



Investing Policy

The Company will seek to achieve its investment objective by investing primarily in equity and equity-related securities of UK smaller companies that are predominantly listed or admitted to trading on markets operated by the London Stock Exchange, and where it is considered that there is a material potential valuation upside that can be delivered from catalysing strategic, operational or management initiatives.

In order to ensure that the Company is able to maintain its approach of active engagement with investee companies, and to encourage and support value creation, the Company will typically target meaningful minority stakes in investee companies of between 5% and 25% of the issued share capital.

Whilst the Company has no limitation on the size of the companies in which it can invest, the Company typically expects to invest in companies with market capitalisations of no more than £250 million (with a particular focus on those below £100 million) at the time of investment. The Company will therefore focus on investments in the 'micro' smaller companies sector and on companies admitted to trading on AIM.

Investee companies will typically have certain of the following characteristics:

- balance sheet asset backing;
- a competitive advantage and/or strong management track record;
- attractive cash flow potential;
- visibility of earnings/future earnings improvement;
- potential for liquidity and/or exit in line with the Company's targeted hold period;
- scope for an active shareholder to trigger value creation; and/or
- foreseeable events and catalysts to unlock intrinsic value.

Investments may be either direct investments made by the Company, or indirect investments made by the Company through similar funds or investment vehicles. The Company may make its investments for cash or for share consideration.

Although investments will not be restricted to specific sectors, the Company does not expect to pursue or make investments into companies in the biotechnology sector or in companies directly involved in extractive industries (such as mining or oil and gas).

Whilst the Company will initially seek to take minority stakes in investee companies of between 5% and 25% and will not typically seek to take majority positions in investee companies, it will not be restricted from taking a majority position if considered appropriate by the Portfolio Manager.

The Company's portfolio is expected to be relatively concentrated, with a typical investment being between 2% and 10% of Net Asset Value at the time of investment. This is expected over time to result in a portfolio of approximately 10 to 15 high conviction investments and a further 5 to 10 smaller portfolio holdings, in companies operating in a number of industries and geographic locations.

Whilst the Company will target an investment holding period of three to five years, actual holding periods and exit strategies will depend on the underlying investment, the availability of exit opportunities and the size of the Company's investment. The Company may therefore dispose of investments outside of the target timeframe should an appropriate opportunity arise.

The Company may hold cash in its portfolio from time to time to maintain investment flexibility. There is no limit on the amount of cash which may be held by the Company at any time.