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Merger brings 1,000 rich investors together

By Richard Tyler

GROWING companies can now access more than 1,000 wealthy private investors in one place following the merger of two of the largest alternative finance networks.

Hotbed, one of the pioneers of portfolio investing in private companies, has been acquired by Connection Capital, set up in 2010 by two former Hotbed partners.

The newly-enlarged group will retain its focus on supplying growing trading and commercial property

companies with equity or debt of up to £10m.

Hotbed backed 96 companies, raising £96m since it was founded in 2002. Deals have included backing No Saints, the leisure venture set up by the founder of Luminar nightclubs, and the Stratford Travelodge Hotel at the Olympic Park. It exited from 15 of its investments, including three via the Alternative Investment Market, as of 2011.

Claire Madden, partner of Connection Capital, said: "Hotbed is a perfect fit for our

growing business, where we see significant growth potential."

Connected's 280 existing investors had a combined net worth of more than £3bn. They make investments of at least £25,000 in each venture they decide to back.

The merger comes as a Treasury review of the availability of non-bank finance prepares its report ahead of the March Budget. The review, led by Tim Breedon, the chief executive of Legal & General, is examining how new sources

of finance can be encouraged.

Investment in young companies is also being boosted via a one-year tax break that amounts to 78pc of any qualifying funding.

The Seed Enterprise Investment Scheme launches on April 6. Investors, including family, friends and even company founders controlling less than 30pc of the equity, can invest up to £100,000 in a business that is up to two years old. It must also have assets of less than £200,000 and a workforce of fewer than 25 people.