to Worldpay and retail investment platform Freetrade to IG Group. While the portfolio still contains a handful of legacy holdings, the vast majority of the VCT's money is now in the high growth tech companies typical of Molten Ventures.

Molten's high-tech, high-growth investee companies are perhaps a bit riskier than the average VCT investment, and often take longer to mature. That might put some investors off Molten as a "core holding", but it's potential for outsized returns means it still has plenty to recommend it to experienced investors."

About Venture Capital Trusts (VCTs)

Why VCTs are worth investing in

Most investors are initially attracted to VCTs for the tax breaks, and they are generous. Investors can get up to 30% back in income tax relief up front, any dividends paid by the VCT are tax free and growth is free of capital gains tax too.

However, VCTs are more than just a tax planning tool. They're probably the best way for UK investors to access fast growing smaller companies. Revenue growth from VCT investees far outstrips what you see in main market listed companies, and the result has been some attractive returns for investors over the longer term.

Exposure to high growth, smaller companies also has the potential to diversify a conventional portfolio. Long-term performance is often only loosely correlated with the wider economy. Highly disruptive businesses grow by taking market share from incumbents rather than relying on market growth.

The rules governing VCTs mean they're also an excellent way to back smaller businesses. It's their role providing support to the next generation of UK start-ups, driving innovation and creating jobs, that earns them the tax relief from the government – and many investors feel that this is something they wish to support too.

Who should consider them?

VCTs are higher risk, and while they're listed on the stock market, in order to qualify for tax relief investors must hold the shares for at least five years before selling – making them inherently long-term investments. Unlike most conventional funds and shares the minimum amount you can invest is comparatively high – often £3,000 or more. All of this means they are best suited to wealthier or more sophisticated investors.

VCTs are popular with two groups in particular.

The first is higher earners or wealthier investors who are limited in what they can put into more mainstream tax wrappers. Those who already use full £20,000 ISA allowance or whose pension

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contributions are tapered due to the amount they earn. The £200,000 a year annual VCT allowance is generous and can save higher earners up to £60,000 in upfront income tax.

The second group is those in, or near, retirement who use VCTs' tax free dividends to supplement income from other sources. Because they're higher risk, VCTs shouldn't be considered a replacement for a pension, but they can help to top-up income from more conventional sources.

Some other tips?

1. Seek diversification – VCTs are high risk so spread your investments over multiple managers. Fortunately there's lots of choice in the market, from trusts with expertise in particular sectors, like Pembroke VCT, to broad generalist funds like the Albion VCTs.
2. Reinvest and recycle – Get an additional 30% initial income tax relief by reinvesting those tax-free dividends. You can also recycle the proceeds from selling the shares, once they've been held for five years, into a new VCT.
3. Be aware of discounts – VCT shares trade on the stock market, but often at a discount to the underlying value of the fund's investments. That shouldn't be a problem for long term investors, who will receive the majority of their return through tax free dividends as well as underlying growth. However, it's something to be aware of and is another reason these should be treated as long term investments.
4. Capacity limits - If you see something you like, it can pay to act quickly. VCTs have limited capacity each year and popular offers can quickly reach capacity and close to new investors. Some VCT managers also offer lower fees to investors who invest soon after an offer opens.

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