

Oxford Technology 2 VCT

Strategy July 2021

Existing portfolio

Net assets of £1.3m at 28 February 2021 of which £211k was cash. Net assets slightly higher at end May

- **Arecor**, valued at £420k in February and £607k in May following flotation on AIM. We are unlikely to be able to realise for up to 2 years due to trading restrictions. 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.
- **Scancell**, valued at £281k in February and £246k in May. Also listed on AIM. Originally bought to support the Company's liquidity, but proving a worthwhile investment and again, further considerable further upside expected. Similarly, probable next inflection point 2-3 years away.
- **Select Technology**, valued at £249k in February. The change in business direction 3 years ago is taking time to bed in, and been delayed by Covid. Alex Starling will join the Board to support the company reach a realisation point for the VCTs
- **ImmBio**, valued at £59k in February. Technology still has potential; one commercial licence agreed with CNBG, but a trial with another party is needed to help deliver next milestone payment. Company to be mothballed as it is not currently doing further in house development, but the technology to be maintained by Liverpool University. This is now a likely binary result. It may fail completely, or an inflection point will occur relatively soon.
- **Insense** valued at £56k at end February is again several years from its technology becoming potentially very valuable
- **Inaplex** valued at £2k at end February
- **Plasma Antennas** valued at £56k in February – loans to be redeemed in near future
- **Oxis** in administration and no value expected

Strategic position

- The Board considers shareholders have waited a long time for returns, and it is unwise to seek to wind up the portfolio until the increase in value of the three largest businesses has crystallised - but more time is needed
- 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
- Following the under-subscribed tender offer in 2017, the Board currently envisages future returns to shareholders are likely to be via the more cost effective dividend route.
- Some shareholders also have deferred capital gains on their original investment, and a liquidation of the portfolio could result in much of the cash distributed being immediately defrayed in additional taxation
- The Board is also aware that annual holding costs, despite these being extremely tightly controlled reduce returns to shareholders
- The Board have regularly considered a merger of (some or all of) the OT VCTs, but the payback of such a transaction is too long on a stand alone basis
- For a number of years we have also 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
- We believe we may have found such a partner and hope to make an announcement soon.

The Board strongly recommends shareholders support the continuation vote

- The deal being discussed with the new manager is expected to allow:
 - a material reduction in annual costs charged to the existing portfolio
 - a chance for those investors who have deferred gains to allow these to be held over for longer (hopefully indefinitely)
 - the portfolio further time to mature, and hence enable better value to be returned to existing shareholders in due course
 - the release of some funds that are otherwise needed to be held to cover going concern requirements, which the Board anticipate being able to pay out as an early dividend.
- Shareholders will be asked to ratify any such arrangements (to be presented in a separate circular and subject to shareholder approval at an EGM) as soon as possible
- Meanwhile further discussions continue - as there may be an opportunity to merge some (or all) of the other VCTs into an enlarged VCT vehicle (each with their own share class), which may provide further savings to OT2 shareholders, and would provide shareholders in any of the merged entities similar benefits to those above (noting that OT4 shareholders do not have deferred gains). Such a merger may be more viable when a fund raising prospectus is already being produced
- Further announcements will be made as soon as any definitive arrangements (if any) have been agreed and documented between OT2 and the new manager.

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)