GROWTH INVEST

EXTRACT FROM:

SPOTLIGHT: TAX EFFICIENT INVESTING

SUPPLEMENT

Managing Tax Efficient Businesses Simply is Key

Daniel Rodwell managing director at GrowthInvest, explains why more support and education is needed in order to help advisers make better use of opportunities in the tax efficient universe.

Q: How long have you been involved with the tax efficient investments?

I was a founding investor in GrowthInvest, then named Seed EIS Platform, back in 2012. I had been working in the equity derivatives market for 16 years prior to that, initially trading institutional capital then managing trading businesses. I began investing in early stage EIS companies around 2005.

Q: What attracted you to work in this space, and to build the GrowthInvest Platform?

I believe that investment in young companies, alongside the tax reliefs available, represents a realistic portfolio choice for suitable investors seeking portfolio growth. I also feel there is the potential for significant growth in the market, alongside the scope for technology to improve the efficiency and transparency of the market as a whole. I have direct experience of this having transitioned a previous business from open 'outcry' floor-based trading to the highly-efficient screen-based trading that exists today.

GrowthInvest was originally founded by a wealth manager and the platform was designed for advisers. We believe the tax efficient arena is one where advisers can add real value to client portfolios and that more advisers should be using these products. For that to happen we needed to provide support, education and an environment where advisers can manage their tax efficient business in a simple and familiar way and therefore provide the best level of service to their clients.

"We think of GrowthInvest as a centralised hub where advisers can do everything they require"

Q: What are the three best features of your platform for advisers?

Investment Universe: In a world where diversification is increasingly important, we provide advisers a single environment to research, compare and then invest into an ever-increasing universe of tax efficient products on behalf of their clients.

Asset Consolidation: Advisers are able to register and consolidate historic investments. This enables them to provide accurate and comprehensive portfolio management and reporting across the entire tax efficient sector. It

also removes the need to contact multiple providers for updates, valuations and HMRC documentation, as well as providing greater transparency on the underlying investments

Integration: We think of GrowthInvest as a centralised hub where advisers can do everything they require. As such, we provide simple integrations and links to third party analysts, Companies House, HMRC and adviser back office solutions.

Q: What does the GrowthInvest Portfolio Service offer advisers and their clients?

The Portfolio offers advisers and investors diversified access to the very best companies that have listed on our platform. We review hundreds of applications per annum, only list around 30-40 on the platform and invest in only 5-10 per vintage.

We specialise in companies that have a small amount of revenue but are not quite large enough to be of interest to the Venture Capital world. Within this 'Seed' stage investment we feel there is the ability to deliver large returns by working closely with portfolio companies. Alongside this we have strong relationships with later stage investors, with whom we always work to curate an exit opportunity where possible.

The portfolio will only consist of companies that we have conducted significant due diligence on, and that we know we have people within our network that can help them to succeed.

Q: What is the targeted return?

The target return on the blended SEIS/EIS portfolio is £2 for every £1 invested, net of all fees. We intend to achieve this outcome over an average of five years.

Determining an Evolutionary Moment for Tax Efficient Platforms

Investments in the VCT sector has traditionally lagged in terms of the technology, and infrastructure available for investors. This is finally changing, says David Lovell, operations director at GrowthInvest.

As the politicians make their various, mostly unfounded, claims on the best route forward for the UK post-Brexit economy, there are few on either side who contradict the suggestion that small UK businesses, the start-ups and the scale-ups, are likely to be at the heart of any future thriving UK economy.

The UK's thrusting technology and IT sector is well-regarded across the globe, and the Autumn Budget has confirmed and enhanced the government's support to growth businesses and investors through the EIS and VCT markets. The investment infrastructure for this sector is now also changing and there are several factors behind the emergence of tax efficient investment platforms.

Platform Giants

The current position for tax efficient investments has many parallels with the initial adoption and use of adviser platforms 15 or 20 years ago which, despite initial resistance from some advisers and fund managers, now sees over 90% of investment and pension flows through financial adviser marketplace. Most of this flows through one of the 15 or so specialist adviser platforms, many with subtle and slightly different market propositions.

These trailblazers have ensured there is a clear and well-understood set of benefits for advisers and their clients to use platforms: including transparency, flexibility and investment choice. They also allow the adviser to lessen the administration and focus on their job. The client gets a cost effective and clear view of their portfolio. Nearly exactly the same service is now available in the tax efficient market.

The Patient Capital Review and the subsequent Autumn Budget have absolutely focused on growth investment. The tightening of the rules around qualifying companies, inevitably means there is a general move up the risk scale. While government shares in this risk through tax advantages, the only real way to manage risk is to ensure that there is proper diversification across a client's portfolio. This should mean diversification across product providers, sectors, as well as the underlying investments. The best and easiest way to do this, while clearly demonstrating that a wide range of investment options have been considered, is on a platform.

There is a growing acceptance among product providers that allowing their clients to use the available technology to make investments in a manner in which they chose is perfectly reasonable.

The last 12 months has seen a change in attitude and there are a number of good initiatives at play. These include proper integrations with adviser's back office and online systems, and proper online applications. Online document storage, portfolio valuations and access, an easy-to-use client portal, are becoming minimum standards and expectation. The HMRC continues to work closely with trade organisations and key industry players to bring processes into the 21st century and away from a reliance on the Royal Mail.

Mainstream Investing

A recent adviser survey that GrowthInvest conducted on behalf of EISA showed that over 52% of advisers thought they were likely to do more EIS and tax efficient investments than in previous years. The HMRC is already seeing an increase in revenue from savers who have exceeded their lifetime allowances and a sensibly managed tax efficient portfolio, with clearly managed risk should become a much more commonly seen retirement solution.

A client solution this powerful needs to be properly managed on a platform that allows the adviser to focus on the advice and the investments. The technology is clearly available, and the time is right.

If you have any questions, please contact us

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