

14 reasons for investing and one reason for not investing in the Oxford Technology Combined SEIS & EIS fund - OT(S)EIS.

1. You get a portfolio of SEIS investments in high potential reward science-based companies. So the risk is spread.

2. The share price of the first SEIS round is often a small fraction of the share price of the subsequent EIS rounds. So you get in on the ground floor.

Here are some actual examples:

A. The initial after-tax share price of the investment in Ducentis, in 2015, was 7p (14p with SEIS relief). The later investment, in 2019 was at 49p (70p with EIS tax relief), so a multiple of 7 x the original OT(S)EIS investment. (The exit share price was £1.20 in cash and a further £1.36 in Arcutis shares (Arcutis share price at the time of the deal), so a multiple of 36 times the original share price via an investment in OT(S)EIS, with further potential milestones worth £33 per share to come. It looks as though the first milestone (another 61p per share) will happen in H2 2025.

B. The original after-tax OT(S)EIS investment in Expend was 0.0025p per share. The intermediate after-tax share price was 11.2p, a multiple of 45 times the original share price of those who invested via OT(S)EIS, and the latest share price paid by incoming investors has been 21p (30p with EIS relief) a multiple of 84 times the original OT(S)EIS price. There is no exit in sight, (although there have been some approaches) but if and when this happens the return to OT(S)EIS shareholders should be substantial.

C. The initial price of the OT(S)EIS investment in ONI was 1p (2p with SEIS tax relief). The share price at which ONI raised \$75m in 2022 was 21p per share, a multiple of 21. Again, we do not know when an exit might come, but when it does OT(S)EIS investors should do very well. And any gains will be tax free.

D. The initial share price of the OT(S)EIS investment in Refeyn was 20p (40p with SEIS tax relief). The intermediate share price at which Refeyn later raised £18m was £3.50, so 17 times greater. The accounts to 30 Jun 23 showed sales of \$23m, up from \$14m the year before and with \$61m in cash in the balance sheet. It is not clear when an exit may occur, but when it does the outcome is likely to be very good for the early OT(S)EIS shareholders.

E. The initial investment in PolyCAT through OT(S)EIS in 2018 was at 1.5p per shares (3p with SEIS tax relief). The investment in 2022 was at 17.5p, a multiple of 11.

F. The initial investment in Curileum in 2016 was at 32p per share (63p with SEIS tax relief). There were some early difficulties and later in 2016, until Mar 2019, the company raised capital at 21p (31p less EIS tax relief). Since 2022 the company has been raising capital at £2.80 (£4 less EIS tax relief) so 8 x the initial share price and 13 x the intermediate share price.

3. The tax breaks of SEIS investments are significantly better than the still large tax advantages of EIS investments. And these advantages are now more relevant after the changes announced in the 2024 budget.

4. Investors in OT(S)EIS get investments in which they might not have chosen to make a direct investment. All the investments that we make have the possibility of achieving large rewards if they go well. But it is very difficult to predict which ones will be the stars. The following is a quote from a grateful investor in OT(S)EIS. *“I do acknowledge the choice of this firm (Ducentis) for investment was entirely yours, a very good choice, and not one I would have made myself. All credit to OT.”*

5. Having specialised in investing in science start-up companies for more than 40 years, we are well known in our niche and receive a large deal flow (about 1,000 propositions per year). We make about five investments per year. Having such a large choice is helpful. Some of those who approach us are friends of people in whom we have invested before. Sometimes we get people approaching us saying “We would like you to invest in us and if you will, we won't approach anyone else.”

6. We get actively involved with our investees, especially in the early days while the business model and pricing is being developed. In many cases this involvement takes the form of a short (maybe 30 minutes) zoom call every fortnight or every month. By this means we get to know the founders and the businesses very well and are often able to help in ways which are hard to predict in advance.

7. Those who invest in OT(S)EIS automatically get the opportunity to make follow-on, usually EIS investments in the companies in which they are already shareholders by virtue of their investment in OT(S)EIS. The companies which are

raising additional capital will write to all shareholders informing them of their pre-emption rights, and often these companies will also make presentations at the regular online WOTAN meetings (10am on the first Thursday of every month).

8. When OT(S)EIS started, in 2012, when the SEIS scheme was introduced, we told our initial investors that the maths said that it should work. The SEIS scheme has the government-intended effect of greatly reducing the losses on the failures (typically to about 25% of the sum originally invested, but even a bit less if investors have capital gains tax to pay) while the gains on the winners can be large and are tax free. Now, 12 years later we have the data to show that it does indeed work. Investors in the first four years of the fund are showing a gain, (including both cash back from tax refunds and exits, and including the value of the as yet unsold shares) of 3, 5, 6, and 4 times their total investment in the fund. The one disadvantage of investing in OT(S)EIS is that the investment is illiquid and long term. In practice, we have very little influence on the timing of exits. But exits do come in the end. (This is the reason for not investing in OT(S)EIS.)

9. We act with decision and move quickly. So if we do decide to invest, we typically transfer the money within a day or two and we don't use lawyers, so there are no legal fees. We use our short standard agreement which is written in English and understandable. If, at a later date, much larger sums are raised, then more formal legal agreements are usually required by the incoming investors.

10. WOTAN (Wider Oxford Technology Angel Network) can often be very effective at raising additional investment for the companies in which we have made initial SEIS investments. WOTAN holds a zoom presentation at 10am on the first Thursday of every month. Typically 2 or 3 of our existing investees give 10 minute pitches to investors. Often companies presenting at WOTAN raise £100k - £250k within a few days. For example, in November 2024, two of our OT(S)EIS investees presented. Nikalyte was seeking up to £150,000 and My Celsius up to £250,000. Both companies were oversubscribed with the money in the bank within a week. This is very helpful indeed to the companies concerned. It means that the founders can return to doing what they should be doing - improving their product/service and making sales, rather than spending time talking to investors, who sometimes take months to make up their minds. This, in turn is good for the future success of the companies and their future valuations.

11. We send all investors in OT(S)EIS a valuation statement every quarter, detailing the all the shares purchased, the price of the shares, the fees, and the

latest valuations of all the shares held. We also send the quarterly report which has a page of information on each of the investees. The latest report may be downloaded from this website. It is very transparent. There is even a table showing all the failures and the losses on each. Also a table of the exits and the gains on these.

12. We do all the work. We choose the investments. We do all the work required to secure the SEIS and EIS tax forms which enable investors to claim the tax reliefs. We get actively involved with the investee companies, particularly in the early days to help them in whatever way we can, particularly with regards to the business model and pricing. The scientists in whom we invest may be brilliant scientists but they will not before have negotiated a deal with an American distributor.

13. Both Andrea and I, the founder managers of OT(S)EIS have invested in the fund. In my own case, I have invested in the fund ten times and have shares in every single one of the investee companies. So we are putting our money where our mouths are and have been very pleased with the financial returns to date. Of course we cannot guarantee that returns will be as good in the future, but we believe that they will be, and hope that they will be even better.

14. Lastly, the investments are interesting. Small start-up companies doing new things in new markets move fast and often change quite significantly over the first few years, discovering unforeseen applications for their technology and often developing new technology along the way. Following their development via the quarterly report is interesting. The same could not be said for almost all types of investment. Most investments are about sterile money and financial returns. An investment in OT(S)EIS has this aspect, but is also about ideas, enabling founders to fulfil their dreams.

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