

Nova Cofoundery SEIS & EIS Fund



Case Study: *Building a Tax Efficient Growth Portfolio*

Scenario Jim earns £500,000 a year, has maxed his pension and pays lots of income tax, he anticipates this will be the case for the next 5 years.

Problem He'd like to establish a broad portfolio of high growth, high risk investments, the performance of which is not likely to be linked to that of his other index linked or property related investments. Ideally he'd like to take advantage of SEIS and EIS to effectively channel his income tax payments into his portfolio paying no capital gains tax on exit.

Solution Jim invests £100,000 per year for the next 5 years into the Nova Cofoundery Fund. Splitting each investment into 2 tranches of £50,000, one in May to August and one in December to March. This ensures 20 additional portfolio investments each year, maximising diversification.

Financial Performance

Assuming

- 20% year on year growth in the Nova portfolio (Nova historically have achieved 84% growth)
- 50% of investee companies fail within 3 years (in line with Nova's current and historical performance)
- 20% of the value of investments held for over 3 years are exited each year (compliant with SEIS and EIS)

Tax Year	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28	2028/29
Investment	£100,000	£100,000	£100,000	£100,000	£100,000					
Portfolio Investments	20	40	60	80	100	100	100	100	100	100
Income Tax Relief	£42,000	£42,000	£42,000	£42,000	£42,000					
Loss Relief		£6,525	£13,050	£13,050	£13,050	£13,050	£6,525	£0	£0	£0
Realised Portfolio Returns				£20,000	£44,000	£72,800	£103,360	£135,232	£147,718	£156,590
Investor Cashflow	£-58,000	£-51,475	£-44,950	£-24,950	£-950	£85,850	£109,885	£135,232	£147,718	£156,590
Cumulative Cashflow	£-58,000	£-109,475	£-154,425	£-179,375	£-180,325	£-94,475	£15,410	£150,642	£298,360	£454,950
Unrealised Portfolio Returns	£100,000	£220,000	£364,000	£516,800	£676,160	£738,592	£782,950	£804,308	£817,452	£824,352

Summary

A net cash outflow of approx £180,000 over 5 years delivers cash returns and residual assets of over £1.2M over 10 years.

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