THE O2H HUMAN HEALTH EIS KNOWLEDGE INTENSIVE FUND

o2h Ventures

	Positives	Issues
Why invest	▶ **Strategy:** To invest in companies developing new therapeutics, AI companies accelerating development and enabling service companies.	▶ **Track record:** As a relatively new manager in the sector, o2h only has a record of deployment to date.
The investment manager	▶ **Team:** The o2h team is highly experienced in its specialist area, with plans to add to its support infrastructure.	▶ **Team size:** The investment team is relatively small, although it has surrounded itself with strong support from its network.

Nuts & bolts

- **Investing:** The fund operates with six-monthly closes. This is an HMRC Approved Knowledge Intensive Fund, the first of such funds in the market.
- **Diversification:** Portfolio of between five and ten companies across three subsectors.
- **Valuation:** Valuations will be provided semi-annually, with online access. The expectation is that most of these will be based on the latest transaction price.

Fees

- **Fees:** Mixture of direct fees, and charged via the investee companies.
- **Performance fee:** 20% on gains over a return of total capital invested.

Risks

- **Risk mitigation:** o2h Ventures aims to mitigate risk by investing in companies that the manager knows well; only following on when milestones have been reached, and diversifying across a range of areas.
- **Target return:** The target return for the fund is a 20% IRR over three to seven years. While the prospect of secondary sales makes this timescale more realistic, and successful companies will give an excellent return, there is a real risk of loss for those that don't.

	Manager information (Jun'23)	Contact details

Analyst

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- ***Scheme assets:*** *£3.7m*
- ***Scheme target:*** *£10m*
- ***EIS assets:*** *£8.0m*
- ***Total FUM:*** *£8.0m*
- ***Fund launch date:*** *2018*

Ownership

Sunil Shah, Prashant Shah, Managing Partners

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Important Notice to Readers

This report has been commissioned by our Client, o2h Ventures Limited, and is provided for informational purposes only. The contents should not be interpreted, in any respect, as offering investment advice, nor be viewed as a substitute for readers' own due diligence.

Our Client has confirmed that, to the best of their knowledge, this report contains factually correct information at the time of publication, and that the content is not misleadingly presented. Potential investors should seek updated information prior to any financial commitment, and acknowledge that future outcomes may differ materially from current expectations.

Investing in early-stage growth companies is a high-risk activity. Access to liquidity may be totally or highly restricted. Investors should seek appropriate professional advice before deciding whether to make a financial commitment.

For further information relating to the Client's activities, please contact management directly.

The attention of readers is drawn to important disclaimers printed at the end of this document.

Factsheet

o2h Human Health EIS Knowledge Intensive Fund	
Product name	The o2h Human Health EIS Knowledge Intensive Fund
Product manager	o2h Ventures Ltd
Investment adviser	n/a
Tax eligibility	EIS
Target return	IRR of 20%
Target income	None
Type of product	Discretionary managed service structured as an Alternative Investment Fund
Term	Three to seven years
Sectors	Pharmaceuticals and Biotechnology
Diversification:	
Number of companies	5-10
(Expected) Gini coefficient	0.1-0.2

Fees	Amount	Paid by
Initial fees:		
Initial fee	2.4% (incl. VAT, non-advised) 1.8% (incl. VAT, advised)	Investor
Arrangement fee	Avg. 2.4% (incl. VAT)	Investee company
Annual fees:		
Annual fee	2.4% (excl. VAT) of investment reducing to 1.2% (excl. VAT) after five years	Investor – see *Fees* on page 10
Monitoring/director fee	Up to 1.5% (excl. VAT) for three years	Investee company
Exit fees:		
Performance fee	20%	Investor share of aggregate proceeds above £1.00
Advisor fee facilitation		Yes
Advisor fee amounts		As agreed with investor up to 3%
HMRC Approved fund		Yes
Advance Assurance from HMRC		Yes
Reporting		Semi-annually
Minimum investment		£25,000
Current funds raised		£3.2m
Fundraising target		£10m
Closing date(s)		5 April and 31 October
Expected exit method		Secondary sale, trade sale, IPO or other exit opportunity

Source: o2h Ventures, Hardman & Co Research

Fund aims

The o2h Human Health EIS Knowledge Intensive Fund is a discretionary managed portfolio service structured as an Alternative Investment Fund and focused on investing in a portfolio of companies that develop therapeutics or supply services to such companies. The target return is an IRR of 20%. There is no income target.

Summary of risk areas

Note: *There are generic risks from investing in EIS or unquoted companies, in addition to the specific ones commented on below. Comments on relative risk refer to other EIS investments and not to wider investments.*

Investments

Portfolio risk

Each investment will be into an early-stage company in the new therapeutics area. The target is for investors to receive shares in five to ten companies. Each investment is likely to perform independently of the others, with idiosyncratic risk dominating market risk.

The target return for the fund is an IRR of 20%, with exits in three to seven years. Each company will be a high-risk investment, and the return target seems appropriate.

Sourcing and external oversight

The founders of o2h Ventures have built a strong network in the therapeutics space through their company-building and angel activities. This is stronger in the Cambridge area, although half the investments to date have been spread across the UK. In time, there may be some follow-on investments, but the aim is to pass companies to later-stage funders in due course. We see o2h Ventures as having a good ability to source potential investments.

The Investment Advisory Committee provides external oversight, with over half of its members being external.

Ongoing support and monitoring

As per many (S)EIS managers, o2h Ventures will always seek to take at least an observer position on the board, and ensure that an appropriate person is added. Further involvement depends on the company. Typically, new therapeutic companies have highly involved support while they build their commercial and corporate capabilities. Those in the AI and enabling areas, typically, will have less involvement. Areas of support by o2h include team building, fundraising, science and opening connections to big pharma.

Exits

While therapeutic companies have a reputation for taking a long time to mature, o2h Ventures notes that later-stage capital is increasingly offering opportunities for secondary sales in companies making good progress. Given this, the target range of three to seven years may be reasonable, but some companies will take longer to exit.

Manager

Team

Although the investment team in o2h Ventures is small, it is very experienced, and has a substantial support structure around it. This includes the independent Investment Advisory Committee members, Venture Partners and the resources that the wider o2h group brings. There is a plan in place to grow the team when required.

Track record

Having launched its first fund in 2018, o2h Ventures has a successful record of deployments, but no exits as yet. As of March 2023, it had invested £6.68m into 30 companies, with an unrealised uplift on the portfolio of 30%.

Regulation

Product

Advance Assurance will be sought from HMRC prior to each company investment. The fund is the first HMRC Approved Knowledge Intensive Fund in the market.

Manager

The fund manager is o2h Ventures Limited. It is FCA-registered (number 812245), with fund management and custodian permissions. Submissions to Companies House appear to be up to date.

Risk analysis/commentary

Although o2h Ventures is a relatively new manager within the EIS space, the team brings an in-depth knowledge of its specialist area. The team is small, but this should not be a constraint, given the extensive support around it. The recent addition of the co-working space adds to that support, and also makes it more attractive to investee companies.

This is the first HMRC Approved Knowledge Intensive Fund in the market, and we note that this brings additional benefits to some investors. Despite its short history, o2h Ventures has already shown an ability to deploy assets into a range of companies.

Diversification within the fund is limited, although typical of products in the EIS area. We note o2h Ventures' preference for companies with platforms, rather than single therapeutics, and for spreading investments across different fields, both of which may offer some risk mitigation. Nevertheless, individual companies that succeed are likely to give excellent returns, but those that do not may return little or nothing. While the increased opportunities for secondary sales are supportive of exit opportunities, they may not always give the best returns, and o2h Ventures will need to decide carefully. The addition of investment enablers reduces the risk profile slightly, although these will remain a minority of the portfolio.

The exclusive focus on therapeutics is, as far as we are aware, unique within the EIS sector. This should give investors diversification benefits in a portfolio, even with some other life science funds.

Overall, while this EIS should be considered in the context of an investor's entire portfolio, and investing in this area inevitably carries risks, o2h Ventures is looking at potentially exciting investments, and these may be rewarding too.

Investment process

Deeper dig into process

Background

The UK has a strong tradition in drug development, albeit the business models have changed over time. Although large pharmaceutical companies used to fund a lot of early-stage drug research, they greatly reduced these activities some time ago. They still have great infrastructure for late-stage testing and distribution, but generally rely on smaller companies to find new compounds and demonstrate their potential before either buying them or obtaining licensing agreements.

As a consequence, the UK has built up a substantial biotech industry over the past 30 years, which is filling the discovery and early-stage development gap in which big pharma is less interested. The root of this has been a substantial research effort, with several UK universities established as global centres of excellence. It has been complemented by funding from large bodies such as the Wellcome Trust, and supportive clusters and research parks across the country.

The COVID-19 pandemic produced some high-profile UK successes: the Oxford/AstraZeneca vaccine, Oxford Nanopore's testing technology, and Synairgen's therapeutic. These are not isolated successes, and there has been a steady stream of successful UK companies over the past few years. They have encouraged many more to follow, and new technologies continue to be developed. The UK remains at the forefront of this area, creating plenty of opportunities for knowledgeable investors such as o2h Ventures.

The fund

o2h Ventures lists three main areas of interest for the fund, all of which revolve around therapeutic discovery:

- **Biotech:** the development of therapeutics, finding promising compounds, testing their efficacy and, eventually, getting approval for commercial use;

- **AI:** using machine learning and other algorithms to find new compounds or possible therapies, thereby speeding up the discovery process; and

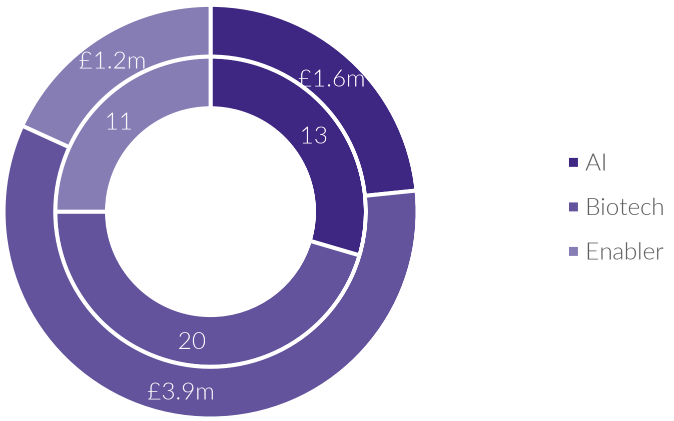
- **Enablers:** early-stage biotech companies usually outsource a large part of their activities, such as testing, and there is a growing network of service companies.

As the chart below shows, the investments made by o2h to date have been spread across all of the three areas, with biotech getting a higher proportion than the other two. The number of AI platforms has grown sharply recently, leading to o2h being fussier about new investments. Investors should expect greater exposure to the biotech and enabler areas.

Within therapeutics, o2h is more interested in platforms that can generate several compounds, rather than those with a single target, although a small number of the latter do get investment. The latter can be all or nothing, which increases the risk profile.

The investments are spread across a variety of therapeutic fields, with the track record of o2h Ventures showing that the fund and preceding angel investments have been in a variety of areas. Oncology is likely to figure in most portfolios, as o2h Ventures sees a lot of opportunities in this sector. Neurosciences, anti-infectives and multi-therapeutics have also seen several historical investments, with numerous other fields having one or two.

Historical investments by area (amount invested, number of investments)



Source: Hardman & Co Research

Both AI/machine learning and Enabler/service company investments will also be focused on therapeutic discovery areas. In the former, like in many other areas, technology and data sets have improved to the point where they can now make a meaningful impact in accelerating development cycles.

Although the service company industry is competitive, there seems to be plenty of work, with many running at capacity, including many existing investments. Most of the smaller ones have specialisms, while larger companies can't spread themselves across all areas. With technology continuing to evolve and demand likely to remain high, there should be ongoing opportunities in this area.

As investments, enabler companies have a very different risk profile from the other two areas. They are revenue-generating and can quickly become EBITDA-positive. While they may not produce the stellar returns that successful biotech companies can, they should still be able to produce good returns at a lower risk.

o2h Ventures intends to be involved in funding pre-seed to series A rounds. Beyond that, it feels that there is plenty of private capital, while there is an equity gap in these rounds. The fund is distinct in the EIS space – while a small number invest in therapeutics, this may be the only one focused entirely on them.

Overall, Hardman & Co finds the investment process and criteria to be articulated better than many others in the (S)EIS sector, especially for a relatively new entrant. As usual, discipline in its execution remains a key factor in whether it will be successful.

Sourcing deals

Sourcing for o2h Ventures depends heavily on the network of its founders and the team. From their experience of running and, particularly, marketing two contract research organisations (CROs), the founders have developed a wide range of contacts. They have enhanced this by their angel activities, particularly Cambridge Angels, and working with the venture community.

A unique source of introductions is the group's own CRO, o2h Discovery. As described above, many startups or academics use outsourced resources to test compounds. This gives o2h additional access at a very early stage, as well as an insight into which results show promise. Its investments in CROs and other enablers may bring similar benefits in time.

The team proactively markets the fund through attendance at professional conferences, and linking to universities and their spinout departments. It also follows published research, and tracks media to gather information on new or promising compounds.

o2h Ventures is based in Cambridge, which is one of the strongest locations for pharmaceutical research in the UK. The team is agnostic about location, and has invested around the UK, but the strength of its local network has led to Cambridge-based investments accounting for around half the total to date.

o2h Ventures has an SEIS fund, and follow-ons into that portfolio may represent an additional source of deals for this fund.

We find o2h Ventures' outlining of its network and sourcing capability to be very clear for such a new company. While it is aided by the limited competition in its market segment, we believe o2h Ventures has the capability to source enough appropriate investments to meet its investment targets, and it has done so to date.

Decision-making

The decision-making process follows a similar pattern to that of most EIS managers. The o2h Ventures executive team carries out the selection, appraisal and review of all potential investments, with some technical outsourcing where appropriate.

An initial process filters down the deal flow. This includes a review based on public information and a non-confidential presentation, and a call with management, which is followed by a meeting in person. If o2h Ventures is still interested, a confidential exchange of information and the starting of third-party referencing follows.

The investment process has an evaluation matrix, which includes a scorecard review by two managing partners, a market analysis that covers size, competition and attractiveness, the science of each of the biology and chemistry, valuation, the team and the business plan. Consideration is also taken of the fit with o2h Ventures, including its ability help accelerate or add value to the company.

The emphasis in the diligence process varies somewhat among the sectors. For therapeutics, the main focus is on the chemistry and biological effects of a company's compounds, together with the technical competence of the scientific staff. Commercial expertise is still desirable, but seen as less essential. For AI and service companies, the approach is more balanced: appropriate technical knowledge is still required, but management needs some business acumen too.

Most assessment of the chemistry is usually done within the investment team. This is often an early source of rejections, with the team's experience being used to assess whether a compound is suitable to become a commercial drug. There is a Head of Biology within the o2h group, who assists with biological assessments. However, assessing biology often requires specific expertise in the relevant area; so o2h Ventures often uses its contacts to outsource that process. In parallel with this, discussions start on the proposed terms.

The Investment Advisory Committee has a majority of independent members, including the chairman. It approves deals in principle, before the team and its professional advisors negotiate the final deal, and the latter conduct their diligence.

Generally, the investment process is quite lengthy. Although o2h Ventures can complete everything within three months from first contact, it is more normal for the team to be aware of a company or compound from some time before an investment is appropriate.

Investments

Typically, o2h Ventures is one of the first, if not the first, professional investor in companies. Valuations are usually low-single-digit millions, with current investments typically being £200,000-£300,000. As o2h Ventures starts to have success in fundraising, it is finding that that the proportion of equity is rising: initially, 10% stakes were typical, but the recent average is closer to 15%, and this is expected to continue to increase.

o2h Ventures aims to have five to ten investments in each investor's portfolio, with a soft target of eight. In time, there may be some follow-on investments to existing portfolio companies; however, with o2h Ventures not looking to be involved in funding after the Series A round, these will be limited. No single investment will be more than 20% of an investor's subscription.

To date, most rounds have been co-investments with other funders, often angels, but also some professional investors. In therapeutics, o2h Ventures is always the lead, and finds that other investors often rely on its diligence. It is more flexible in other areas. As it grows, it seems likely that o2h Ventures will keep a greater of proportion of rounds to itself. This should make it easier to manage growth, as it will reduce the pressure to increase deal flow.

We note that the principals of o2h Ventures have committed to making an investment of 10% of any round alongside investors. This is made through the fund, and so is on the same terms as other investors.

Exits

For therapeutics, there is now a well-established development path that will lead naturally to exits. Big pharma companies are better at marketing than drug development, although they do have the resources and capabilities to push compounds through the authorisation process too. Usually, they buy these in through startups, once they have reached the right stage of development. A secondary path to fund development through AIM listings is also available in some cases.

As indicated earlier, before investing, o2h Ventures often makes enquiries with big pharma companies about whether the latter would be interested in a company, should it develop as planned. This ongoing contact obviously helps further down the line as it pre-markets companies.

In the enabler space, o2h observes that the valuations of publicly quoted CROs have remained high, and, with demand high, they are active in seeking smaller CROs to acquire. While this may change in the future, it is a positive signal.

o2h Ventures estimates that exits will take an average of between three and seven years. While this may seem challenging, given the length of development cycles, there have been changes in the funding market. While capital remains in short supply for therapeutics at the seed stage, it is very strong later on, particularly from Series B onwards. This has led to an increase in secondaries, as this capital buys out early investors. It is noted that there have been several secondary offers in o2h Ventures founders' angel portfolios; although, so far, these have mostly been rejected.

The anticipation is that most exits from biotech and AI investments in the three to-seven-year range will be secondaries. It is likely that there will be some exits that depend on trade sales, but they would likely take slightly longer to achieve. Enablers may have a more conventional exit pattern, with trade sales dominating.

Knowledge-intensive fund

This was the first approved knowledge-intensive fund on the market. Although some others have followed, it may not be entirely familiar to investors; so we summarise the main differences from other EIS funds here.

- The tax reliefs are unchanged, but the increased knowledge-intensive limits apply; so investors can get relief on investments of up to £2m in any tax year.
- Tax relief can be claimed as of the date of investment into the fund, which has obvious advantages for tax-planning purposes. Carry-back to the previous tax year is still available. However, the tax relief is only recoverable once the fund is 90% invested.
- At least 80% of investments need to be knowledge-intensive, although the remainder need not be. o2h Ventures believes that all its investments will qualify naturally.
- There are obligations on o2h Ventures to invest within specified timescales; notably, 50% within 12 months or the close of the next fund, and 90% within 24 months. These look to be well within o2h Ventures' capabilities, have been satisfied so far, and are unlikely to be an issue.

For some, but not all, investors, these will bring significant benefits over unapproved EIS funds.

Governance and post-investment monitoring

Investors

Before being added to the portfolio, all companies will be in receipt of Advance Assurance from HMRC. There may be exceptional cases where appropriate professional advice has been obtained.

Investors will receive half-yearly reports and valuations on their holdings, which they will be able to access through o2h Ventures' online system, or they can be sent physical copies. Valuations will follow IPEV Guidelines. In practice, the majority of valuations are expected to be at the latest transaction price. As o2h Ventures may be leading and pricing subsequent rounds, there will be occasions when it is setting this valuation. Given the interim nature of these, we don't see it as a concern.

Investee companies

Like many managers, o2h Ventures ensures board involvement. Usually, this includes observer rights and an appropriate addition to the board. While a member of the team may join the board, it is more likely to be an appropriate person from its network.

o2h Ventures' involvement varies widely, although, generally, therapeutic companies get more attention. As mentioned earlier, the emphasis here is on getting the right chemistry and scientific capabilities. Often, these companies are weak on business and marketing, and o2h Ventures will provide greater support in the building up of those capabilities.

All portfolio companies are awarded golden tickets to the o2h Kickstarter Competition, which will provide discovery services from o2h Discovery at discounted prices.

Within the AI and services areas, there is usually some business and commercial capability in place. o2h Ventures supports these businesses to grow, but, with a higher baseline, there is generally a lower level of involvement. The o2h Ventures team notes that it receives regular requests from within its network for recruitment recommendations, which makes this a particularly strong area of support. In particular, biotechs without commercial experience often get assistance in bringing that in.

Since our last review, o2h has progressed with its co-working space in Cambridge. The first building is now open, with five investee companies occupying it. The aim is to enable sharing of resources and provide on-the-spot support from the o2h team, as well as generating a community. Further buildings and facilities will be added in due course.

Overall, o2h Ventures describes its approach as one of incubating companies. While this may not match the classic incubator pattern, there seems to be much similarity, with the co-working space enhancing that for those able to take advantage of it.

ESG

While the fund is not explicitly an impact fund, its focus implicitly brings social benefits. Notably, 50% of the portfolio is led by female founders (CEO or Chairperson), which puts the company at the head of this measure of diversity in the EIS fund sector.

o2h Ventures group has a target of offsetting its carbon footprint by 50% through investment in reforestation projects. It also has a Women in Science initiative to grow female recruitment at professional levels. o2h Ventures Community also encourages staff involvement with local NGOs and the community.

Track record

Hardman & Co has been supplied with data as of March 2023. As well as the KI Fund, o2h has invested through an S/EIS Fund and an EIS Fund. The character of these investments is similar — so we mostly treat them in aggregate.

With o2h Ventures having only started to invest in 2019, to date, it has invested with no exits to date. So far, it has invested £6.68m into 30 companies. Of this, £3.35m has been invested through the KI fund into 13 companies.

Within the portfolio, 14 companies are showing valuation uplifts, a couple of which are over 3.5x. There is also one almost total writedown and 15 unchanged. In aggregate, the portfolio shows an unrealised uplift of 30%.

Biotech companies can demonstrate progress through clinical studies and trials, and several companies have made progress. The investee companies have raised over £150m, substantiating the progress indicated above.

While o2h Ventures has shown an ability to deploy funds, its short history means that the performance side of its track record is limited. Nevertheless, there has been progress in both aspects since our last review, and there are some promising green shoots in its portfolio.

Fees

The fees for the EIS are set out in the table on page 3, and are a mixture of direct investor and investee company charges. These are straightforward, other than as noted below:

- **Initial fee:** o2h Ventures charges slightly higher fees to non-advised investors compared with advised investors (2% plus VAT, vs. 1.5% plus VAT).
- **Annual management fee:** The rate of 2% plus VAT will be charged for the first five years, reducing to 1% plus VAT p.a. thereafter. If any company valuations decrease below cost, then the fee will be reduced accordingly.
- **Monitoring fee:** The average rate of 1.5% p.a. is capped at £1,250 per month. Given the current size of investments, the cap is unlikely to have an effect. This is usually payable for three years. Some companies are charged a board fee of up to £1,500 (incl. VAT) p.a.
- **Performance fee:** This is charged on a fund basis, and is payable at 20% once the cumulative cash returned exceeds the subscription.

The fees charged to companies are averages, and may be more or less. o2h Ventures observes that real startups tend to have more of these waived.

Unless otherwise noted, the fees and charges are quoted net of VAT. Where investee companies have sufficient VATable revenue, the VAT can be offset, but where a company is pre-revenue or unsuccessful, this may not be the case.

Fundraising targets

The target fundraise is at least £2m by the April close. Closing dates are six-monthly, at 5 April and 31 October. As an HMRC Approved Fund, each fund must be at least 50% invested by the time of the next close, and 80% within 12 months. The aim is to fully deploy within 12 months, although funds to date have taken 12-18 months. The fund is an evergreen service; although, technically, HMRC sees each close as a separate fund, that should not affect investors.

The minimum subscription is £25,000 per investor.

As an Approved Fund, investors will get a single EIS5 certificate, instead of the usual EIS3 for each investment. o2h Ventures has had a variable experience with EIS3 certificates, with timings taking from a few weeks to a few months. So far, it has raised EIS5 Certificates well within the 24-month limit.

Fund manager

o2h Ventures was started in 2018, building on top of the angel activities of Sunil Shah and Prashant Shah, and is part of a larger o2h group. The biggest part of this group is o2h Discovery, a CRO (outsourcer for chemistry services), which employs 500 people, and has a large facility in India. The group also includes o2h Technology, which offers project management and software development, and, more recently, a co-working space. Presently, five portfolio companies are using the co-working space.

The Ventures operation is focused entirely on the EIS funds, and the team there is small. However, there is a reasonable amount of support around it, with the members of the Investment Advisory Panel and four Venture Partners all capable of supporting the o2h Ventures team, or bringing specialist knowledge when required. The wider group can also be an asset.

There are plans to grow the o2h Ventures team in due course, although this is contingent on future fundraisings. It is reassuring that there is planning in place for growth, although the team seems adequate for the current number of investments.

The Investment Committee consists of Sunil Shah, Andy Morley and Jeff Roix, with Graham Richards as the (independent) chair. The Investment Advisory Panel consists of seven members, with the majority being independent, and providing a layer of additional scrutiny.

Key people

Sunil Shah – Managing Partner

Sunil has been an active biotech investor and entrepreneur for more than 20 years. The co-founder of o2h Discovery and o2h Co-work Labs, he is a Board Member of BIA and Cambridge Angels. Has won several awards as an investor and CEO. He is a NED, Board Observer or an investor in over 20 biotech companies.

https://www.linkedin.com/in/srs27/

Prashant Shah – CEO and Co-founder, o2h Group

Also started in consulting, before co-founding Gosurprise (which became Oxygen Healthcare) with his brother. He co-founded o2h Group, started seed investing, led on the Mill SciTech Park, and has several NED/board positions, including Eastern Powerhouse.

https://www.linkedin.com/in/prashant-shah-o2h

Dr Andy Morley – Principal and Chief Scientific Officer

Has over 25 years of pharma experience. After post-doc experience in Japan, he spent eight years in chemistry research at Rhône-Poulenc Rorer. After a short spell at Aventis, he worked at AstraZeneca for 11 years. This was followed by becoming CSO at Opal Oncology in 2012. Since 2014, he has been in the same role at o2h.

https://www.linkedin.com/in/andydmorley

Jeff Roix – Principal and Translational Biologist

Spent the first 18 years of his career in various biological roles, including drug discovery with the National Cancer Institute, Novartis and BioMed Valley Discoveries. In 2015, he became COO of PhoreMost, and was founder and CEO of NeoPhore three years later. He is currently also interim CEO at Stingray Bio.

https://www.linkedin.com/in/jeff-roix-b3937a16

Catherine Beech – Independent Advisory Panel

Has had an extensive 25-year+ career in the medical industry. After 12 years in various roles, she co-founded the Cambridge Gateway Fund in 1999, where she was fund manager. Subsequently, she was CEO of Aitua, Ovel Medical Technologies and Exonate, and is now an investor and consultant for life science startups.

https://www.linkedin.com/in/catherine-beech-mb-chb-obe-5a3a3611/

Professor W. Graham Richards, CBE FRS – Independent Advisory Panel

From 1964 to 2008, was at the University of Oxford, becoming a Professor of Chemistry and head of department. He co-founded two spinouts in this time – Oxford Molecular and InhibOx. He has had various non-executive roles in the therapeutic area, and is Co-founder of Oxford Drug Design.

https://www.linkedin.com/in/graham-richards-non-executive-director

Dr Chris Torrance – Independent Advisory Panel

An oncology specialist, founded Horizon Discovery in 2007, and was CSO there until it floated in 2014. He subsequently became CEO (later Executive Chair) at PhoreMost, which is developing phenotype screening technology.

https://www.linkedin.com/in/chris-torrance-2702651

Cengiz Tarhan – Independent Advisory Panel

An accountant, moved to the University of London in 1984, followed by becoming FD at Royal Free Hospital School of Medicine. He moved to UCL as a director, before becoming Managing Director at UCL Business in 2003. He has been consulting since his retirement in 2018, and is a NED on various sipnouts

https://www.linkedin.com/in/cengiz-tarhan-354098a

Robert Boyle – Independent Advisory Panel

From 1993, had three- to four-year stints at Pfizer, Cambridge Discovery Chemistry, Millennium Pharmaceuticals and Astex Pharmaceuticals. In 2005, he founded Sentinal Oncology, where he is CEO and has built a pipeline of therapeutics.

https://www.linkedin.com/in/robert-boyle-2a41871

Appendix 1 – due diligence summary

Summary of core due diligence questions

Manager		Validated by
Company	o2h Ventures Limited	Information memorandum
Founded	2018	Hardman & Co
Type	Private limited company	Hardman & Co
Company number	OC 11397838	Hardman & Co
Ownership	Prashant Shah, Sunil Shah	Hardman & Co
FCA registration	812245	Hardman & Co
Solvency	Yes	Company
EISA member	Yes	Hardman & Co
Fund Custodian		
Company	o2h Nominees Limited	Information Memorandum
FCA registration	No	Hardman & Co

Source: Hardman & Co Research

Regulation

o2h Ventures is owned equally by Prashant Shah and Sunil Shah. Its FCA authorisation is as a Small Authorised UK AIFM (Sub-Threshold) that can only conduct investment in venture capital.

The company has limited capital, with the latest accounts (31 March 2022) giving £34,447 of capital, although this is comfortably in excess of the £5,000 requirement. Submissions to Companies House appear to be up to date.

o2h Nominees is a wholly owned subsidiary of o2h Ventures.

Appendix 2 – example fee calculations

This calculates the estimated total amount payable to the manager under certain assumptions.

Basic assumptions	
Term	5 years
Investor amount	£100,000
VAT is not reclaimed by investee companies	

Note: fees as listed on page 3. Source: Hardman & Co Research.

Calculations

		Hardman & Co standard			Target
Gross return		**-50%**	**0%**	**50%**	**149%**
Amount (pre-tax relief)		**£100,000**	**£100,000**	**£100,000**	**£100,000**
Initial fees	**Rate**				
Initial fee (investor, advised)	1.8%	£1,800	£1,800	£1,800	£1,800
Arrangement fee (paid by company)	2.4%	£2,299	£2,299	£2,299	£2,299
Total		**£4,099**	**£4,099**	**£4,099**	**£4,099**
Annual fee (1 year deducted)	2.4%	£2,400	£2,400	£2,400	£2,400
Net investment		£95,800	£95,800	£95,800	£95,800
Annual fees					
Monitoring fee (from company)	1.8%	£1,724	£1,724	£1,724	£1,724
Total over 3 years		£5,173	£5,173	£5,173	£5,173
Gross fund after investment return		£47,900	£95,800	£143,700	£238,381
Exit fees					
Annual fee balance (4 years)	1.8%	£9,600	£9,600	£9,600	£9,600
Performance	20% over £1.00	£0	£0	£6,820	£25,756
Net amount to investor		£38,300	£86,200	£127,280	£203,025
Gain (pre tax relief)		-£61,700	-£13,800	£27,280	£103,025
Gain (post tax relief)		-£32,960	£14,940	£56,020	£131,765
Total fees paid		£21,272	£21,272	£28,092	£47,029

Notes: tax relief allows for only basic relief and makes no allowance for any loss relief or other benefits. Source: Hardman & Co Research

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The full detail is on page 26 of the full directive, which can be accessed here: https://commission.europa.eu/about-european-commission/service-standards-and-principles/ethics-and-good-administration/good-administration_en

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