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## **Manchester and London Investment Trust Public Limited Company**

*(Incorporated in England and Wales under company number 01009550)*

### **Proposals to grant authority to allot up to 4,708,517 New Ordinary Shares on a non-pre-emptive basis, amend the management agreement to introduce a variable management fee, approve the Related Party Transactions, amend the articles of association and Notice of General Meeting**

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Notice of a general meeting of the Company to be held at ICAEW, Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA on 2 May 2018 at 2.00 p.m. is set out at the end of this document.

**Shareholders are requested to complete and return the Form of Proxy accompanying this document for use at the General Meeting. In order to be valid, the Form of Proxy must be completed and returned in accordance with the instructions printed thereon to Link Asset Services at the address shown on the Form of Proxy as soon as possible and, in any event, so as to be received no later than 2.00 p.m. on 30 April 2018.**

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## **EXPECTED TIMETABLE**

2018

Latest time and date for receipt of Forms of Proxy	2.00 p.m. on 30 April
General Meeting	2.00 p.m. on 2 May

The above times and/or dates may be subject to change and, in the event of such change, the revised times and/or dates will be notified to Shareholders by an announcement through a Regulatory Information Service.

All references to times in this document are to London times.

## PART 1 - LETTER FROM THE CHAIRMAN

# Manchester and London Investment Trust Public Limited Company

*(Incorporated in England and Wales under company number 01009550)*

*Directors:*

Peter Stanley (Chairman)

David Harris

Brett Miller

*Registered Office:*

12a Princes Gate Mews

London

SW7 2PS

6 April 2018

Dear Shareholder

## **1 Introduction**

This letter sets out the Board's proposals to seek Shareholder approval to grant authority to allot up to 4,708,517 New Ordinary Shares on a non-pre-emptive basis, amend the Articles and to approve the Related Party Transactions.

The purpose of this document is to explain the background to, and the reasons for, these proposals, and to set out the reasons why the Directors are recommending that you vote in favour of the Resolutions at the General Meeting. The formal notice convening the General Meeting is set out at the end of this document.

The Resolutions that will be put to Shareholders at the General Meeting are to:

- authorise the allotment of up to 4,708,517 New Ordinary Shares (representing 19.9 per cent. of the issued share capital (excluding treasury shares) of the Company as at the date of this document) ("**Resolution 1**");
- dis-apply statutory pre-emption rights otherwise applicable to the allotment of New Ordinary Shares such that New Ordinary Shares do not first have to be offered to Shareholders in proportion to their holdings of Ordinary Shares ("**Resolution 2**");
- approve the issue of New Ordinary Shares to the Related Party by way of any issue ("**Resolution 3**");
- approve the side letter amending the Management Agreement ("**Resolution 4**");
- approve the payment to the Manager of a risk management and valuation fee in its capacity as the Company's AIFM ("**Resolution 5**"); and
- amend the Articles to facilitate Board and Committee resolutions by email (and to make miscellaneous small changes to them) ("**Resolution 6**").

## **2 Background to, and reasons for, the Proposals**

### ***Issue of new Ordinary Shares***

The Directors believe that an increase in the size of the Company would improve liquidity and enhance the marketability of the Company's shares, resulting in a broader investor base

which should enable the Company to grow, thereby spreading fixed costs over a larger capital base and possibly reducing ongoing charges per share. As at the Latest Practicable Date, there are 23,660,891 Ordinary Shares in issue (excluding treasury shares). The Directors are keen to increase the scale of the Company through both underlying performance and the issue of further Ordinary Shares and it was for those same reasons that the Company issued 1,078,849 and 125,000 new shares in December 2017 and January 2018. The Board is now seeking Shareholder approval at the General Meeting to enable the Company to issue New Ordinary Shares up to an aggregate nominal value of £1,177,129.25 (representing 4,708,517 New Ordinary Shares), this being 19.9 per cent. of the issued share capital (excluding treasury shares) of the Company as at the date of this document.

After providing for the Company's operational expenses, the Directors would intend to direct the Manager to use the net proceeds of any issue of New Ordinary Shares to acquire investments in accordance with the Company's investment objective and policy.

### ***Disapplication of statutory pre-emption rights***

The Board is also seeking Shareholder approval at the General Meeting for the disapplication of statutory pre-emption rights as described further in paragraph 4 below. Whilst Shareholders' voting rights may be diluted, the Directors believe that this consideration is outweighed by the flexibility that a larger authority provides.

### ***Issue of new Ordinary Shares to the Related Party***

The Directors have been considering proposals by the Related Party to make further investments at net asset value which will give the Company the ability to grow and accordingly are seeking authority to be able issue New Ordinary Shares on that basis.

### ***Amendment to the Management Agreement to vary the existing management fee***

The Directors have been considering the changing fee landscape within the fund industry and the replacement of portfolio management fees and portfolio performance fees by variable portfolio management fees. Variable portfolio management fees are seen by some commentators as answering:

- competitive pressure concerns from the passive sector;
- a response to the criticism that active managers are charging too much in fees;
- an admittance that the performance elements of fund fees have historically been asymmetrical; and
- a belief that should fund performance be below benchmark returns the fee charged should be below passives and *vice versa*.

Accordingly, the Directors are seeking authority to approve the side letter varying the existing management agreement to replace the existing portfolio management fee with a variable portfolio management fee.

### ***Payment to the Manager of the Risk Management and Valuation Fee***

The Directors are mindful that currently up to £10,516 of the agreed fee for the risk management and valuation element of the existing manager's fee under the Management Agreement for the period could potentially be unable to be paid to the Manager unless authorised by Shareholders. This situation has arisen because *ceteris paribus* should any of

this amount be paid then such payment could potentially breach the smaller related party transaction definition within the Listing Rule 11.1.10R.

### ***Amendment to the Articles***

The Directors are mindful that the Articles are not the most up-to-date (as they were last updated in 2015) and do not incorporate various abilities for the Company to operate in a digital environment such as allowing Board and Committee meetings to take place via email. Accordingly, the Directors are seeking authority to amend the Articles to facilitate Board and Committee resolutions by way of email (and to make other miscellaneous small changes to them).

### **3 Issue of New Ordinary Shares**

The issue of New Ordinary Shares requires the approval of Shareholders to grant the Directors authority to allot New Ordinary Shares and also to dis-apply statutory pre-emption rights, and is therefore conditional on the passing of Resolution 1 and Resolution 2.

Conditional upon the passing of Resolution 1 and Resolution 2, an issue will be implemented by way of a placing or a series of placings (referred to as the "**Issue**") and the Company will be permitted to issue up to 4,708,517 New Ordinary Shares under the Issue (representing 19.9 per cent. of the issued share capital (excluding treasury shares) of the Company as at the date of this document) to investors without first having to offer them, *pro rata*, to Shareholders.

All New Ordinary Shares will be issued under the Issue at the prevailing (or at a premium to the prevailing) net asset value per Ordinary Share at the time of issue under the relevant placing and the issue price at each placing will not represent a discount of more than 10 per cent. to the middle market price of the Ordinary Shares at the time of agreeing the relevant placing.

In respect of New Ordinary Shares to be issued under the Issue, application will be made to the UK Listing Authority for admission of such shares to the premium segment of the Official List. Application will also be made for such shares to be admitted to trading on the premium segment of the Main Market.

The issue of New Ordinary Shares under the Issue will be implemented by way of a placing or a series of placings to or directed at fewer than 150 persons per EEA state. The New Ordinary Shares will be fungible with the Ordinary Shares already admitted to trading on the premium segment of the Main Market and they will represent, over a period of 12 months, less than 20 per cent. of the number of Ordinary Shares already admitted to trading on the premium segment of the Main Market. Therefore, a prospectus will not be required to be prepared in relation to the proposed issue(s).

The actual number of New Ordinary Shares issued and the issue price (and therefore the gross proceeds) will be notified by the Company via a Regulatory Information Service prior to the admission of such New Ordinary Shares to trading.

### **4 Authority for the Issue**

Resolution 1, if passed, will give the Directors the authority (in addition to any existing authority) to allot up to 4,708,517 New Ordinary Shares (representing 19.9 per cent. of the

issued share capital (excluding treasury shares) of the Company as at the date of this document) pursuant to the Issue.

In order for the Directors to issue New Ordinary Shares for cash pursuant to the Issue free of statutory pre-emption rights, such pre-emption rights must be dis-applied. Shareholders are therefore being asked to approve, by way of special resolution at the General Meeting, the disapplication of statutory pre-emption rights in respect of the issue of up to 4,708,517 New Ordinary Shares (representing 19.9 per cent. of the issued share capital (excluding treasury shares) of the Company as at the date of this document) pursuant to the Issue. This Resolution 2 will become effective only if Resolution 1 is also passed.

Accordingly, if both Resolutions 1 and 2 are passed, the Directors will be authorised to issue up to a maximum of 4,708,517 New Ordinary Shares for cash on a non-pre-emptive basis pursuant to the Issue. The Directors intend to use this authority when they consider that it is in the best interests of Shareholders to do so and to satisfy continuing demand for the Ordinary Shares.

Any use of this authority is expected to be neutral or accretive to the net asset value per Ordinary Share before any costs of the Issue. Whilst Shareholders' voting rights may be diluted, the Directors believe that this consideration is outweighed by the flexibility that a larger authority provides.

The authorities conferred by Resolutions 1 and 2, if passed, will lapse 12 months following the passing of those Resolutions.

Applications will be made to the UK Listing Authority and the London Stock Exchange for all the New Ordinary Shares to be issued pursuant to the authorities conferred by Resolutions 1 and 2 to be admitted to the premium listing segment of the Official List and to trading on the premium segment of the Main Market.

The New Ordinary Shares issued pursuant to the authorities conferred by Resolutions 1 and 2 will rank *pari passu* with the Ordinary Shares then in issue (save for any dividends or other distributions declared, made or paid on the Ordinary Shares by reference to a record date prior to the allotment of the relevant New Ordinary Shares). No fractions of New Ordinary Shares will be issued.

## **5 Treasury shares**

No Ordinary Shares were held in treasury at the date of this document.

## **6 CREST**

New Ordinary Shares will be issued in registered form. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of shares under the CREST system. Settlement of transactions in the New Ordinary Shares may take place within the CREST system if any Shareholder so wishes. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. Shareholders applying for New Ordinary Shares may elect to receive New Ordinary Shares in uncertificated form if such investor is a system-member (as defined in the CREST Regulations) in relation to CREST.

## 7 Considerations

Shareholders should have regard to the following when considering the issue of New Ordinary Shares:

- If 4,708,517 New Ordinary Shares are issued (being the maximum number of New Ordinary Shares that the Directors will be authorised to issue if Resolution 1 and Resolution 2 are passed) there would be a dilution of approximately 19.9 per cent. in existing Shareholders' voting control of the Company (as at the date of this document) assuming they are not being issued New Ordinary Shares under the proposed placing(s).
- The New Ordinary Shares issued pursuant to any placing will rank *pari passu* with the Ordinary Shares then in issue. However, such New Ordinary Shares will have no right to receive dividends or other distributions made, paid or declared, if any, by reference to a record date prior to the allotment of those New Ordinary Shares.
- Shareholders should be aware that the past performance of the Company or of the Manager is not necessarily indicative of likely future performance.
- The Company and its Ordinary Shares are subject to economic and market risks, including exchange rate risk, credit/counterparty risk and risks relating to the liquidity of the Ordinary Shares. The market value of the Ordinary Shares can fluctuate and may not always reflect their underlying value.

## 8 Amendment to the Management Agreement by the introduction of a variable portfolio management fee

### ***Side Letter amending the Management Agreement***

The Company entered into the Management Agreement with the Manager on 17 January 2018, pursuant to which the Manager was appointed as the AIFM of the Company due to the requirements of the AIFMD as implemented in the United Kingdom. The Manager was already the part-scope manager to the Company at the point of entering into the Management Agreement.

Under the Management Agreement, the Company agreed to pay the Manager by way of remuneration for its services, *inter alia*, a portfolio management fee equal to 0.5 per cent. per annum of the Company's net asset value (the "**Portfolio Management Fee**") and an annual risk management and valuation fee of £59,000 (the "**Risk Management and Valuation Fee**").

An amendment is now proposed to amend the Portfolio Management Fee by way of a side letter (the "**Side Letter**") to be entered into between the Company and the Manager to introduce a variable portfolio management fee that is linked to the performance of the Company against its benchmark. It is proposed that the Manager would continue to be entitled to a base portfolio management fee (the "**Base Fee**") equal to 0.5 per cent. per annum of the Company's net asset value at each calculation date (being for these purposes monthly) but that at the end of each month that fee would be subject to adjustment depending upon the performance of the Company over that 36 month period ending at the end of the month. If over the relevant 36 month period the Company's net asset value per share total return performance beats its benchmark's total return (being the MSCI UK



Investable Index (MXGBIM)) (the "**Benchmark**") over the same 36 month period, the aggregate Base Fee would be increased with an extra payment at the end of the relevant month so as to give it a portfolio management fee for that month equal to an annualised 0.75 per cent. per annum of the Company's net asset value. If, however, the total return performance is less than the total return performance of the Benchmark over the performance period the Manager shall repay such amount of its Base Fee so as to ensure that its Fee for the month period is equal to an annualised 0.25 per cent. per annum of the Company's net asset value.

This proposed change is believed to:

- better align shareholder and Manager interests;
- provide a truly symmetrical upside and downside profile for the Manager and Shareholders as opposed to traditional asymmetric performance fee structures;
- provide transparency in its operation,

and theoretically (assuming an equal chance of both outperforming and underperforming) does not increase the amount the Company pays the Manager assuming a normal distribution of underperformances and outperformances.

The current total return performance statistics for the Company and its Benchmark for the 36 month period to the end of the 31 January 2018 (being the interim period end) are 81.8 per cent. and 25.6 per cent. respectively. Hence under the methodology of calculation of the proposed variable portfolio management fee the Manager would enter the Side Letter with a period of strong outperformance in its recent 36 month historic period which will be utilised in future portfolio management fee calculations.

The Directors reviewed the management fees charged across the UK fund industry from work derived from Bloomberg Analytics which showed that the average management fee was 1.04 per cent. across a population of 347 funds within the analysis. It should be noted that this average figure remains materially in excess of the 0.75 per cent. which the Manager would earn if it outperformed the Benchmark.

The Company has utilised the same Benchmark or similarly correlated equivalent benchmark since its Admission in 1997. The Benchmark was initially utilised to gauge the success of the Company for its mainly UK domiciled investors against the leading UK equity benchmark. The Directors believe that greater than 75 per cent. of the investors in the Company remain UK domiciled and hence the Benchmark retains its relevance derived from the domicile of those investors.

A summary of the Side Letter is set out in paragraph 3 of Part 2 of this document.

### ***How the variable portfolio management fee works***

The monthly portfolio management fee will ratchet from a base portfolio management fee to a ceiling if the Company outperforms its Benchmark over the previous three-year period. On the other hand, if the three-year relative performance is negative, the portfolio management fee will ratchet to a new floor. The ceiling has been set 0.25 per cent. above the base portfolio management fee and the floor 0.25 per cent. below it. The base portfolio management fee remains at the existing 0.5 per cent. that has historically been charged by the Manager. This means the fee is completely symmetric.

### ***An example of how the variable portfolio management fee might work in practice***

Assume the Company currently charges an annual management fee of 0.5 per cent. If its portfolio performs well over a three-year period, the fee charged might rise to as much as 0.75 per cent. (this being the new base fee of 0.5 per cent. plus up to 0.25 per cent. reward for the outperformance). If its portfolio underperforms over the period, the new annual management charge could be as low as 0.25 per cent. (this being the base fee of 0.5 per cent. minus up to 0.25 per cent. to penalise the Manager for its underperformance). If its portfolio exactly matches the index, the Company will pay 0.5 per cent. so the fee will remain at the same level as it currently is set, being 0.5% per annum.

## **9 Payment of the Risk Management and Valuation Fee**

Prior to the Company entering into the Management Agreement with the Manager on 17 January 2018, BCL, being the Company's sponsor, provided on 15 January 2018 a written confirmation to the Company confirming that the terms of the Management Agreement were fair and reasonable as far as the Shareholders were concerned. This written confirmation was made in accordance with Listing Rule 11.1.10R on the basis that the entry into of the Management Agreement was a "smaller" related party transaction as defined in the Listing Rules and on the basis that of the Risk Management and Valuation Fee the Manager would not receive more than £48,484 before 6 December 2018, with the remaining £10,516 payable only subject to Shareholder approval.

Since the remaining £10,516 is now proposed to be paid to the Manager prior to 6 December 2018, Shareholder approval is being sought to approve this payment.

A summary of the Management Agreement is set out in paragraph 3 of Part 2 of this document.

## **10 Related Party Transactions**

As at the date of this document, M&M Investment Company plc ("**M&M**") and its associates, including the Manager, are related parties of the Company for the purposes of the Listing Rules. A person can be a related party for a number of reasons, including by virtue of the size of its holding in a company. In this case as M&M owns more than fifty per cent. of the Ordinary Shares, it and its associates, which includes the Manager, are related parties of the Company as defined under the Listing Rules.

Under the Listing Rules, unless a relevant exemption applies, when a company issues shares to a related party or enters into a transaction with a related party, there is a requirement to obtain shareholders' approval for that transaction. A relevant exemption would include a "smaller" related party transaction within the definition of Listing Rule 11.1.10R where the percentage ratios of the class tests are less than 5 per cent. but exceed the 0.25 per cent. threshold as set out in LR 11.1.10R(1).

The Proposals include a number of related party transactions which are summarised below:

### ***Related Party Transaction 1 – the proposed issue of New Ordinary Shares to the Related Party pursuant to the Issue***

The Company has decided that, because of the rationale given under paragraph 2 of Part 1 of this document, it should have the ability to issue New Ordinary Shares to the Related Party under the Issue in order to accept proposals to make further investments at net asset value.

Accordingly, the Directors are proposing Resolution 3 at the General Meeting, the effect of which is to permit the Company to issue New Ordinary Shares pursuant to the Issue to the Related Party.

The Related Party has undertaken not to vote on Resolution 3 in respect of the Ordinary Shares in which it is interested and will take all reasonable steps to ensure that its associates will also abstain from voting on such resolution.

The Board will not issue New Ordinary Shares to the Related Party if such issue would trigger the requirement of the Related Party to make a mandatory bid for the Company under Rule 9 of the City Code on Takeovers and Mergers.

For illustrative purposes only, assuming that 4,708,517 New Ordinary Shares are issued pursuant to the Issue, (and on the basis that there are 23,660,891 Ordinary Shares in issue immediately prior to the Issue) the maximum potential holding of the Related Party following the Issue would be 17,123,387 Ordinary Shares representing 60.4 per cent. of the issued Ordinary Share capital of the Company.

### ***Related Party Transaction 2 – the entering into of the Side Letter amending the Management Agreement***

The Company has decided that, because of the rationale given under paragraphs 2 and 8 of Part 1 of this document, it should amend the Management Agreement by way of entering into of the Side Letter to effect the change to the Portfolio Management Fee as described in paragraph 8. Accordingly, the Directors are proposing Resolution 4 at the General Meeting, the effect of which is to permit the Company to enter into the Side Letter to amend the Management Agreement.

The Related Party has undertaken not to vote on Resolution 4 in respect of the Ordinary Shares in which it is interested and will take all reasonable steps to ensure that its associates will also abstain from voting on such resolution.

### ***Related Party Transaction 3 - Payment of the Risk Management and Valuation Fee***

The Company has decided that, because of the rationale given under paragraphs 2 and 9 of Part 1 of this document, it should permit the further payment of the Risk Management and Valuation Fee to the Manager, keeping the Risk Management and Valuation Fee within the smaller related party definition under Listing Rule 11.1.1.10R.

The Related Party has undertaken not to vote on Resolution 5 in respect of the Ordinary Shares in which it is interested and will take all reasonable steps to ensure that its associates will also abstain from voting on such resolution.

## **11 Amendment to the Articles**

The Board proposes to amend the Articles to facilitate Board and Committee resolutions by way of email and to make miscellaneous small changes to them, which include:

- the ability for the Directors to participate in Board and Committee meetings by electronic communications (i.e. by email);
- the ability to make Board and Committee resolutions by way of electronic means;
- provisions dealing with the validation of documents in electronic form;

- the tidying up of the provisions relating to the right of the Board to refuse registration of a transfer to ensure that this cannot prevent the dealings of shares from taking place on an open and proper basis; and
- the insertion of provisions giving the Board the ability to serve a notice on any member to obtain relevant information to ensure its compliance with the US Foreign Account Tax Compliant Act 2010 (FATCA) or other similar laws or to ensure compliance with US tax provisions. They also provide that, if a member is in default of providing the relevant requested information or if the Board determines that the member's shareholding may give rise to an onerous obligation on the Company, the Board may require such member to sell its shares or do so on its behalf.

Accordingly, the Directors are proposing Resolution 6 at the General Meeting, the effect of which, if passed, is to adopt the amended and restated New Articles as the articles of association of the Company replacing the existing Articles in its entirety.

The proposed New Articles are available for inspection at the registered office of the Company at 12a Princes Gate Mews, London, SW7 2PS and at the venue of the General Meeting, ICAEW, Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA, up to and including the close of business on the date of the General Meeting. These include (i) a clean version and (ii) a blacklined version which compares the New Articles with the existing Articles showing all the proposed changes.

## **12 Consent**

BCL has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.

## **13 General Meeting**

The proposed issue of New Ordinary Shares is conditional on the approval by Shareholders of Resolution 1 and Resolution 2 to be proposed at the General Meeting which has been convened for 2.00 p.m. on 2 May 2018.

Resolution 1, which will be proposed as an ordinary resolution, will, if passed, give the Directors the authority to allot up to 4,708,517 New Ordinary Shares.

Resolution 2, which will be proposed as a special resolution and which is conditional on the passing of Resolution 1, will grant the Directors authority to allot up to 4,708,517 New Ordinary Shares on a non-pre-emptive basis.

Resolution 3, which will be proposed as an ordinary resolution, will, if passed, permit the Company to issue New Ordinary Shares to the Related Party.

Resolution 4, which will be proposed as an ordinary resolution, will, if passed, permit the Company to enter into the Side Letter to amend the Management Agreement.

Resolution 5, which will be proposed as an ordinary resolution, will, if passed, permit the payment of the Risk Management and Valuation Fee in full to the Manager.

Resolution 6, which will be proposed as a special resolution, will, if passed permit the Articles to be amended.

An ordinary resolution requires a simple majority of members entitled to vote and present in person or by proxy to vote in favour in order for it to be passed.

A special resolution requires a majority of at least 75 per cent. of members entitled to vote and present in person or by proxy to vote in favour in order for it to be passed.

Subject to the undertakings from the Related Party referred to in paragraph 10 of this Part 1, all Shareholders are entitled to attend and vote at the General Meeting. In accordance with the Articles, all Shareholders present in person or by proxy shall upon a show of hands have one vote and upon a poll shall have one vote in respect of each Ordinary Share held. In order to ensure that a quorum is present at the General Meeting, it is necessary for two Shareholders entitled to vote to be present, whether in person or by proxy (or, if a corporation, by a representative).

The formal notice convening the General Meeting is set out at the end of this document.

#### **14 Action to be taken in respect of the General Meeting**

Shareholders will find enclosed with this document a Form of Proxy for use at the General Meeting.

Shareholders are asked to complete and return the Form of Proxy, in accordance with the instructions printed thereon, to the Company's registrar, Link Asset Services, at the address shown on the Form of Proxy, so as to be received as soon as possible and, in any event, by no later than 2.00 p.m. on 30 April 2018.

Shareholders are requested to complete and return a Form of Proxy whether or not they wish to attend the General Meeting. The return of a Form of Proxy will not prevent Shareholders from attending the General Meeting and voting in person should they so wish.

Recipients of this document who are the beneficial owners of Ordinary Shares held through a nominee should follow the instructions provided by their nominee or their professional adviser if no instructions have been provided.

#### **15 Recommendation**

The Board considers that the proposals described in this document are in the best interests of the Company and its Shareholders as a whole. Accordingly the Directors unanimously recommend that Shareholders vote in favour of the Resolutions to be proposed at the General Meeting. The Directors intend to vote in favour of the Resolutions in respect of their holdings of Ordinary Shares, amounting to 25,205 Ordinary Shares in aggregate (representing approximately 0.106 per cent. of the issued share capital of the Company as at the date of this document).

In respect of Related Party Transaction 1, the Board, which has been so advised by BCL (as sponsor to the Company), considers that the issue of New Ordinary Shares to the Related Party is fair and reasonable so far as Shareholders are concerned. In providing its advice to the Board, BCL has taken into account the Board's commercial assessment of the effects of Related Party Transaction 1.

In respect of Related Party Transaction 2, the Board, which has been so advised by BCL (as sponsor to the Company), considers that the entering into of the Side Letter between the Company and the Related Party to amend the Management Agreement is fair and reasonable

so far as Shareholders are concerned. In providing its advice to the Board, BCL has taken into account the Board's commercial assessment of the effects of Related Party Transaction 2.

In respect of Related Party Transaction 3, the Board, which has been so advised by BCL (as sponsor to the Company), considers that the payment to the Manager of the Risk Management and Valuation Fee is fair and reasonable so far as Shareholders are concerned. In providing its advice to the Board, BCL has taken into account the Board's commercial assessment of the effects of Related Party Transaction 3.

Yours faithfully

Peter Stanley  
(*Chairman*)

## PART 2 – ADDITIONAL INFORMATION

### 1 Major interests in Ordinary Shares

As at the Latest Practicable Date, so far as is known to the Company by virtue of the notifications made to it pursuant to the Disclosure Guidance and Transparency Rules, the following Shareholders held, directly or indirectly, a notifiable interest in the Company's voting rights:

Shareholder	Number of Ordinary Shares	Percentage of voting rights	of
M&M Investment Company Plc	12,414,870	52.5%	

### 2 No significant change

Since 31 January 2018, the Company has issued no further Ordinary Shares.

Save as disclosed above, there has been no significant change in the financial or trading position of the Company since 31 January 2018, being the date to which the latest unaudited interim financial information was published.

### 3 Material contracts

#### (i) *Management Agreement*

The Management Agreement was entered into between the Company and the Manager on 17 January 2018, whereby the Manager was appointed as manager of the Company to provide AIFM management functions including portfolio management and risk management services to the Company, subject to the overall policies and communicated directions of the Board, which are at all times in accordance with the Company's investment policy and investment restrictions.

Under the Management Agreement, the Manager is entitled to the following remuneration from the Company for its AIFM services: (i) a portfolio management fee equal to 0.5 per cent. per annum of the Company's net asset value; and (ii) a risk management and valuation fee equal to £59,000. Such remuneration will be calculated as at the last business day of each calendar quarter and shall be payable quarterly in arrear. The Manager will render the services to be rendered by it at its own expense. However, the Company shall pay or procure payment of all of its expenses and all other expenses properly and reasonably incurred by the Manager on behalf of the Company. In particular, without limitation to the foregoing, any expenses to be incurred by the Manager on behalf of the Company in excess of £10,000 in aggregate annually must be pre-approved by the Board.

The Manager may effect transactions in which the Manager has, directly or indirectly, a material interest or a relationship of any description with another party, which may involve a potential conflict with the Manager's duty to the Company. Save as otherwise set out below, the Manager shall not be liable to account to the Company for any profit, commission or remuneration made or received from or by reason of such transactions or any connected transactions and the Manager's fees shall not,

unless otherwise provided, be abated thereby. The Manager however agrees that, in the event of a conflict of interest arising, it shall take reasonable steps to ensure that the conflict is resolved fairly, in accordance (so far as applicable in the circumstances) with applicable FCA rules. During the term of its appointment under the Management Agreement, the Manager shall notify the Company of any actual or potential conflict of interest which it identifies in relation to the performance of its duties under the Management Agreement and shall discuss with the Company how such conflicts of interest are to be managed. The Manager shall also comply with all applicable requirements under the AIFMD and any other applicable laws and regulations in connection with the avoidance, identification, management, monitoring and disclosure of conflicts of interest.

The Manager shall not be under any liability on account of anything done or suffered by the Manager in good faith in accordance with any written request or advice of the Company or any of its duly authorised agent(s) or delegate(s). The Manager shall be liable only for direct losses suffered or incurred by the Company in connection with the Manager's performance or non-performance of the Management Agreement only to the extent that such losses arise from the Manager's negligence, wilful misconduct or fraud or material breach of the Management Agreement or breach of the FCA rules.

The Company undertakes to hold harmless and indemnify the Manager or procure the Manager to be held harmless and indemnified against all actions, proceedings, claims and costs, demands and expenses incidental thereto which may be brought against, suffered or incurred by the Manager by reason of the proper performance of its duties in accordance with the terms of the Management Agreement in each case including all reasonable legal, professional and other expenses properly incurred in connection therewith, except such as shall arise directly from the fraud, wilful default or negligence of the Manager or directly from any material breach of the Management Agreement or breach of the FCA rules by the Manager. Nothing in the Management Agreement shall be taken to exclude or restrict any liability of the Manager arising under FSMA or any regulations made under it or the FCA rules or otherwise where such liability may not be excluded or restricted pursuant to the applicable laws.

The Management Agreement is terminable upon three months' written notice to terminate the same. Either the Manager or the Company may terminate the agreement at any time by written notice to the other party upon certain terminable events arising, such as in the event of liquidation, a material breach of the other party's obligations under the Management Agreement and (if such breach is capable of remedy) failure within 30 days of receipt of notice served by the other party requiring it to do so to make good such breach, or (in the case of the Manager's appointment) if the Manager ceases to be authorised for the purposes of FSMA or no longer has any permission required of it for the purposes of carrying out its obligations under the Management Agreement, etc.

The Management Agreement is governed by and construed in accordance with English law.



(ii) **Side Letter**

Under the Side Letter, the Company and the Manager agree to amend the Management Agreement as follows, conditional upon the passing of Resolution 4:

The portfolio management fee payable under the Management Agreement shall be amended so that the Manager shall be entitled to a base portfolio management fee equal to 0.5 per cent. per annum of the Company's net asset value (this being the Base Fee) calculated as at the last business day of each calendar month ("**Calculation Date**"), subject to adjustment upon each Calculation Date as follows:

If, over the 36 calendar month-period ending at such Calculation Date:

- (a) the total return (being an increase/decrease in net asset value with dividends and distributions reinvested) per Ordinary Share is higher than the Benchmark's total return over the same 36 calendar month-period: the Manager shall be entitled to a top up amount (in addition to the Base Fee) so that the total of such top up amount and the Base Fee relating to such Calculation Date shall be equal to the Upward Adjusted Amount instead;
- (b) the total return per Ordinary Share is lower than the Benchmark's total return over the same 36 calendar month-period: the Base Fee to which the Manager is entitled in respect of such Calculation Date shall be reduced by such an amount so that it shall be equal to the Downward Adjusted Amount instead; and
- (c) the total return per Ordinary Share is the same as the Benchmark's total return over the same 36 calendar month-period: no adjustment shall be made to the Base Fee relating to that Calculation Date.

The calculations for determining the aforementioned total returns shall be derived from data obtained from a reputable independent data provider such as Bloomberg.

For the purposes of the Side Letter, "**Downward Adjusted Amount**" means 0.25 per cent. per annum of the Company's net asset value and "**Upward Adjusted Amount**" means 0.75 per cent. per annum of the Company's net asset value.

The Side Letter also tidies up the description of the Risk Management and Valuation Fee and refers to it as a "*risk management and valuation fee equal to £59,000 per annum*".

The portfolio management fee and Risk Management and Valuation Fee shall be calculated as at each Calculation Date and shall be payable monthly in arrear and within 14 days of the invoice being received in respect thereof. In the event of a dispute over the calculation of any amount of fees payable, the Manager shall only present its invoice once that dispute has been resolved.

Under the Side Letter, the Company and the Manager also agree that the payment by the Company to the Manager of the amount of £10,516, being the part of the Risk Management and Valuation Fee in respect of the period up to 6 December 2018, shall be conditional upon the passing of Resolution 5 and that, if Resolution 5 is not passed, the above-mentioned £10,516 shall be waived by the Manager and be deemed null and void and never be payable to the Manager.

Except as expressly set out in it, the Side Letter shall not otherwise amend the terms of the Management Agreement.

The Side Letter is governed by and construed in accordance with English law.

#### **4 Documents available for inspection**

Copies of the following documents will be available for inspection during normal business hours on any weekday (public holidays excepted) at the registered office of the Company at 12a Princes Gate Mews, London SW7 2PS and at the venue of the General Meeting, ICAEW, Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA, up to and including the date of the General Meeting:

- (a) the memorandum of association and Articles of the Company;
- (b) the New Articles ((i) a clean version and (ii) a blacklined version which compares the New Articles with the existing Articles showing all the proposed changes);
- (c) the interim financial statements of the Company for the six-month period ended on 31 January 2017 and for the six-month period ended on 31 January 2018;
- (d) the audited financial statements of the Company for the year ended 31 July 2017;
- (e) the Management Agreement;
- (f) the Side Letter; and
- (g) this document.

### **PART 3 - DEFINITIONS**

In this document the words and expressions listed below have the meanings set out opposite them, except where the context otherwise requires:

<b>"Act"</b>	the Companies Act 2006, as amended from time to time
<b>"AIFM"</b>	the alternative investment fund manager as defined in the AIFMD
<b>"AIFMD"</b>	the Directive 2011/61/EU on Alternative Investment Fund Managers
<b>"Articles"</b>	the articles of association of the Company in force at the date of this document
<b>"Base Fee"</b>	has the meaning given to it in paragraph 8 of Part 1 of this document
<b>"Benchmark"</b>	has the meaning given to it in paragraph 8 of Part 1 of this document
<b>"Calculation Date"</b>	has the meaning given to it in paragraph 3(ii) of Part 2 of this document
<b>"Committee"</b>	a committee of the Board
<b>"Company"</b>	Manchester and London Investment Trust Public Limited Company
<b>"CREST"</b>	the relevant system as defined in the CREST Regulations in respect of which Euroclear is the operator (as defined in the CREST Regulations) in accordance with which securities may be held in uncertificated form
<b>"CREST Regulations"</b>	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended
<b>"Directors" or "Board"</b>	the board of directors of the Company
<b>"Disclosure Guidance and Transparency Rules"</b>	the disclosure guidance and transparency rules as set out in the FCA's handbook of rules and guidance, as amended
<b>"Downward Adjusted Amount"</b>	has the meaning given to it in paragraph 3(ii) of Part 2 of this document
<b>"EU"</b>	European Union
<b>"Euroclear"</b>	Euroclear UK & Ireland Limited
<b>"FCA"</b>	the UK Financial Conduct Authority
<b>"Form of Proxy"</b>	the personalised form of proxy provided with this

	document for use by Shareholders in connection with the General Meeting
<b>"FSMA"</b>	the Financial Services and Markets Act 2000 as amended or re-enacted from time to time
<b>"General Meeting"</b>	the general meeting of the Company to be held at 2.00 p.m. on 2 May 2018 for the purpose of approving the Resolutions
<b>"Management Agreement"</b>	the Management Agreement entered into between the Company and the Manager on 17 January 2018
<b>"Manager"</b>	M&L Capital Management Limited
<b>"Issue"</b>	has the meaning given to it in paragraph 3 of Part 1 of this document
<b>"Latest Practicable Date"</b>	5 April 2018, being the latest practicable date prior to the date of this document for ascertaining certain information contained herein
<b>"Listing Rules"</b>	the listing rules made by the UK Listing Authority under section 73A of FSMA
<b>"London Stock Exchange"</b>	London Stock Exchange plc
<b>"Main Market"</b>	the main market for listed securities operated by the London Stock Exchange
<b>"M&amp;M"</b>	M&M Investment Company plc
<b>"New Articles"</b>	the amended and restated articles of association proposed to be adopted upon Resolution 6 being passed
<b>"New Ordinary Shares"</b>	new Ordinary Shares to be issued pursuant to the Issue
<b>"Official List"</b>	the official list maintained by the UK Listing Authority
<b>"Ordinary Shares"</b>	ordinary shares of nominal value 25 pence each in the capital of the Company
<b>"Portfolio Management Fee"</b>	has the meaning given to it in paragraph 8 of Part 1 of this document
<b>"Proposals"</b>	issue of New Ordinary Shares, amendment of Management Agreement and introduction of variable management fee, Related Party Transactions and amendment of Articles as described in this document
<b>"Register of Members"</b>	the register of members of the Company
<b>"Regulatory Information Service"</b>	a service authorised by the UK Listing Authority to release regulatory announcements to the London Stock

	Exchange
<b>"Related Party"</b>	M&M and its associates including the Manager
<b>"Related Party Transactions"</b>	the proposed transactions with the Related Party described in paragraph 10 of Part 1 of this document
<b>"Related Party Transaction 1"</b>	the proposed transaction with the Related Party described under the sub-heading relating to "Related Party Transaction 1" in paragraph 10 of Part 1 of this document
<b>"Related Party Transaction 2"</b>	the proposed transaction with the Related Party described under the sub-heading relating to "Related Party Transaction 2" in paragraph 10 of Part 1 of this document
<b>"Related Party Transaction 3"</b>	the proposed transaction with the Related Party described under the sub-heading relating to "Related Party Transaction 3" in paragraph 10 of Part 1 of this document
<b>"Resolution 1"</b>	the ordinary resolution to be proposed at the General Meeting to grant the Directors authority to allot up to 4,708,517 New Ordinary Shares under the Issue
<b>"Resolution 2"</b>	the special resolution to be proposed at the General Meeting to dis-apply statutory pre-emption rights otherwise applicable to the allotment of up to 4,708,517 New Ordinary Shares under the Issue
<b>"Resolution 3"</b>	the ordinary resolution to be proposed at the General Meeting to authorise the allotment of New Ordinary Shares under the Issue to the Related Party
<b>"Resolution 4"</b>	the ordinary resolution to be proposed at the General Meeting to permit the Company to enter into the Side Letter to amend the Management Agreement
<b>"Resolution 5"</b>	the ordinary resolution to be proposed at the General Meeting to pay the Risk Management and Valuation Fee
<b>"Resolution 6"</b>	the special resolution to be proposed at the General Meeting to amend the Articles
<b>"Resolutions"</b>	the resolutions to be proposed at the General Meeting in connection with the Proposals
<b>"Risk Management and Valuation Fee"</b>	has the meaning given to it in paragraph 9 of Part 1 of this document
<b>"Shareholder"</b>	a holder of Ordinary Shares

<b>"Side Letter"</b>	has the meaning given to it in paragraph 8 of Part 1 of this document
<b>"UK" or "United Kingdom"</b>	the United Kingdom of Great Britain and Northern Ireland
<b>"UK Listing Authority" or "UKLA"</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>"Upward Adjusted Amount"</b>	has the meaning given to it in paragraph 3(ii) of Part 2 of this document

## NOTICE OF GENERAL MEETING

# Manchester and London Investment Trust Public Limited Company

*(Incorporated in England and Wales under company number 01009550)*

Notice is hereby given that a General Meeting of Manchester and London Investment Trust Public Limited Company (the "**Company**") will be held at ICAEW, Chartered Accountants' Hall, Moorgate Place, London EC2R 6EA, United Kingdom on 2 May 2018 at 2.00 p.m., to consider and, if thought fit, approve the following resolutions, in the case of Resolutions 1, 3, 4 and 5 as ordinary resolutions and in the case of Resolutions 2 and 6 as special resolutions:

### ORDINARY RESOLUTION

- 1 **THAT** the directors of the Company (the "**Directors**") be and are hereby generally and unconditionally authorised, in addition to any existing authorities, pursuant to and in accordance with section 551 of the Companies Act 2006 (the "**Act**") to exercise all the powers of the Company to allot ordinary shares of 25 pence each in the capital of the Company ("**Ordinary Shares**"), up to an aggregate nominal amount of £1,177,129.25 in connection with the Issue (as defined and described in the circular to shareholders dated 6 April 2018 of which this notice forms part (the "**Circular**")) (representing 19.9 per cent. of the issued share capital (excluding treasury shares) of the Company as at the date of the Circular), such authority to expire 12 months from the date that this Resolution 1 is passed (unless previously revoked or varied by the Company in general meeting), save that the Company may, at any time prior to the expiry of such authority, make an offer or enter into an agreement which would or might require Ordinary Shares to be allotted and the Directors may allot Ordinary Shares in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

### SPECIAL RESOLUTION

- 2 **THAT**, subject to the passing of Resolution 1 above, in addition to any existing authorities, the Directors be and are hereby empowered, pursuant to sections 570 to 573 of the Act to allot Ordinary Shares for cash and to sell Ordinary Shares from treasury for cash pursuant to the authority referred to in Resolution 1 above as if section 561 of the Act did not apply to any such allotment or sale provided that this authority: (i) shall be limited to the allotment of Ordinary Shares and the sale of Ordinary Shares from treasury for cash up to an aggregate nominal amount of £1,177,129.25 (representing 19.9 per cent. of the issued share capital (excluding treasury shares) of the Company as at the date of the Circular); and (ii) shall expire 12 months from the date that this Resolution 2 is passed (unless previously revoked or varied by the Company in general meeting), save that the Company may, at any time prior to the expiry of such power, make an offer or enter into an agreement which would or might require Ordinary Shares to be allotted or sold from treasury after the expiry of such power, and the Directors may allot Ordinary Shares or sell Ordinary Shares from treasury in pursuance of such an offer or agreement as if such power had not expired.

## ORDINARY RESOLUTIONS

- 3 **THAT** any allotment or issue of new Ordinary Shares to the Related Party pursuant to the authorities granted by Resolutions 1 and 2 be and is hereby approved.
- 4 **THAT** the entering into, by the Company, of the Side Letter (as defined and described in the Circular) with M&L Capital Management Limited be and is hereby approved.
- 5 **THAT** the Company's payment of the Risk Management and Valuation Fee (as defined and described in the Circular) be and is hereby approved.

## SPECIAL RESOLUTION

- 6 **THAT** the amended and restated articles of association tabled at the General Meeting and initialled by the Chairman for the purposes of identification, be and are hereby approved and adopted as the articles of association of the Company in substitution for, and to the exclusion of, the existing articles of association of the Company, and each of the Directors and the Company Secretary be and are hereby authorised and instructed to do all such acts and things, as are necessary or expedient to make such change effective.

**By Order of the Board**

**LINK COMPANY MATTERS LIMITED**  
Company Secretary

*Registered Office:*  
12a Princes Gate Mews  
London  
SW7 2PS

Dated 6 April 2018

These notes should be read in conjunction with the notes on the Form of Proxy.

**1. Voting record date**

Only members registered in the Register of Members of the Company at close of business on 30<sup>th</sup> April 2018 shall be entitled to attend and vote at the General Meeting in respect of the number of voting rights registered in their name at that time. Changes to entries on the Register of Members after close of business on 30<sup>th</sup> April 2018 shall be disregarded in determining the rights of any person to attend and vote at the General Meeting.

If the General Meeting is adjourned for no more than 48 hours after the original time, the same voting record date will also apply for the purpose of determining the entitlement of members to attend, speak and vote (and for the purpose of determining the number of votes they may cast) at the adjourned meeting. If the General Meeting is adjourned for more than 48 hours, then the voting record date will be the close of business on the day which is two days before the day of the adjourned meeting or, if the Company gives notice of the adjourned meeting, at any time specified in that notice.

In the case of joint holders of a voting right, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the Register of Members in respect of the joint holding.

**2. Rights to attend and vote**

Members are entitled to attend and vote at the forthcoming General Meeting or at any adjournment(s) thereof. On a poll each member has one vote for every one share held.

**3. Right to appoint proxies**

Pursuant to Section 324 of the Companies Act 2006 (the "**Act**"), a member entitled to attend and vote at the General Meeting may appoint one or more proxies to attend, speak and vote in its place. Such a member may appoint more than one proxy, provided that each proxy is appointed to exercise the rights attached to different shares held by him. A proxy need not be a member of the Company.

A Form of Proxy is enclosed. The completion of the Form of Proxy or any CREST proxy instruction (as described in Note 8) will not preclude a shareholder from attending and voting in person at the General Meeting.



If the total number of voting rights that the Chairman will be able to vote (taking into account any proxy appointments from shareholders over which he is given discretion and any voting rights in respect of his own shares) is such that he will have a notifiable obligation under the Disclosure Guidance and Transparency Rules of the UK Listing Authority, the Chairman will make the necessary notifications to the Company and to the UK Financial Conduct Authority. Therefore, any member holding 3 per cent. or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure Guidance and Transparency Rules, need not make a separate notification to the Company and to the UK Financial Conduct Authority. However, any member holding 3 per cent. or more of the voting rights in the Company who appoints a person other than the Chairman as proxy will need to ensure that both the member and the proxy comply with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules. Section 324 does not apply to persons nominated to receive information rights pursuant to Section 146 of the Act. Persons nominated to receive information rights under Section 146 of the Act have been sent this Notice of General Meeting and are hereby informed, in accordance with Section 149(2) of the Act, that they may have the right under an agreement with the registered member by whom they are nominated to be appointed, or to have someone else appointed, as a proxy for this Meeting. If they have such right or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights.

Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements. The statement of rights of shareholders in relation to the appointment of proxies in this paragraph does not apply to nominated persons.

**4. Proxies' rights to vote at the General Meeting**

On a vote on a show of hands, each proxy has one vote.

If a proxy is appointed by more than one member and all such members have instructed the proxy to vote in the same way, the proxy will only be entitled, on a show of hands, to vote "for" or "against" as applicable. If a proxy is appointed by more than one member, but such members have given different voting instructions, the proxy may, on a show of hands, vote both "for" and "against" in order to reflect the different voting instructions.

On a poll, all or any of the voting rights of the member may be exercised by one or more duly appointed proxies. However, where a member appoints more than one proxy, Section 285(4) of the Act does not authorise the exercise by the proxies taken together of more extensive voting rights than could be exercised by the member in person.

**5. Voting by corporate representatives**

Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with Section 323 of the Act provided they do not do so in relation to the same shares.

**6. Receipt and termination of proxies**

To be valid the enclosed Form of Proxy must be lodged with the Company's Registrar, Link Asset Services, at the address shown on the Form of Proxy, before 2.00 p.m. on 30 April 2018.

A member may terminate a proxy's authority at any time before the commencement of the General Meeting. Termination must be provided in writing and submitted to the Company's Registrar. In accordance with the Company's Articles of Association, in determining the time for delivery of proxies, no account shall be taken of any part of a day that is not a working day.

**7. Communication with the Company**

Members may not use any electronic address provided either in the Notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.

**8. Electronic receipt of proxies**

To appoint one or more proxies or to give an instruction to a proxy (whether previously appointed or otherwise) via the CREST system, CREST messages must be received by the Company's agent (ID number RA10) no later than the deadline specified in Note 6. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp generated by the CREST system) from which the issuer's agent is able to retrieve the message. The Company may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001. Instructions on how to vote through CREST can be found on the website [www.euroclear.com](http://www.euroclear.com).

**9. Questions at the General Meeting**

Any member attending the General Meeting has the right to ask questions. Section 319A of the Act requires the Directors to answer any question raised at the General Meeting which relates to the business of the General Meeting, although no answer need be given:

- (a) if to do so would interfere unduly with the proceedings of the General Meeting or involve disclosure of confidential information;
- (b) if the answer has already been given on the Company's website; or
- (c) if it is undesirable in the best interests of the Company or the good order of the General Meeting that the question be answered.

**10. Website**

A copy of the Notice of the General Meeting, including these explanatory notes and other information required by Section 311A of the Act, is included on the Company's website, <http://mlcapman.com/manchester-london-investment-trust-plc/>.

**11. Total voting rights at date of notice**

As at 5 April 2018 (being the last practicable date prior to the publication of this Notice) the total number of shares in the Company in issue is 23,660,891. The total number of voting rights on that date is therefore 23,660,891.