

Corporate Governance Update

In the RNS announcement released by the Company on 11 February 2019, reference was made to an explanation of the Company's corporate governance decisions in relation to the appointment of an executive chairman being needed. This is that explanation.

The background to this explanation is the uncertainty faced by the Company and its shareholders, following the changes to the composition of the board at, and immediately after, the Extraordinary General Meeting (EGM) on 22 January 2019. The EGM was itself the culmination of four months of internal dispute between its two major shareholders who together account for nearly 40% of shares. This dispute has cost the Company money and some credibility as well as creating shareholder uncertainty, and the new directors have been giving considerable thought to stabilising the Company and planning for its future.

We believe there is considerable support from shareholders to resolve the dispute, reduce costs and grow the Fund by moving it to be externally-managed, resulting in a clear role for an independent non-executive board but, in the short term, requiring a lot of work to set this up.

It has taken two weeks since the EGM to identify and recruit a board of three directors, with two of the three being independent. Much of the work to understand and stabilise the position has been performed by Frank Ashton. As a result of this work, the board now believes it has the resources and skills, in the absence of a permanent executive director, to bring all parties towards a common ground that allows a more viable and attractive future for all shareholders, including the two major shareholders.

At the same time, the Company is on a critical path to Annual Reporting and a very important AGM in early April, with a lot of work to tidy the position left by the previous board. In addition, regulatory reporting is still to be completed. The Company is on schedule to comply as planned, but will need further executive input from Frank Ashton to meet this timetable.

The previous Chairman, David Lawman, who remains a director, was asked to stand as a director at the General Meeting by a major shareholder and as a result is not independent. Given the knowledge Frank Ashton has gained since his appointment as an independent director, it is appropriate this knowledge and independence is leveraged to benefit all shareholders, short term in an executive role.

As a result the board has resolved to appoint Frank Ashton as Executive Chairman of the Company until the end of May 2019, in the expectation that by that time we will have reached resolutions of the various challenges facing the Company, Mr Ashton's position as Executive Chairman will be reviewed by the board following the AGM on 3 April 2019, allowing changes or any recruitment to take place as the workload reduces.

The Board notes that the appointment of an Executive Chairman, whilst not in compliance with the UK Corporate Governance Code, does not offend against the Compliance Code recommended for investment companies such as the Company by the Association of Investment Companies, and is

approved by the Financial Reporting Council as an acceptable corporate governance code for such companies.

Board Committees

As noted in the RNS of 11 February 2019, all three directors will sit on the Audit Committee (chaired by Helen Sachdev) and Remuneration Committee.