

Oxford Technology VCT

Strategy July 2021

Existing portfolio

Net assets of £2.7m at 28 February 2021 of which £41k was net cash.

Net assets of £2.5m at 31 May 2021, mostly attributed to a softening of the Scancell share price. The portfolio consists of:

- **Scancell**, valued at £1.15m in May. Listed on AIM. Substantial share price movement during the course of the last 18 months which you will all be aware of. Working on a Covid vaccine, but we see cancer immunotherapy technology as the core of the 'risk adjusted' value proposition. Scancell's share price (bid) was 22.5p at 28 February 2021 and 19.5p on 31 March 2021
- **Select Technology**, valued at £0.98m in May. The change in business direction 3 years ago is taking time to bed in, and been delayed by Covid. I will be joining the board in August 2021 to support the company as it seeks to maximise shareholder value.
- **BioCote**, valued at £208k in May. Performing solidly, and a regular dividend payer.
- **Getmapping**, valued at £74k in May. Had a difficult year, but is showing signs of life.
- After the year end, OT1 diversified its portfolio and acquired £90k worth of qualifying shares in **Arecor** as part of that company's AIM IPO in May/June 2021, and the share price has been fractionally above the IPO price since. OT1's investment was funded by a small realisation of the company's holding in Scancell. Arecor has raised £20m in this funding round. The Board and OTM believe Arecor will continue to progress within that period, with another significant next inflection point within the next 2-3 years.
- We see this investment in Arecor as a prudent diversification within the Oxford 'stable'.

Strategic position

- OT1 is the oldest of the four Oxford VCTs. The portfolio is relatively stable, and has some substantial upside potential. OT1 has at times been seen as a ‘Scancell vehicle’, and it is true to say that of all the companies in the portfolio, it has the greatest chance of creating a ‘knock-out’ return based on its cancer immunotherapy technologies and – possibly – a Covid vaccine.
- The other companies in the portfolio provide a degree of balance & resilience, including cash generation and exposure to different markets
- In the view of the Board, maintaining the VCT wrapper for the time required remains sensible to ensure distributions are tax free to qualifying shareholders. The VCT also provides a very tax efficient way to hold the investments listed on AIM
- Some shareholders also have deferred capital gains on their original investment, and a liquidation of the portfolio could result in some of the cash distributed being immediately defrayed in additional taxation
- The Board is also aware that annual holding costs reduce returns to shareholders. Costs have been substantially reduced over the years, and the portfolio has – in the past – covered these costs from income, though that is not currently the case.
- For a number of years we have sought a partner who will enable the asset base to be increased, and hence allow a spreading of costs. This would ensure the drag of costs would be reduced to existing shareholders. Discussions are ongoing, and you will note that OT2 have made an announcement on this matter today. We continue to look at options for OT1 and will keep shareholders updated.

The Board strongly recommends shareholders support the continuation vote

- The deal being discussed with the new manager for OT2 may allow some or all of the Oxford VCTs to merge into separate share classes within a single VCT. The Board believes this could be very beneficial for OT1 shareholders. This will allow:
 - A material reduction in annual costs charged to the existing share class
 - The main existing assets to be realised at an optimum point, and proceeds distributed to shareholders
 - Ultimately conversion of current OT1 shares into those of a much larger share class with increased liquidity giving shareholders the chance to fully realise their shareholding
- Further announcements will be made as soon as any definitive arrangements (if any) have been agreed.
- Shareholders will have the chance to ratify any such proposals at an EGM.

The Board views the future with optimism and encourages shareholders to endorse the strategy by actively supporting the continuation vote resolution at the AGM (as well as all the other resolutions)