

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take or the contents of this Prospectus, you are recommended to seek your own independent financial advice immediately from your stockbroker, bank manager, solicitor, accountant, or other appropriate independent professional financial adviser, who is authorised under the Financial Services and Markets Act 2000 (as amended) if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.

A copy of this Prospectus, which comprises a prospectus relating to Downing Strategic Micro-Cap Investment Trust plc (the Company) prepared in accordance with the Prospectus Rules, made under section 73A of the Financial Services and Markets Act 2000 (as amended), and the EU Prospectus Regulation, has been approved by and filed with the Financial Conduct Authority, as competent authority under the Prospectus Directive, and made available to the public in accordance with Rule 3.2 of the Prospectus Rules.

Applications will be made for all of the Ordinary Shares to be admitted to the premium segment of the Official List and to be admitted to trading on the Main Market. It is expected that First Admission will become effective and that dealings for normal settlement in such Ordinary Shares will commence on 9 May 2017 and any Subsequent Admission will become effective and that dealings for normal settlement in such Ordinary Shares or C Shares, as the case may be, will commence between 10 May 2017 and 23 March 2018. All dealings in Ordinary Shares and/or C Shares, as the case may be, prior to the commencement of unconditional dealings will be at the sole risk of the parties concerned. The Ordinary Shares and/or C Shares will not be dealt in on any other recognised investment exchange and no other such applications have been made or are currently expected.

The Company and each of its Directors, whose names appear on page 37 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge and belief of the Company and its Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

Potential investors should read the whole of this Prospectus when considering an investment in the Ordinary Shares and/or C Shares, as the case may be and, in particular, attention is drawn to the Risk Factors set out on pages 19 to 28 of this Prospectus.

DOWNING STRATEGIC MICRO-CAP INVESTMENT TRUST PLC

(Incorporated in England and Wales under the Companies Act 2006 with Company Number 10626295 and registered as an investment company under section 833 of the Companies Act 2006)

FIRST PLACING, OFFER FOR SUBSCRIPTION AND INTERMEDIARIES OFFER OF UP TO 100 MILLION ORDINARY SHARES AT £1.00 PER ORDINARY SHARE

AND

PLACING PROGRAMME

Investment Manager

Downing LLP

Sponsor, Broker, Placing Agent and Intermediaries Offer Adviser

Stockdale Securities Limited

Applications under the Offer for Subscription may be made on the Application Form. Completed Application Forms must be posted to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or delivered by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE in either case so as to be received as soon as possible and in any event by no later than 12.00pm on 27 April 2017.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Ordinary Shares and/or C Shares in any jurisdiction where such an offer or solicitation would be unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company, the Investment Manager or Stockdale Securities. The distribution of this document and/or the transfer of the Ordinary Shares and/or the C Shares into certain jurisdictions may be restricted by law. Neither this Prospectus, any advertisement nor any other material relating to it may be distributed or published in any jurisdiction except in circumstances that will result in compliance with any applicable laws and regulations. Therefore, persons into whose possession this document comes should inform themselves about and

observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. The offer and sale of Ordinary Shares and C Shares has not been, and will not be, registered under the applicable securities laws of the United States, Australia, Canada, the Republic of South Africa or Japan. The Ordinary Shares and the C Shares may not be offered, sold or delivered, directly or indirectly, within the United States, Australia, Canada, the Republic of South Africa or Japan or to any U.S. Person (as defined in Regulation S under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”)) or to any national, resident or citizen of Australia, Canada, the Republic of South Africa or Japan.

The Ordinary Shares and the C Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Ordinary Shares and the C Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any U.S. Person (as defined in Regulation S under the U.S. Securities Act), except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. There will be no public offer of the Ordinary Shares or the C Shares in the United States. The Company has not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the “**U.S. Investment Company Act**”) and investors will not be entitled to the benefits of the U.S. Investment Company Act. The Ordinary Shares and the C Shares are being offered and sold only outside the United States to persons who are not U.S. Persons (as defined in Regulation S under the U.S. Securities Act) in reliance on Regulation S under the U.S. Securities Act. This Prospectus must not be distributed in the United States or to U.S. Persons. Neither the U.S. Securities and Exchange Commission nor any U.S. State Securities Commission has approved or disapproved of these securities or determined if this document is truthful or complete. Any representation to the contrary is a U.S. criminal offence.

Stockdale Securities Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting as Sponsor, Broker, Placing Agent and Intermediaries Offer Adviser to the Company and is acting exclusively and for no one else in connection with each Admission and the Issues and the other arrangements referred to in this Prospectus. Stockdale Securities will not regard any other person (whether or not a recipient of this Prospectus) as its clients in relation to any Admission or the Issues and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in relation to each Admission or the Issues, the contents of this Prospectus or any matters referred to herein.

Apart from the responsibilities and liabilities, if any, which may be imposed on Stockdale Securities by FSMA or the regulatory regime established thereunder, Stockdale Securities does not accept any responsibility whatsoever for the contents of this Prospectus or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Investment Manager the Ordinary Shares, the C Shares or the Issues. Stockdale Securities accordingly to the fullest extent permissible by law disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

In connection with the Issues, Stockdale Securities and any of its affiliates acting as an investor for its or their own account(s), may subscribe for the Ordinary Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities of the Company, any other securities of the Company or other related investments in connection with the Issues or otherwise. Accordingly, references in this Prospectus to the Ordinary Shares or C Shares being issued, offered, subscribed or otherwise dealt with, should be read as including any issue or offer to, or subscription or dealing by, Stockdale Securities and any of its affiliates acting as an investor for its or their own account(s). Neither Stockdale Securities nor any of its affiliates intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

This document is dated 24 March 2017.

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SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A-E (A.1-E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Some Elements are not required to be addressed which means there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted into the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

Section A – Introduction and warnings		
Element	Disclosure Requirement	Disclosure
A.1.	Warning	<p>This summary should be read as an introduction to this Prospectus.</p> <p>Any decision to invest in the securities should be based on consideration of this Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated.</p> <p>Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such securities.</p>
A.2.	Subsequent resale of securities or final placement of securities through financial intermediaries	<p>The Company consents to the use of this Prospectus by financial intermediaries in connection with the subsequent resale or final placement of securities by financial intermediaries in connection with the First Issue only. The offer period within which any subsequent resale or final placement of securities by Intermediaries can be made and for which consent to use this document is given commences on 24 March 2017 and closes at 12.00pm on 27 April 2017, unless closed prior to that date. Any Intermediary that uses this document must state on its website that it uses this document in accordance with the Company’s consent. Intermediaries are required to provide the terms and conditions of the Intermediaries Offer to any prospective investor who has expressed an interest in participating in the Intermediaries Offer to such Intermediary. Information on the terms and conditions of any subsequent resale or final placement of securities by any Intermediary is to be provided at the time of the offer by the Intermediary. The Company has not given its consent to the use of this Prospectus for the resale or final placement of Ordinary Shares or C Shares by financial intermediaries under the Placing Programme.</p>

Section B – Issuer		
Element	Disclosure Requirement	Disclosure
B.1.	Legal and commercial name	Downing Strategic Micro-Cap Investment Trust plc
B.2.	Domicile and legal form	The Company was incorporated in England and Wales on 17 February 2017 with registered number 10626295 as a public company limited by shares under the Act. The principal legislation under which the Company operates is the Act.
B.5	Group description	Not applicable; the Company is not part of a group.
B.6.	Major shareholders	<p>As at the date of this Prospectus, insofar as known to the Company, there are no persons known to have a notifiable interest under English law in the Company's capital or voting rights.</p> <p>All Shareholders have the same voting rights in respect of the share capital of the Company.</p> <p>Pending the allotment of Ordinary Shares pursuant to the First Issue, the Company is controlled by the Investment Manager. The Company and the Directors are not aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.</p>
B.7.	Key financial information	Not applicable. The Company has been newly incorporated and has no historical financial information.
B.8	Key pro forma financial information	Not applicable. No pro forma financial information is included in this Prospectus.
B.9.	Profit forecast	Not applicable. No profit forecast or estimate has been made in this Prospectus.
B.10.	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The Company has been newly incorporated and has no historical financial information.
B.11.	Insufficiency of working capital	Not applicable. The Company is of the opinion that, taking into account the Minimum Net Proceeds, the working capital available to it is sufficient for its present requirements, that is, for at least 12 months from the date of this Prospectus.
B.34.	Investment objective and policy	<p>Investment objective</p> <p>The investment objective of the Company is to generate capital growth for Shareholders over the long term, from a focused portfolio of UK micro-cap companies (those whose market capitalisations are under £150m at the time of investment) targeting a compound return of 15 per cent. per annum over the long term.</p> <p>Investment policy</p> <p>The Company intends to invest in UK publicly quoted companies that are defined by the Investment Manager as micro-cap, reflecting a market capitalisation of under £150m of the investee company at the time of investment. The Investment Manager will select a concentrated portfolio of</p>

		<p>between 12 and 18 investments (once fully invested). The Company will seek to hold between 3 per cent. – 25 per cent. of the equity of these investee companies, although it may hold larger or smaller stakes when it deems appropriate (including up to a maximum of 29 per cent. of the equity of any one company at the time of investment), but only where the Company holds an additional right of conversion (e.g. options rights or convertible loan notes) that would, on exercise, result in the Company holding above 25 per cent. of the equity). It is likely that the majority of the investments held in the Company's portfolio will be quoted on AIM and will typically be drawn from the Numis Smaller Companies Index plus AIM (Excluding Investment Companies).</p> <p>The Investment Manager will:</p> <ul style="list-style-type: none"> • deploy a private-equity style diligence approach to investing, focusing on the future value of free cash flows, sustainability of margins and strength of the management team; • take advantage of the inefficiencies within the micro-cap market which include lack of analyst coverage; • have the ability to invest up to 10 per cent. of the Gross Assets at the time of investment in unquoted or traded companies, or in any one unquoted or untraded company; • procure that the Company invests where analysis indicates an ability to create shareholder value of 15 per cent. compound growth per annum over a 3 – 7 year investment horizon; • favour a proactive style of engagement with management, aiming to maximise shareholder value over the long term particularly where diligence highlights a strength of management, an entry value that is a discount to the Investment Manager's calculation of intrinsic value, and where active engagement is likely to mitigate some of the inefficiencies presented by the micro-cap market. <p>The Investment Manager believes that this is best achieved by the Company taking strategic shareholdings between 3 per cent. – 25 per cent. of the equity of the investee company, although the Company may hold larger or smaller stakes where it deems appropriate (including up to a maximum of 29 per cent. of the equity of any one company at the time of investment, but only where the Company holds an additional right of conversion (e.g. option rights or convertible loan notes) that would, on exercise, result in the Company holding above 25 per cent. of the equity). No single investment will represent more than 15 per cent. of the Gross Assets at the time of investment. The Company's portfolio is expected to be diversified by industry and market but stock selection will be determined by the results of extensive due diligence rather than a weighting in any particular index. However, the Investment Manager will not invest on behalf of the Company in early stage technology, mining and extraction companies and early-stage biotech (unless the Company can see a defined route to profitability)</p>
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		<p>and does not intend to invest in initial public offerings, unless in exceptional circumstances where it has a historic relationship with and an in-depth knowledge of the investee company.</p> <p>The Company may use derivative instruments including index-linked notes, contracts for difference, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes. Any use of derivative instruments for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described above, although the Company would not hold more than 5 per cent. of Net Assets in a derivative of any single investee company. The Company will not enter into uncovered short positions.</p> <p>If companies in the portfolio achieve organic growth or grow through corporate activity such as acquisitions, and consequently have a market capitalisation that would place them outside the investable universe (described above), the Investment Manager will not be obliged to sell those holdings, but the proportion of the portfolio in such companies will be carefully monitored by the Investment Manager and the Board so that the overall investment policy to invest in the smallest quoted or traded companies is not materially altered.</p> <p>No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.</p>
B.35.	Borrowing limits	<p>The Company may deploy borrowing to enhance long-term capital growth. Gearing will be deployed flexibly up to 15 per cent. of the Net Asset Value, at the time of borrowing. In the event this limit is breached as a result of market movements, and the Board considers that borrowing should be reduced, the Investment Manager shall be permitted to realise investments in an orderly manner so as not to prejudice Shareholders.</p>
B.36.	Regulatory status	<p>As a public limited company incorporated under the Act that proposes to carry on its business as an investment trust, the Company is not regulated as a collective investment scheme by the FCA. However, it is subject to the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation and the rules of the London Stock Exchange.</p> <p>The Company is registered by the FCA as a "small registered UK AIFM" pursuant to regulation 10(2) of the AIFM Rules on the basis that it is a small internally managed AIF.</p>
B.37.	Typical investor	<p>The Issues are designed to be suitable for institutional investors and professionally-advised private investors seeking exposure to the smallest quoted or traded companies, measured by market capitalisation. An investment in Ordinary Shares and/or C Shares may also be suitable for non-advised private investors who understand and are capable of evaluating the risks and merits of such an investment and who have sufficient resources to be able to bear any loss (which may equal the whole amount invested) that may result from such an investment.</p>

B.38.	Investment of 20 per cent. or more of gross assets in single underlying asset or collective investment undertaking	Not applicable. No single holding will represent more than 15 per cent. of Gross Assets at the time of investment.
B.39.	Investment of 40 per cent. or more of gross assets in another collective investment undertaking	Not applicable. No single holding will represent more than 15 per cent. of Gross Assets at the time of investment.
B.40.	Applicant's service providers	<p>Investment Manager</p> <p>The Company has appointed Downing LLP to act as the company's investment manager. The Investment Manager will be responsible for the management of the Company's portfolio in accordance with the Company's investment policy and the terms of the Investment Management Agreement.</p> <p>Under the terms of the Investment Management Agreement, the Investment Manager is entitled to an investment management fee together with reimbursement of reasonable charges or expenses incurred by it in the performance of its duties. The investment management fee is calculated as 1/12th of 1 per cent of the Market Capitalisation and is payable on a monthly basis in arrears. The Investment Manager has agreed that, for so long as it remains the Company's investment manager, it will rebate such part of any management fee payable to it so as to help the Company maintain an ongoing charges ratio of 2 per cent. or lower.</p> <p>No performance fee will be payable to the Investment Manager.</p> <p>Sponsor, Broker, Placing Agent and Intermediaries Offer Adviser</p> <p>Stockdale Securities has agreed to act as sponsor to the Issues and has agreed to use its reasonable endeavours to procure subscribers under the Issues. The Placing Agreement confers on Stockdale the power to appoint sub-agents or to delegate the exercise of any of its powers, authorities or discretions to third parties and the Company agrees to ratify and confirm all actions which Stockdale or any such sub-agents or delegates lawfully take in the good faith exercise of such appointment, powers, authorities or discretions provided that Stockdale shall remain responsible for the acts and omissions of any such sub-agent or delegate. In consideration for its services in relation to the First Issue and conditional upon First Admission, Stockdale Securities is entitled to receive a commission of 1.5 per cent. of the value of the Ordinary Shares issued under the First Placing and Intermediaries Offer and 1.0 per cent. of the value of Ordinary Shares issued under the Offer for Subscription, in each case excluding any Ordinary Shares subscribed for by any member of the Investment Manager's group (including employees or partners of the Investment Manager's group), or any other investors introduced to the First Placing, Intermediaries Offer and/or Offer for Subscription by the Investment Manager's group.</p>

		<p>In respect of any Subsequent Admission, Stockdale Securities is also entitled to receive a commission of up to 1.5 per cent. of the value of any Ordinary Shares and/or C Shares issued to Placees under the Placing Programme excluding any Ordinary Shares and/or C Shares subscribed for by any member of the Investment Manager's group, any fund managed or advised by any member of the Investment Manager's group and any partner, member, officer or employee of any member of the Investment Manager's group or any of their respective friends, family or specific clients.</p> <p>Administrator and Company Secretary</p> <p>Maitland Administration Services Ltd has been appointed to act as the administrator of the Company. The Administrator is responsible for general fund valuation, accounting and investment operation services and AIFM support services.</p> <p>Under the terms of the Administration Agreement, the Administrator is entitled to a fund valuation, accounting and investment operations fee of:</p> <ul style="list-style-type: none"> • 0.09 per cent. per annum of the first £50,000,000 of the Scheme Property; • 0.07 per cent. per annum on the next £50,000,000 of the Scheme Property; • 0.05 per cent. per annum on the next £100,000,000 of the Scheme Property; and • 0.02 per cent. per annum on the value of the Scheme Property thereafter <p>subject to a minimum annual fee at a rate of 1/12th of £55,000 per month.</p> <p>In respect of AIFM support services the Administrator is entitled to a fee of:</p> <ul style="list-style-type: none"> • 0.02% of the first £100,000,000 in value of the Scheme Property; and • 0.01% on the value of the Scheme Property thereafter. <p>The Administrator is also entitled to reimbursement of all reasonable out of pocket expenses incurred by it in connection with its duties</p> <p>The above fees will be calculated monthly and payable monthly in arrears.</p> <p>Maitland Administration Services Ltd has also been appointed as the company secretary of the Company under the Administration Agreement to provide the company secretarial functions required by the Act.</p> <p>In respect of company secretarial services, the Administrator is entitled to a fixed fee at a rate of 1/12th of £20,000 plus VAT calculated monthly and payable monthly in arrears.</p>
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		<p>Custodian</p> <p>The Northern Trust Company has been appointed as the Company's custodian. The Custodian holds, or arranges for sub-custodians to hold, all of the cash, securities and other assets of the Company and arranges and settles (directly or acting through sub-custodians) all transactions relating to those assets as agent for the Company. The Custodian receives a safe-keeping fee and transaction fees which vary by market, subject to a minimum fee of £7,500 per annum.</p> <p>Registrar</p> <p>Computershare Investor Services PLC has agreed to act as registrar to the Company. Under the terms of the Registry Services Agreement, the Registrar is entitled to customary fees.</p> <p>Receiving Agent</p> <p>In addition, Computershare Investor Services PLC has agreed to act as receiving agent in respect of the Offer for Subscription. Under the terms of the Receiving Agent Agreement, the Receiving Agent is entitled to customary fees.</p>
B.41.	Regulatory status of service providers	The Investment Manager is authorised and regulated by the FCA. The Custodian is authorised by the Prudential Regulation Authority and regulated by the Prudential Regulation Authority and the Financial Conduct Authority with firm reference number 122020.
B.42.	Calculation and publication of Net Asset Value	<p>The unaudited Net Asset Value per Ordinary Share and per C Share (if any are in issue) will be calculated by the Administrator and published by the Company through a Regulatory Information Service on a daily basis.</p> <p>The calculation of the Net Asset Value per Ordinary Share and per C Share (if applicable) will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily or without undue expenditure or material detriment to the interests of Shareholders, be obtained. Details of any suspension in making such calculations will be announced through a Regulatory Information Service.</p>
B.43.	Cross liability	Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.
B.44.	No financial statements have been made up	As at the date of this Prospectus, the Company has not yet commenced operations and no financial statements have been made up.
B.45.	Portfolio	Not applicable. The Company has not commenced operations and so has no portfolio as at the date of this Prospectus.
B.46.	Net Asset Value	Not applicable. The Company has not commenced operations and so has no Net Asset Value as at the date of this Prospectus.

Section C – Securities											
Element	Disclosure Requirement	Disclosure									
C.1.	Type and class of securities	<p>The Company intends to issue Ordinary Shares of nominal value of £0.001 each pursuant to the First Issue. The Company also intends to issue Ordinary Shares of a nominal value of £0.001 and/or C Shares of a nominal value of £0.010 each pursuant to the Placing Programme.</p> <p>The ISIN of the Ordinary Shares is GB00BF0SCX52. The SEDOL of the Ordinary Shares is BF0SCX5. The ticker for the Ordinary Shares is DSM.</p> <p>The ISIN of the C Shares is GB00BF0SD094. The SEDOL of the C Shares is BF0SD09. The ticker for the C Shares is DSMC.</p>									
C.2.	Currency denomination of Ordinary Shares and C Shares	The Ordinary Shares and the C Shares are denominated in Sterling.									
C.3.	Details of share capital	<p>Set out below is the issued share capital of the Company as at the date of this Prospectus:</p> <table border="0"> <thead> <tr> <th></th> <th style="text-align: right;"><i>Nominal Value</i></th> <th style="text-align: right;"><i>Number</i></th> </tr> </thead> <tbody> <tr> <td>Ordinary Shares</td> <td style="text-align: right;">£0.002</td> <td style="text-align: right;">2</td> </tr> <tr> <td>Management Shares</td> <td style="text-align: right;">£50,000</td> <td style="text-align: right;">50,000</td> </tr> </tbody> </table> <p>The Management Shares will be redeemed immediately following Admission out of the proceeds of the First Issue.</p>		<i>Nominal Value</i>	<i>Number</i>	Ordinary Shares	£0.002	2	Management Shares	£50,000	50,000
	<i>Nominal Value</i>	<i>Number</i>									
Ordinary Shares	£0.002	2									
Management Shares	£50,000	50,000									
C.4.	Rights attaching to the Ordinary Shares and the C Shares	<p>Voting Rights</p> <p>The holders of Ordinary Shares and C Shares (if any) are entitled to receive notice of, attend and vote at general meetings of the Company. At any general meeting, holders of Ordinary Shares and C Shares (if any) on a show of hands, have one vote, every proxy who has been appointed by a holder of Ordinary Shares and C Shares (if any) entitled to vote on the resolution shall have one vote and every holder of Ordinary Shares and C Shares (if any) present in person or by proxy, on a poll, has one vote for each Ordinary Share and/or C Shares (if any) of which he is a holder. The Management Shares shall not carry any right to receive notice of or attend or vote at any general meetings of the Company unless no other shares are in issue at that time.</p> <p>Dividends</p> <p>The holders of the Ordinary Shares and C Shares shall be entitled to receive, and to participate in, any dividends declared in relation to the Ordinary Shares/relevant class of shares that they hold.</p> <p>A holder of Management Shares shall be entitled (in priority to any payment of dividend on any other class of share) to a fixed cumulative preferential dividend of 0.01 per cent. per annum on the nominal amount of the Management Shares held by the holder, such dividend to accrue annually and to be payable in respect of each accounting reference period of the Company within 21 days of the end of such period.</p>									

		<p>Capital</p> <p>On a winding up or a return of capital by the Company, if there are C Shares in issue, the capital and assets of the company shall be applied first amongst the Management Shareholders pro rata according to the nominal capital paid up on their holdings of Management Shares, and second the Ordinary Share Surplus shall be divided amongst the holders of the Ordinary Shares pro rata according to the nominal capital paid up on their holdings of Ordinary Shares and the C Share Surplus shall be divided amongst the holders of the C Shares pro rata according to the nominal share capital paid up on their holdings of C Shares.</p> <p>On a winding up or return of capital by the Company, if there are no C Shares in issue, the capital and assets of the Company shall be applied as follows: first, if there are for the time being Deferred Shares in issue, amongst the Deferred Shareholders pro rata according to the nominal capital paid up on their holdings of Deferred Shares provided however that the holders of the Deferred Shares shall only receive an amount up to the capital paid upon such Deferred Shares and the Deferred Shares shall not confer the right to participate in any surplus remaining following payment of such an amount, and second, the surplus shall be divided, first, amongst the Management Shareholders pro rata according to the nominal capital paid up on their holdings of Management Shares and, second, amongst the Ordinary Shareholders pro rata according to the nominal capital paid up on their holdings of Ordinary Shares.</p>
C.5.	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Ordinary Shares or C Shares subject to compliance with applicable securities laws.
C.6.	Admission	<p>Application will be made to the UKLA for all of the Ordinary Shares to be issued pursuant to the First Issue to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Ordinary Shares to be admitted to trading on the Main Market. It is expected that First Admission will become effective and dealings will commence on 9 May 2017.</p> <p>Application will also be made to the UKLA for all of the Ordinary Shares and/or C Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Ordinary Shares and/or C Shares to be admitted to trading on the Main Market. It is expected that any Subsequent Admission will become effective and dealings will commence between 10 May 2017 and 23 March 2018. Applications will be made to the UKLA and the London Stock Exchange for all the Ordinary Shares arising on conversion of the C Shares to be admitted to the premium segment of the Official List and to trading on the Main Market.</p> <p>Neither the Ordinary Shares nor the C Shares will be dealt on any other recognised investment exchange and no applications for Ordinary Shares or C Shares to be traded on such other exchanges have been made or are currently expected.</p>

C.7.	Dividend policy	<p>The Company will only pay dividends on the Shares to the extent that it has sufficient financial resources available for the purpose in accordance with the Act.</p>
		<p>The Company has no stated dividend target. The Company's ability to distribute income as dividends will be impacted by the size of the First Issue relative to the anticipated annual running costs of the Company. If the First Issue should result in the Minimum Net Proceeds being raised, then the Board does not expect the income from the Company's portfolio to necessarily exceed the anticipated annual running costs of the Company and therefore would not expect the Company to pay significant, or any, dividends. To the extent that it has the available distributable income at such times, the Company will pay half yearly dividends. However, in accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15 per cent. of its income (as calculated for UK tax purposes) in respect of any accounting period.</p>
C.22.	Information about the Ordinary Shares and C Shares	<p>In the event that any C Shares are issued under the Placing Programme, the investments which are attributable to the C Shares following Conversion will be merged with the Company's existing portfolio of investments. The Ordinary Shares arising on Conversion of the C Shares will rank pari passu with the Ordinary Shares then in issue.</p> <p>The Ordinary Shares carry the right to receive all dividends declared by the Company or the Directors, subject to the rights of any C Shares in issue.</p> <p>On a winding-up, provided the Company has satisfied all of its liabilities and subject to the rights conferred by any C Shares in issue at that time to participate in the winding-up, the holders of Ordinary Shares will be entitled to all of the surplus assets of the Company.</p> <p>Holders of Ordinary Shares will be entitled to attend and vote at all general meetings of the Company and, on a poll, to one vote for each Ordinary Share held.</p> <p>The nominal value of the Ordinary Shares is £0.001 per Ordinary Share.</p> <p>The Ordinary Shares are in registered form, will be admitted to the premium segment of the Official List and will be traded on the Main Market. The Company will use its reasonable endeavours to procure that, upon Conversion, the Ordinary Shares are admitted to the premium segment of the Official List and admitted to trading on the Main Market.</p> <p>There are no restrictions on the free transferability of the Ordinary Shares, subject to compliance with applicable securities laws.</p>

Section D – Risks		
Element	Disclosure Requirement	Disclosure
D.1.	Key information on the key risks that are specific to the Company and its industry	<p>There can be no guarantee that the investment objective of the Company will be achieved.</p> <p>The Company has no employees and is reliant on the performance of third party service providers. Failure by the Investment Manager or any other third party service provider to perform in accordance with the terms of its appointment could have a material detrimental impact on the operation of the Company.</p> <p>The departure of some or all of the Investment Manager’s investment professionals, in particular Judith MacKenzie, could prevent the Company from achieving its investment objective. The past performance of the Investment Manager’s investment professionals cannot be relied upon as an indication of the future performance of the Company.</p> <p>The Company is subject to laws and regulations enacted by European, national and local governments. Any change in the law and regulation affecting the Company may have a material adverse effect on the ability of the Company to carry on its business and successfully pursue its investment policy.</p> <p>The Issues are not being underwritten. If the number of Ordinary Shares and/or C shares issued is less than anticipated, the Company’s ongoing expenses may represent a greater proportion of the Company’s assets than originally anticipated.</p> <p>The Company will invest primarily in the smallest UK quoted or traded companies, by market capitalisation. Smaller companies can be expected, in comparison to larger companies, to have less mature businesses, a more restricted depth of management and a higher risk profile.</p> <p>The Company has no limit on the amount to invest in any sector and it may have significant exposure to portfolio companies from certain business sectors from time to time. Greater concentration of investments in any one sector may result in greater volatility in the value of the Company’s investments and consequently its Net Asset Value and may materially and adversely affect the performance of the Company and returns to Shareholders.</p> <p>The Company may invest in unquoted companies from time to time. Such investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed and quoted securities and they may be more difficult to realise.</p> <p>Any change in the Company’s tax status or in taxation legislation or practice generally could adversely affect the value of the investments held by the Company, or the Company’s ability to provide returns to Shareholders, or alter the post-tax returns to Shareholders.</p>

D.3.	Key information on the key risks that are specific to the Ordinary Shares and the C Shares	<p>The value of the Ordinary Shares and C Shares can fluctuate and may go down as well as up.</p> <p>The market price of the Ordinary Shares and C Shares, like shares in all investment trusts, may fluctuate independently of their underlying Net Asset Value and may trade at a discount or premium at different times, depending on factors such as supply and demand for the Ordinary Shares and C Shares, market conditions and general investor sentiment.</p> <p>It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Ordinary Shares or the C Shares.</p> <p>If the Directors decide to issue further Ordinary Shares or C Shares, the proportions of the voting rights held by Shareholders may be diluted. Shareholders should be aware that the operation of the redemption facility, which is entirely at the discretion of the Directors, may lead to a more concentrated and less liquid portfolio which may adversely affect the Company's performance and value. Further, redemptions may also adversely affect the secondary market liquidity of the Ordinary Shares.</p> <p>Shareholders should be aware that the operation of the redemption facility, which is entirely at the discretion of the Directors, may lead to a more concentrated and less liquid portfolio which may adversely affect the Company's performance and value. Further, redemptions may also adversely affect the secondary market liquidity of the Ordinary Shares.</p>
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Section E – Offer		
Element	Disclosure Requirement	Disclosure
E.1.	Proceeds and expenses of the issue	<p>The net proceeds of the First Issue are dependent on the level of subscriptions received. Assuming the gross proceeds of the First Issue are £100 million, the net proceeds will be approximately £98.15 million.</p> <p>The costs and expenses are expected to be approximately £1.85 million, equivalent to 1.85 per cent. of the gross proceeds of the First Issue, assuming gross proceeds of £100 million are received under the First Issue.</p> <p>If the Minimum Net Proceeds are raised, the expenses of the First Issue will be approximately £0.7 million.</p> <p>It is intended that the costs of the First Issue and Admission shall not exceed 2 per cent. of the gross proceeds of the First Issue, and accordingly the Investment Manager has agreed that it will promptly settle on behalf of the Company any costs of the Company in connection with the First Issue and Admission to the extent that such costs exceed 2 per cent. of the gross proceeds of the First Issue.</p> <p>The net proceeds of the Placing Programme are dependent, inter alia, on: the Directors determining to proceed with a placing under the Placing Programme, the level of subscriptions received and the price at which such Ordinary</p>

		<p>Shares and/or C Shares are issued. It is expected that the costs of issuing Ordinary Shares under the Placing Programme will be covered by issuing such Ordinary Shares at a premium to the prevailing Net Asset Value (cum income) per Ordinary Share. The costs and expenses of any issue of C Shares under the Placing Programme will be paid out of the gross proceeds of such issue and will be borne by holders of C Shares only.</p>
E.2.a.	<p>Reasons for the issue, use of proceeds and estimated net amount of proceeds</p>	<p>The Board, as advised by the Investment Manager, believes that there are attractive opportunities for the Company to deliver long-term returns for Shareholders through exposure to the smallest quoted or traded companies (measured by market capitalisation at the time of acquisition).</p> <p>The net proceeds of the First Issue, after deduction of expenses, are expected to be approximately £98.15 million on the assumption that gross proceeds of £100 million are raised through the First Issue.</p> <p>The net proceeds of the Placing Programme are dependent, inter alia, on: the Directors determining to proceed with a placing under the Placing Programme, the level of subscriptions received and the price at which such Ordinary Shares and/or C Shares are issued. It is expected that the costs and expenses of the Placing Programme, including listing fees and placing commissions, will be covered by issuing such Ordinary Shares at a premium to the prevailing Net Asset Value (cum income) per Ordinary Share. The costs and expenses of any issue of C Shares under the Placing Programme will be paid out of the gross proceeds of such issue and will be borne by holders of C Shares only.</p> <p>The Directors intend to use the net proceeds of the First Issue and the Placing Programme to acquire investments in accordance with the Company's investment objective and policy.</p>
E.3.	<p>Terms and conditions of the issue</p>	<p>Ordinary Shares are being made available under the First Issue at the Issue Price of £1.00 per Ordinary Share. The First Issue comprises the First Placing, the Offer for Subscription and the Intermediaries Offer.</p> <p>Stockdale Securities has agreed to use its reasonable endeavours to procure subscribers pursuant to the First Placing for the Ordinary Shares. The First Placing will close at 5.00pm on 28 April 2017 (or such later date as the Company and Stockdale Securities may agree). If the First Placing is extended, the revised timetable will be notified through a Regulatory Information Service.</p> <p>The Offer for Subscription is being made in the United Kingdom only. Applications under the Offer for Subscription must be for shares with a minimum subscription amount of £1,000 and multiples of £100 thereafter (although the Board may accept applications below the minimum amounts stated above in their absolute discretion). Completed Application Forms and the accompanying payment in relation to the Offer for Subscription must be posted to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or delivered by hand (during normal business</p>

		<p>hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received by no later than 12.00pm on 27 April 2017.</p> <p>Under the Intermediaries Offer, the Ordinary Shares are being offered to Intermediaries in the United Kingdom who will facilitate the participation of their investor clients located in the United Kingdom, Guernsey, Jersey and Ireland. A minimum application of £1,000 per Underlying Applicant will apply. Completed Applications from Intermediaries must be received by Stockdale Securities no later than 12.00pm on 27 April 2017.</p> <p>The First Issue is conditional upon: (a) the Placing Agreement becoming wholly unconditional (save as to First Admission) and not having been terminated in accordance with its terms prior to First Admission; (b) First Admission occurring by 8.00 a.m. on 9 May 2017 (or such later date, not being later than 8.00 a.m. on 9 July 2017, as the Company and Stockdale Securities may agree); and (c) the Minimum Net Proceeds being raised.</p> <p>Following the First Issue, the Directors intend to implement the Placing Programme. Each allotment and issue of Ordinary Shares and/or C Shares pursuant to the Placing Programme is conditional, inter alia, on: (a) the Placing Programme Price being determined by the Directors; (b) Admission of the Ordinary Shares and/or C Shares pursuant to such issue; and (c) a valid supplementary prospectus being published by the Company if such is required pursuant to the Prospectus Rules.</p> <p>The Placing Programme Price will be determined by the Company and, in the case of Ordinary Shares, will be not less than the Net Asset Value (cum income) per Ordinary Share and, in the case of C Shares, will be £1.00 per C Share.</p>
E.4.	Material interests	<p>Not applicable. There are no interests that are material to the First Issue or the Placing Programme and no conflicting interests. Andrew Griffiths as a Director of the Company may have a potential conflict of interest by reason of Nick Lewis, founding partner, member and chairman of Downing LLP being the Investment Manager and he and persons connected to him, together being majority shareholders of Downing Corporate Finance Limited holding 25.3 per cent. of the share capital of Green Star Media Limited, a company in which Andrew Griffiths holds 24.5 per cent. of the share capital and of which he is a director.</p>
E.5.	Name of person selling securities	<p>Not applicable. No person or entity is offering to sell Ordinary Shares or C Shares as part of the First Issue or the Placing Programme.</p>
E.6.	Dilution	<p>No dilution will result from the First Issue.</p> <p>If 50 million Ordinary Shares or C Shares are issued pursuant to the Placing Programme, assuming the First Issue has been subscribed as to 50 million Ordinary Shares, there would be a dilution of approximately 50 per cent. in Shareholders' voting control of the Company immediately after the First Issue. The voting rights may be diluted further on conversion of any C Shares depending on the applicable</p>

		conversion ratio. However, it is not anticipated that there will be any dilution in the Net Asset Value per Ordinary Share as a result of any issues of Ordinary Shares and/or C Shares under the Placing Programme.
E.7.	Estimated expenses charged to the investor by the issuer	<p>Other than in respect of expenses of, or incidental to, First Admission and the First Issue which the Company intends to pay out of the proceeds of the First Issue, there are no commissions, fees or expenses to be charged to investors by the Company under the First Issue. All expenses incurred by any Intermediary are for its own account. Investors should confirm separately with any Intermediary whether there are any commissions, fees or expenses that will be applied by such Intermediary in connection with any application made through that Intermediary pursuant to the Intermediaries Offer.</p> <p>The costs and expenses of the Placing Programme will depend on subscriptions received but it is expected that these costs will be covered by issuing such Ordinary Shares at a premium to the prevailing Net Asset Value (cum income) per Ordinary Share. The costs and expenses of any issue of C Shares under the Placing Programme will be paid out of the gross proceeds of such issue and will be borne by holders of C Shares only.</p>

RISK FACTORS

An investment in the Ordinary Shares and/or the C Shares (if any) involves a high degree of risk and should not be regarded as short term in nature. Prospective investors should consider carefully the risks described below, together with all the other information set out in this Prospectus and their own personal circumstances, before deciding whether to invest in the Ordinary Shares and/or the C Shares (if any).

The risks described below are those risks that the Directors consider at the date of this Prospectus to be material to a decision as to whether to make an investment in the Ordinary Shares and/or the C Shares (if any), but are not the only risks relating to the Company or the Ordinary Shares or the C Shares (if any). If any of the adverse events described below actually occur, the Company's financial condition, performance and prospects and the Net Asset Value and/or share price of the Ordinary Shares or the C Shares (if any) could be materially adversely affected and Shareholders may lose all or part of their investment. Additional risks which were not known to the Directors at the date of this Prospectus, or that the Directors considered at the date of this Prospectus to be immaterial when deciding whether to make an investment in the Ordinary Shares and/or the C Shares (if any), may also have an effect on the Company's financial condition, performance and prospects and the Net Asset Value and/or share price of the Ordinary Shares and/or the C Shares (if any).

If prospective investors are in any doubt as to the consequences of their acquiring, holding or disposing of Ordinary Shares and/or C Shares (if any) or whether an investment in the Company is suitable for them, they should consult their stockbroker, bank, solicitor, accountant or other appropriate independent financial adviser who is authorised under FSMA if they are in the United Kingdom, or from another appropriately authorised independent financial adviser if they are in a territory outside the United Kingdom.

Risks Relating to the Company

Investment Objective

The investment objective of the Company is to generate capital growth for Shareholders over the long term, from a focused portfolio of UK micro-cap companies (those whose market capitalisations are under £150m at the time of investment) targeting a compound return of 15 per cent. per annum over the long term.

The Company's financial condition, performance and prospects and, therefore, its ability to meet its investment objective depend on a variety of factors (many of which are outside its control), including, but not limited to:

- the availability of suitable investments;
- the performance of the underlying issuers of its investments, the price and liquidity of its investments and the level of income received from them; and
- the performance of the Investment Manager in acquiring, managing and disposing of investments for the Company in accordance with the Company's investment objective and policy.

Accordingly, there is no guarantee that the Company will achieve its investment objective. Meeting that objective is a target but the existence of such an objective should not be considered as an assurance or guarantee that it can or will be met.

The Company has no operating history

The Company was incorporated on 17 February 2017. As at the date of this Prospectus, the Company has not commenced operations and has no operating history. No historical financial statements or other meaningful operating or financial data upon which prospective investors may base an evaluation of the likely performance of the Company have been made up. An investment in the Company is therefore subject to all the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of an investment in the Company could decline substantially as a consequence.

The Company has no employees and is reliant on the performance of third party service providers

The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive function. In particular, the Investment Manager, the Administrator and the Registrar will be performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company. Notwithstanding these factors, nothing in this risk factor should be taken as implying that the Company will be unable to comply with its obligations as a company with securities admitted to the Official List.

The Company's third party service providers are themselves subject to operational risks, which can arise from inadequate or failed processes, systems or resources or from external factors affecting these. The information technology and other systems of such service providers, or their business processes and procedures on which the Company may depend, may not perform as expected, including recovery from unanticipated disruptions to their business. Any such inadequacies or failures could have a material adverse effect on the Company's financial condition, performance and prospects and, accordingly, on returns to Shareholders.

The termination of the Company's relationship with any third party service provider, or any delay in appointing a replacement for such service provider, could disrupt the Company's business materially and could have a material adverse effect on the Company's financial condition, performance and prospects and, accordingly, on returns to Shareholders.

The past performance of other investments managed or advised by the Investment Manager or the Investment Manager's investment professionals cannot be relied upon as an indicator of the future performance of the Company. Investor returns will be dependent upon the Company successfully pursuing its investment objective. The success of the Company will depend *inter alia* on the Investment Manager's ability to identify, acquire and realise investments in accordance with the Company's investment objective and policy. This, in turn, will depend on the ability of the Investment Manager to apply its investment processes in a way which is capable of identifying suitable investments for the Company to invest in. There can be no assurance that the Investment Manager will be able to do so or that the Company will be able to invest its assets on attractive terms or generate any investment returns for Shareholders or indeed avoid investment losses.

An investor may not get back the amount originally invested. The Company can offer no assurance that its investments will generate gains or income or that any gains or income that may be generated on particular investments will be sufficient to offset any losses that may be sustained.

Investor returns will be dependent upon the performance of the portfolio and the Company may experience fluctuations in its operating results

Investors contemplating an investment in the Ordinary Shares and/or the C Shares should recognise that their market value can fluctuate and may not always reflect their underlying value. Returns achieved are reliant primarily upon the performance of the portfolio. No assurance is given, express or implied, that Shareholders will receive back the amount of their original investment in the Ordinary Shares and/or the C Shares and the income received on them can go down as well as up.

The Company may experience fluctuations in its operating results due to a number of factors, including changes in the values of investments made by the Company, changes in the amount of distributions, dividends or interest paid by companies in the portfolio, changes in the Company's operating expenses and the operating expenses of the Investment Manager, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which the Company encounters competition and general economic and market conditions. Such variability may lead to volatility in the trading price of the Ordinary Shares and/or the C Shares and cause the Company's results for a particular period not to be indicative of its performance in a future period.

The Company's ongoing expenses may represent a greater proportion of the Company's assets than originally anticipated

The First Issue is not being underwritten by any party. It is therefore possible that the number of Ordinary Shares issued pursuant to the First Issue will be less than originally anticipated. In such circumstances the ongoing expenses of the Company would represent a greater proportion of the Company's assets than would otherwise have been the case. The Company will incur obligations to pay all fees and properly incurred out-of-pocket expenses by the Directors, the Administrator, the Investment Manager and other advisers. These expenses will be payable regardless of whether the Company makes a profit.

Changes in laws or regulations or a failure to comply with any laws and regulations governing the Company's operations may adversely affect the Company's business

The Company is subject to laws and regulations enacted by European, national and local governments. In particular, the Company is subject to and will be required to comply with certain regulatory requirements that are applicable to closed-ended investment companies (including continuing obligations imposed by the UKLA) whose shares are listed on the premium segment of the Official List.

European regulation includes the proposed Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU ("MiFID") and the proposed Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012 ("MiFIR") (MiFID and MiFIR, together "MiFID II") which is currently timetabled to come into effect on 3 January 2018. When the legislation was first published there was concern that shares in investment trusts may be deemed to be a 'complex' investment (as defined in MiFID II), which may make it more difficult for private individual investors to buy shares in the Company in the secondary market, as they would be subject to an appropriateness test. The FCA has indicated in CP16/29, its third consultation paper on MiFID II, that in its view investment trusts are neither automatically non-complex nor automatically complex - they need to be assessed against the criteria in the MiFID II delegated regulation. The FCA has urged firms when applying these criteria to adopt a cautious approach if there is any doubt as to whether a financial instrument is non-complex. Industry bodies have opined that they believe investment trusts should ordinarily be classed as non-complex in accordance with the criteria, but the caution recommended by the FCA should be borne in mind in considering the impact of MiFID II on investment trusts.

Any change in the law and regulations affecting the Company may have an adverse effect on the ability of the Company to carry on its business and pursue its investment objective and policy and on the value of the Company, the Ordinary Shares and/or the C Shares. In such event, the investment returns of the Company may be materially adversely affected.

Brexit risk

On 23 June 2016, the United Kingdom held a referendum on the United Kingdom's continued membership of the European Union. This resulted in a vote for the United Kingdom to exit the European Union ("Brexit"). There are significant uncertainties in relation to the terms and time frame within which such an exit would be effected, and there are significant uncertainties as to what the impact will be on the fiscal, monetary, legal and regulatory landscape in the UK. The extent of the impact on the Company will depend in large on the nature of the arrangements that are put in place between the United Kingdom and the European Union following Brexit. Although it is not possible to predict fully the effects of the exit of the United Kingdom from the European Union, any of these risks, taken singularly or in the aggregate, could have a material adverse effect on the Company and its opportunities for investments. In addition, it could potentially make it more difficult for the Company to raise capital.

The Company's investment strategy may involve the use of leverage, which exposes the Company to risks associated with borrowings

The Company may use borrowings to seek to enhance investment returns for Shareholders. While the use of borrowings should enhance the total return on the Ordinary Shares and the C Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is falling at a faster rate, or rising at a lower rate than the cost of borrowing, reducing the total return on the Ordinary Shares

and/or the C Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value and price of the Ordinary Shares and the C Shares.

Any reduction in the value of the Company's investments may lead to a correspondingly greater percentage reduction in its Net Asset Value (which is likely to adversely affect the price of an Ordinary Share and/or a C Share). Any reduction in the number of Ordinary Shares in issue (for example, as a result of buy backs or redemptions) will, in the absence of a corresponding reduction in borrowings, result in an increase in the Company's level of gearing.

To the extent that a fall in the value of the Company's investments causes gearing to rise to a level that is not consistent with the Company's gearing policy or borrowing limits, the Company may have to sell investments in order to reduce borrowings, which may give rise to a significant loss of value compared to the book value of the investments, as well as a reduction in income from investments.

The Company will pay interest on its borrowings. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

AIFMD

The AIFMD imposes a regime for EU managers of AIFs and in respect of marketing of AIFs in the EU. The AIFMD has been implemented in the UK by the AIFM Rules.

Based on the provisions of the AIFMD and the AIFM Rules, the Company is an AIF within the scope of the AIFMD and the AIFM Rules. The Company currently operates as an internally managed AIF and is consequently its own AIFM. The Company is registered by the FCA as a "small registered UK AIFM" pursuant to regulation 10(2) of the AIFM Rules on the basis that it is a small internally managed AIF.

The Company can only remain registered as a small registered UK AIFM whilst its assets under management (calculated pursuant to the AIFMD) are below €100 million. If the Company's assets under management exceed this sub-threshold, the Company can no longer provide self-managed services under the registration regime. In the circumstances the Board would take immediate action to notify the FCA of the sub-threshold being exceeded and ultimately either apply to the FCA for a full-scope Part 4A permission under the AIFM Rules or to appoint a suitably authorised person as its external AIFM.

In the event that, and for so long as, the Company is not permitted to act as an AIFM in the United Kingdom and the Company does not have an external AIFM then the Company may not be able to operate or, as a minimum, the ability of the Company to operate will be adversely affected to a significant extent.

Risks relating to the Investment Manager

The departure of some or all of the Investment Manager's investment professionals could prevent the Company from achieving its investment objective

The Company has no employees and depends on the diligence, skill, judgment and business contacts of the Investment Manager's investment professionals, in particular Judith MacKenzie, and the information and deal flow they generate during the normal course of their activities. The Investment Manager has significant discretion as to the implementation of the Company's investment policy. In particular, the Company's performance will be dependant in part upon the success of the Investment Manager's investment process. The Company's future success depends on the Investment Manager's ability to strategically recruit, retain and motivate new talented personnel. However, the Investment Manager may not be successful in its efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive. The Investment Manager's existing investment professionals are not obligated to remain employed with the Investment Manager.

There can be no assurance that the Directors will be able to find a replacement manager on acceptable terms if the Investment Manager resigns or if the Directors terminate the Investment Management Agreement

The Investment Management Agreement is for a minimum term of three years and is terminable by the Investment Manager giving not less than six months' written notice, such notice not to expire prior to the expiry of the three year minimum term. The Investment Manager shall, from the date such notice takes effect, cease to make investment decisions on behalf of the Company. The Directors would, in

these circumstances, have to find a replacement manager for the Company and there can be no assurance that such a replacement with the necessary skills and experience could be appointed on terms acceptable to the Company. In this event, the Directors would have to formulate and put forward to Shareholders proposals for the future of the Company, which may include a change in its investment objective, its merger with another investment company, reconstruction or winding-up.

The Investment Manager may allocate some of its resources to activities in which the Company is not engaged, which could have a negative impact on the Company's ability to achieve its investment objective

The Investment Manager is not required to commit all of its resources to the Company's affairs. Insofar as the Investment Manager devotes resources to its responsibilities to other business interests, its ability to devote resources and attention to the Company's affairs will be limited. This could adversely affect the Company's ability to achieve its investment objective, which could have a material adverse effect on the Company's profitability, Net Asset Value, Ordinary Share price and C Share price.

The Investment Manager and its affiliates may provide services to other clients which could compete directly or indirectly with the activities of the Company and may be subject to conflicts of interest in respect of its activities on behalf of the Company

The Investment Manager and its affiliates are involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company. In particular, the Investment Manager manages funds other than the Company and may provide investment management, investment advisory or other services in relation to these funds or future funds which may have similar investment objectives to that of the Company.

The Investment Manager and its affiliates may carry on investment activities for their own accounts and for other accounts in which the Company has no interest. The Investment Manager and its affiliates also provide management services to other clients, including other collective investment vehicles. The Investment Manager and its affiliates may give advice and recommend securities to other managed accounts or investment funds which may differ from advice given to, or investments recommended or bought for, the Company, even though their investment policies may be the same or similar.

Risks relating to the Company's portfolio

Micro-Cap Companies

The Company will invest primarily in the smallest UK quoted or traded companies, by market capitalisation. Micro-Cap Companies can be expected, in comparison to larger companies, to have less mature businesses, a more restricted depth of management and a higher risk profile.

As Micro-Cap Companies do not generally have the financial strength, diversity and resources of larger companies, they may find it more difficult to overcome periods of economic slowdown or recession. In addition, Micro-Cap Companies are more likely to depend on the management talents of a founder or small group of persons and, if any such persons were to cease to be involved in the management or support of the relevant company, this could have a material adverse impact on their business and prospects and the value of the investment in them made by the Company.

In addition, the smaller market capitalisation of such companies can make the market in their shares illiquid. Prices of smaller capitalisation stocks are often more volatile than prices of larger capitalisation stocks and the risk of bankruptcy of many smaller companies (with the attendant losses to investors) is higher.

The Company may invest in securities that are not readily tradable or may hold investment positions that represent a significant multiple of the normal trading volumes of an investment, which may make it difficult for the Company to sell its investments and may lead to volatility in the market price of Ordinary Shares and/or C Shares. Investors should not expect that the Company will necessarily be able to realise, within a period which they would otherwise regard as reasonable, its investments and any such realisations that may be achieved may be at a considerably lower price than prevailing indicative market prices.

Sectoral diversification

Save as otherwise disclosed in this Prospectus, the Company has no limits on the amount it may invest in any sector. This may lead to the Company having significant exposure to portfolio companies from certain business sectors from time to time. Greater concentration of investments in any one sector may result in greater volatility in the value of the Company's investments and consequently its Net Asset Value and may materially and adversely affect the performance of the Company and returns to Shareholders.

Securities traded on AIM

It is expected that the majority of the Company's investible universe will comprise companies whose securities are admitted to trading on AIM. An investment by the Company in securities quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. Future success and liquidity in the market for securities admitted to trading on AIM cannot be guaranteed.

Unquoted companies

The Company may invest in unquoted companies from time to time. Such investments, by their nature, involve a higher degree of valuation and performance uncertainties and liquidity risks than investments in listed and quoted securities and they may be more difficult to realise.

In comparison with listed and quoted investments, unquoted companies are subject to further particular risks, including that such companies:

- (a) may be subject to a higher risk of default under financing and contractual arrangements, leading to severe adverse consequences for those companies and the value of the Company's investment in them;
- (b) may have limited financial resources and reduced access to financing sources;
- (c) may have shorter operating histories, narrower product lines and smaller market shares, rendering them more vulnerable to competitors' actions and market conditions, as well as general economic downturns;
- (d) are more likely to depend on the management talents and efforts of a founder or small group of persons and, if any such persons were to cease to be involved in the management or support of such companies, this could have a material adverse impact on their business and prospects and the investment in them made by the Company;
- (e) generally have less predictable operating results and may require significant additional capital to support their operations, expansion or competitive position; and
- (f) investments which are unquoted at the time of acquisition may remain unquoted and may therefore be difficult to value and/or realise.

Investment in the securities of smaller companies may involve greater risks than are customarily associated with investments in larger, more established companies. In particular, such companies may often have limited product offerings, markets or financial resources and may be dependent on a small number of key individuals.

Investments made by the Company in unquoted securities may rank behind investments made by others, which may mean that more senior ranking investors take actions outside the control of the Company which are adverse to the interests of the Company.

Liquidity risk

The Company's investments may be less liquid than larger companies traded on the London Stock Exchange and will be particularly illiquid in the case of unquoted securities. Any investment in illiquid securities may reduce the returns of the Company because it may be difficult to sell the illiquid securities at an advantageous time or price. Illiquid investments may be harder to value, especially in changing markets, and if the Company is forced to sell these investments to meet redemption requests or for other cash needs, the Company may suffer a loss.

The Company may use derivative instruments

The Company may utilise derivative instruments including index-linked notes, contracts for difference, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes.

Leverage may be generated through the use of options, futures, options on futures, swaps and other synthetic or derivative financial instruments. Such financial instruments inherently contain much greater leverage than a non-margined purchase of the underlying security or instrument. This is due to the fact that, generally, only a very small portion (and in some cases none) of the value of the underlying security or instrument is required to be paid in order to make such leveraged investments. As a result of any leverage employed by the Company, small changes in the value of the underlying assets may cause a relatively large change in the Net Asset Value of the Company.

Many such financial instruments are subject to variation or other interim margin requirements, which may force premature liquidation of investment positions.

Where the Company utilises derivative instruments, it is likely to take a credit risk with regard to the parties with whom it trades and may also bear the risk of settlement default. These risks may differ materially from those entailed in exchange-traded transactions that generally are backed by clearing organisation guarantees, daily marking-to-market and settlement, and segregation and minimum capital requirements applicable to intermediaries. Transactions entered into directly between counterparties generally do not benefit from such protections and expose the parties to the risk of counterparty default. Accordingly, the Company's use of derivative instruments may expose the Company to greater risk and have a materially adverse effect on the Company's performance.

Whilst the Company does not currently engage in currency and/or interest rate hedging, it may invest through derivatives for efficient portfolio management (such as currency and/or interest swap agreements, futures contracts, options and forward currency and/or interest exchanges and other derivative contracts) where the Investment Manager considers it to be in the interests of the Company. Derivatives may not always achieve the intended effect under all or any market conditions. Accordingly, there is no assurance that this can be performed effectively.

Expenses and losses of entering into derivatives for efficient portfolio management will affect the overall returns on the Ordinary Shares. Currency and/or interest rate hedging may give rise to cash payments to counterparties of hedging contracts. To the extent that such payments are significant, the Investment Manager may need to realise part of the Company's portfolio in order to fund such payments. Furthermore, were the Company to engage in currency and/or interest rate hedging, it would be exposed to a credit risk with regard to the relevant counterparty, and the Company could encounter problems associated with enforcing its rights under a currency and/or interest rate hedging arrangement in the case of the insolvency of such counterparty.

Credit and counterparty risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company's principal financial assets are securities and cash, which represent the Company's exposure to credit risk in relation to financial assets. The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid and to pay for securities which the Company has delivered. Risks relating to unsettled transactions are considered by the Company to be small as a result of the relatively short settlement period involved and the credit quality of the brokers used. Substantially all of the assets of the Company are held by the Custodian. Bankruptcy or insolvency of the Custodian might cause the Company's rights in respect of the securities held by those parties to be delayed or limited. The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings or with ratings that are reviewed by the Investment Manager.

Cash and Cash-equivalent Investments

A proportion of the Company's assets may be held in cash or cash-equivalent investments from time to time. When assets are held in cash or cash-equivalent investments, they will be out of the market and will not benefit from positive stock market movements (but may give some protection against negative stock market movements). Although the Company's performance is measured in Sterling, a proportion

of the Company's assets may be either denominated in other currencies or be in investments with currency exposure.

Economic conditions

Economic recessions, downturns, and uncertainties can lead to volatility and instability in financial markets. In addition, the performance of the underlying issuers of the Company's investments, the price and liquidity of its investments and the level of income it receives from its investments may be affected, substantially and either adversely or favourably, by a variety of other factors (many of which are outside the control of the Company or the Investment Manager), including, but not limited to:

- changes in economic conditions (including, for example, unemployment, inflation, volatile exchange rates, changes in interest rates and low business or consumer confidence);
- changes in industry conditions or the competitive environment;
- restricted availability of financing;
- changes in law, taxation, regulation or government policy;
- foreign currency fluctuations;
- exchange controls or withholding taxes;
- stock market movements and investor perceptions;
- natural disasters, political and diplomatic events, terrorism, social unrest, civil disturbances or the outbreak of war; and
- insofar as they are affected by any of the above, the response of the issuers to the above.

No benchmark

The Company does not propose to follow any benchmark. Accordingly, the portfolio of investments held by the Company will not mirror the stocks and weightings that constitute any particular index or indices, which may lead to the Ordinary Shares and/or C Shares failing to follow either the direction or extent of any moves in the financial markets generally (which may or may not be to the advantage of Shareholders). The Ordinary Shares and the C Shares are an unsuitable investment for those who seek investments in some way correlated to a stock market index.

Risks relating to taxation

Investment trust status

It is the intention of the Directors to apply to HMRC for, and to conduct the affairs of the Company so as to satisfy the conditions for, approval as an investment trust under Chapter 4 of Part 24 of the Corporation Tax Act 2010. A failure to obtain or maintain HMRC approval as an investment trust, including as a result of a change in tax law or practice could result in the Company not being able to benefit from the current exemption for investment trusts from UK tax on chargeable gains and could affect the Company's ability to provide returns to Shareholders. It is not possible to guarantee that the Company will remain non-close, which is a requirement to obtain and maintain status as an investment trust, as the Ordinary Shares and the C Shares are freely transferable. The Company, in the unlikely event that it becomes aware that it is a close company, or otherwise fails to meet the criteria for approval as an investment trust company, will, as soon as reasonably practicable, notify Shareholders of this fact.

Changes in taxation legislation or practice may adversely affect the Company and the tax treatment for Shareholders investing in the Company

Any change in the Company's tax status or in taxation legislation in the United Kingdom or any other tax jurisdiction affecting Shareholders could affect the value of the investments held by the Company or affect the Company's ability to achieve its investment objective or alter the post-tax returns to Shareholders. If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

Potential investors should consult their tax advisers with respect to their particular tax situation and the tax effects of an investment in the Company. Statements in this document concerning the taxation of investors or prospective investors in Ordinary Shares and/or C Shares are based on current tax law and practice, each of which is in principle subject to change. The value of particular tax reliefs, if available, will depend on each individual Shareholder's circumstances. This document is not a substitute for independent tax advice.

Risks relating to the Ordinary Shares and the C Shares

The value of an investment in the Company, and the income derived from it, if any, may go down as well as up and market price may fluctuate independently of underlying Net Asset Value

The value of an investment in the Company, and the income derived from it, if any, may go down as well as up and an investor may not get back the amount invested. The Company can offer no assurance that its investments will generate gains or income or that any gains or income that may be generated on particular investments will be sufficient to offset any losses that may be sustained.

The market price of the Ordinary Shares and the C Shares, like shares in all investment companies, may fluctuate independently of their underlying net asset value and may trade at a discount or premium at different times, depending on factors such as supply and demand for the Ordinary Shares and C Shares, market conditions and general investor sentiment. There can be no guarantee that any discount control policy will be successful or capable of being implemented. The market value of an Ordinary Share or a C Share may therefore vary considerably from their respective Net Asset Values.

It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Ordinary Shares or the C Shares

The price at which the Ordinary Shares and C Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Company and its investments and some which may affect companies generally. Admission should not be taken as implying that there will be a liquid market for the Ordinary Shares or the C Shares particularly as, on Admission, the Company will have a limited number of shareholders. Consequently, the share price may be subject to greater fluctuation on small volumes of trading of Ordinary Shares or C Shares and the Ordinary Shares and/or C Shares may be difficult to sell at a particular price. The market price of the Ordinary Shares and/or C Shares may not reflect their underlying Net Asset Value.

While the Directors retain the right to effect redemptions and repurchases of Ordinary Shares in the manner described in this document, they are under no obligation to use such powers or to do so at any time and Shareholders should not place any reliance on the willingness of the Directors so to act. The C Shares are not redeemable. Shareholders wishing to realise their investment in the Company may therefore be required to dispose of their Ordinary Shares and/or C Shares in the market. There can be no guarantee that a liquid market in the Ordinary Shares and/or C Shares will develop or that the Ordinary Shares and/or C Shares will trade at prices close to their underlying Net Asset Value. Accordingly, Shareholders may be unable to realise their investment at such Net Asset Value or at all.

The number of Ordinary Shares and C Shares to be issued pursuant to the First Issue or the Placing Programme is not yet known, and there may be a limited number of holders of such Ordinary Shares and/or C Shares. Limited numbers and/or holders of such Ordinary Shares and/or C Shares may mean that there is limited liquidity in such Ordinary Shares and/or C Shares which may affect (i) an investor's ability to realise some or all of his investment and/or (ii) the price at which such investor can effect such realisation and/or (iii) the price at which such Ordinary Shares and/or C Shares trade in the secondary market.

Redemption facility

Shareholders should be aware that the operation of the redemption facility may lead to a more concentrated and less liquid portfolio which may adversely affect the Company's performance and value. Further, redemptions may also adversely affect the secondary market liquidity of the Ordinary Shares.

Investors should note that the realisation value of the Redemption Pool will only be known once the investments therein have been realised. Accordingly, where Shareholders submit valid elections for the redemption of their Ordinary Shares they will only receive the amount actually realised on the

investments in the Redemption Pool irrespective of what the Net Asset Value of their Ordinary Shares may have been at the relevant Redemption Point. The value of such investments will be subject to movements in the value of those assets in the period between the Redemption Point and such time as the investments are realised and, consequently, Shareholders submitting valid redemption requests may receive redemption proceeds which are substantially less than the Net Asset Value of their Ordinary Shares as at the Redemption Point.

Shareholders should note that Dealing Value per Ordinary Share may not always equal published unaudited Net Asset Value per Ordinary Share largely because the Dealing Value is driven by the laws of supply and demand. Shareholders holding Ordinary Shares in uncertificated form making valid elections to redeem their Ordinary Shares will be required to transfer their Ordinary Shares being redeemed to escrow in CREST. It will not, therefore, be possible to trade those Ordinary Shares which will be held in escrow pending completion of the relevant redemption and the subsequent cancellation of those Ordinary Shares. Shareholders holding Ordinary Shares in certificated form making valid elections to redeem their Ordinary Shares will be required to deliver their share certificates to the Company's receiving agent to make the relevant Redemption Request. It will not, therefore, be possible to transfer those Ordinary Shares pending completion of the relevant redemption and the subsequent cancellation of such Ordinary Shares.

Investors should note that the operation of the redemption facility is entirely at the discretion of the Board, and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Ordinary Shares that may be redeemed.

Further issues of Ordinary Shares and C Shares

The Directors have been authorised to issue pursuant to the Placing Programme such number of Ordinary Shares and/or C Shares in aggregate as shall equal 100 million Ordinary Shares and/or C Shares less the aggregate number of Ordinary Shares issued pursuant to the First Issue in the period immediately following First Admission to the first annual general meeting of the Company without the application of pre-emption rights. If the Directors decide to issue further Ordinary Shares or C Shares on a non-pre-emptive basis the proportions of the voting rights held by Ordinary Shareholders on First Admission will be diluted on the issue of such shares as each Ordinary Share and each C Share carries the right to one vote. The voting rights may be diluted further on conversion of any C Shares depending on the applicable conversion ratio.

The Ordinary Shares are subject to certain provisions that may cause the Board to refuse to register, or require the transfer of, Ordinary Shares

Although the Ordinary Shares are freely transferable, there are certain circumstances in which the Board may, under the Articles and subject to certain conditions, compulsorily require the transfer of the Ordinary Shares. These circumstances include where the holding or beneficial ownership of any shares in the Company by any person (whether on its own or taken with other shares), in the opinion of the Directors: (i) would cause the assets of the Company to be treated as "plan assets" of any Benefit Plan Investor; (ii) would or might result in the Company and/or its shares and/or any of its appointed investment managers or investment advisers being required to be registered or qualified under the US Investment Company Act and/or the US Investment Advisers Act of 1940 and/or the Securities Act and/or the US Exchange Act of 1934 and/or any similar legislation (in any jurisdiction) that regulates the offering and sale of securities; (iii) may cause the Company not to be considered a "Foreign Private Issuer" under the US Exchange Act of 1934; (iv) may cause the Company to be a "controlled foreign corporation" for the purpose of the US Tax Code; or (v) may cause the Company to become subject to any withholding tax or reporting obligation under FATCA or any similar legislation in any territory or jurisdiction, or to be unable to avoid or reduce any such tax or to be unable to comply with any such reporting obligation (including by reason of the failure of the Shareholder concerned to provide promptly to the Company such information and documentation as the Company may have requested to enable the Company to avoid or minimise such withholding tax or to comply with such reporting obligation).

IMPORTANT NOTICES

General

No person has been authorised to issue any advertisement, give any information or make any representations in connection with the Issues other than the information contained in this Prospectus and, if issued, given or made, such advertisement, information or representations must not be relied on as having been authorised by or on behalf of the Company, the Investment Manager or Stockdale Securities. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G(1) of FSMA, neither the delivery of this Prospectus nor any application for or purchase of Ordinary Shares and/or C Shares made pursuant to this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Prospectus or that the information contained in this Prospectus, including any forward-looking statement, is correct as of any time subsequent to the date of this Prospectus.

This Prospectus should be read in its entirety before making any application for or purchasing any Ordinary Shares and/or C Shares and prospective investors should rely only on the information contained in this Prospectus when deciding whether to make such an application or purchase.

Accordingly, prospective investors must rely on their own advisers as to legal, tax, investment or any other related matters concerning the Company and an investment in the Ordinary Shares and/or C Shares.

Stockdale Securities does not take, and hereby excludes, any responsibility for the contents of this Prospectus pursuant to section 79(3) or 90 of FSMA or otherwise or for any statement made or purported to be made by them, or on their behalf in relation to the Company, the Ordinary Shares, the C Shares, the Issues or any Admission and they have not authorised the contents of this Prospectus under Rule 5.5 of the Prospectus Rules. Accordingly, Stockdale Securities disclaims all and any liability, whether arising in tort, contract or otherwise, which they might otherwise have in respect of this Prospectus or any such statement. Nothing in this paragraph shall serve to exclude or limit any responsibilities that Stockdale Securities may have under FSMA or the regulatory regime established under FSMA.

In connection with the Issues, Stockdale Securities and any of its affiliates (acting as an investor for their own account(s)) may subscribe for the Ordinary Shares and/or C Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities of the Company, any other securities of the Company or related investments in connection with the Issues or otherwise. Accordingly, references in this Prospectus to the Ordinary Shares and/or C Shares being issued, offered, subscribed or otherwise dealt with, should be read as including any issue or offer to, or subscription or dealing by, Stockdale Securities or any of its affiliates acting as an investor for its or their own account(s). Stockdale Securities does not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Articles which investors should review. A summary of the Articles is contained in paragraph 3 of Part X under the section headed "Articles of Association".

The Company consents to the use of this Prospectus by financial intermediaries in connection with any subsequent resale or final placement of securities by financial intermediaries in connection with the First Issue only in the United Kingdom, Guernsey, Jersey and Ireland on the following terms: (i) in respect of the Intermediaries who have been appointed prior to the date of this Prospectus, as listed in paragraph 15 of Part X, from the date of this Prospectus; and (ii) in respect of Intermediaries who are appointed after the date of this Prospectus, a list of which appears on the Investment Manager's website, from the date on which they are appointed to participate in connection with any subsequent resale or final placement of securities and, in each case, until the closing of the period for the subsequent resale or final placement of securities by financial intermediaries.

The offer period within which any subsequent resale or final placement of securities by financial intermediaries can be made and for which consent to use this Prospectus is given commences on 24 March 2017 and closes at 12.00pm on 27 April 2017, unless closed prior to that date (any such prior closure to be announced via a Regulatory Information Service).

Any Intermediary that uses this Prospectus must state on its website that it uses this Prospectus in accordance with the Company's consent. Intermediaries are required to provide the terms and conditions of the Intermediaries Offer to any prospective investor who has expressed an interest in participating in the Intermediaries Offer to such Intermediary. Information on the terms and conditions of any subsequent resale or final placement of securities by any financial intermediary is to be provided at the time of the offer by the financial intermediary.

The Company accepts responsibility for the information contained in this Prospectus with respect to any subscriber for Ordinary Shares pursuant to any subsequent resale or final placement of securities by financial intermediaries.

Any new information with respect to financial intermediaries unknown at the time of approval of this Prospectus will be available on the Company's website.

Data protection

The information that a prospective investor in the Company provides in documents in relation to a subscription for Ordinary Shares and/or C Shares or subsequently by whatever means which relates to the prospective investor (if it is an individual) or a third party individual ("**personal data**") will be held and processed by the Company (and any third party in the United Kingdom to whom it may delegate certain administrative functions in relation to the Company) in compliance with the relevant data protection legislation and regulatory requirements of the United Kingdom. Each prospective investor acknowledges and consents that such information will be held and processed by the Company (or any third party, functionary, or agent appointed by the Company) for the following purposes:

- verifying the identity of the prospective investor to comply with statutory and regulatory requirements in relation to anti-money laundering procedures;
- contacting the prospective investor with information about other products and services provided by the Investment Manager, or its affiliates, which may be of interest to the prospective investor;
- carrying out the business of the Company and the administering of interests in the Company;
- meeting the legal, regulatory, reporting and/or financial obligations of the Company in the UK or elsewhere; and
- disclosing personal data to other functionaries of, or advisers to, the Company to operate and/or administer the Company.

Each prospective investor acknowledges and consents that where appropriate it may be necessary for the Company (or any third party, functionary, or agent appointed by the Company) to:

- disclose personal data to third party service providers, affiliates, agents or functionaries appointed by the Company or its agents to provide services to prospective investors; and
- transfer personal data outside of the EEA to countries or territories which do not offer the same level of protection for the rights and freedoms of prospective investors in the United Kingdom (as applicable).

If the Company (or any third party, functionary or agent appointed by the Company) discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to whom the relevant personal data is disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

Prospective investors are responsible for informing any third party individual to whom the personal data relates as to the disclosure and use of such data in accordance with these provisions.

Regulatory Information

The contents of this Prospectus are not to be construed as advice relating to legal, financial, taxation, accounting, regulatory, investment decisions or any other matter. Prospective investors must inform themselves as to:

- the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares and/or C Shares;
- any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares and/or C Shares which they might encounter; and
- the income and other tax consequences which may apply to them as a result of the purchase, holding, transfer, redemption or other disposal of the Ordinary Shares and/or C Shares.

Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, taxation, accounting, regulatory, investment or any other related matters concerning the Company and an investment therein.

The distribution of this Prospectus in jurisdictions, including Guernsey, Jersey and Ireland, other than the United Kingdom may be restricted by law and persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Neither the Ordinary Shares nor the C Shares may be offered, sold, pledged or otherwise transferred to: (i) any US Person or a person acting for the account of a US Person; or (ii) a Benefit Plan Investor.

This document does not constitute, and may not be used for the purposes of, an offer or an invitation to subscribe for any Ordinary Shares and/or C Shares by any person in any jurisdiction:

- (i) in which such offer or invitation is not authorised; or
- (ii) in which the person making such offer or invitation is not qualified to do so; or
- (iii) to any person to whom it is unlawful to make such offer or invitation.

Statements made in this Prospectus are based on the law and practice in force in England and Wales as at the date of this Prospectus and are subject to changes therein.

Notice to prospective investors in the European Economic Area

In relation to Relevant Member State, an offer to the public of the Ordinary Shares and/or C Shares may only be made once a prospectus has been passported in accordance with the Prospectus Directive as implemented by the Relevant Member State. This Prospectus has not been passported into any Relevant Member State and, therefore, an offer of the Ordinary Shares and/or C Shares to the public in a Relevant Member State may only be made pursuant to the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- (i) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (ii) to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors (as defined in the Prospectus Directive)) in such Relevant Member State, subject to obtaining the prior consent of Stockdale Securities for any such offer; or
- (iii) in any other circumstances falling within Article 3(2) of the Prospectus Directive;

provided that no such offer of Ordinary Shares and/or C Shares shall result in a requirement for the publication by the Company of a prospectus pursuant to Article 3 of the Prospectus Directive. Each person who initially acquires Ordinary Shares and/or C Shares pursuant to the Issues or to whom any offer of Ordinary Shares and/or C Shares is made pursuant to the Issues will be deemed to have represented, warranted and agreed with the Company and Stockdale Securities that it is a qualified investor (within the meaning of the law of the Relevant Member State implementing Article 2(1) of the Prospectus Directive).

For the purposes of this section headed "Notice to prospective investors in the European Economic Area", the expression an "offer to the public" in relation to any offer of shares in any Relevant Member

State means the communication in any form and by any means of sufficient information on the terms of the offer and any shares to be offered so as to enable an investor to decide to purchase or subscribe for the shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State.

In the case of any Ordinary Shares and/or C Shares acquired by a financial intermediary (as that term is used in Article 3(2) of the Prospectus Directive) pursuant to the Issues, such financial intermediary will be deemed to have represented, warranted and agreed with the Company and Stockdale Securities that such Ordinary Shares acquired by it have not been acquired on a non-discretionary basis on behalf of, and have not been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares and/or C Shares to the public other than their offer or resale in a Relevant Member State to qualified investors (as defined in the Prospectus Directive) or in circumstances in which the prior consent of Stockdale Securities has been obtained to each such proposed offer or resale. The Company, Stockdale Securities, their respective affiliates and others will rely on the truth and accuracy of such deemed representation, warranty and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified Stockdale Securities of such fact in writing may, with the consent of Stockdale Securities, be permitted to subscribe for or purchase Ordinary Shares and/or C Shares pursuant to the Issues.

During the period up to but excluding the date on which the Prospectus Directive is implemented in Member States, this Prospectus may not be used for, or in connection with, and does not constitute, any offer of Ordinary Shares and/or C Shares or an invitation to subscribe for or purchase any Ordinary Shares and/or C Shares in any Member State in which such offer or invitation would be unlawful.

Notice to prospective investors in Guernsey

This Prospectus has not been filed with, approved or authorised by, the Guernsey Financial Services Commission for circulation in the Bailiwick of Guernsey. Any distribution of this Prospectus, and to the extent to which any promotion of any Ordinary Shares and/or C Shares are deemed to take place in the Bailiwick of Guernsey, are only being distributed and promoted in or from within the Bailiwick of Guernsey either: (i) by a person licensed to do so under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended (“**POI Law**”); or (ii) to persons licensed under the POI Law, the Banking Supervision (Bailiwick of Guernsey) Law, 1994 (as amended), the Insurance Business (Bailiwick of Guernsey) Law, 2002 (as amended) or the Regulation of Fiduciaries, Administration Business and Company Directors etc. (Bailiwick of Guernsey) Law, 2000.

Notice to prospective investors in Jersey

This Prospectus has not been provided to or approved by the Jersey Financial Services Commission and it takes no responsibility for the financial soundness of the Company or for the correctness of any statements made or expressed in this Prospectus. This Prospectus may be circulated in Jersey only by persons who are registered by the Jersey Financial Services Commission in accordance with the Financial Services (Jersey) Law 1998 (as amended) for the conduct of financial services business and the distribution of this Prospectus or are exempt from such registration in accordance with the Financial Services (Jersey) Law 1998, as amended.

Notice to prospective investors in the United States

The Ordinary Shares and C Shares (if any) have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Ordinary Shares and C Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S) except pursuant to an exemption from, or in a transaction not subject to, registration under the US Securities Act. Accordingly, the Placing is being made to:

- (i) investors who are not US Persons or persons acquiring for the account or benefit of US Persons outside the United States in “offshore transactions” within the meaning of, and in reliance on, Regulation S; and
- (ii) US Persons or to investors within the United States or to persons who are acting for the account or benefit of US Persons in either case who have executed and returned a US subscription agreement and are reasonably believed to be qualified institutional buyers (“**QIBs**”) within the

meaning of Rule 144A (Rule 144A) under the US Securities Act, who are also qualified purchasers (“QPs”) as defined in Section 2(a)(51) of the US Investment Company Act, pursuant to a transaction that is exempt from, or not subject to, the registration requirements of the US Securities Act.

The Company has not been and will not be registered under the US Investment Company Act and investors will not be entitled to the benefits of that Act. Persons receiving this Prospectus (including custodians, nominees and trustees) must not forward, distribute, mail or otherwise transmit it in or into the United States or to US Persons or use the United States mails, directly or indirectly, in connection with the Issues.

The Ordinary Shares and C Shares (if any) have not been approved or disapproved by the SEC, any state securities commission in the United States or any other US regulatory authority, nor have any of the foregoing authorities passed on or endorsed the merits of the offering of Ordinary Shares or C Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States and any re-offer or resale of any of the Ordinary Shares and C Shares in the United States or to US Persons may constitute a violation of US law or regulation.

Unless the Company agrees otherwise in writing, each person who initially acquires Ordinary Shares and/or C Shares pursuant to the Issues or to whom any offer of Ordinary Shares and/or C Shares is made pursuant to the Issues will be deemed to have represented, warranted and agreed with the Company and Stockdale Securities that the offer of Ordinary Shares and/or C Shares was made to them, and at the time their buy order was originated they were located, outside the United States and that they are not a US Person and are not subscribing for Ordinary Shares and/or C Shares on behalf of a US Person. The Company, Stockdale Securities, their respective affiliates and others will rely on the truth and accuracy of such deemed representation, warranty and agreement.

Any person in the United States who obtains a copy of this Prospectus is requested to disregard it.

Notice to prospective investors in Australia, Japan, New Zealand or the Republic of South Africa

The Ordinary Shares and C Shares have not been, and will not be, registered under the laws of Australia, Canada, Japan, New Zealand or the Republic of South Africa or with any securities regulatory authority of Australia, Canada, Japan, New Zealand or the Republic of South Africa. Accordingly, unless an exemption under such laws is applicable, the Ordinary Shares and/or C Shares may not be offered, sold or delivered, directly or indirectly, within Australia, Canada, Japan, New Zealand or the Republic of South Africa (as the case may be).

Unless the Company agrees otherwise in writing, each person who initially acquires Ordinary Shares and/or C Shares pursuant to the Issues or to whom any offer of Ordinary Shares and/or C Shares is made pursuant to the Issues will be deemed to have represented, warranted and agreed with the Company and Stockdale Securities that they are not a resident of Australia, Canada, Japan, New Zealand or the Republic of South Africa or a corporation, partnership or other entity organised under the laws of Australia or Canada (or any political subdivision of either of them) or Japan, New Zealand or the Republic of South Africa and that they are not subscribing for such Ordinary Shares and/or C Shares for the account of any resident of Canada, Japan, Australia, New Zealand or the Republic of South Africa and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Ordinary Shares and/or C Shares in or into Australia, Canada, Japan, New Zealand or the Republic of South Africa or to any resident in Australia, Canada, Japan, New Zealand or the Republic of South Africa. The Company, Stockdale Securities, their respective affiliates and others will rely on the truth and accuracy of such deemed representation, warranty and agreement.

Forward-looking statements

This document contains forward-looking statements including, without limitation, statements containing the words “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variation or similar expressions. Such forward-looking statements involve unknown risk, uncertainties and other factors which may cause the actual results, financial condition, performance or achievement of the Company, or industry results, to be materially different from future results, financial condition, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this Prospectus. Subject to its legal and regulatory obligations, the Company expressly disclaims any obligation to update or revise any forward-looking statement contained herein to reflect changes in expectations with regard thereto or any change in events, conditions, or circumstances on which any statement is based, unless required to do so by law or any appropriate regulatory authority, including FSMA, the Listing Rules, the Prospectus Rules and the Disclosure Guidance and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 10 of Part X.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

First Issue	<i>2017</i>
First Issue opens	24 March
Latest time and date for receipt of completed Application Forms in respect of the Offer for Subscription	12.00pm on 27 April
Latest time and date for receipt of completed applications from the Intermediaries in respect of the Intermediaries Offer	12.00pm on 27 April
Latest time and date for commitments under the First Placing	5.00pm on 28 April
Publication of results of the First Placing, Offer for Subscription and Intermediaries Offer	3 May
Admission and dealings in Ordinary Shares commence issued in uncertificated form	8.00am on 9 May
CREST accounts credited in respect of Ordinary Shares	9 May
Share certificates in respect of Ordinary Shares issued in certificated form despatched by post by*	17 May

* Underlying Applicants who apply to Intermediaries for Ordinary Shares under the Intermediaries Offer will not receive share certificates.

Placing Programme	<i>2017</i>
Placing Programme opens	10 May
	<i>2018</i>
Latest date for issuing Ordinary Shares and/or C Shares under the Placing Programme	23 March

Notes:

- (1) All references to times in this Prospectus are to London times
- (2) All times and dates in the Expected Timetable of Principal Events and in this Prospectus generally may be subject to adjustment. Any changes to the Expected Timetable of Principal Events set out above will be notified through a Regulatory Information Service.

ILLUSTRATIVE ISSUE STATISTICS

First Issue and Placing Programme

Maximum number of Ordinary Shares and C Shares to be issued pursuant to the First Issue and Placing Programme 100 million

First Issue

Issue Price £1.00 per Ordinary Share

Gross proceeds of the First Issue* £100 million

Estimated net proceeds of the First Issue to be received by the Company* £98.15 million

Expected Net Asset Value per Ordinary Share on First Admission* £0.9815 per Ordinary Share

* Assuming that the First Issue is subscribed as to £100 million

Placing Programme

Placing Price per Ordinary Share under the Placing Programme Not less than the Net Asset Value (cum income) per Ordinary Share at the time of issue plus a premium to cover the expenses of such issue

Placing Price per C Share under the Placing Programme £1.00 per C Share

DEALING CODES

Ordinary Share ISIN GB00BF0SCX52

Ordinary Share SEDOL BF0SCX5

Ordinary Share Ticker DSM

C Share ISIN GB00BF0SD094

C Share SEDOL BF0SD09

C Share Ticker DSMC

DIRECTORS, INVESTMENT MANAGER AND ADVISERS

Directors	<p>Hugh Aldous (<i>Chairman</i>) Andrew Griffiths (<i>Non-executive Director</i>) Diana Hunter (<i>Non-executive Director</i>) Stephen Yapp (<i>Non-executive Director</i>)</p> <p>Hugh Aldous, Diana Hunter and Stephen Yapp being independent and all of the Company's registered office below</p>
Company's registered office	<p>Ergon House 1 Horseferry Road London SW1P 2AL United Kingdom</p> <p>Telephone: 01245 398950</p>
Sponsor, Broker, Placing Agent and Intermediaries Offer Adviser	<p>Stockdale Securities Limited Beaufort House 15 St. Botolph Street London EC3A 7BB United Kingdom</p>
Investment Manager	<p>Downing LLP Ergon House Horseferry Road London SW1P 2AL United Kingdom</p> <p>Telephone: 0207 416 7780</p>
Company Secretary	<p>Maitland Administration Services Ltd Springfield Lodge Colchester Road Chelmsford Essex CM2 5PW United Kingdom</p>
Administrator	<p>Maitland Administration Services Ltd Springfield Lodge Colchester Road Chelmsford Essex CM2 5PW United Kingdom</p>
Custodian	<p>The Northern Trust Company 50 Bank Street Canary Wharf London E14 5NT United Kingdom</p> <p>Telephone: 0207 982 2000</p>

Legal Adviser to the Company as to English Law	Maclay Murray & Spens LLP 12th Floor One London Wall London EC2Y 5AB United Kingdom
Legal Adviser to the Company as to Irish Law	Arthur Cox Ten Earlsfort Terrace Dublin 2 Ireland
Legal Adviser to the Company as to Guernsey Law	Carey Olsen, Guernsey Les Banques St Peter Port GY1 4BZ Guernsey
Legal Adviser to the Company as to Jersey Law	Carey Olsen, Jersey 47 Esplanade St Helier JE1 0BD Jersey
Legal Adviser to the Sponsor	Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH United Kingdom
Auditors and Reporting Accountant	Grant Thornton UK LLP 30 Finsbury Square London EC2P 2YU United Kingdom
Registrar	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS99 6ZZ United Kingdom
Receiving Agent	Computershare Investor Services PLC The Pavilions Bridgwater Road Bristol BS13 8AE United Kingdom

PART I

THE COMPANY

General

Downing Strategic Micro-Cap Investment Trust plc is a closed-ended investment company incorporated on 17 February 2017 in England and Wales and registered as an investment company under Section 833 of the Act. The Company intends to carry on business as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

Investment objective

The investment objective of the Company is to generate capital growth for Shareholders over the long term, from a focused portfolio of UK micro-cap companies (those whose market capitalisations are under £150m at the time of investment) targeting a compound return of 15 per cent. per annum over the long term.

Investment policy

The Company intends to invest in UK publicly quoted companies that are defined by the Investment Manager as micro-cap, reflecting a market capitalisation of under £150m of the investee company at the time of investment. The Investment Manager will select a concentrated portfolio of between 12 and 18 investments (once fully invested). The Company will seek to hold between 3 per cent. – 25 per cent. of the equity of these investee companies, although it may hold larger or smaller stakes when it deems appropriate (including up to a maximum of 29 per cent. of the equity of any one company at the time of investment), but only where the Company holds an additional right of conversion (e.g. options rights or convertible loan notes) that would, on exercise, result in the Company holding above 25 per cent. of the equity). It is likely that the majority of the investments held in the Company's portfolio will be quoted on AIM and will typically be drawn from the Numis Smaller Companies Index plus AIM (Excluding Investment Companies).

The Investment Manager will:

- deploy a private-equity style diligence approach to investing, focusing on the future value of free cash flows, sustainability of margins and strength of the management team;
- take advantage of the inefficiencies within the micro-cap market which include lack of analyst coverage;
- have the ability to invest up to 10 per cent. of the Gross Assets at the time of investment in unquoted or untraded companies, or in any one unquoted or untraded company;
- procure that the Company invests where analysis indicates an ability to create shareholder value of 15 per cent. compound growth per annum over a 3 – 7 year investment horizon;
- favour a proactive style of engagement with management, aiming to maximise shareholder value over the long term particularly where diligence highlights a strength of management, an entry value that is a discount to the Investment Manager's calculation of intrinsic value, and where active engagement is likely to mitigate some of the inefficiencies presented by the micro-cap market.

The Investment Manager believes that this is best achieved by the Company taking strategic shareholdings between 3 per cent. – 25 per cent. of the equity of the investee company, although the Company may hold larger or smaller stakes where it deems appropriate (including up to a maximum of 29 per cent. of the equity of any one company at the time of investment, but only where the Company holds an additional right of conversion (e.g. option rights or convertible loan notes) that would, on exercise, result in the Company holding above 25 per cent. of the equity). No single investment will represent more than 15 per cent. of the Gross Assets at the time of investment. The Company's portfolio is expected to be diversified by industry and market but stock selection will be determined by the results of extensive due diligence rather than a weighting in any particular index. However, the Investment

Manager will not invest on behalf of the Company in early stage technology, mining and extraction companies and early-stage biotech (unless the Company can see a defined route to profitability) and does not intend to invest in initial public offerings, unless in exceptional circumstances where it has a historic relationship with and an in-depth knowledge of the investee company.

The Company may use derivative instruments including index-linked notes, contracts for difference, covered options and other equity-related derivative instruments for efficient portfolio management, gearing and investment purposes. Any use of derivative instruments for investment purposes will be made on the basis of the same principles of risk spreading and diversification that apply to the Company's direct investments, as described above, although the Company would not hold more than 5 per cent. of Net Assets in a derivative of any single investee company. The Company will not enter into uncovered short positions.

If companies in the portfolio achieve organic growth or grow through corporate activity such as acquisitions, and consequently have a market capitalisation that would place them outside the investable universe (described above), the Investment Manager will not be obliged to sell those holdings, but the proportion of the portfolio in such companies will be carefully monitored by the Investment Manager and the Board so that the overall investment policy to invest in the smallest quoted or traded companies is not materially altered.

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

Borrowing policy

The Company may deploy borrowing to enhance long-term capital growth. Gearing will be deployed flexibly up to 15 per cent. of the Net Asset Value, at the time of borrowing. In the event this limit is breached as a result of market movements, and the Board considers that borrowing should be reduced, the Investment Manager shall be permitted to realise investments in an orderly manner so as not to prejudice Shareholders.

Dividend policy

The Company will only pay dividends on the Shares to the extent that it has sufficient financial resources available for the purpose in accordance with the Act.

The Company has no stated dividend target. The Company's ability to distribute income as dividends will be impacted by the size of the First Issue relative to the anticipated annual running costs of the Company. If the First Issue should result in the Minimum Net Proceeds being raised, then the Board does not expect the income from the Company's portfolio to necessarily exceed the anticipated annual running costs of the Company and therefore would not expect the Company to pay significant, or any, dividends. To the extent that it has the available distributable income at such times, the Company will pay half yearly dividends. However, in accordance with regulation 19 of the Investment Trust (Approved Company) (Tax) Regulations 2011, the Company will not (except to the extent permitted by those regulations) retain more than 15 per cent. of its income (as calculated for UK tax purposes) in respect of any accounting period.

Premium/discount rating management

The Board has the discretion to seek to manage, on an ongoing basis, the premium/discount rating at which the Ordinary Shares may trade to their Net Asset Value through further issues (including Ordinary and/or C Shares issued pursuant to the Placing Programme), and buy-backs, as appropriate.

Premium management

Once the proceeds of the First Issue have been fully invested, the Company intends to implement the Placing Programme. The Directors have authority to issue such number of Ordinary Shares and/or C Shares in aggregate as shall equal 100 million Ordinary Shares and/or C Shares less the aggregate number of Ordinary Shares issued pursuant to the First Issue and the Placing Programme (if any) in the period immediately following First Admission until the first annual general meeting of the Company. Shareholders' pre-emption rights over this unissued share capital have been disapplied so that the Directors will not be obliged to offer any Ordinary Shares or C Shares to Shareholders on a pro rata

basis. Unless authorised by Shareholders, no Ordinary Shares will be issued at a price less than the prevailing Net Asset Value per Ordinary Share at the time of the issue unless they are offered pro rata to existing Shareholders. The costs and expenses of any issue of C Shares under the Placing Programme will be paid out of the gross proceeds of such issue and will be borne by holders of C Shares only.

Further details of the Placing Programme are set out in Part VI.

Investors should note that the issuance of Ordinary Shares and/or C Shares is entirely at the discretion of the Board and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Ordinary Shares and/or C Shares that may be issued.

Treasury shares

The Company may hold Ordinary Shares acquired by way of market purchase “in treasury”, meaning that the Ordinary Shares remain in issue owned by the Company rather than being cancelled. The Company may hold up to 10 per cent. of the issued Ordinary Shares at any time in this way.

Ordinary Shares held in treasury may be subsequently cancelled or sold for cash. The Directors do not intend to sell any Ordinary Shares held in treasury at a discount to the prevailing Net Asset Value (cum-income) per Ordinary Share. Ordinary Shares held in treasury will not be entitled to receive any dividends declared by the Company or the Board.

Holding Ordinary Shares in treasury should give the Company the ability to sell such shares quickly and cost efficiently and should provide the Company with additional flexibility in the management of its capital base. In addition, the Board believes that the effective use of treasury shares could assist the Company in improving liquidity in the Ordinary Shares and managing any imbalance between supply and demand.

No Ordinary Shares will be sold from treasury at a price less than the (cum income) Net Asset Value per existing Ordinary Share at the time of their sale unless they are first offered pro rata to existing Shareholders.

Discount management

The Directors recognise the importance to investors of ensuring that any discount of the Company's share price to the underlying Net Asset Value per Ordinary Share is as small as possible. Accordingly, the Directors will monitor any discount closely and will consider on-market share repurchases if the discount to Net Asset Value widens significantly. The Board believes the most direct way of achieving this is through the use of share buy-back powers and through the use of the redemption facility.

Details of the UK tax treatment of redemptions and share buy-backs can be found in Part IX. In particular, individuals and certain trustees who are liable to UK income tax should note that a redemption of Ordinary Shares could result in higher tax charges than would arise if the Ordinary Shares were sold in the market to a third party.

Buy back

The Board expects that the discount protection mechanism offered by the facility to buy back Ordinary Shares will serve to maintain the discount at a consistently low level. The Directors will consider repurchasing Ordinary Shares in the market if they believe it to be in Shareholders' interests and as a means of correcting any imbalance between supply of and demand for the Ordinary Shares. There is, however, no guarantee or assurance that the discount control mechanisms proposed by the Board will reduce any discount or be implemented at all.

Any purchase of Ordinary Shares by the Company will be in accordance with the Articles, the Listing Rules and the rules of the London Stock Exchange in force at the time. In accordance with the Act, market purchases of Ordinary Shares may only be made out of the proceeds of a fresh issue of shares made for the purpose of the repurchase or out of distributable profits.

The Directors have the authority to make market purchases of up to 14.99 per cent. of the Ordinary Shares in issue on First Admission. Purchases of Ordinary Shares will only be made through the market at prices (after allowing for costs) below the relevant prevailing Net Asset Value (cum-income) per

Ordinary Share and otherwise in accordance with guidelines established from time to time by the Board. Under the current Listing Rules, the maximum price that may be paid by the Company on the repurchase of any Ordinary Shares pursuant to a general authority is (i) 5 per cent. above the average market value of the Company's equity shares for the 5 business days prior to the day that purchase is made or (ii) if higher, that stipulated by Article 5(6) of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (market abuse regulation). The minimum price (exclusive of expenses) which may be paid for an Ordinary Share is £0.001.

It is intended that a renewal of the authority to make market purchases will be sought from Shareholders at each annual general meeting of the Company. Purchases of Ordinary Shares will be made within guidelines established from time to time by the Board. Any purchase of Ordinary Shares would be made only out of the available cash resources of the Company. Ordinary Shares purchased by the Company may be held in treasury or cancelled.

Investors should note that the repurchase of Ordinary Shares is entirely at the discretion of the Board and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Ordinary Shares that may be repurchased.

Redemption facility

The Company has a redemption facility through which Shareholders will be entitled to request the redemption of all or part of their holding of Ordinary Shares in any Redemption Year. The first Redemption Year will be 2020 and every second year following the first Redemption Year.

Shareholders making valid elections for the redemption of Ordinary Shares will have their Ordinary Shares redeemed at the Redemption Price. The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any Redemption Point on either of the following bases:

(i) *Redemption Price calculated by reference to Dealing Value per Ordinary Share*

The Redemption Price shall be equal to the Dealing Value per Ordinary Share calculated as at the appropriate Valuation Point on the appropriate Redemption Point in accordance with the procedure set out in paragraph 7 of Part IV, or

(ii) *Redemption Price calculated by reference to a separate Redemption Pool*

The Directors may elect to calculate the Redemption Price by reference to the amount generated upon the realisation of a Redemption Pool created for the purpose of funding the redemption. In these circumstances the Redemption Price shall be calculated in the manner specified in paragraph 8 of Part IV.

The Directors intend to use the Redemption Pool method of calculating the Redemption Price whenever they consider it is in the best interests of the continuing Shareholders to do so.

Shareholders wishing to redeem all or any of their Ordinary Shares should follow the procedures outlined in Part IV.

Shareholders should note that Dealing Value per Ordinary Share may not always equal published unaudited Net Asset Value per Ordinary Share largely because the Dealing Value is driven by the laws of supply and demand.

Shareholders should note that the final realised value of the pro rata share of the portfolio in the Redemption Pool will not equal the published, unaudited Net Asset Value per Ordinary Share at the relevant Redemption Point. This is largely because the realised value will be subject to movements in the markets on which the underlying assets of the Company are traded over the period in which the assets are realised. This period is envisaged to be up to three months although it may be longer if the Board considers it to be in the best interests of redeeming Shareholders for the realisation period to be extended. The Board may make interim distributions of the realisation proceeds during this period. In addition, expenses of realisation of the underlying assets will be charged against the Redemption Pool. Accordingly, Shareholders should note that the final realised value per Ordinary Share for which a valid Redemption Request has been made may be materially different to the published unaudited Net Asset Value per Ordinary Share at the relevant Redemption Point.

Shareholders holding Ordinary Shares in uncertificated form making valid elections to redeem their Ordinary Shares will be required to transfer their Ordinary Shares being redeemed to escrow in CREST. It will not, therefore, be possible to trade those Ordinary Shares which will be held in escrow pending completion of the relevant redemption and the subsequent cancellation of those Ordinary Shares. Shareholders holding Ordinary Shares in certificated form making valid elections to redeem their Ordinary Shares will be required to deliver their share certificates to the Company's receiving agent to make the relevant Redemption Request. It will not, therefore, be possible to transfer those Ordinary Shares pending completion of the relevant redemption and the subsequent cancellation of such Ordinary Shares.

The Company may, prior to a Redemption Point, in its sole discretion, invite investors to purchase Ordinary Shares which are the subject of Redemption Requests. The price at which such transfers will be made will not be less than the Redemption Price which the Shareholder requesting redemption would have received if the Redemption Price had been determined by reference to the Dealing Value per Ordinary Share applicable on the relevant Redemption Point.

Investors should note that the Directors have absolute discretion to operate the redemption facility on any given Redemption Point and to accept or decline in whole or part any Redemption Request. Whilst the Board does not generally expect to exercise this discretion, save in the interests of Shareholders as a whole, no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of Ordinary Shares that may be redeemed. Examples of circumstances where this might be the case are described in paragraph 2 of Part IV.

Details of the tax treatment of redemptions and buy-backs are set out in Part IX.

C Shares

As indicated in the paragraph entitled "Premium/discount rating management" above, if there is sufficient demand from potential investors following First Admission, the Company may seek to raise further funds through the issue of C Shares under the Placing Programme, further details of which are set out in Part VI. The issue of C Shares is designed to overcome the potential disadvantages for both existing and new investors, which could arise out of a conventional fixed price issue of further Ordinary Shares for cash. In particular:

- the C Shares would not convert into Ordinary Shares until at least 90 per cent. of the net proceeds of the C Share issue (or such other percentage as the Directors determine) have been invested in accordance with the Company's investment policy (or, if earlier, nine months after the date of their issue);
- the assets representing the net proceeds of a C Share issue would be accounted for and managed as a distinct pool of assets until their conversion date. By accounting for the net proceeds of a C Share issue separately, Shareholders will not participate in a portfolio containing a substantial amount of uninvested cash before the conversion date;
- the basis on which the C Shares would convert into Ordinary Shares is such that the number of Ordinary Shares to which holders of C Shares would become entitled will reflect the relative net asset values per share of the assets attributable to the C Shares and the Ordinary Shares. As a result, the Net Asset Value per Ordinary Share can be expected to be unchanged by the issue and conversion of any C Shares; and
- the Net Asset Value of the Ordinary Shares would not be diluted by the expenses of the C Share issue, which would be borne by the C Share pool.

The Articles contain the C Share rights, full details of which are set out in paragraph 3 of Part X.

The Directors have authority to issue such number of C Shares as shall equal 100 million Ordinary Shares and/or C Shares less the aggregate number of Ordinary Shares issued pursuant to the First Issue in the period immediately following first admission until the first annual general meeting of the Company.

Profile of typical investor

The Issues are designed to be suitable for institutional investors and professionally-advised private investors seeking exposure to the smallest quoted or traded companies, measured by market capitalisation. An investment in Ordinary Shares and/or C Shares may also be suitable for non-advised private investors who understand and are capable of evaluating the risks and merits of such an investment and who have sufficient resources to be able to bear any loss (which may equal the whole amount invested) that may result from such an investment.

Net Asset Value

The unaudited Net Asset Value per Ordinary Share (and per C Share, where applicable) is calculated as at the close of business on each business day by the Administrators and announced through a Regulatory Information Service on the following business day. Such unaudited Net Asset Values are calculated on the same basis as the calculation of the Net Asset Value per Ordinary Share for the purpose of the Company's published financial statements and, accordingly, are calculated in accordance with IFRS and, where consistent with IFRS, the AIC's guidelines and otherwise in accordance with the accounting policies adopted by the Directors from time to time.

For the purpose of the Company's financial statements, the Net Asset Value per Ordinary Share is calculated in accordance with IFRS and, where consistent with IFRS, the AIC's guidelines. Accordingly, Net Asset Value calculations are prepared on the following basis:

- (i) securities listed, traded or quoted on a stock exchange or over-the-counter market are valued by reference to the bid price on such stock exchange or market as at the close of business of the relevant exchange or market on the relevant valuation day (or, if the relevant exchange or market is not open for business on the relevant valuation day, the securities are valued as at the last day on which the relevant exchange or market was open for business) as shown in the relevant exchange's or market's recognised method of publication of prices for such securities (and where a security is listed, traded or quoted on more than one stock exchange or over-the-counter market, the Board may, in its absolute discretion, select any one of such exchanges or markets);
- (ii) any securities that are not listed, traded or quoted on a stock exchange or over-the-counter market are valued at fair value as determined by the Board using appropriate valuation methodologies such as earnings multiples, recent transactions and net assets;
- (iii) derivative instruments are valued at fair value using appropriate valuation methodologies as determined by the Board;
- (iv) cash and bank deposits are valued by reference to their face value;
- (v) assets and liabilities in currencies other than pounds sterling (being the Company's functional currency) are translated into pounds sterling at the rates of exchange applying on the relevant valuation date; and
- (vi) notwithstanding the above, the Directors shall be entitled, at their absolute discretion, to apply a method of valuing any asset different from that described in this paragraph if such method would, in their opinion, better reflect the fair value of such asset.

The calculation of the Net Asset Value per Ordinary Share will only be suspended in circumstances where the underlying data necessary to value the investments of the Company cannot readily, or without undue expenditure or material detriment to the interests of Shareholders, be obtained. Details of any suspension in making any such calculation will be announced by the Company through a Regulatory Information Service as soon as practicable.

Meetings, reports and accounts

The Company will hold its first annual general meeting in 2018 and will then hold an annual general meeting each year thereafter.

The Company's annual financial statements will be prepared to 28 February in each year and the Company's annual financial statements will typically be sent to Shareholders within four months of its financial year-end. The Company also publishes an unaudited interim report covering the six months to

31 August each year, typically within two months of that date. The first annual report will be prepared to 28 February 2018.

The Company's financial statements are prepared in accordance with IFRS and, where consistent with IFRS, the presentational guidance set out in the Statement of Recommended Practice "Financial Statements of Investment Trust Companies and Venture Capital Trusts" issued by the AIC in November 2014 and updated in January 2017 with consequential amendments. Accordingly, in order to provide further useful information with respect to the activities of the Company and in accordance with the AIC's guidance, the Company shows revenue and capital columns in its statement of comprehensive income.

The Takeover Code

The Takeover Code applies to the Company. Given the existence of the buy-back powers described above, there are certain considerations that Shareholders should be aware of with regard to the Takeover Code. These are set out in more detail in paragraph 4 of Part X.

Taxation

Potential investors are referred to Part IX which contains a general summary of certain UK tax considerations relating to the acquisition, holding and disposal of Ordinary Shares and C Shares and certain Irish, Guernsey and Jersey considerations relating to withholding tax on dividends. This summary, which is based on current UK law and the current published practice of HMRC and on current Irish, Guernsey and Jersey law, does not constitute tax advice. Investors who are in any doubt as to their tax position or who are subject to tax in jurisdictions other than the UK are strongly advised to consult their own professional advisers.

Risk factors

The Company's business is dependent on many factors and potential investors should read the whole of this Prospectus and in particular the section entitled "Risk Factors" on pages 19 to 28 of this Prospectus.

PART II

BACKGROUND AND INVESTMENT PROPOSITION

The Investment Manager

Downing Corporate Finance Limited was incorporated in 1986. Downing LLP took over the business and employees of Downing Corporate Finance Limited on 1 June 2011. Since its founding in 1986 the Downing group has raised over £1.7 billion from more than 35,000 investors. The Downing group has over £800 million assets under management with more than £200 million invested in each of its Venture Capital Trust, Enterprise Investment Scheme and Business Relief products and over £100 million in quoted funds.

Downing has been public equity investing since May 2010. In particular, the Investment Manager manages MI Downing UK Micro-Cap Growth Fund which is currently 70 per cent. (by NAV excluding cash) invested in strategic micro-cap investments (together, in some instances, with other Downing funds). The MI Downing UK Micro-Cap Growth Fund's Class B Accumulation shares have returned 128.7 per cent. since Downing began managing the Fund in February 2011, with returns of 14.6 per cent. per annum over this period with lower volatility than the Numis Smaller Companies Index plus AIM (Excluding Investment Companies). For a summary of the performance of this Fund see the table below.

MI Downing UK Micro-Cap Growth Fund

	6 months	1 year	3 year	5 year
Fund	+15.65%	+26.54%	+47.14%	+133.63%
Index	+11.22%	+23.57%	+14.09%	+67.54%

Please note that past performance is not a reliable indicator of future results

Fund: MI Downing UK Micro-Cap Growth Fund performance (Class B Accumulation shares) (Figures correct as at 28 February 2017)

Index: Numis Smaller Companies Index plus AIM (Excluding Investment Companies) (for the period 04/02/2011 to 28/02/2017)

***Source of all fund data: Maitland Institutional Services, source of all index data: Thomson Reuters*

Investment Approach

The Company will aim to take influential positions in UK listed Micro-Cap Companies. The Investment Manager will seek to exploit the inefficiencies it perceives in the public markets, which it believes result in this investment universe being undervalued. Ultimately, the Investment Manager will seek to acquire on behalf of the Company shareholdings in companies that efficiently deploy capital to derive high rates of sustainable return and accordingly the Company will seek to achieve 15 per cent. compound growth per annum over the long term.

Drawing on its 30 years of experience, the Investment Manager believes its investment style is more akin to private equity than to typical public market investing. This is particularly apparent in the Investment Manager's extensive due-diligence process conducted prior to investment in investee companies, for example the Investment Manager makes on-site visits to potential investee companies, engages with both operational and board management and looks to find a value realisation mechanism with an aligned management team. The exit mechanism for the Company would either be by finding market liquidity, or more likely through an exit to a trade buyer or private equity.

The Investment Manager's due-diligence process typically will include an analysis of the attributes of each potential investee company including:

- Quality of management: the Investment Manager will seek to find a core management team the members of which behave as if they are owner-managers of the business and nurture shareholder interests. Ideally, the management team will have its own cash invested in the business. The Investment Manager will help to complement the core team with appropriate non-executive introductions to ensure good corporate governance;
- Cash flow monitoring: an ability for the Investment Manager to value free cash flow of the investee company over the long term;

- Capital deployment: evidence of an ability of the company to effectively and efficiently deploy capital for the benefit of shareholders;
- Sustainable margins: evidence of long-term sustainable margins or the ability to achieve these given a change in operational structure;
- Balance sheet: a robust balance sheet, or the ability of the Investment Manager to restructure onerous debt;
- Value catalyst strategy: the ability for the shareholders and management to drive a strategy that has a defined value catalyst at some time in the future, for example an acquisition led strategy or requirement for working capital finance for growth; and
- Discounted entry value: an entry value at a discount to the Investment Manager's intrinsic valuation of the investee, determined by a number of diligence factors which are similar to that of a private-equity process, including discounted cash flow, qualitative evaluation of the quality and transparency of earnings and the ability of the Investment Manager to realise value that is not dependent on market sentiment or price/earnings expansion. Unlike Private Equity, however, the Investment Manager would not be looking to realise value through leveraging of companies.

The Investment Manager considers that this due diligence process allows risk mitigation which it believes can be inherent in speculative investment in Micro-Cap Companies.

The Investment Manager has a universe of c.1000 companies from which to target prospective investee companies and c.200 companies on its active watch list.

The Company's portfolio will comprise between 12 and 18 investee companies once fully invested. The Investment Manager believes that having a focused portfolio with fewer holdings than other investment vehicles focused on the same investment universe will allow it to devote more time to understanding its investments and its markets, giving it time to foster strong relationships with management teams. The Investment Manager has a value-bias style, and favours proactive engagement with management and approach to investment management. Over the longer term, the Company can help unlock shareholder value through active engagement with management teams, implementing catalysts for value creation.

There are various 'strategic' mechanisms which the Investment Manager can deploy to help create value, including:

- providing support for funding organic growth;
- providing access to capital for funding acquisitions;
- providing capital for restructuring of onerous debt or an inefficient operating structure;
- implementing long term incentive packages that align management with shareholders; and
- ensuring adequate corporate governance standards are adhered to.

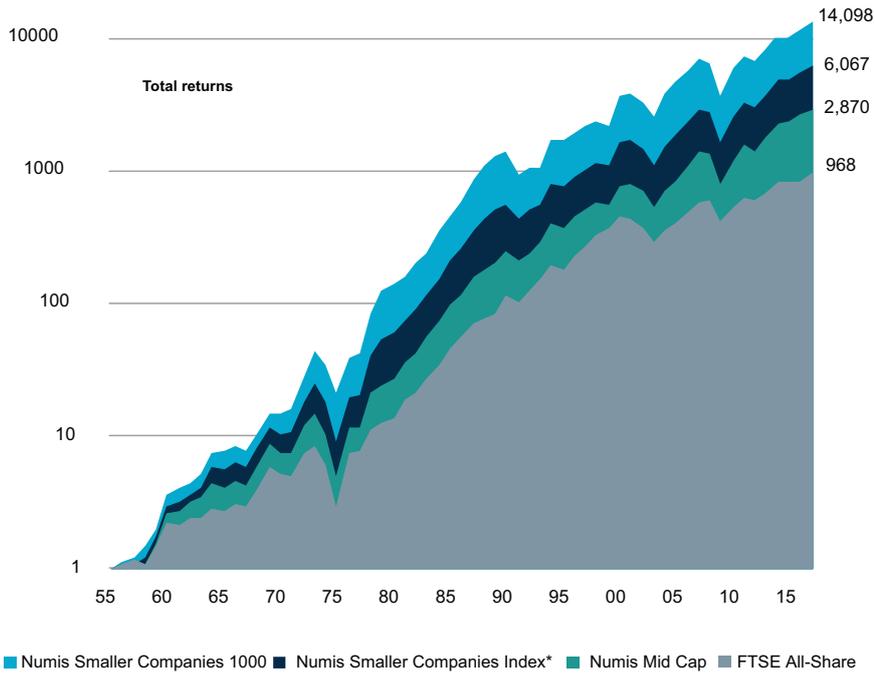
The Company will also target prospective investee companies where the Investment Manager believes that the business is significantly undervalued relative to the Investment Manager's calculation of the intrinsic value of the investment and the Company can gain an entry point at a discount to this intrinsic value.

Investment Rationale

Companies with a smaller market capitalisation have outperformed companies with a larger market capitalisation over the long term: between 1955 and 2016, total returns including reinvested dividends for the Numis Smaller Companies 1000 index (comprising the smallest 2 per cent. of the UK equity market excluding investment companies) have been over 14,000 per cent.. This is in comparison to 2,870 per cent. for Numis Mid Cap Index (comprising the smallest 20 per cent. excluding the bottom 5 per cent. of the UK equity market) and 968 per cent. for the FTSE All-Share Index (all UK equities). The comparative returns of Numis Smaller Companies 1000, Numis Smaller Companies Index (smallest 10 per cent. of U.K. Equity market), Numis Mid Cap, and the FTSE All-Share Index over this period are shown below in Figure 1.

Figure 1: Long term returns from size-ranked indices, 1955-2016

Cumulative value (log scale)



* Formerly RBS Hoare Govett Smaller Companies Index

Source of all data: total returns including reinvested dividends, Numis Smaller Companies Index 2017 Annual Review

The Investment Manager believes that the market in Micro-Cap Companies is more inefficient than that of companies with a larger market capitalisation. The Investment Manager uses a diligent investment process as described above akin to that of private equity although without the bias towards leverage. The Investment Manager believes this investment approach allows it to identify companies which are intrinsically better value than companies with larger market capitalisations. The Investment Manager considers the following characteristics of the Micro-Cap Companies universe allow it to identify and realise this value, as illustrated in Figure 2 below:

- there is a wider universe of Micro-Cap Companies in the Numis Smaller Companies Index plus AIM (Excluding Investment Companies), particularly in the range of companies with less than £50 million market capitalisation;
- Micro-Cap Companies and in particular companies with a market capitalisation of less than £50 million, lack analyst coverage in comparison to other companies comprising Numis Smaller Companies Index plus AIM (Excluding Investment Companies) and, we believe, institutional attention, which we consider drives pricing inefficiency and attractive valuations;
- Micro-Cap Companies have a higher median yield than other companies comprising Numis Smaller Companies Index plus AIM (Excluding Investment Companies) (although dividend is not a focus or key attribute of investee companies for the Investment Manager); and
- Micro-Cap Companies have a lower relative value (as defined by Price Earnings Ratio) than other companies comprising Numis Smaller Companies Index plus AIM (Excluding Investment Companies).

Figure 2: Number of companies in Numis Smaller Companies Index plus AIM (Excluding Investment Companies) by market capitalisation

<i>Market Capitalisation</i>	<i>No. of companies</i>	<i>Average number of analysts per company</i>	<i>Median Yield</i>	<i>Median forward Price Earnings Ratio</i>
£1 million – £50 million	623	0.5	3.1%	10.7x
£50 million – £100 million	153	1.5	2.1%	12.8x
£100 million – £150 million	86	2.1	2.3%	12.4x
£150 million – £500 million	217	3.8	2.6%	14.1x
Over £500m	157	7.4	2.5%	15.3x

Source: Thomson Reuters, as at 28 February 2017.

With a longer-term view made possible by the closed end structure of the Company, the Investment Manager will seek to enhance the valuations of these companies with its investment strategy, similar to that already deployed by it in the open-ended Micro-Cap fund it manages, MI Downing UK Micro-Cap Growth Fund.

PART III

DIRECTORS, MANAGEMENT AND ADMINISTRATION OF THE COMPANY

Directors

The Directors have overall responsibility for and oversight of the Company's activities, notwithstanding the delegation of the day-to-day management of the Company to the Investment Manager and the delegation of company secretarial services to the Company Secretary, administration services to the Administrator and reporting and accounting services to the Reporting Accountant. The Directors are responsible for determining the Company's investment objective, policy and strategy, reviewing the investment activity and performance and the control and supervision of the Investment Manager.

The Directors will meet at least four times per annum, and the Audit Committee will meet at least twice per annum.

The Directors are as follows:

Hugh Aldous (*Chairman*)

Hugh is a director of three public companies, two listed in the UK and one in the US, where he chairs respectively audit and corporate governance committees, and he is Chairman of the board of a Guernsey investment company. Previously, Hugh has been Executive Chairman of an AIM listed company sold to a FTSE 100 company, director and chairman of London listed investment companies, chairman of a funds administrator and chairman of four companies backed by private equity. Hugh's current quoted company directorships include a London listed fund management company managing three listed investment companies and some 19 open-ended funds, a US speciality chemicals company quoted on NASDAQ and a Venture Capital Trust. Hugh's career included 35 years as director of a wide selection of companies from nationalised industries to private equity across a range of sectors, 10 years as managing partner, and latterly head of Financial Services, of Robson Rhodes (now Grant Thornton), 16 years of appointments as a DTI Companies Act Inspector responsible for several reports, including two major published reports, and membership of the UK Monopolies & Mergers and Competition Commissions.

Andrew Griffiths (*Non-Executive Director*)

Andrew founded Green Star Media Ltd after a career in print journalism including five years as business correspondent of The Daily Telegraph. Andrew has been responsible for the creation and launch of eleven specialist magazines and newsletters, including the AIM Newsletter. Andrew has been a non-executive director of several venture capital trusts and was previously a Non-Executive Director of Downing ONE VCT plc.

Diana Hunter (*Non-Executive Director*)

Diana has been CEO of Conviviality Plc since February 2013. Diana led the Company through its successful IPO on AIM in July 2013. Diana has extensive experience in the retail sector, having joined Conviviality from Waitrose where she held senior roles for nine years as Director of Store Development and later as Convenience Director. During Diana's time with the company she led the growth of the Waitrose store estate and the creation of the 'Little Waitrose' convenience chain. Prior to Waitrose, Diana spent the first 13 years of her career at Sainsbury's where she held a number of senior roles, including leading investment programmes and heading format development.

Stephen Yapp (*Non-Executive Director*)

Stephen has almost 25 years' experience as director of public and private companies over the course of his career. Presently, Stephen is Non-Executive Chairman at Pittards Plc, Chairman of MNH Grp Limited and Non-Executive Director of Journey Group Limited (formerly Journey Group plc). Stephen held the position of Executive Chairman of Altitude Group Plc from September 2013 to April 2015 and of Redstone plc (now Castleon Technology plc) from September 2009 to September 2010, and Non-Executive Director of Imagesound plc (now Imagesound Limited) from January 2007 to December 2008. Prior to this, Stephen was Chief Executive of DCS Group plc between 2001 and 2006 and held the position of Finance Director at SBG between 1997 and 2000. Stephen is also a Fellow Chartered Management Accountant and holds an MBA.

Investment Manager

The Company's Investment Manager is Downing LLP which is authorised and regulated by the FCA and as such is subject to its rules in the conduct of its investment business. The Investment Manager specialises in structuring, promoting, managing and administering tax efficient products.

The Investment Manager's Investment Team

The Investment Manager's Investment Team who will be involved in the investment management of the Company as at the date of this Prospectus is as follows:

Judith MacKenzie *(Partner and Head of Public Equity)*

Judith joined Downing in October 2009 and established Downing's Public Equity division. Judith was previously a partner at Acuity Capital, a buy-out from Electra Partners Group, where she managed small company assets with an activist strategy. Prior to Acuity, Judith spent seven years with Aberdeen Asset Management Growth Capital as co-Fund Manager of the five Aberdeen VCTs, focusing on technology and media investments in both the public and private arenas. Judith has held a number of directorships, and advisory roles to companies and Government. She has 20 years of industry experience which she has leveraged in her building out of Downing's Public Equity division and Investment Team. Judith is 5 Crown rated by FE Trust-Net and AAA rated by Citywire (for the three-year performance of the Downing UK Micro-Cap Growth Fund, B Shares, to 31/01/2017). Judith was also named Fund Manager of the Year in the 2013 and 2015 Small Cap Awards. Judith has passed the examinations of the Securities Institute and holds a BA in Economics and Finance.

Alyx Wood *(Fund Manager)*

Alyx joined Downing in February 2014 as an Investment Manager working alongside Judith on the micro-cap strategies. He is also co-fund manager of the MI Downing Diversified Global Managers Fund. Prior to joining Downing, Alyx worked at Deutsche Bank AG for two years as a Business and Fund Finance Manager. Alyx also trained as a Management consultant at KPMG LLP in its Advisory practice between 2007 and 2012. He specialised in Investment Management and his main clients included BlackRock, Goldman Sachs AM and HM Treasury. He also completed secondments to Corporate Finance and Tax during his employment with KPMG. Alyx is a Chartered Accountant (ICAS), holds a BA in Accounting and Economics and the Investment Management Certificate.

Nicholas Hawthorn *(Investment Manager)*

Nicholas joined Downing in September 2015 as an Equity Analyst working on the micro-cap strategies. Prior to joining Downing, he worked as a Financial Analyst for the Private Equity team at BP Investment Management Ltd and as a Financial Analyst in Group Finance at Aberdeen Asset Management PLC. He is currently studying towards Level III of the Chartered Financial Analyst (CFA) exams and holds the Investment Management Certificate. He holds an MSc degree in Finance and Investments and an MA degree in Accounting and Economics.

James Lynch *(Fund Manager)*

James joined Downing in February 2012 as Investment Executive within the private equity division. He gained transaction experience in the SME space across a range of industries before transferring to Downing Public Equity in 2013. James has specific responsibility for a number of strategic investments held by the MI Downing Micro Cap Growth Fund. He is also Fund Manager for the Downing Monthly Income Fund. Prior to joining Downing, James worked within the asset management division of Ernst & Young after specialising in smaller companies at HW Fisher & Company. James is a CFA Charterholder, Chartered Accountant (ACA) and holds the Investment Management Certificate.

Cheryl Vickers *(Portfolio Manager)*

Cheryl joined Downing in 2010 from Rathbones where she gained over 12 years' experience working on VCT, EIS and IHT portfolio services. Cheryl provides portfolio support and oversight to all of the Downing Public Equity funds. Cheryl graduated from Keele University and is a Chartered Fellow of the Securities Institute.

The Investment Management Agreement

The Investment Manager is responsible for providing management services to the Company in accordance with the terms of the Investment Management Agreement. The Investment Management Agreement provides for an investment management fee calculated as 1/12th of 1 per cent of the Market Capitalisation and payable on a monthly basis in arrears. No performance fee is payable to the Investment Manager.

The Investment Manager has agreed that, for so long as it remains the Company's investment manager, it will rebate such part of any management fee payable to it so as to help the Company maintain an ongoing charges ratio of 2 per cent. or lower.

The Investment Management Agreement is for a minimum term of three years and is terminable by either the Company or the Investment Manager giving the other not less than six months' written notice, such notice not to expire prior to the expiry of the three year minimum term. Further information on the Investment Manager and details of the Investment Management Agreement are set out in paragraph 7.2 of Part X.

Company Secretary

Maitland Administration Services Ltd has been appointed as Company secretary pursuant to the Administration Agreement, a summary of which is set out in paragraph 7.3 of Part X. In such capacity, the Administrator is responsible for the general secretarial functions required by the Act.

Administrator

Maitland Administration Services Ltd has been appointed as Administrator pursuant to the Administration Agreement, a summary of which is set out in paragraph 7.3 of Part X. In such capacity, the Administrator assists the Company in ensuring it complies with its continuing obligations as an investment company listed on the Official List and trading on the Main Market. The Administrator is also responsible for the Company's general administrative functions such as the calculation of Net Asset Value of the Ordinary Shares and C Shares (if any), the maintenance of accounting records.

Custodian

The Northern Trust Company has been appointed as Custodian pursuant to the Custody Agreement, a summary of which is set out in paragraph 7.4 of Part X. The Custodian holds, or arranges for sub-custodians to hold, all of the cash, securities and other assets of the Company and arranges and settles (directly or acting through sub-custodians) all transactions relating to those assets as agent for the Company. The Custodian receives a safe-keeping fee and transaction fees which vary by market, subject to a minimum fee of £7,500 per annum.

For the avoidance of doubt, the Custodian is not a person responsible for the information contained in this Prospectus and does not accept any responsibility therefore under any applicable regulations or otherwise.

Registrar

Computershare Investor Services PLC has been appointed as registrar to the Company under the Registry Services Agreement. A summary of the Registry Services Agreement is set out in paragraph 7.57.5 of Part X.

Receiving Agent

Computershare Investor Services PLC has been appointed Receiving Agent of the Company for the Offer for Subscription under the terms of the Receiving Agent's Agreement. A summary of the Receiving Agent Agreement is set out in paragraph 7.6 of Part X.

Fees and expenses

Formation and initial expenses

The formation and initial expenses of the Company are those which are necessary for the incorporation of the Company, First Admission and the First Issue. These expenses include fees and commissions

payable under the Placing Agreement, Receiving Agent's fees, admission fees, printing, legal and accounting fees and any other applicable expenses which will be met by the Company and paid on or around First Admission out of the gross proceeds of the First Issue. The expenses will be charged to capital in the Company's first accounting period.

The costs and expenses of the First Issue (including all fees, commissions and expenses payable to Stockdale Securities) will be paid by the Company. Such costs and expenses are not expected to exceed approximately £1.85 million, equivalent to 1.85 per cent. of the gross proceeds of the First Issue, assuming gross proceeds of £100 million are received under the First Issue. If the Minimum Net Proceeds are raised, the expenses of the First Issue will be approximately £0.7 million. It is intended that the costs of the First Issue and Admission shall not exceed 2 per cent. of the gross proceeds of the First Issue, and accordingly the Investment Manager has agreed that it will promptly settle on behalf of the Company any costs of the Company in connection with the First Issue and Admission to the extent that such costs exceed 2 per cent. of the gross proceeds of the First Issue.

Ongoing charges

Fees and expenses payable to the Company's services providers, including the Investment Manager, the Company Secretary, the Custodian, the Administrator and the Registrar and Receiving Agent are set out in paragraph 7 of Part X.

Conflicts of interest

The Investment Manager may be involved in other investment activities that may on occasion give rise to conflicts of interest with the Company. In particular, it currently does, and may continue to, provide investment management, investment advice or other services in relation to a number of other companies, funds or accounts that may have similar investment objectives and/or policies, to that of the Company and may receive ad valorem and/or performance-related fees for doing so. In particular, the Investment Manager acts as investment adviser to Downing UK Micro-Cap Growth Fund, an open ended investment company with a similar investment objective and investment policy to the Company, the Downing AIM Estate Planning Service, the Downing AIM ISA and Downing ONE VCT plc, all of which may invest into the same or similar AIM companies. As a result, the Investment Manager may have conflicts of interest in allocating investments among the Company and other clients and in effecting transactions between the Company and other clients. The Investment Manager may give advice or take action with respect to such other clients that differs from the advice given or actions taken with respect to the Company. The Investment Manager has a conflicts of interest policy which covers the management and resolution of such situations should they arise. The Directors have satisfied themselves that the Investment Manager has procedures in place to address potential conflicts of interest and that, where a conflict arises, the Investment Manager will allocate the opportunity on a fair basis and in accordance with the Investment Management Agreement described in paragraph 7.2 of Part X.

The Administrator will also report, on a quarterly basis, any breaches of law and regulation and any operational errors. This enables the Board to address any issues with regard to the management of the Company as and when they arise and to identify any known internal control failures.

Provisions relating to the Directors' interests are set out in the Articles, a summary of which is set out in paragraph 3 of Part X.

Corporate governance

The Board of the Company has considered the principles and recommendations of the AIC Code by reference to the AIC Guide. The AIC Code, as explained by the AIC Guide, addresses all the principles set out in the UK Corporate Governance Code, as well as setting out additional principles and recommendations on issues that are of specific relevance to the Company as an investment company.

The Board considers that reporting against the principles and recommendations of the AIC Code, and by reference to the AIC Guide (which incorporates the UK Corporate Governance Code), will provide better information to Shareholders.

The Financial Reporting Council ("**FRC**"), the UK's independent regulator for corporate reporting and governance responsible for the UK Corporate Governance Code, has endorsed the AIC Code and the

AIC Guide. The terms of the FRC's endorsement mean that AIC members who report against the AIC Code and follow the AIC Guide meet fully their obligations under the UK Corporate Governance Code and the related disclosure requirements contained in the Listing Rules.

With effect from First Admission, the Company intends to comply with the recommendations of the AIC Code and the relevant provisions of the UK Corporate Governance Code, except as set out below.

The UK Corporate Governance Code includes provisions relating to: the role of the chief executive; the appointment of a senior independent director; executive directors' remuneration; and the need for an internal audit function. For the reasons set out in the AIC Guide, the Board considers these provisions are not relevant to the position of the Company, being an externally managed investment company and the Company does not therefore comply with them.

The Company's Audit Committee is chaired by Stephen Yapp, consists of all the Directors and will meet at least twice a year. The Board considers that the members of the Audit Committee have the requisite skills and experience to fulfil the responsibilities of the Audit Committee. The Audit Committee will examine the effectiveness of the Company's internal control and risk management systems. It will review the half-yearly and annual reports and also receive information from the Investment Manager. It will also review the scope, results, cost effectiveness, independence and objectivity of the external auditor.

Instead of a remuneration committee, the Company has established a Management Engagement Committee which is chaired by Hugh Aldous and consists of all the Directors. The Management Engagement Committee will meet at least once a year or more often if required. Its principal duties are to consider the terms of appointment of the Investment Manager and it will annually review that appointment and the terms of the Investment Management Agreement.

In addition, the Board has processes in place for assessing and handling disclosure of inside information in accordance with the Market Abuse Regulation.

PART IV

REDEMPTION OF ORDINARY SHARES

The rights and restrictions attaching to the Ordinary Shares are set out in the Articles of the Company. The provisions of the Articles relating to the redemption of Ordinary Shares are detailed below.

1. REDEMPTION PROCEDURE

The Directors shall be entitled at their absolute discretion to determine the procedures for the redemption of the Ordinary Shares (subject to the facilities and requirements of CREST and the Act). Without prejudice to the Directors' discretion, it is intended that the procedure described below shall apply.

Shareholders may request the redemption of all or any of their Ordinary Shares on any Redemption Point. Upon redemption all Ordinary Shares so redeemed shall be cancelled.

Redemptions may take place at a Redemption Point in any Redemption Year. The first Redemption Year shall be 2020 and subsequent Redemption Years shall be every second year thereafter.

The right of Shareholders to request the redemption of all or any of their Ordinary Shares on any Redemption Point shall be exercised by the Shareholder delivering to the Receiving Agent (or to such other person as the Directors may designate for this purpose) a duly completed Redemption Request.

A Redemption Request shall be deemed to include a representation and warranty to the Directors that the Ordinary Shares which are the subject of the Redemption Request are free from and clear of all liens, charges and other encumbrances whatsoever.

Shareholders holding Ordinary Shares in certificated form shall be required to complete the Redemption Request on the back of the certificate(s) in respect of the Ordinary Shares which are the subject of the Redemption Request and such other evidence or information as the Directors may request and the due execution by him of the Redemption Request or, if the Redemption Request is executed by some other person on his behalf, the authority of that other person to do so. Redemption Request forms for Shareholders who have lost or damaged their share certificates will be available upon request from the Registrar.

Shareholders holding Ordinary Shares in uncertificated form (that is, in CREST) must send a properly authenticated Transfer to Escrow ("TTE") instruction to effect the transfer of the number of Ordinary Shares which the Shareholder wishes to redeem from his CREST account to the Receiving Agent's specified CREST account, together with such other evidence or information as the Directors may request. The transfer to the Receiving Agent's CREST stock account must be effected no earlier than 30 Business Days before and no later than 3.00 p.m. on the day falling 20 Business Days before the relevant Redemption Point. Such transfers of Ordinary Shares shall be at the risk and the expense of the relevant Shareholder. Following the transfer to the Receiving Agent's CREST stock account and pending redemption of all or part of the Ordinary Shares, Shareholders shall not be entitled to dispose of, encumber, charge or deal in any way whatsoever with the Ordinary Shares which have been so transferred except in the circumstances described below. In order for a TTE instruction to be valid, it will need to comply with the requirements set out in paragraph 6 of this Part IV.

Redemption Requests for Ordinary Shares held in certificated or uncertificated form shall not be valid (unless the Company otherwise agrees) unless they are received by the Receiving Agent not earlier than 30 Business Days before and no later than 3.00 p.m. on the day falling 20 Business Days before the relevant Redemption Point.

Other than during any period of suspension of trading of the Ordinary Shares or during any period when the calculation of the Net Asset Value is suspended, a Redemption Request once given may not be withdrawn otherwise than with the prior consent of the Company (which the Directors shall be entitled in their absolute discretion to withhold), but shall only be deemed to have effect in relation to the next Redemption Point following its valid delivery and receipt and not in relation to any subsequent Redemption Point.

During any period of suspension of trading of the Ordinary Shares or during any period when the calculation of the Net Asset Value is suspended a Shareholder may, by notice in writing, withdraw his Redemption Request. If the Redemption Request is not withdrawn it shall have effect, subject to the Directors' discretion, on the Redemption Point immediately following the date on which trading of the Ordinary Shares or calculation of the Net Asset Value, as appropriate, ceases to be suspended.

The Directors reserve the right to treat as valid Redemption Requests which are not entirely in order and which are not accompanied (in the case of Ordinary Shares held in certificated form) by the relevant Share certificate(s) and/or other document(s) of title or a satisfactory indemnity in lieu thereof and shall be entitled (in their sole discretion) to accept late Redemption Requests.

2. DIRECTORS' DISCRETION

Investors should note that the Directors have absolute discretion to operate the redemption facility on any given Redemption Point and to accept or decline in whole or part any Redemption Request. Examples of circumstances where this may be the case include: large redemption requests (including requests such that the Directors may instead propose an alternative future for the Company rather than allowing it to continue at a size that is uneconomic to run); a suspension of trading or volatility in the markets in which the Company's assets are invested; corporate actions, including those to which the Takeover Code applies; or where obligations to comply with regulatory requirements so necessitate. Accordingly, whilst the Board does not generally expect to exercise this discretion, existing and prospective Shareholders should place no reliance on the Directors exercising their discretion to permit a Redemption Request in any particular case. The Directors' determination as to whether to permit or decline a Redemption Request (in whole or in part), together with their reasoning for their decision, will be documented. In the event that the Directors decline Redemption Requests for a particular Redemption Point, the Directors shall be permitted to propose an additional Redemption Point at their absolute discretion.

The Ordinary Shares may only be redeemed or purchased by the Company out of distributable reserves or the proceeds of a fresh issue of shares made for that purpose. It is important to note that in order to maintain its status as an investment trust in accordance with Chapter 4 of Part 24 of the Corporation Tax Act 2010, the Company must not retain more than 15 per cent. of its gross taxable income in an accounting period and may be required to pay dividends in order to be able to meet this condition. Accordingly, to the extent that income is required to be distributed by way of dividend in this way, it will not be available to fund redemptions or repurchases of the Ordinary Shares.

3. REDEMPTION PRICE

The Directors may elect, at their absolute discretion, to calculate the Redemption Price applying on any Redemption Point on either of the following bases:

(i) *Redemption Price calculated by reference to Dealing Value per Ordinary Share*

The Redemption Price shall be equal to the Dealing Value per Ordinary Share calculated as at the appropriate Valuation Point on the appropriate Redemption Point in accordance with the procedure set out in paragraph 7 of this Part IV, or

(ii) *Redemption Price calculated by reference to a separate Redemption Pool*

The Directors may elect to calculate the Redemption Price by reference to the amount generated upon the realisation of a Redemption Pool created for the purpose of funding the redemption. In these circumstances the Redemption Price shall be calculated in the manner specified in paragraph 8 of this Part IV.

The Directors intend to use the Redemption Pool method of calculating the Redemption Price whenever they consider it is in the best interests of the continuing Shareholders to do so.

4. SETTLEMENT OF REDEMPTION REQUESTS

If the Redemption Price is calculated by reference to the Dealing Value per Ordinary Share, within 10 Business Days after the relevant Redemption Point the Company shall notify relevant Shareholders of the number of Ordinary Shares redeemed in respect of such holdings and the price at which such

shares have been redeemed, and shall dispatch redemption monies to those Shareholders whose Ordinary Shares have been redeemed.

If the Redemption Price is determined by reference to a Redemption Pool, within 10 Business Days after the relevant Redemption Point the Company shall notify relevant Shareholders of the number of Ordinary Shares redeemed in respect of such holdings. As soon as practicable after the realisation of the assets comprised in the Redemption Pool, the Company shall notify the relevant Shareholders of the Redemption Price per Ordinary Share and shall dispatch the net redemption monies to those Shareholders whose Ordinary Shares have been redeemed. The Company may make interim distributions in respect of the Redemption Price in the event that there is a delay in realising all the assets comprising the Redemption Pool.

The Company shall not be liable for any loss or damage suffered or incurred by any Shareholder or other person as a result of or arising out of late settlement, howsoever such loss or damage may arise.

Payment of the Redemption Price in respect of any Ordinary Shares in certificated form will be made by cheque made payable to the relevant Shareholder (s), and shall be sent to the address in the register of members. Due payment of the cheques shall be in satisfaction of the Redemption Price represented thereby. Every such cheque which is sent through the post shall be sent by first class post (at the risk of the relevant Shareholders).

The Company shall procure that in relation to any Ordinary Shares held in certificated form which have not been redeemed, a balance certificate in respect of such number of unredeemed Ordinary Shares shall be sent (at the risk of the Shareholder) to the address specified in the register of members, (or, if none is specified, to the address (being an address outside the United States, Canada, Australia, the Republic of South Africa or Japan) of the Shareholder(s) as entered in the register of members) within 20 Business Days after the relevant Redemption Point.

Each payment in respect of Ordinary Shares held in uncertificated form will take place through CREST by means of a CREST payment in accordance with the CREST payment arrangements.

If the Directors exercise their discretion not to redeem all or any of the Ordinary Shares which are the subject of a Redemption Request, the Company shall procure that in relation to Ordinary Shares held in uncertificated form which have not been redeemed the Registrar will, as soon as reasonably practicable after the relevant Redemption Point, transfer by means of a TFE Instruction such Ordinary Shares to the original available balance from which those Ordinary Shares came.

All documents, instructions and remittances sent by, to or from a Shareholder or their appointed agents will be sent at their own risk.

5. MATCHED BARGAINS

The Company may, prior to a Redemption Point, in its sole discretion, invite investors to purchase Ordinary Shares which are the subject of Redemption Requests.

The price at which such transfers will be made will not be less than the Redemption Price which the Shareholder requesting redemption would have received if the Redemption Price had been determined by reference to the Dealing Value per Ordinary Share applicable on the relevant Redemption Point.

In circumstances where there are investors willing to acquire Ordinary Shares, all or some of the Ordinary Shares which are the subject of Redemption Requests will not be redeemed by the Company but instead shall be transferred to the incoming investor(s), as appropriate, with effect from the relevant Redemption Point.

Shareholders submitting Redemption Requests are deemed to have agreed that the Company may sell all or any of their Ordinary Shares that are the subject of the Redemption Request to an incoming investor at a Redemption Point. Under the terms of a Redemption Request, a redeeming Shareholder shall be deemed to authorise the Company to sell the Ordinary Shares that are the subject of the Redemption Request to an incoming investor as the Directors may determine.

If there is sufficient demand from incoming investors to acquire all of the Ordinary Shares that are the subject of Redemption Requests as at a Redemption Point, the Company may sell all of the Ordinary Shares to incoming investors.

If there is demand from incoming investors to acquire some of the Ordinary Shares that are the subject of Redemption Requests as at a Redemption Point, the Company may select holdings of Ordinary Shares that are the subject of Redemption Requests from Shareholders as at the Valuation Point to satisfy incoming investor demand. Selection of such holdings of Ordinary Shares may be pro rata to redeeming Shareholders' holdings or such other equitable means as the Directors determine in their discretion such as first come/first served basis or by random ballot. Shareholders who are selected shall have all of their Ordinary Shares that are the subject of the Redemption Requests sold to incoming investors, except for the final Shareholder that is selected who will have such proportion of his or her Ordinary Shares sold to incoming investors and/or purchased by the Company, as appropriate, to satisfy the remaining demand. The remainder of the Ordinary Shares that are the subject of the Redemption Requests may be redeemed by the Company pursuant to the redemption facility.

Following the relevant Redemption Point, Shareholders will be notified in writing whether their Ordinary Shares have been redeemed by the Company under the redemption facility at the Redemption Price or sold to incoming investors under the matched bargain facility.

Shareholders should note that certain Shareholders may experience a different tax treatment depending on whether they have their Ordinary Shares redeemed by the Company or purchased by incoming investors under the matched bargain facility. Shareholders who are in any doubt as to their tax position should refer to Part IX and seek professional advice from their own independent professional adviser.

6. REDEMPTION OF ORDINARY SHARES HELD IN UNCERTIFICATED FORM: ADDITIONAL INFORMATION

6.1 Shareholders who wish to redeem Ordinary Shares held in CREST will need to send a properly authenticated TTE instruction. A valid TTE instruction will need to include the following particulars:

- 6.1.1 the ISIN number for the Ordinary Shares. This is GB00BF0SCX52;
- 6.1.2 the number of Ordinary Shares being tendered for redemption;
- 6.1.3 the participant ID of the holder of the Ordinary Shares;
- 6.1.4 the member account ID of the holder of the Ordinary Shares, being the account from which the Ordinary Shares are to be debited;
- 6.1.5 the participant account ID of the Receiving Agent. This will be notified by Regulatory Information Service no later than 30 Business Days before the relevant Redemption Point;
- 6.1.6 the member account ID of the Receiving Agent. This will be notified by Regulatory Information Service no later than 30 Business Days before the relevant Redemption Point;
- 6.1.7 the corporate action number allocated by Euroclear;
- 6.1.8 the intended settlement date which must be on or before 3.00 p.m. on the day falling 20 Business Days before the relevant Redemption Point;
- 6.1.9 a delivery priority of 80; and
- 6.1.10 a contact number in the shared note field.

Details of the particulars referred to in 6.1.7 and 6.1.8 above can be obtained by viewing CREST prior to submission of the TTE instruction.

CREST members and (where applicable) CREST sponsors should note that Euroclear does not make available special procedures in CREST for any particular corporate action. Normal system timing and limitations will therefore apply in relation to the input of a TTE instruction and its settlement in connection with the exercise of the rights attaching to the Ordinary Shares held in CREST. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST sponsored member, to procure that his CREST sponsor takes) such action

as shall be necessary to ensure that a TTE instruction is effected and settled by 3.00 p.m. on the day falling 20 Business Days before the relevant Redemption Point. In this connection, CREST members and (where applicable) their CREST sponsors, are referred in particular to those sections of the CREST Manual concerning the practical limitation of the CREST system and timings.

6.2 The Company in its sole discretion may:

6.2.1 accept an alternative properly authenticated dematerialised instruction from a CREST member or (where applicable) a CREST sponsor in substitution for or in addition to a TTE instruction and subject to such further terms and conditions as the Company may determine;

6.2.2 treat a properly authenticated instruction (in this paragraph 6.2.2, the “**first instruction**”) as not constituting a valid TTE instruction if, at the time at which the Registrar receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or the Registrar has received actual notice from Euroclear of any matters referred to in Regulation 35(5)(a) of the CREST Regulations in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and

6.2.3 accept an alternative instruction or notification from a CREST member or CREST sponsored member or (where applicable) a CREST sponsor, or extend the time for settlement of a TTE instruction or notification, in the event that, for reasons or due to circumstances outside the control of the CREST member or (where applicable) CREST sponsor, the CREST member or CREST sponsored member is unable to validly request the redemption of his Ordinary Shares by means of the procedures described above. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or any part of CREST) or on the part of the facilities and/or systems operated by the Registrar in connection with CREST.

6.3 Shareholders holding their Ordinary Shares in any other uncertificated form (e.g. through Euroclear) should consult with their nominee and follow the procedures and timetables they specify.

7. CALCULATION OF DEALING VALUE

The Dealing Value of the Company and the Dealing Value per Ordinary Share shall be expressed in pounds sterling and shall be determined in accordance with the valuation principles and procedures from time to time adopted by the Board and notified to Shareholders and, in the absence of such adoption as aforesaid, the following valuation principles and procedures shall apply.

7.1 The Dealing Value of the Company shall be calculated as at the Valuation Point applicable to each Redemption Point and such other time and/or day as the Directors may determine. The Dealing Value will be calculated as the value of all the assets of the Company (excluding any assets attributable to any C Shares prior to their conversion) less its liabilities (excluding any liabilities of the Company attributable to any C Shares prior to their conversion).

The value of the assets of the Company shall be calculated on the following bases:

7.1.1 securities trading on a stock exchange are to be valued generally at the latest available bid-market price quoted on such exchange or, in the absence of such bid-market price, the last known price quoted on such exchange;

7.1.2 unlisted securities (other than equities) for which there is an ascertainable market value are to be valued generally at the last known bid price quoted on the principal market on which the securities are traded;

7.1.3 unlisted securities (other than equities) for which there is no ascertainable market value will be valued at cost plus interest (if any) accrued from purchase to (but excluding) the Redemption Point plus or minus the premium or discount (if any) from par value written off over the life of the security;

- 7.1.4 any other unlisted securities will be valued initially at cost and thereafter with any reduction or increase in value (as the case may be) as the Directors shall in their absolute discretion deem appropriate in the light of the circumstances;
- 7.1.5 any value otherwise than in pounds sterling shall be converted into pounds sterling at the rate (whether official or otherwise) which the Directors shall in their absolute discretion deem appropriate to the circumstances having regard, inter alia, to any premium or discount which they consider may be relevant and to the costs of exchange;
- 7.1.6 the value of any cash in hand or on deposit, bills and demand notes and accounts receivable, prepaid expenses, cash dividends and interest accrued and not yet received shall be deemed to be the full amount thereof, unless it is unlikely to be paid or received in full, in which case the value thereof shall be arrived at after making such discount as the Directors may consider appropriate to reflect the true value thereof;
- 7.1.7 the value of units in any unit trust shall be derived from the last prices published by the managers thereof;
- 7.1.8 if in any case a particular value is not ascertainable as above provided, or if the Directors shall consider that some other method of valuation better reflects the fair value of the relevant investments, then in such case the method of valuation of the relevant investment shall be such as the Directors shall determine;
- 7.1.9 where any investments do not fall to be valued in accordance with any of the foregoing provisions, they shall be valued by such method as the Directors shall determine; and
- 7.1.10 for the purposes of ascertaining or obtaining any price, quotation, rate or other value referred to in the preceding paragraphs for use in determining the value of any asset, the Investment Manager shall be entitled to use the services of any reputable information or pricing service but only to the extent designated by the Directors.

In respect of calculating the Dealing Value of the Company by reference to which Redemption Requests may be satisfied there will be deducted all liabilities of the Company and such provisions and allowances for contingencies and accrued costs and expenses payable by the Company, including a provision for the costs that would be incurred in disposing of the Company's investments. In addition, the Shareholder whose Ordinary Shares are acquired by an incoming investor will bear any applicable dealing and/or market impact costs.

Where the current price of an investment held by the Company is quoted 'ex' any dividend (including stock dividend), interest or other rights to which the Company is entitled but such dividend, interest or the property to which such rights relate has not been received and is not taken into account under any other provisions of the Articles, the amount of such dividend, interest, property or cash shall be taken into account.

- 7.2 The Dealing Value per Ordinary Share shall be the Dealing Value of the Company at the relevant Valuation Point applicable to the relevant Redemption Point divided by the number of Ordinary Shares in issue or deemed to be in issue at the Valuation Point. For this purpose:
 - 7.2.1 Ordinary Shares which have been allotted shall be deemed to be in issue from the close of business on the Redemption Point on which they are allotted;
 - 7.2.2 Ordinary Shares which have been repurchased (whether or not held in treasury) or redeemed shall be deemed to cease to be in issue at the close of business on the Redemption Point on which they are repurchased or redeemed;
 - 7.2.3 monies paid or payable to the Company in respect of the allotment of Ordinary Shares shall be deemed to be an asset of the Company as of the time at which such Ordinary Shares are deemed to be in issue; and
 - 7.2.4 monies payable by the Company on the repurchase or redemption by the Company of Ordinary Shares pursuant to repurchases or Redemption Requests shall be deemed to be a liability of the Company from the time at which such Ordinary Shares are deemed to cease to be in issue.

- 7.3 The Directors may temporarily suspend the determination of the Dealing Value of the Company during the whole or any part of any period when:
- 7.3.1 any principal market or stock exchange on which not less than 10 per cent. of the investments of the Company from time to time are quoted or traded is closed other than for ordinary holidays or during which dealings therein are restricted or suspended generally;
 - 7.3.2 as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Directors, disposal or valuation of investments of the Company or other transactions in the ordinary course of the Company's business is not reasonably practicable without this being materially detrimental to the interests of Shareholders or if, in the opinion of the Board, the Dealing Value of the Company cannot fairly be calculated;
 - 7.3.3 there is a breakdown of the means of communication normally employed in determining the Dealing Value of the Company;
 - 7.3.4 to a material extent the Company is unable to repatriate funds for the purpose of making payments on the repurchase or redemption of Ordinary Shares or during which the realisation of investments involved in the repurchase or redemption of Ordinary Shares cannot in the opinion of the Board be effected at normal prices or normal rates of exchange; or
 - 7.3.5 it is not reasonably practicable to determine the Dealing Value of the Company on an accurate and timely basis.

8. CALCULATION OF REDEMPTION PRICE BY REFERENCE TO SEPARATE REDEMPTION POOL

- 8.1 Where the Board has decided to fund redemptions through the use of a Redemption Pool, in accordance with the Articles, the Company will notionally divide its assets and liabilities into two pools (in addition to any pool of assets and liabilities attributable to any C Shares for the time being in issue):
- 8.1.1 the Redemption Pool, which will consist of cash, assets and liabilities attributable to the Ordinary Shares which are the subject of valid Redemption Requests and which the Directors have exercised their discretion to redeem on the relevant Redemption Point; and
 - 8.1.2 the Continuing Pool, which will contain all the other cash, assets and liabilities of the Company other than those attributable to any C Shares for the time being in issue.
- 8.2 The Redemption Pool and the Continuing Pool will include a proportionate share of each investment held by the Company (excluding any investment attributable to any C Shares for the time being in issue). The Investment Manager will be entitled to transfer assets between the pools at fair market value.
- 8.3 The investment portfolios of the Continuing Pool and the Redemption Pool will be reorganised in the period leading up to the date on which the Redemption Price is settled as follows:
- 8.3.1 the assets of the Redemption Pool shall be liquidated and the proceeds retained solely as cash in Sterling; and
 - 8.3.2 the assets of the Continuing Pool shall be adjusted so that the Continuing Pool complies with the investment policy of the Company.
- 8.4 The liabilities attributable to the Redemption Pool, to the extent that they cannot be satisfied prior to the date on which the Redemption Price is to be settled, will be transferred to the Continuing Pool together with an equivalent amount in cash. In calculating such liabilities any debt liability that the Company may have from time to time will be valued on a pre-payment basis, including any early repayment costs.

- 8.5 The costs of the portfolio reorganisations (including costs relating to the sale of the assets and tax liabilities that may arise, or be deemed to arise, as a result of the sale of those assets) will be borne by the relevant pool, together with a pro rata share of costs and expenses of the Company not attributable to a particular pool. Such costs, as determined by the Board in its sole discretion, will be deducted before payments are made to the relevant Shareholders whose Ordinary Shares are being redeemed.
- 8.6 The Redemption Price per Ordinary Share when calculated by reference to the Redemption Pool shall be equal to the aggregate cash received by the Company upon the realisation of the Redemption Pool (less the costs) in accordance with paragraph 8.3.1 less the costs and liabilities referred to in paragraphs 8.4 and 8.5 above divided by the number of Ordinary Shares to be redeemed on the relevant Redemption Point.

9. LIABILITY

Any determination of the Dealing Value of the Company or Dealing Value per Ordinary Share made in accordance with the valuation guidelines from time to time adopted by the Board shall be binding on all parties. Neither the Directors nor the Investment Manager shall be responsible to any Shareholder or any other person in respect of all or any acts done in carrying out their duties in relation thereto in the absence of fraud, negligence or wilful default.

PART V

THE FIRST ISSUE

Introduction

The Company is proposing to raise up to £100 million, before expenses, pursuant to the First Placing, Offer for Subscription and the Intermediaries Offer (together referred to as the First Issue) of up to 100 million Ordinary Shares at a price of £1.00 per Ordinary Share. The maximum number of Ordinary Shares to be issued under the First Issue is 100 million. The First Issue has not been, and will not be, underwritten and, accordingly, the maximum number of new Ordinary Shares available under the First Issue should not be taken as an indication of the final number of Ordinary Shares that will be issued pursuant to it. Therefore, the number of Ordinary Shares actually issued pursuant to the First Issue may be less than the 100 million Ordinary Shares available pursuant to them. The actual number of Ordinary Shares to be issued pursuant to the First Issue will be notified by the Company through a Regulatory Information Service and the Company's website, prior to First Admission. Dealings in the Ordinary Shares issued pursuant to the First Issue will not be permitted prior to Admission.

The net proceeds of the First Issue, after deduction of expenses, are expected to be approximately £98.15 million on the assumption that gross proceeds of £100 million are raised through the First Issue. The net proceeds of any issue of Ordinary Shares pursuant to the First Issue will be invested in investments consistent with the Company's investment objective and policy.

The First Placing

Stockdale Securities has agreed to use its reasonable endeavours to procure subscribers pursuant to the First Placing for the Ordinary Shares on the terms and subject to the conditions set out in the Placing Agreement. Details of the Placing Agreement are set out in paragraph 7.1 of Part X.

The terms and conditions which shall apply to any subscription for Ordinary Shares procured by Stockdale Securities are set out in Part VI. The First Placing will close at 5.00 p.m. on 28 April 2017 (or such later date, not being later than 28 June 2017, as the Company and Stockdale Securities may agree). If the First Placing is extended, the revised timetable will be notified through a Regulatory Information Service.

The Offer for Subscription

The Directors are also proposing to offer Ordinary Shares under the Offer for Subscription. The Offer for Subscription is being made in the United Kingdom only. The public generally (unless they are located or resident outside the United Kingdom) may apply for Ordinary Shares through the Offer for Subscription.

Applications under the Offer for Subscription must be for Ordinary Shares at the Issue Price being £1.00 per Ordinary Share. The aggregate subscription price is payable in full on application. Individual applications must be for a minimum of £1,000 and applications in excess of that amount should be made in multiples of £100 (although the Board may accept applications below the minimum amounts stated above in their absolute discretion). Multiple subscriptions under the Offer for Subscription by individual investors will not be accepted.

The procedure for, and the terms and conditions of, application under the Offer for Subscription are set out in Part VIII and an Application Form for use under the Offer for Subscription is set out at the end of this Prospectus.

Completed Application Forms accompanied by a cheque or banker's draft in Sterling made payable to "Computershare Investor Services PLC re: Downing Strategic Micro-Cap Investment Trust plc Offer for Subscription A/C" and crossed "A/C Payee Only" for the appropriate sum should be returned to Computershare by no later than 12.00 p.m. on 27 April 2017. All times and dates in this Prospectus and the Application Form, including the Notes to the Application Form may be subject to adjustment. Any such changes to times and dates will be notified through a Regulatory Information Service. Commitments under the Offer for Subscription, once made, may not be withdrawn without the consent of the Directors.

The Intermediaries Offer

Investors may also subscribe for Ordinary Shares at the Issue Price of £1.00 per Ordinary Share pursuant to the Intermediaries Offer. Only the Intermediaries' investor clients in the United Kingdom, Guernsey, Jersey and Ireland are eligible to participate in the Intermediaries Offer. Investors may apply to any one of the Intermediaries to be accepted as their client.

No Ordinary Shares allocated under the Intermediaries Offer will be registered in the name of any person whose registered address is outside the United Kingdom, Guernsey, Jersey and Ireland. A minimum application of £1,000 per Underlying Applicant will apply. Determination of the number of Ordinary Shares offered will be determined solely by Stockdale Securities (following consultation with the Company and the Investment Manager). Allocations to Intermediaries will be determined solely by Stockdale Securities (following consultation with the Company and the Investment Manager).

An application for Ordinary Shares in the Intermediaries Offer means that the Underlying Applicant agrees to acquire the Ordinary Shares applied for at the Issue Price. Each Underlying Applicant must comply with the appropriate money laundering checks required by the relevant Intermediary and all other laws and regulations applicable to their agreement to subscribe for Ordinary Shares. Where an application is not accepted or there are insufficient Ordinary Shares available to satisfy an application in full, the relevant Intermediary will be obliged to refund the Underlying Applicant as required and all such refunds shall be made without interest. The Company, the Investment Manager and Stockdale Securities accept no responsibility with respect to the obligation of the Intermediaries to refund monies in such circumstances.

Each Intermediary has agreed, or will on appointment agree, to the Intermediaries Terms and Conditions, which regulate, inter alia, the conduct of the Intermediaries Offer on market standard terms and provide for the payment of commission (if any) to Intermediaries from Stockdale Securities acting on behalf of the Company. Pursuant to the Intermediaries Terms and Conditions, in making an application, each Intermediary will also be required to represent and warrant that they are not located in the United States and are not acting on behalf of anyone located in the United States.

In addition, the Intermediaries may prepare certain materials for distribution or may otherwise provide information or advice to investors in the United Kingdom, Guernsey, Jersey and Ireland subject to the terms of the Intermediaries Terms and Conditions. Any such materials, information or advice are solely the responsibility of the relevant Intermediary and will not be reviewed or approved by any of the Company, the Investment Manager or Stockdale Securities. Any liability relating to such documents shall be for the relevant Intermediaries only.

The Intermediaries Terms and Conditions provide for the Intermediaries to have an option (where the payment of such commission is not prohibited) to be paid a commission by Stockdale Securities (acting on behalf of the Company) in respect of the Ordinary Shares allocated to and paid for by them pursuant to the Intermediaries Offer.

All expenses incurred by any Intermediary are for its own account. Investors should confirm separately with any Intermediary whether there are any commissions, fees or expenses that will be applied by such Intermediary in connection with any application made through that Intermediary pursuant to the Intermediaries Offer.

Conditions

The First Issue is conditional, *inter alia*, on:

- (i) the Placing Agreement becoming wholly unconditional (save as to First Admission) and not having been terminated in accordance with its terms prior to First Admission;
- (ii) First Admission occurring by 8.00 a.m. on 9 May 2017 (or such later date, not being later than 9 July 2017, as the Company and Stockdale Securities may agree); and
- (iii) the Minimum Net Proceeds being raised.

In the event that the Company, in consultation with the Investment Manager and Stockdale Securities, wishes to waive condition (iii) referred to above, the Company will be required to publish a

supplementary prospectus (including a working capital statement based on a revised minimum net proceeds figure).

If the First Issue does not proceed, application monies received will be returned to applicants without interest at the applicants' risk.

There will be no priority given to applications under the First Placing, applications under the Offer for Subscription or applications under the Intermediaries Offer pursuant to the First Issue.

Scaling back

In the event that commitments or applications are received for more than the number of Ordinary Shares available for issue pursuant to the First Issue, Stockdale Securities (in consultation with the Company and the Investment Manager) will scale back such commitments and applications in such manner as it, in its absolute discretion, considers appropriate. To the extent that any commitment or application is scaled back, subscription monies received in respect of unsuccessful applications (or to the extent scaled back) will be returned, by cheque, without interest at the risk of the applicant to the address as shown on the application.

The Placing Agreement

By a Placing Agreement dated 24 March 2017 between (i) the Company, (ii) the Investment Manager, (iii) the Directors and (iv) Stockdale Securities, Stockdale Securities has undertaken, as agent for the Company, to use its reasonable endeavours to procure subscribers under the First Placing.

The Placing Agreement also contains provisions entitling Stockdale Securities to terminate the First Issue (and the arrangements associated with them) at any time prior to First Admission in certain circumstances. If this right is exercised, the First Issue and these arrangements will lapse and any monies received in respect of the First Issue will be returned to applicants without interest at the applicant's risk.

Further details of the terms of the Placing Agreement are set out in paragraph 7.1 of Part X.

Money laundering

Pursuant to anti-money laundering laws and regulations with which the Company must comply, the Company and its agents (including Stockdale Securities, the Registrar and Receiving Agent), may require evidence of the identity of each investor in connection with any application for Ordinary Shares, including further identification of any applicant, before any Ordinary Shares may be issued to that applicant.

Admission, clearing and settlement

Applications will be made for all of the Ordinary Shares to be admitted to the premium segment of the Official List and to be admitted to trading on the Main Market. It is expected that First Admission will become effective and that dealings for normal settlement in such Ordinary Shares will commence on 9 May 2017.

Ordinary Shares issued pursuant to the First Issue will be issued fully paid and in registered form, and may be issued in uncertificated form or in certificated form. Ordinary Shares issued in uncertificated form will be credited to the relevant CREST accounts. Share certificates in respect of Ordinary Shares issued in certificated form are expected to be despatched within five Business Days after the date on which dealings in such shares commence on the Main Market. Temporary documents of title will not be issued pending the despatch of any definitive certificates for Ordinary Shares issued in certificated form and, pending such despatch, transfers of Ordinary Shares in certificated form will be certified against the Company's register of members. Dealings in Ordinary Shares in advance of the crediting of the relevant CREST accounts or the issue of certificates will be at the risk of the persons concerned.

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Ordinary Shares, nor does it guarantee the price at which a market will be made in the Ordinary Shares. Accordingly, the dealing price of the Ordinary Shares may not necessarily reflect changes in the Net Asset Value per Ordinary Share.

CREST

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 Ordinary Shares under the CREST system. The Company intends to apply for the Ordinary Shares to be admitted to CREST with effect from First Admission. Accordingly, settlement of transactions in the Ordinary Shares following First Admission may take place within the CREST system if any Shareholder so wishes.

Use of proceeds

The Directors intend to apply the net proceeds of the First Issue in making investments in accordance with the Company's investment objective and policy.

Overseas persons

The availability of Ordinary Shares pursuant to the First Issue to persons not resident in, or who are outside, the United Kingdom may be affected by the laws or regulatory requirements of relevant jurisdictions. Persons not resident in, or who are outside, the United Kingdom and who wish to acquire Ordinary Shares pursuant to any of the Issues should read the section headed "Regulatory Information" on pages 31 to 34 of this Prospectus. Investors who are in any doubt as to their position are strongly advised to consult their own professional advisers.

PART VI

THE PLACING PROGRAMME

Introduction

Following the First Issue, the Directors intend to implement the Placing Programme. The issue of Ordinary Shares and/or C Shares pursuant to the Placing Programme is at the discretion of the Directors. Application will be made to the UKLA for all of the Ordinary Shares and/or C Shares to be issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to the London Stock Exchange for such Ordinary Shares and/or C Shares to be admitted to trading on the Main Market.

Under the Placing Programme the Company can issue both Ordinary Shares and C Shares. The Company will make the decision on each individual occasion it wishes to issue shares under the Placing Programme as to whether the Company will issue Ordinary Shares or C Shares. It will make this decision based on a combination of factors, and having taken into account the Investment Manager's opinion, including, amongst other things, the potential size of any issue relative to the Company's existing market capitalisation and gross assets, the potential level of demand for new shares amongst existing and potential investors, and the speed with which the Investment Manager estimates that it could invest any new proceeds raised.

The Directors are authorised to issue Ordinary Shares and/or C Shares pursuant to the Placing Programme without having to first offer those Ordinary Shares or C Shares to existing Shareholders. Members of the public are not eligible to participate in the Placing Programme. Ordinary Shares and/or C Shares to be issued pursuant to the Placing Programme may be:

- made available at the Placing Programme Price, on an ad hoc basis, by tap issues to Stockdale Securities for sale in the secondary market in response to market demand for the Ordinary Shares and/or C Shares; or
- placed with institutional investors, private client investment managers, private client brokers and other qualified investors (as defined in section 86(7) of FSMA at the Placing Programme Price through a book build exercise conducted by Stockdale Securities as agent for the Company.

Depending on the materiality of any issue under the Placing Programme, the Company will update Shareholders at the appropriate time. Any issues of such shares will be notified by the Company through a Regulatory Information Service and the Company's website, prior to each Admission.

The Placing Programme will be implemented to satisfy market demand and to enable the Company to raise additional capital in the period from 10 May 2017 to 23 March 2018 once the proceeds of the First Issue have been fully invested. The Directors intend to apply the net proceeds of the Placing Programme in making investments in accordance with the Company's investment objective and policy.

The Placing Programme may have a number of closing dates in order to provide the Company with the ability to issue Ordinary Shares and/or C Shares over the duration of the Placing Programme. Ordinary Shares and/or C Shares may be issued under the Placing Programme from 9.00 a.m. on 10 May 2017 until 5.00 p.m. on 23 March 2018 (or any earlier date on which it is fully subscribed).

The maximum number of Ordinary Shares and/or C Shares that may be issued pursuant to the Placing Programme is such number of Ordinary Shares and/or C Shares as shall equal 100 million Ordinary Shares and/or C Shares less the aggregate number of Ordinary Shares issued pursuant to the First Issue. The number of Ordinary Shares and/or C Shares available under the Placing Programme is intended to be flexible and should not be taken as an indication of the number of shares to be issued. The minimum subscription amount for Ordinary Shares and/or C Shares under the Placing Programme will be £1,000. Fractions of Ordinary Shares and/or C Shares will not be issued. The Placing Programme is not being underwritten.

In the event that there are any significant changes affecting any of the matters described in this Prospectus or where any significant new matters have arisen after the publication of this Prospectus

and prior to any Admission of any Ordinary Shares and/or C Shares issued pursuant to the Placing Programme, the Company will publish a supplementary prospectus. Any supplementary prospectus published will give details of the significant change(s) or the significant new matter(s).

Placing Programme Price

The Placing Programme Price will be determined by the Company and, in the case of Ordinary Shares, will be not less than the Net Asset Value (cum income) per Ordinary Share and, in the case of C Shares, will be £1.00 per C Share.

The Directors will determine the Placing Programme Price on the basis described above so as to cover the costs and expenses of each issue under the Placing Programme and to thereby avoid any dilution of the Net Asset Value of the existing Ordinary Shares. In determining the Placing Programme Price, the Directors will also take into consideration, *inter alia*, the prevailing market conditions at that time.

The Placing Programme Price will be announced through a Regulatory Information Service as soon as is practicable in conjunction with each issue.

Conditions of Placing Programme

Each issue of Ordinary Shares and/or C Shares pursuant to the Placing Programme will be conditional on, *inter alia*:

- (i) the Placing Agreement becoming and remaining unconditional (save only for Admission) and neither the Placing Agreement nor Stockdale Securities' obligations thereunder having been terminated in accordance with the terms of the Placing Agreement prior to Admission;
- (ii) the Placing Programme Price being determined by the Directors as described above;
- (iii) Admission of the relevant Ordinary Shares and/or C Shares being issued pursuant to such issue; and
- (iv) a valid supplementary prospectus being published by the Company if such is required by the Prospectus Rules.

In circumstances where these conditions are not fully met, the relevant issue of Ordinary Shares and/or C Shares pursuant to the Placing Programme will not take place.

The Placing Agreement

By a Placing Agreement dated 24 March 2017 between (i) the Company, (ii) the Investment Manager, (iii) the Directors and (iv) Stockdale Securities, Stockdale Securities has undertaken, as agent for the Company, to use its reasonable endeavours to procure subscribers under the Placing Programme for Ordinary Shares and/or C Shares (as applicable) at the relevant Placing Programme Price.

Stockdale Securities is entitled to terminate the Placing Agreement at any time prior to any Subsequent Admission in certain circumstances. If this right is exercised the Placing Programme and these arrangements will lapse and any monies received in respect of the Placing Programme will be returned to applicants without interest at the applicant's risk.

Further details of the terms of the Placing Agreement are set out in paragraph 7.1 of Part X.

Money laundering

Pursuant to anti-money laundering laws and regulations with which the Company must comply, the Company and its agents (including Stockdale Securities, the Registrar and Receiving Agent), may require evidence of the identity of each investor in connection with any application for Ordinary Shares and/or C Shares, including further identification of any applicant, before any Ordinary Shares and/or C Shares may be issued to that applicant.

Admission, clearing and settlement

Applications will be made for all of the Ordinary Shares and/or C Shares issued pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to be admitted to trading on the Main Market. It is expected that any Subsequent Admission will become effective and that dealings for normal settlement in such Ordinary Shares or C Shares, as the case may be, will commence between 10 May 2017 and 23 March 2018.

Ordinary Shares and/or C Shares issued pursuant to the Placing Programme will be issued fully paid and in registered form, and may be issued in uncertificated form or in certificated form. Ordinary Shares and/or C Shares issued in uncertificated form will be credited to the relevant CREST accounts. Share certificates in respect of Ordinary Shares and/or C Shares issued in certificated form are expected to be despatched within five Business Days after the date on which dealings in such shares commence on the Main Market. Temporary documents of title will not be issued pending the despatch of any definitive certificates for Ordinary Shares or C Shares issued in certificated form and, pending such despatch, transfers of Ordinary Shares or C Shares in certificated form will be certified against the Company's register of members. Dealings in Ordinary Shares or C Shares in advance of the crediting of the relevant CREST accounts or the issue of certificates will be at the risk of the persons concerned.

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Ordinary Shares and/or C Shares, nor does it guarantee the price at which a market will be made in the Ordinary Shares and/or C Shares. Accordingly, the dealing price of the Ordinary Shares and/or C Shares may not necessarily reflect changes in the Net Asset Value per Share.

CREST

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 Ordinary Shares and C Shares under the CREST system. The Company intends to apply for the Ordinary Shares to be admitted to CREST with effect from First Admission and will, if applicable, apply for any C Shares to be admitted to CREST with effect from the date of their Admission. Accordingly, settlement of transactions in the Ordinary Shares and/or C Shares following the relevant Subsequent Admission may take place within the CREST system if any Shareholder so wishes.

Overseas persons

The availability of Ordinary Shares and/or C Shares pursuant to the Placing Programme to persons not resident in, or who are outside, the United Kingdom may be affected by the laws or regulatory requirements of relevant jurisdictions. Persons not resident in, or who are outside, the United Kingdom and who wish to acquire Ordinary Shares and/or C Shares pursuant to any of the Issues should read the section headed "Regulatory Information" on pages 31 to 34 of this Prospectus. Investors who are in any doubt as to their position are strongly advised to consult their own professional advisers.

PART VII

TERMS AND CONDITIONS OF APPLICATION UNDER THE FIRST PLACING AND THE PLACING PROGRAMME

1. INTRODUCTION

1.1 The words and expressions listed below have the meanings set out opposite them throughout this Part VII except where the context otherwise requires:

“ Excluded Jurisdiction ”	the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or any other jurisdiction in which such offer or solicitation is or may be unlawful;
“ Placees ”	the persons to whom the Placing Shares are issued pursuant to the First Placing and/or the Placing Programme, as the context may require;
“ Placing ”	the First Placing and/or any placing of Ordinary Shares and/or C Shares to be issued by the Company pursuant to the Placing Programme, as the context may require;
“ Placing Agent ”	Stockdale Securities;
“ Placing Letter ”	any letter that the Company and/or the Placing Agent may require any Placee to agree to in accordance with paragraph 1.9 of these Terms and Conditions;
“ Placing Price ”	the issue price in respect of the First Placing and/or, in respect of the Placing Programme, as the context may require;
“ Placing Shares ”	Ordinary Shares and/or C Shares to be issued by the Company pursuant to a Placing;
“ Prospectus ”	this prospectus and, in respect of: <ul style="list-style-type: none">(i) applications to participate in the First Placing, any supplementary prospectus published by the Company in accordance with the Prospectus Rules prior to First Admission of the Placing Shares to be issued pursuant to the First Placing; and(ii) applications to participate in any other Placing, any supplementary prospectus published by the Company in accordance with the Prospectus Rules prior to Admission of the Placing Shares to be issued pursuant to that Placing.
“ Terms and Conditions ”	the terms and conditions of the First Placing and the Placing Programme set out in this Part VII.

1.2 Members of the public are not eligible to take part in any Placing. These Terms and Conditions are directed only at persons selected by the Placing Agent who are “**investment professionals**” falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or “**high net worth companies, unincorporated associations etc.**” falling within Article 49(2) of that order or to persons to whom it may otherwise lawfully be communicated under that order (all such persons together being referred to as “**relevant persons**”). Only relevant persons may participate in the Placings and these Terms and Conditions must not be acted on or relied on by persons who are not relevant persons.

- 1.3 The Placing Shares are not being offered or sold to any person in the European Union, other than to persons who are both (i) “**qualified investors**” as defined the Prospectus Directive, which includes legal entities which are regulated by the FCA or entities which are not so regulated whose corporate purpose is solely to invest in securities; and (ii) persons to whom the Placing Shares may be lawfully marketed under the AIFM Directive or the applicable implementing legislation (if any) of the Member State in which such person is domiciled or in which such person has a registered office.
- 1.4 The Placing Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and, accordingly, may not be offered, sold, transferred or delivered, directly or indirectly, within the United States except pursuant to an exemption from, or in a transaction not subject to, registration under the US Securities Act. Accordingly, each Placing is being made to:
 - 1.4.1 to investors who are not US Persons or persons acquiring for the account or benefit of US Persons outside the United States in “**offshore transactions**” within the meaning of, and in reliance on, Regulation S; and
 - 1.4.2 US Persons or to investors within the United States or to persons who are acting for the account or benefit of US Persons in either case who have executed and returned a US subscription agreement and are reasonably believed to be qualified institutional buyers (“**QIBs**”) within the meaning of Rule 144A (“**Rule 144A**”) under the US Securities Act, who are also qualified purchasers (“**QPs**”) as defined in Section 2(a)(51) of the US Investment Company Act, pursuant to a transaction that is exempt from, or not subject to, the registration requirements of the US Securities Act.

The Company has not been and will not be registered under the US Investment Company Act and investors will not be entitled to the benefits of that Act. Persons receiving the Prospectus (including custodians, nominees and trustees) must not forward, distribute, mail or otherwise transmit it in or into the United States or to US Persons or use the United States mails, directly or indirectly, in connection with the Issues.

- 1.5 The Prospectus does not constitute an offer to sell or issue or a solicitation of an offer to buy or subscribe for Placing Shares in any Excluded Jurisdiction. The Prospectus and the information contained in it are not for publication or distribution, directly or indirectly, to persons in an Excluded Jurisdiction unless permitted pursuant to an exemption under the relevant local law or regulation in any such Excluded Jurisdiction.
- 1.6 The distribution of the Prospectus, any Placing and/or any issue of Placing Shares in certain jurisdictions may be restricted by law and/or regulation. No action has been taken by the Company, the Placing Agent or any of their respective affiliates as defined in Rule 501(b) under the US Securities Act that would permit an offer of Placing Shares or possession or distribution of the Prospectus or any other publicity material relating to the Placing Shares in any jurisdiction where action for that purpose is required. Persons receiving the Prospectus are required to inform themselves about and to observe any such restrictions.
- 1.7 The Placing Agent, which is authorised and regulated in the UK by the FCA, is acting for the Company and for no one else in connection with the First Placing, the Offer for Subscription, the Placing Programme, the Issues, or any other matters referred to in the Prospectus and will not be responsible to anyone other than the Company for providing the protections afforded to clients of the Placing Agent or for affording advice in relation to the First Placing, the Offer for Subscription, the Placing Programme, the Issues, or any other matters referred to in the Prospectus. Nothing in this paragraph 1.7 shall serve to exclude or limit any responsibilities that the Placing Agent may have under FSMA or the regulatory regime established under FSMA.
- 1.8 These Terms and Conditions apply to each agreement to acquire Placing Shares pursuant to a Placing. Accordingly, each Placee that confirms its agreement (whether orally or in writing) to the Placing Agent to subscribe for Placing Shares pursuant to a Placing will be:
 - 1.8.1 deemed to have read and understood the Prospectus in its entirety and to be providing the representations, warranties, undertakings, acknowledgements and agreements contained

in these Term and Conditions to the Company, the Placing Agent, the Investment Manager and the Registrar; and

1.8.2 bound by these Terms and Conditions and will be deemed to have accepted them.

1.9 The Company and/or the Placing Agent may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit and/or may require any such Placee to execute a separate placing letter. The terms and conditions contained in any such letter shall be supplemental and in addition to these Terms and Conditions.

2. PRINCIPAL TERMS OF EACH PLACING

2.1 The applicable Placing Price per Placing Share will be determined in accordance with the Prospectus and will be payable to the Placing Agent by all Placees in respect of each Placing Share issued to them under the relevant Placing.

2.2 The closing date for each Placing will be as may be agreed between the Company and the Placing Agent and notified to Placees.

2.3 The Placing Agent will contact and confirm orally to Placees the size of their respective allocations and a trade confirmation will be dispatched as soon as possible thereafter. The Placing Agent's oral confirmation of the size of allocations and each Placee's oral commitment to accept the same or such lesser number as may be determined in accordance with paragraph 2.4 of these Terms and Conditions will constitute a legally binding agreement pursuant to which each such Placee will be required to accept the number of Placing Shares allocated to it at the applicable Placing Price and otherwise on and subject to these Terms and Conditions.

2.4 The Company and the Placing Agent reserve the right not to accept offers to subscribe for Placing Shares or to accept such offers in part rather than in whole. The Placing Agent shall be entitled to effect the relevant Placing by such method as it shall, in its sole discretion, determine.

2.5 To the fullest extent permissible by law, none of the Placing Agent, its affiliates or any person acting on behalf of any of them shall have any liability to Placees (or to any other person, whether acting on behalf of a Placee or otherwise). In particular, none of the Placing Agent, its affiliates or any person acting on behalf of any of them shall have any liability to Placees in respect of their conduct of the First Placing or any Placing under the Placing Programme.

2.6 Placees will not be entitled to receive any fee or commission in connection with any Placing.

2.7 Each Placee's obligations will be owed to the Company and to the Placing Agent. Following the oral confirmation referred to in paragraph 2.3 of these Terms and Conditions, each Placee will have an immediate, separate, irrevocable and binding obligation, owed to the Placing Agent, to pay to the Placing Agent (or as the Placing Agent may direct) in cleared funds an amount equal to the product of the applicable Placing Price and the number of Placing Shares which such Placee has agreed to acquire. The Company shall allot such Placing Shares to each Placee following each Placee's payment to the Placing Agent of such amount.

2.8 Each Placee agrees to indemnify on demand and hold the Company, the Placing Agent, the Investment Manager and their respective affiliates harmless from any and all costs, claims, liabilities and expenses (including legal fees and expenses) arising out of or in connection with any breach of the representations, warranties, undertakings, acknowledgements and agreements contained in these Term and Conditions and any Placing Letter.

2.9 All obligations of the Placing Agent under a Placing will be subject to fulfilment of the conditions referred to in paragraph 3 of these Terms and Conditions.

3. CONDITIONS OF EACH PLACING

3.1 Each Placing is conditional on the Placing Agreement becoming unconditional and remaining unconditional (save only for Admission) and neither the Placing Agreement nor the Placing Agent's obligations thereunder having been terminated in accordance with the terms of the Placing Agreement prior to:

- 3.1.1 in respect of the First Placing, 9 May 2017 (or such later date, not being later than 9 July 2017, as the Company and Stockdale Securities may agree); and
- 3.1.2 in respect of any other Placing, 23 March 2018.
- 3.2 The obligations of the Placing Agent under the Placing Agreement in relation to each Placing are conditional, *inter alia*, on:
- 3.2.1 in respect of:
- (a) Placees' agreements to participate in the First Placing, First Admission of the Placing Shares to be issued pursuant the First Placing by 5.00 p.m. on 9 May 2017 (or such date, not being later than 9 July 2017, as the Company and Stockdale Securities may agree); and
 - (b) Placees' agreements to participate in any other Placing, the relevant Subsequent Admission of the Placing Shares to be issued pursuant to that Placing by 8.00 a.m. on such date as may be agreed between the Company and the Placing Agent prior to the closing of that Placing (or such later date, not being later than 23 March 2018, as the Company and Stockdale Securities may agree); and
- 3.2.2 none of the representations, warranties and undertakings given by the Company or the Investment Manager respectively in the Placing Agreement being breached or being untrue, inaccurate or misleading in any respect when made or, by reason of any event occurring or circumstance arising before Admission of the relevant Placing Shares, would cease to be true and accurate were it to be repeated as at the relevant Admission.

3.3 If:

3.3.1 the conditions applicable to the Placing Agent's obligations under the Placing Agreement in relation to a Placing are not fulfilled (or, to the extent permitted under the Placing Agreement, have not been waived by the Placing Agent); or

3.3.2 the Placing Agreement is terminated in accordance with its terms;

the relevant Placing will lapse and each Placee's rights and obligations under that Placing shall cease and determine at such time and no claim may be made by a Placee in respect thereof. The Placing Agent shall have no liability to any Placee (or to any other person, whether acting on behalf of a Placee or otherwise) in respect of any decision it may make as to whether or not to waive or to extend the time and/or date for the satisfaction of any condition in the Placing Agreement or in respect of any Placing.

4. AGREEMENT TO SUBSCRIBE FOR PLACING SHARES

4.1 Conditional on:

4.1.1 the Placing Agreement becoming and remaining unconditional (save only for Admission) and neither the Placing Agreement nor the Placing Agent's obligations thereunder having been terminated in accordance with the terms of the Placing Agreement prior to:

- (a) in respect of the First Placing, 9 May 2017 (or such later date, not being later than 9 July 2017 as the Company and Stockdale Securities may agree); and
- (b) in respect of any other Placing pursuant to the Placing Programme, 23 March 2018; and

4.1.2 in respect of

- (a) Placees' agreements to participate in the First Placing, First Admission of the Placing Shares to be issued pursuant to the First Placing by 8.00 a.m. on 9 May 2017 (or such date, not being later than 9 July 2017 as the Company and Stockdale Securities may agree); and
- (b) Placees' agreements to participate in any other Placing, the relevant Subsequent Admission of the Placing Shares to be issued pursuant to that Placing by 8.00 a.m.

on such date as may be agreed between the Company and the Placing Agent prior to the closing of that Placing (or such later date, not being later than 23 March 2018, as the Company and Stockdale Securities may agree); and

4.1.3 in respect of:

- (a) the First Placing, the Minimum Net Proceeds being raised;
- (b) any Placing under the Placing Programme, a valid supplementary prospectus being published by the Company if such is required;

4.1.4 the Placing Agent confirming to Placees their allocation of Placing Shares pursuant to the relevant Placing;

a Placee agrees to become a member of the Company and agrees to subscribe for those Placing Shares allocated to it by the Placing Agent at the applicable Placing Price pursuant to the relevant Placing.

4.2 In the event that the Company, in consultation with the Investment Manager and Stockdale Securities, wishes to waive condition 4.1.3(a) referred to above, the Company will be required to publish a supplementary prospectus (including a working capital statement based on a revised minimum net proceeds figure).

4.3 Applications for Placing Shares must be for a minimum subscription amount of £1,000 and multiples of £100 thereafter, provided that the Placing Agent may (in its absolute discretion) waive the minimum application amount in respect of any particular application for Placing Shares. There is no maximum subscription, unless notified to Placees.

4.4 By participating in a Placing, each Placee agrees that:

4.4.1 the exercise by the Placing Agent of any right of termination or other discretion under the Placing Agreement shall be within the absolute discretion of the Placing Agent and that the Placing Agent need not make any reference to the Placee in regard to such exercise and that, to the fullest extent permitted by law, the Placing Agent shall not have any liability whatsoever to the Placee in connection with any such exercise;

4.4.2 its rights and obligations pursuant to these Terms and Conditions will terminate only in the circumstances described in paragraph 3.3 of these Terms and Conditions; and

4.4.3 to the fullest extent permitted by law, its rights and obligations pursuant to these Terms and Conditions will not be capable of rescission or termination by the Placee.

Nothing in this paragraph 4.4 will affect any other rights the Placee may have.

5. REPRESENTATIONS AND WARRANTIES

By agreeing to subscribe for Placing Shares pursuant to a Placing, each Placee which enters into a commitment to subscribe for Placing Shares will (for itself and any person(s) procured by it to subscribe for Placing Shares and any nominee(s) for any such person(s)) be deemed to agree, represent and warrant to each of the Company, the Placing Agent, the Investment Manager and the Registrar that:

5.1 the Placee is relying solely on the information, statements and representations contained in the Prospectus and, accordingly, it agrees that:

5.1.1 it is not relying on any other information given, or statement or representation made, at any time by any person concerning the Company, the relevant Placing or any other matters;

5.1.2 none of the Company, the Placing Agent, the Investment Manager, the Registrar, their respective affiliates or their respective officers, employees or agents will have any liability for any other information, statement or representation;

and the Placee irrevocably and unconditionally waives any rights it may have in respect of any other information, statement or representation;

- 5.2 the Placee acknowledges that no person is authorised in connection with any Placing to give any information or make any statement or representation other than as contained in the Prospectus and, if given or made, any information, statement or representation must not be relied on as having been authorised by the Company, the Placing Agent, or the Investment Manager;
- 5.3 the Placee acknowledges that:
- (a) none of the Placing Agent, any of its affiliates or any person acting on their behalf is making any recommendations to it, or advising it regarding the suitability of any transactions it may enter into, in connection with any Placing or providing it with any advice in relation to any Placing,
 - (b) the Placee's participation in any Placing is on the basis that it is not and will not be a client of the Placing Agent or any of its affiliates;
 - (c) the Placing Agent and its affiliates have no duties or responsibilities to the Placee for providing the protections afforded to their respective clients or for providing advice in relation to the relevant Placing or in respect of any representations, warranties, undertakings, acknowledgements and agreements contained in these Terms and Conditions and/or the Placing Letter;
 - (d) the Placee has not relied on the Placing Agent, or any of its affiliates in connection with any investigation of the accuracy of any information, statements or representations contained in the Prospectus; and
 - (e) none of the Company, the Placing Agent, the Investment Manager, the Registrar, their respective affiliates or their respective officers, employees or agents will have any liability for any decision by the Placee to participate in a Placing based on any information, statements or representations contained in the Prospectus or otherwise;
- 5.4 the Placee has carefully read and understood the Prospectus in its entirety and acknowledges that it is acquiring Placing Shares on the terms and subject to the conditions set out in this Part VII and the Articles in force at the date of Admission of the relevant Placing Shares;
- 5.5 having had the opportunity to read the Prospectus, the Placee shall be deemed to have had notice of all information, statements and representations contained in the Prospectus, it is acquiring Placing Shares solely on the basis of the Prospectus and no other information, statements or representations and, in accepting a participation in the Placing, the Placee confirms that it has had access to all information it believes necessary or appropriate in connection with its decision to subscribe for Placing Shares;
- 5.6 the content of the Prospectus is exclusively the responsibility of the Company, its Directors and any other persons stated therein as accepting responsibility for the Prospectus and, save for any liabilities or responsibilities (if any) that may be imposed on any of them under any regulatory regime, none of the Placing Agent, any person acting on its behalf or any of their respective affiliates makes any representation, express or implied, or accepts any responsibility whatsoever for the contents of the Prospectus or for any other information, statement or representation given or made, or purported to be given or made, by any of them or on its or their behalf in connection with the Company, the First Placing, the Offer for Subscription, the Placing Programme, the Issues or any specific Placing;
- 5.7 the Placee acknowledges that, where it is subscribing for Placing Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account;
- 5.7.1 to subscribe for the Placing Shares for each such account;
 - 5.7.2 to make or give on each such account's behalf the representations, warranties, undertakings, acknowledgements and agreements contained in these Terms and Conditions and/or the Placing Letter; and
 - 5.7.3 to receive on behalf of each such account any documentation relating to the relevant Placing in the form provided by the Company and/or the Placing Agent;

- 5.7.4 and it agrees that the provisions of this sub-paragraph 5.7 shall survive any resale of the Placing Shares by or on behalf of any such account;
- 5.8 the Placee accepts that the allocation of Placing Shares shall be determined (after consultation with the Company and the Investment Manager) by the Placing Agent in its absolute discretion and that the Placing Agent may scale down any Placing commitments for this purpose on such basis as it may determine; and
- 5.9 the Placee irrevocably appoints any director of the Company and any authorised signatory of the Placing Agent to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Placing Shares for which it has given a commitment under the relevant Placing, in the event of its own failure to do so;
- 5.10 if it is within the United Kingdom, the Placee is a person who falls within Articles 49(2)(a) to (d) or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or it is a person to whom the Placing Shares may otherwise lawfully be offered under such order;
- 5.11 if the Placee is outside the United Kingdom, neither the Prospectus nor any other offering, marketing or other material in connection with the relevant Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Placing Shares pursuant to the relevant Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Placing Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 5.12 if the Placee is a resident in the EEA (other than the United Kingdom):
- 5.12.1 it is a qualified investor within the meaning of the law in the Relevant Member State implementing Article 2(1)(i), (ii) or (iii) of the Prospectus Directive; and
- 5.12.2 if that Relevant Member State has implemented the AIFM Directive, that it is a person to whom the Placing Shares may lawfully be marketed under the AIFM Directive or under the applicable implementing legislation (if any) of that Member State;
- 5.13 the Placee represents, acknowledges and agrees to the representations, warranties and agreements as set out under the heading “United States purchase and transfer restrictions” in paragraph 6 below;
- 5.14 the Placee has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted the Prospectus or any other material concerning the First Placing and/or the Placing Programme or the Ordinary Shares and/or C Shares to any person within the United States or to any US Person, nor will it do any of the foregoing;
- 5.15 in the case of any Placing Shares acquired by the Placee as a financial intermediary (as that term is used in Article 3(2) of the Prospectus Directive):
- 5.15.1 the Placing Shares acquired by it in the relevant Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any Relevant Member State other than qualified investors (as that term is defined in the Prospectus Directive) or in circumstances in which the prior consent of the Placing Agent has been given to the offer or resale; or
- 5.15.2 where Placing Shares have been acquired by it on behalf of persons in any Relevant Member State other than qualified investors, the offer of those Placing Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- 5.16 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreeing to subscribe for Placing Shares pursuant to a Placing, the Placee has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any such territory or jurisdiction and that it has not taken any action or omitted to

take any action which will result in the Company, the Placing Agent, the Investment Manager, the Registrar, any of their respective affiliates or any of their respective officers, employees or agents acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the relevant Placing;

- 5.17 the Placee does not have a registered address in, and is not a citizen, resident or national of, any Excluded Jurisdiction and it is not acting on a non-discretionary basis for any such person;
- 5.18 the Placee accepts that none of the Placing Shares have been or will be registered under the laws of any jurisdiction other than the United Kingdom and, accordingly, the Placing Shares may not be offered, sold, issued or delivered, directly or indirectly, within any Excluded Jurisdiction;
- 5.19 the Placee is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 (depository receipts and clearance services) of the Finance Act 1986;
- 5.20 any of the Placee's clients, whether or not identified to the Placing Agent or any of its affiliates, will remain the Placee's sole responsibility and will not become clients of the Placing Agent for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 5.21 where the Placee (or any person acting on its behalf) is dealing with the Placing Agent, any money held in an account with the Placing Agent on behalf of the Placee (and/or any person acting on its behalf) will not be treated as client money within the meaning of the relevant rules and regulations of the FCA and, therefore, the Placing Agent will not be required to segregate such money and that money will be held by the Placing Agent under a banking relationship and not as trustee;
- 5.22 the Placing Agent and the Company (and any agent on their behalf) are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion without any liability whatsoever to them (or any agent on their behalf);
- 5.23 the Placee accepts that, if the relevant Placing does not proceed or the conditions to the Placing Agreement or the relevant Placing are not, or cease to be, satisfied or the Placing Shares for which valid applications are received and accepted are not admitted to the Official List and to trading on the Main Market for any reason whatsoever, then none of the Company, the Placing Agent, the Investment Manager, the Registrar, any of their respective affiliates or any of their respective officers, employees or agents shall have any liability whatsoever to the Placee or any other person;
- 5.24 the Placee accepts full responsibility for any requirement to verify the identity of the Placee's clients and other persons in respect of whom it has applied and warrants that it is a person:
 - 5.24.1 subject to the Money Laundering Regulations 2007 in force in the United Kingdom;
 - 5.24.2 subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) (the "**Money Laundering Directive**"); or
 - 5.24.3 acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 5.25 in connection with its participation in any Placing, the Placee has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering and that its application is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied;
- 5.26 the Placee acknowledges that, due to anti-money laundering requirements, the Company, the Placing Agent and/or the Registrar may require proof of identity and verification of the source of

- the payment before the Placee's application can be processed and that, in the event of delay or failure by the Placee to produce any information required for verification purposes, the Company, the Placing Agent or the Registrar may refuse to accept its application and the subscription monies relating thereto and the Placee holds harmless and will indemnify the Company, the Placing Agent or the Registrar against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been required has not been provided by it;
- 5.27 the Placee acknowledges and agrees that, pursuant to The Data Protection Act 1998 (the "**DP Act**") the Company, the Administrator and/or the Registrar, may hold personal data (as defined in the DP Act) relating to past and present shareholders. Personal data may be retained on record for a period exceeding six years after it is no longer used. The Company, the Registrar and the Administrator will use such information for the purposes set out below (collectively, the "**Purposes**"), being to:
- 5.27.1 process the Placee's personal data (including any sensitive personal data) as required by or in connection with its holding of Ordinary Shares and/or C Shares, including processing personal data in connection with credit and money laundering checks on it;
- 5.27.2 communicate with it as necessary in connection with its affairs and generally in connection with its holding of Ordinary Shares and/or C Shares;
- 5.27.3 provide personal data to such third parties as the Company, the Administrator and/or the Registrar may consider necessary in connection with its affairs and generally in connection with the Placee's holding of Ordinary Shares and/or C Shares or as the DP Act may require, including to third parties outside the European Economic Area;
- 5.27.4 without limitation, provide such personal data to associates, third party service providers, affiliates, agents or functionaries appointed by the Company, the Registrar and/or the Administrator to provide services (including without limitation, the Investment Manager) for processing, notwithstanding that any such party may be outside the European Economic Area;
- 5.27.5 process its personal data for the Registrar's, the Company's and the Administrator's internal administration; and
- 5.27.6 by becoming registered as a holder of Ordinary Shares and/or C Shares, or otherwise providing personal data in connection with a Placing, a person becomes a data subject (as defined in the DP Act) and is deemed to have consented to the processing by the Administrator, the Company, its Registrar and/or the third parties listed in paragraph 5.27.4 above of any personal data relating to them in the manner described above. In providing the Company, the Registrar and/or the Administrator with personal data (whether relating to itself or a third party), it hereby represents and warrants to the Registrar, the Company and the Administrator that it has obtained the consent of any data subject to such holding and use of their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the Purposes set out above in this paragraph 5.27).
- 5.28 time shall be of the essence as regards the Placee's obligations to settle payment for the Placing Shares and to comply with its other obligations under the First Placing and/or the Placing Programme; and
- 5.29 the Placees agrees that the foregoing representations, warranties, undertakings, acknowledgements and agreements given by the Placee pursuant to these Terms and Conditions are irrevocable and the Placee acknowledges that the Company, the Placing Agent, the Investment Manager, the Registrar, their respective affiliates and their respective directors, officers, employees, agents, advisers and others will rely on the truth and accuracy of the foregoing representations, warranties, undertakings, acknowledgements and agreements and the Placee agrees that, if any of such representations, warranties, undertakings, acknowledgements and agreements are no longer accurate or have not been complied with, it shall promptly notify the Company and the Placing Agent in writing.

6. UNITED STATES PURCHASE AND TRANSFER RESTRICTIONS

By participating in a Placing, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Placing Shares and any nominee(s) for any such person(s)) be deemed to represent, warrant and acknowledge to, and agree with, each of the Company, the Placing Agent and the Investment Manager that:

- 6.1 if it is located outside the United States, it is not a US Person, it is acquiring the Placing Shares in an “**offshore transaction**” within the meaning of, and in reliance on, Regulation S and it is not acquiring the Placing Shares for the account or benefit of a US Person;
- 6.2 if it is located inside the United States or is a US Person, it has received, read, understood and, prior to its receipt of any Placing Shares, returned an executed US subscription agreement to the Company for the benefit of the Company, the Placing Agent, and the Investment Manager;
- 6.3 it acknowledges that the Placing Shares have not been, and will not be, registered under the US Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, US Persons absent registration or an exemption from registration under the US Securities Act;
- 6.4 it acknowledges that the Company has not registered under the US Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not and will not be required to register under the US Investment Company Act;
- 6.5 it acknowledges that the Investment Manager has not registered under the US Investment Advisers Act and that the Company has put in place restrictions on the sale and transfer of the Placing Shares to ensure that the Investment Manager is not and will not be required to register under the US Investment Advisers Act;
- 6.6 unless the Company expressly consents otherwise in writing, no portion of the assets used to purchase, and no portion of the assets used to hold, the Placing Shares or any beneficial interest therein constitutes or will constitute the assets of:
 - 6.6.1 an “**employee benefit plan**” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA;
 - 6.6.2 a “**plan**” as defined in Section 4975 of the Tax Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Tax Code; or
 - 6.6.3 an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the Tax Code.
- 6.7 if the Placee is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Tax Code, its purchase, holding, and disposition of Placing Shares will not constitute or result in a non-exempt violation of any such substantially similar law;
- 6.8 if any Placing Shares offered and sold pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect, unless otherwise determined by the Company in accordance with applicable law:

“Downing Strategic Micro-Cap Investment Trust plc (the “**Company**”) has not been, and will not be, registered under the US Investment Company Act of 1940, as amended, (the “**US Investment Company Act**”). In addition, the securities of the Company represented by this certificate (the “**Securities**”) have not been, and will not be, registered under the US Securities Act of 1933, as amended, (the “**US Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the Securities may not be offered, sold, pledged, exercised or otherwise transferred within the United States or to, or for the account or benefit of, US Persons except in accordance with the US Securities Act or an exemption therefrom and under circumstances which will not require the Company to register

under the US Investment Company Act, in each case in accordance with all applicable securities laws.”;

provided, that if any Placing Shares are being sold pursuant to sub-paragraph 6.9 below, and if the Company is a “**foreign issuer**” within the meaning of Regulation S at the time of sale, any such legend may be removed on delivery of the certification described in sub-paragraph 6.10 below, and provided further, that, if any Placing Shares are being sold pursuant to sub-paragraph 6.10 below, the legend may be removed by delivery to the Company of an opinion of counsel of recognised standing in form and substance reasonably satisfactory to the Company, to the effect that such legend is no longer required under applicable requirements of the US Securities Act, US Investment Company Act or state securities laws;

- 6.9 if, in the future, the Placee decides to offer, sell, transfer, assign or otherwise dispose of its Placing Shares, it will do so only in compliance with an exemption from the registration requirements of the US Securities Act and under circumstances which will not require the Company to register under the US Investment Company Act and the Placee acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the restrictions in this paragraph 6 will be subject to the compulsory transfer provisions as provided in the Articles;
- 6.10 if the Placee is a person described in sub-paragraph 6.1 above and, if in the future it decides to offer, resell, pledge or otherwise transfer any of the Placing Shares, such Placing Shares may be offered, resold, pledged or otherwise transferred only:
- 6.10.1 outside the United States to non-US Persons in an offshore transaction in accordance with Rule 904 of Regulation S (including, for example, an ordinary trade over the London Stock Exchange), provided that the Company is a “**foreign issuer**” within the meaning of Regulation S at the time of sale, on delivery to the Company of an exit certificate executed by the transferor in a form reasonably satisfactory to the Company;
- 6.10.2 in a transaction that does not require registration under the US Securities Act or any applicable United States securities laws and regulations or require the Company to register under the US Investment Company Act, subject to delivery to the Company of a US subscription agreement executed by the transferee in a form reasonably satisfactory to the Company; or
- 6.10.3 to the Company;
- 6.11 it is purchasing the Placing Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Placing Shares in any manner that would violate the US Securities Act, the US Investment Company Act or any other applicable securities laws;
- 6.12 it acknowledges that the Company reserves the right to make inquiries of any holder of the Placing Shares or interests therein at any time as to such person’s status under US federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under US securities laws to transfer such Placing Shares or interests in accordance with the Articles;
- 6.13 it acknowledges and understands that the Company is required to comply with FATCA and agrees to furnish any information and documents the Company may from time to time request, including, but not limited to, information required under FATCA;
- 6.14 it is entitled to acquire the Placing Shares under the laws of all relevant territories and jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any such territories and jurisdictions and that it has not taken any action, or omitted to take any action, which may result in the Company, the Placing Agent, the Investment Manager, the Registrar, any of their respective affiliates or any of their respective directors, officers, employees,

agents and advisers being in breach of the laws of any jurisdiction in connection with the Placing or the Placee's acceptance of participation in the Placing;

- 6.15 it has received, carefully read and understands the Prospectus, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted all or any part of the Prospectus or any other offering, marketing or other materials concerning the Placing Shares to or within the United States or to any US Persons, nor will it do any of the foregoing;
- 6.16 if it is acquiring any Placing Shares as a fiduciary or agent for one or more accounts, the Placee has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, undertakings, acknowledgements and agreements on behalf of each such account; and
- 6.17 the Company, the Placing Agent, the Investment Manager, the Registrar, their respective affiliates and their respective directors, officers, employees, agents, advisers and others will rely on the truth and accuracy of the foregoing representations, warranties, undertakings, acknowledgements and agreements and the Placee agrees that, if any of such representations, warranties, undertakings, acknowledgements and agreements are no longer accurate or have not been complied with, it shall immediately notify the Company and the Placing Agent in writing.

7. REGISTRATION AND SETTLEMENT

- 7.1 Settlement of transactions in the Placing Shares following their Admission will take place within the CREST system subject to certain exceptions. The Placing Agent reserves the right to require settlement for, and delivery of, Placing Shares to Placees by such other means as it may deem necessary, if delivery or settlement is not possible or practicable within the CREST system within the timetable set out in the Prospectus or would not be consistent with the regulatory requirements in the Placee's jurisdiction.
- 7.2 Each Placee allocated Placing Shares pursuant to a Placing will be sent a trade confirmation stating the number of Placing Shares allocated to it, the applicable Placing Price, the aggregate amount owed by such Placee to the Placing Agent and settlement instructions. Each Placee agrees that it will do all things necessary to ensure that delivery and payment is completed in accordance with either the standing CREST or certificated settlement instructions which it has in place with the Placing Agent.
- 7.3 It is expected that settlement will be on a T+2 basis in accordance with the instructions set out in the trade confirmation.
- 7.4 Each Placee must pay the applicable Placing Price for Placing Shares allocated to it on the due date in accordance with the arrangements referred to in this paragraph 7. Interest will be chargeable daily on payments not received from Placees on the due date in accordance with such arrangements, with the rate of interest being the then published bank base rate of a clearing bank selected by the Placing Agent plus 2.0 per cent. per annum.
- 7.5 If any Placee fails to comply with its payment obligations as set out in this paragraph 7, the Placee's application for Placing Shares may, at the discretion of the Placing Agent, either be rejected or accepted. Each Placee is deemed to agree that, if it does not comply with its payment obligations as set out in this paragraph 7 and the Placing Agent elects to accept the Placee's application, the Placing Agent may sell any or all of the Placing Shares allocated to the Placee on such Placee's behalf and retain from the proceeds, for its own account and profit, an amount equal to the aggregate amount owed by the Placee plus any interest due. However, the Placee will remain liable for any shortfall below the aggregate amount owed by such Placee and it may be required to bear any tax or other charges (together with any interest or penalties) which may arise on the sale of such Placing Shares on such Placee's behalf.
- 7.6 If Placing Shares are to be delivered to a custodian or settlement agent, the Placee should ensure that the trade confirmation is copied and delivered immediately to the relevant person within that organisation.
- 7.7 Insofar as Placing Shares are registered in the Placee's name or that of its nominee or in the name of any person for whom the Placee is contracting as agent or that of a nominee for such

person, such Placing Shares will, subject as provided below, be so registered free from any liability to PTM levy, stamp duty or stamp duty reserve tax. If there are any circumstances in which any other stamp duty or stamp duty reserve tax is payable in respect of the issue of the Placing Shares, neither the Placing Agent nor the Company shall be responsible for the payment thereof.

8. SUPPLY AND DISCLOSURE OF INFORMATION

If the Company, the Placing Agent, the Registrar or any of their respective agents request any information about a Placee's agreement to subscribe for Placing Shares pursuant to a Placing, such Placee must promptly disclose it to them.

9. MISCELLANEOUS

- 9.1 On application, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with a Placing will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.
- 9.2 Each Placee agrees to be bound by the Articles once the Placing Shares, which the Placee has agreed to subscribe for pursuant to a Placing, have been acquired by the Placee. The contract to subscribe for Placing Shares pursuant to a Placing and the appointments and authorities mentioned in the Prospectus and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the benefit of the Company and the Placing Agent, each Placee irrevocably submits to the non-exclusive jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against the Placee in any other jurisdiction.
- 9.3 In the case of a joint agreement to subscribe for Placing Shares pursuant to a Placing, references to a "**Placee**" in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 9.4 Subject to complying with the public hands test set out in Rule 6.1.19(4)R of the Listing Rules, there are no minimum gross proceeds required for any Placing.
- 9.5 The Company and the Placing Agent expressly reserve the right to modify any Placing (including, without limitation, the timetable and settlement arrangements) at any time before allocations are determined. If any such modifications are made they will be notified through a Regulatory Information Service.
- 9.6 The rights and remedies of the Company, the Placing Agent, the Investment Manager, their respective affiliates and their respective agents under these Terms and Conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

PART VIII

TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER FOR SUBSCRIPTION

1. INTRODUCTION

The words and expressions listed below have the meanings set out opposite them throughout this Part VIII except where the context otherwise requires:

“Excluded Jurisdiction”	the United States, Australia, Canada, Japan, New Zealand or the Republic of South Africa or any other jurisdiction in which such offer or solicitation is or may be unlawful;
“Agents”	Stockdale Securities and/or the Receiving Agent, as the context may require;
“CDD Rules”	the prevailing anti-money laundering, anti-terrorism and contributing to the financing of criminal activities legislation, regulations and procedures in force from time to time in the United Kingdom;
“Prospectus”	this prospectus and any supplementary prospectus published by the Company in accordance with the Prospectus Rules prior to Admission of the Ordinary Shares to be issued pursuant to the Offer for Subscription;
“Terms and Conditions”	the terms and conditions of the Offer set out in this Part VIII; and
“you”	the applicant(s) who complete(s) the Application Form and, where the Application Form has been completed on behalf of another person or a company or other body corporate, that person, company or other body corporate.

1.1 These Terms and Conditions apply to each application made pursuant to the Offer for Subscription. Accordingly, if you apply for Ordinary Shares pursuant to the Offer for Subscription, by completing the Application Form you will be:

1.1.1 deemed to have read and understood the Prospectus in its entirety and to be providing the representations, warranties, undertakings, acknowledgements and agreements contained in these Term and Conditions to the Company, its Agents, the Investment Manager and the Registrar; and

1.1.2 bound by these Terms and Conditions and will be deemed to have accepted them.

2. APPLICATION TO ACQUIRE ORDINARY SHARES PURSUANT TO THE OFFER FOR SUBSCRIPTION

2.1 Applications to participate in the Offer for Subscription must be made on the Application Form (or other application form published by the Company). Multiple subscriptions under the Offer for Subscription by individual investors will not be accepted. Each completed Application Form must:

2.1.1 specify the fixed amount, in sterling, being the aggregate value, at the Issue Price in respect of the Offer for Subscription, of the Ordinary Shares that the applicant wishes to apply for pursuant to the Offer for Subscription and must be for a minimum aggregate value of £1,000 and, if for a higher amount, a multiple of £100 (although the Board may accept applications below the minimum amounts stated above in their absolute discretion); and

2.1.2 be accompanied by a cheque or banker’s draft in accordance with the instructions set out in Section 4 in the Application Form (or such other method of payment as may be agreed by the Company and its Agents).

2.2 By completing and delivering an Application Form, you:

2.2.1 offer to subscribe for the number of Ordinary Shares (rounded down to the nearest whole number) as shall have an aggregate value, at the Issue Price, equal (as nearly as practicable) to the amount specified in Box 1 of your Application Form (or such lesser number for which your application is accepted) on the terms, and subject to the conditions, set out in:

- (a) the Prospectus (including these Terms and Conditions and the instructions in the Application Form); and
- (b) the Articles;

and you agree to be bound by and adhere to the Articles as if you were directly a party to the same;

2.2.2 agree that, in consideration of the Company agreeing that it will not, prior to Admission, offer for subscription any Ordinary Shares to any person other than by means of the procedures referred to in the Prospectus:

- (a) your application may not be revoked by you; and
- (b) this paragraph 2 shall constitute an irrevocable collateral contract between you, the Company and its Agents which will become binding on despatch by post to or, in the case of delivery by hand, on receipt by the Receiving Agent of your Application Form;

2.2.3 undertake to pay (by cheque or banker's draft or such other method of payment as may be agreed with the Company and its Agents) the Issue Price for the Ordinary Shares (payable in full on application) in respect of which your application is accepted and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to have any Ordinary Shares applied for in uncertificated form credited to a CREST account or to receive a certificate for any Ordinary Shares applied for in certificated form or to enjoy or receive any rights in respect of such Ordinary Shares unless and until you make payment in cleared funds for such Ordinary Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Company and its Agents against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of your remittance to be honoured on first presentation) and the Company and Stockdale Securities may (without prejudice to any other rights it may have) terminate the agreement to allot and issue such Ordinary Shares to you and may allot and issue them to some other person(s), in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you, at your risk and without interest, of any proceeds of the remittance, once honoured, which accompanied your Application Form and which is received by the Receiving Agent in cleared funds);

2.2.4 agree that the crediting to a CREST account of any Ordinary Shares in uncertificated form to which you may become entitled may be delayed by, and that any certificate in respect of any Ordinary Shares in certificated form to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled and any monies returnable to you may be retained by, the Receiving Agent:

- (a) pending clearance of your remittance;
- (b) pending investigation of any suspected breach of the warranties contained in paragraph 8.4 of these Terms and Conditions or any other suspected breach of these Terms and Conditions; or
- (c) pending any verification of identity (to the satisfaction of the Company and its Agents) which is, or which the Company and its Agents consider may be, required for the purposes of compliance with the CDD Rules;

- and you agree that any interest accruing on any such retained monies shall accrue to and for the sole benefit of the Company;
- 2.2.5 agree, on the request of the Company or its Agents, to disclose promptly in writing to them such information as the Company or its Agents may request in connection with your application and authorise the Company and its Agents to disclose any information relating to your application which they may consider appropriate;
- 2.2.6 agree that, if evidence of identity satisfactory to the Company and its Agents is not provided to the Receiving Agent within a reasonable time (in the opinion of the Company) following a request therefor, the Company and Stockdale Securities may terminate the agreement to allot and issue such Ordinary Shares to you and may allot and issue them to some other person(s), in which case you will not be entitled to any refund or payment in respect thereof (other than the refund to you, at your risk and without interest, of any proceeds of the remittance, once honoured, which accompanied your Application Form and which is received by the Receiving Agent in cleared funds);
- 2.2.7 warrant and confirm that:
- (a) you are not applying on behalf of a person engaged in money laundering, drug trafficking or terrorism; and
 - (b) none of the monies transferred or to be transferred to (or for the account of) the Company or its Agents for the purposes of the application are or will be the proceeds of criminal activities;
- 2.2.8 undertake to ensure that, in the case of an Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form;
- 2.2.9 undertake to pay interest at the rate described in paragraph 3.4 of these Terms and Conditions if the remittance accompanying your Application Form is not honoured on first presentation (or the amount due in respect of your application is not received by the Receiving Agent in cleared funds prior to Admission);
- 2.2.10 authorise the Receiving Agent, on behalf of the Company:
- (a) subject to sub-paragraph 2.2.11 below, to credit the CREST account specified in Section 2B of your Application Form with the number of Ordinary Shares for which your application is accepted; or
 - (b) if Section 2B of your Application Form is not completed or, notwithstanding completion of that section, the Ordinary Shares for which your application is accepted are issued in certificated form pursuant to sub-paragraph 2.2.11 below, to send a definitive certificate in respect of the number of Ordinary Shares for which your application is accepted by post to your address (or that of the first-named applicant) as set out in your Application Form;
- 2.2.11 agree that, and in the event that you have specified a CREST account in section 2B of the Application Form and there are any difficulties or delays in crediting CREST accounts with Ordinary Shares issued pursuant to, or the use of CREST in relation to, the First Placing and the Offer for Subscription, the Company and Stockdale Securities may agree that the Ordinary Shares that would otherwise have been issued to you in uncertificated form pursuant to the Offer for Subscription should be issued instead in certificated form;
- 2.2.12 authorise the Receiving Agent, in respect of any monies returnable in relation to your application, to return such monies in accordance with paragraph 5 of these Terms and Conditions;
- 2.2.13 acknowledge and agree that, pursuant to the Data Protection Act 1998 (the “**DP Act**”) the Company, the Administrator and/or the Registrar, may hold personal data (as defined in the DP Act) relating to past and present shareholders. Personal data may be retained on record for a period exceeding six years after it is no longer used. The Company, the

Registrar and the Administrator will use such information for the purposes set out below (collectively, the “**Purposes**”), being to:

- (a) process your personal data (including sensitive personal data) as required by or in connection with your holding of Ordinary Shares, including processing personal data in connection with credit and money laundering checks on you;
- (b) communicate with you as necessary in connection with its affairs and generally in connection with your holding of Ordinary Shares;
- (c) provide your personal data to such third parties as the Company, the Administrator and/or Registrar may consider necessary in connection with its affairs and generally in connection with your holding of Ordinary Shares or as the DP Act may require, including to third parties outside the European Economic Area;
- (d) without limitation, provide such personal data to associates, third party service providers, affiliates, agents or functionaries appointed by the Company, the Registrar and/or the Administrator (including without limitation, the Investment Manager) for processing, notwithstanding that any such party may be outside the European Economic Area;
- (e) process your personal data for the Registrar’s, the Company’s and the Administrator’s internal administration; and
- (f) by becoming registered as a holder of Ordinary Shares or otherwise providing personal data in connection with an Application Form, you become a data subject (as defined in the DP Act) and are deemed to have consented to the processing by the Administrator, the Company, its Registrar and/or the third parties listed in paragraph 2.2.13(d) above of any personal data relating to you in the manner described above. In providing the Company, the Registrar and/or the Administrator with personal data (whether relating to you or a third party), you hereby represent and warrant to the Registrar, the Company and the Administrator that you have obtained the consent of any data subject to such holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the Purposes set out above in this paragraph 2.2.13).

2.2.14 agree that your Application Form is addressed to the Company and its Agents; and

2.2.15 agree that any application may be rejected in whole or in part at the sole discretion of the Company.

2.3 You agree that a failure by the Company or its Agents to receive, process or accept your application for Ordinary Shares does not give rise to any right of action by any person against the Company, its Agents or any other person.

3. ACCEPTANCE OF APPLICATIONS AND ALLOCATIONS

3.1 You agree that acceptance of your application, if it is validly received (or treated as valid), processed (and not rejected) and provided that it is not rejected subsequently as a result of a failure by you to comply with these Terms and Conditions, shall be constituted at the election of the Company, after consultation with Stockdale Securities, either:

3.1.1 by notifying the UKLA of the basis of allocation (in which case the acceptance will be on that basis); or

3.1.2 by notifying acceptance to the Receiving Agent.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.

- 3.2 The basis of allocation will be determined by Stockdale Securities in consultation with the Company and the Investment Manager and subject to the terms and conditions set out in the Prospectus. Notwithstanding the basis so determined, the right is reserved by Stockdale Securities in consultation with the Company:
- 3.2.1 to reject in whole or in part and/or scale down any application; or
 - 3.2.2 to treat as valid any application not complying fully with these Terms and Conditions or not in all respects completed or delivered in accordance with the notes on how to complete the Application Form and the instructions in the Application Form.
- 3.3 The Company and its Agents reserve the right to waive in whole or in part any of the provisions of these Terms and Conditions, either generally or in respect of one or more applications. In particular, but without limitation, the Company reserves the right (but shall not be obliged) to accept:
- 3.3.1 an application for less than £1,000, or which is for more than £1,000 but not a multiple of £100;
 - 3.3.2 an application made otherwise than by completion of an Application Form where you have agreed with it (or its Agents) to apply in accordance with these Terms and Conditions in some other manner satisfactory to the Company and its Agent; and
 - 3.3.3 Application Forms and accompanying remittances which are received through the post after 12.00pm on 27 April 2017 (or such later date, not being later than 27 June 2017 as the Company and Stockdale Securities may agree).
- 3.4 The right is reserved to present all cheques for payment on receipt by the Receiving Agent and to retain documents of title and surplus application monies pending clearance of successful applicants' cheques. The Company may require you to pay interest or its other resulting costs (or both) if any cheque accompanying your application is not honoured on first presentation. If you are required to pay interest, you will be obliged to pay the amount determined by the Company to be the interest on the amount of the cheque from the date on which the basis of allocation under the Offer is publicly announced until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Company plus 2.0 per cent. per annum.

4. CONDITIONS

The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional on:

- 4.1 First Admission occurring by 8.00 a.m. on 9 May 2017 (or such other time and date as the Company and Stockdale Securities may agree (not being later than 8.00 a.m. on 9 July 2017));
- 4.2 the Placing Agreement becoming unconditional (save only for Admission) and neither the Placing Agreement nor Stockdale Securities' obligations thereunder having been terminated in accordance with the terms of the Placing Agreement prior to First Admission (or such later date, not being later than 9 July 2017, as the Company and Stockdale Securities may agree);
- 4.3 applications to participate in the Offer for Subscription, Admission of the Ordinary Shares to be issued pursuant to that closing of the Offer for Subscription by 12.00pm on 27 April 2017 (or such date, not being later than 27 June 2017, as the Company and Stockdale Securities may agree); and
- 4.4 the Minimum Net Proceeds being raised.

5. RETURN OF APPLICATION MONIES

If:

- 5.1 any application is not accepted in whole or is accepted in part only (as a result of any scaling back of any part of an application); or

- 5.2 any contract created by acceptance does not become unconditional;

where application monies have been banked and/or received, if any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned without interest by returning your cheque, or by crossed cheque in your favour, by post at the risk of the person(s) entitled thereto. In the meantime, application monies will be retained by the Receiving Agent in a non-interest bearing separate account.

6. REPRESENTATIONS AND WARRANTIES

By completing an Application Form, you:

- 6.1 warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person or corporation and that such other person or corporation will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions and undertake to enclose your power of attorney (or a complete copy duly certified by a solicitor or notary);
- 6.2 warrant that, if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any such territory or jurisdiction and that you have not taken any action or omitted to take any action which will result in the Company, either of its Agents, any of their respective affiliates or any of their respective officers, employees or agents acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Offer in respect of your application;
- 6.3 agree that, having had the opportunity to read the Prospectus, you shall be deemed to have had notice of all information, statements and representations contained in it;
- 6.4 confirm that your application is made solely on the basis of the information, statements and representations contained in the Prospectus and, accordingly, you confirm that:
- 6.4.1 in making an application you are not relying on any other information, statements or representations;
- 6.4.2 no person responsible solely or jointly for the Prospectus (or any part of it) shall have any liability for any other information, statements or representations;
- 6.5 acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representations, statements other than as contained in the Prospectus and, if given or made, any such information, statements or representations must not be relied on as having been authorised by the Company or Stockdale Securities;
- 6.6 warrant that either you are an individual who is not under the age of 18 on the date of your application or a company or other body corporate duly incorporated and validly existing with authority to sign the Application Form and to apply for Ordinary Shares pursuant to the Offer for Subscription;
- 6.7 agree that all documents and monies sent by post to, by or on behalf of the Company or either of its Agents will be sent at your risk and, in the case of documents and returned monies to be sent to you, may be sent to you at your address as set out in Section 2A of your Application Form;
- 6.8 warrant that you are not applying as, or as nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the UK Finance Act 1986 (depository receipts and clearance services);
- 6.9 confirm that you have reviewed the restrictions contained in paragraph 8 of these Terms and Conditions and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions in that paragraph;

- 6.10 warrant that the details inserted by you in your Application Form are true and accurate;
- 6.11 agree to provide the Company with any information which it, Stockdale Securities or the Receiving Agent may request in connection with your application or to comply with any other relevant legislation (as the same may be amended);
- 6.12 agree that Stockdale Securities and the Receiving Agent are acting for the Company in connection with the Offer for Subscription and for no-one else and that they will not treat you as their client by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of the Ordinary Shares or concerning the suitability of the Ordinary Shares for you, or be responsible to you for the protection afforded to their clients.

7. MONEY LAUNDERING

- 7.1 You agree that, in order to ensure compliance with the UK Money Laundering Regulations, the Proceeds of Crime Act 2002 and any other applicable regulations, the Receiving Agent may at its absolute discretion require verification of identity of the subscriber(s) (the “**holder(s)**”) as the applicant lodging an Application Form and further may request from you and you will assist in providing identification of:
 - 7.1.1 the owner(s) and/or controller(s) (the “**payor**”) of any bank account not in the name of the holder(s) on which is drawn a payment by way of banker’s draft or cheque; or
 - 7.1.2 where it appears to the Receiving Agent that a holder or the payor is acting on behalf of some other person or persons.
- 7.2 Any delay or failure to provide the necessary evidence of identity may result in your application being rejected or delays in crediting CREST accounts or in the despatch of documents.
- 7.3 Without prejudice to the generality of this paragraph 7, verification of the identity of holders and payors will be required if the value of the Ordinary Shares applied for, whether in one or more applications considered to be connected, exceeds €15,000 (or the Sterling equivalent). If, in such circumstances, you use a building society cheque or banker’s draft you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the cheque or banker’s draft and adds its stamp.
- 7.4 If, in such circumstances, the person whose account is being debited is not named on the application form you will be required to provide for both the applicant and the payor the documents as requested within the application form, together with a signed declaration as to the relationship between the payor and you the applicant.
- 7.5 For the purpose of the UK Money Laundering Regulations a person making an application for Ordinary Shares will not be considered as forming a business relationship with the Company or the Receiving Agent but will be considered as effecting a one-off transaction with either the Company or with Computershare. Submission of an Application Form with the appropriate remittance will constitute a warranty to each of the Company and the Registrar from the applicant that the UK Money Laundering Regulations will not be breached by the application of such remittance.
- 7.6 The person(s) submitting an application for Ordinary Shares will ordinarily be considered to be acting as principal in the transaction unless the Receiving Agent determines otherwise, whereupon you may be required to provide the necessary evidence of identity of the underlying beneficial owner(s).
- 7.7 If the amount being subscribed exceeds €15,000 (or the Sterling equivalent) you should endeavour to have the declaration contained in Section 5 of the Application Form signed by an appropriate firm as described in that Section. If you cannot have that declaration signed and the amount being subscribed exceeds €15,000 (or the Sterling equivalent) then you must provide with the Application Form the identity documentation detailed in Section 6 of the Application Form for each underlying beneficial owner.

7.8 If the Application Form is lodged with payment by a regulated financial services firm (being a person or institution) (the “**Firm**”) which is located in Austria, Belgium, Canada, Cyprus, Denmark, Finland, France, Germany, Gibraltar, Guernsey, Hong Kong, Iceland, Ireland, Isle of Man, Italy, Japan, Jersey, Luxembourg, Malta, the Netherlands, New Zealand, Norway, Portugal, Singapore, the Republic of South Africa, Spain, Sweden, Switzerland, the UK and the United States, the Firm should provide with the Application Form written confirmation that it has that status and a written assurance that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to the Company (or any of its agents). If the Firm is not such an organisation, it should contact Computershare at Corporate Actions Projects, Bristol, BS99 6AH. To confirm the acceptability of any written assurance referred to above, or in any other case, the Applicant should call Computershare on +44 (0) 370 707 1358. Calls may be recorded and randomly monitored for security and training purposes. Lines are open from 8.30 a.m. until 5.30 p.m. on Business Days. The helpline cannot provide advice on the merits of the Initial Offer for Subscription nor give any financial, legal or tax advice.

8. OVERSEAS INVESTORS

8.1 If you are not in the United Kingdom you must read both the section headed “Regulatory Information” on pages 31 to 34 of this Prospectus (such section is deemed to be incorporated into, and to form part of, these Terms and Conditions) and this paragraph 8.

8.2 The distribution of the Prospectus in certain jurisdictions may be restricted by law and/or regulation. No action has been taken by the Company or its Agents that would permit an offer of Ordinary Shares or possession or distribution of the Prospectus, the Application Form or any other publicity material relating to the Ordinary Shares in any jurisdiction where action for that purpose is required. Neither the Prospectus nor the Application Form constitutes an offer to sell or issue or a solicitation of an offer to buy or subscribe for Ordinary Shares in any Excluded Jurisdiction. None of the Prospectus, the Application Form or the information contained in the Prospectus is for publication or distribution, directly or indirectly, to persons in an Excluded Jurisdiction unless permitted pursuant to an exemption under the relevant local law or regulation in any such Excluded Jurisdiction.

8.3 Accordingly, if you receive a copy of the Prospectus or an Application Form in any jurisdiction other than the United Kingdom you may not treat it as constituting an invitation or offer to you, nor should you, in any event, use an Application Form unless, in the relevant jurisdiction, such an invitation or offer could lawfully be made to you or an Application Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the United Kingdom and wish to make an application for Ordinary Shares under the Offer for Subscription, to satisfy yourself as to full observance of the laws of any relevant jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

8.4 Unless the Company and Stockdale Securities agree otherwise in writing, by applying for Ordinary Shares pursuant to the Offer for Subscription, you will be deemed to have represented, warranted and agreed to and with the Company and Stockdale Securities that you:

8.4.1 are not a US Person or a resident of any other Excluded Jurisdiction;

8.4.2 are not a corporation, partnership or other entity organised under the laws of any Excluded Jurisdiction;

8.4.3 are not subscribing for such Ordinary Shares for the account of any US Person or any resident of any other Excluded Jurisdiction; and

8.4.4 will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Ordinary Shares to any US Person or in or into any Excluded Jurisdiction or to any US Person or to any resident in any other Excluded Jurisdiction.

8.5 The Company, its Agents, the Investment Manager, the Registrar, their respective affiliates and their respective directors, officers, employees, agents, advisers and others will rely on the truth

and accuracy of such deemed representation, warranty and agreement and you agree that, if any deemed representation, warranty and agreement is no longer accurate or has not been complied with, you shall promptly notify the Receiving Agent in writing.

8.6 No application will be accepted if it bears an address in the United States.

9. MISCELLANEOUS

9.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Ordinary Shares and the Offer for Subscription

9.2 The rights and remedies of the Company and its Agents pursuant to these Terms and Conditions are in addition to any rights and remedies that may otherwise be available to them, and the exercise or partial exercise of one will not prevent the exercise of others.

9.3 Stockdale Securities is acting for the Company and for no one else in connection with the Offer for Subscription and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Stockdale Securities or for affording advice in relation to the Offer for Subscription or any other matter referred to in the Prospectus. Accordingly, you acknowledge and confirm that Stockdale Securities will not:

9.3.1 treat you as its client by virtue of your application being accepted pursuant to the Offer for Subscription; or

9.3.2 owe you any duties concerning the Issue Price, the suitability of the Ordinary Shares for you or any other matter in relation to the Offer for Subscription.

Nothing in this paragraph 9.3 shall serve to exclude or limit any responsibilities that Stockdale Securities may have under FSMA or the regulatory regime established under FSMA.

9.4 You authorise the Receiving Agent or any person authorised by them or the Company, as your agent, to do all things necessary to effect registration of any Ordinary Shares for which your application is accepted in your name(s) and authorise any representatives of the Receiving Agent to execute and/or complete any document required therefor.

9.5 You agree that all applications, acceptances of applications and contracts resulting therefrom pursuant to the Offer for Subscription shall be governed by, and construed in accordance with, laws of England and Wales and that, for the benefit of the Company and its Agents, you irrevocably submit to the non-exclusive jurisdiction of the courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against you in any other jurisdiction.

9.6 Times and dates referred to in these Terms and Conditions (and elsewhere in the Prospectus, including the Application Forms) are subject to change and may be extended or brought forward by the Company (with the agreement of Stockdale Securities and the Investment Manager). Any such change will be notified to investors by the Company making an announcement via a Regulatory Information Service.

9.7 Commission may be payable to intermediaries applying pursuant to the Offer for Subscription on behalf of clients.

9.8 The Company may facilitate the payment of adviser fees payable pursuant to the Offer for Subscription on behalf of clients.

PART IX

TAXATION

General

The following comments do not constitute tax advice and are intended only as a guide to current UK law and HMRC's published practice in relation to the taxation of the Company and Shareholders and the current Irish, Guernsey and Jersey law in relation to withholding taxes on distributions by the Company, in each case as at the date of this Prospectus (all of which are subject to change at any time, possibly with retrospective effect).

UK Taxation

The Company

It is the intention of the Directors to conduct the affairs of the Company so that it satisfies the conditions necessary for it to be approved by HMRC as an investment trust. However, neither the Investment Manager nor the Directors can guarantee that this approval will be granted or maintained. In respect of each accounting period for which the Company is and continues to be approved by HMRC as an investment trust the Company will be exempt from UK corporation tax on its chargeable gains. The Company will however (subject to what follows) be liable to UK corporation tax on its income in the normal way.

Approved investment trusts are able to elect to take advantage of modified UK tax treatment in respect of their "qualifying interest income" for an accounting period (referred to here as the "streaming" regime). Under such treatment, the Company may (assuming it is approved as an investment trust) designate as an "interest distribution" all or part of the amount it distributes to Shareholders as dividends, to the extent that it has "qualifying interest income" for the accounting period. Were the Company to designate any dividend it pays in this manner, it would be able to deduct such interest distributions from its income in calculating its taxable profit for the relevant accounting period. It is expected that the majority of the Company's income will be dividend income, rather than qualifying interest income.

In principle, the Company will be liable to UK corporation tax on its dividend income. However, there are broad-ranging exemptions from this charge which would be expected to be applicable in respect of most dividends it receives.

Shareholders

The following comments relate only to certain limited aspects of the UK tax treatment of Shareholders and (except insofar as express reference is made to the treatment of non-UK residents) are intended to apply only to Shareholders who for UK tax purposes are resident in and, in the case of individuals, domiciled in the UK and to whom "split year" treatment does not apply. The comments apply only to Shareholders who are the absolute beneficial owners of their Shares and the dividends payable on them and who hold their Shares as investments (and not as securities to be realised in the course of a trade).

The comments below may not apply to certain categories of Shareholder such as dealers in securities, insurance companies and collective investment schemes, Shareholders who are exempt from taxation (or who hold their Shares through a NISA) and Shareholders who have (or are deemed to have) acquired their Shares by virtue of any office or employment. Such persons may be subject to special rules.

Prospective investors who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK are strongly advised to consult their own professional advisers.

Taxation of dividends – individuals

(A) *Dividends which are not designated as “interest distributions”*

The following statements in this section (A) summarise the expected UK tax treatment for individual Shareholders who receive dividends in respect of their Shares which are not subject to the streaming regime.

The Company is not required to withhold UK tax when paying a dividend on the Shares.

With effect from 6 April 2016, each individual is entitled to an annual tax-free dividend allowance of £5,000 (which, following the 2017 Spring Budget, is expected to reduce to £2,000 from 6 April 2018). If the amount of any dividend which a UK-resident individual Shareholder receives from the Company, when added to other dividend income received by the individual in the tax year in which the dividend is received, is less than or equal to £5,000, the individual will have no liability for income tax in respect of the receipt of the dividend.

If the amount of any dividend which a UK-resident individual Shareholder receives from the Company, when added to other dividend income received by the individual in the tax year in which the dividend is received, exceeds £5,000, the excess amount (“**the excess amount of dividend income**”) will be subject to income tax in accordance with the following provisions.

Basic rate taxpayers

A UK-resident individual Shareholder who, after taking account of the dividend received from the Company, is liable to income tax only at the basic rate (currently 20 per cent), but not the higher rate, will be liable to income tax at the dividend ordinary rate (currently 7.5 per cent) on the excess amount of dividend income.

Higher rate taxpayers

A UK-resident individual Shareholder for whom the dividend, when added to the individual’s total income from other sources, falls between the threshold for higher rate income tax (“**the higher rate threshold**”) and the threshold for additional rate income tax (“**the additional rate threshold**”) will, to that extent, be liable to income tax at the dividend upper rate (currently 32.5 per cent) on the excess amount of dividend income.

Additional rate taxpayers

A UK-resident individual Shareholder for whom the dividend, when added to the individual’s total income from other sources, exceeds the additional rate threshold will, to that extent, be liable to income tax at the dividend additional rate (currently 38.1 per cent) on the excess amount of dividend income.

(B) *“Interest distributions”*

The following statements in this section (B) summarise the expected UK tax treatment for individual Shareholders who receive dividends in respect of their Shares which are designated as interest distributions and thus subject to the streaming regime.

If the Directors were to elect for the streaming regime to apply, a UK-resident individual Shareholder receiving a dividend designated by the Company as an interest distribution would be treated for tax purposes as receiving a payment of interest. After taking account of the individual’s savings allowance for the tax year in which the interest distribution is received, such Shareholder would be subject to UK income tax at the rates of 20 per cent., 40 per cent. or 45 per cent., depending on the level of the Shareholder’s income. Under current UK law, such distributions would generally be paid to the individual Shareholder after the deduction of 20 per cent. income tax.

An individual Shareholder who is not UK tax resident should generally be entitled to receive dividends designated as interest distributions without deduction of UK tax, provided the Company has received the necessary declarations of non-residence.

Subject to the enactment of draft provisions to be included in the Finance Bill 2017, it is understood that the Company will not be required to deduct income tax from any interest distribution payable on or after 6 April 2017.

Taxation of dividends – companies

(A) *Dividends which are not designated as “interest distributions”*

The following statements in this section (A) summarise the expected UK tax treatment for Shareholders within the charge to UK corporation tax who receive dividends in respect of their Shares which are not subject to the streaming regime.

The Company is not required to withhold UK tax when paying a dividend on the Shares.

Shareholders within the charge to UK corporation tax which are “small companies” (for the purposes of UK taxation of dividends) will not generally be subject to UK corporation tax on dividends paid by the Company on the Shares.

Other Shareholders within the charge to UK corporation tax will not be subject to corporation tax on dividends paid by the Company on the Shares so long as the dividends fall within an exempt class and certain conditions are met. Although it is likely that dividends paid by the Company on the Shares would qualify for exemption from corporation tax, it should be noted that the exemption is not comprehensive and is subject to anti-avoidance rules. Shareholders should therefore consult their own professional advisers where necessary.

(B) *“Interest distributions”*

The following statements in this section (B) summarise the expected UK tax treatment for Shareholders within the charge to UK corporation tax who receive dividends in respect of their Shares which are designated as interest distributions and thus subject to the streaming regime.

The Company will not generally be required to withhold UK tax when paying a dividend on the Shares where the recipient of the dividend is a company (whether UK-resident or not).

If the Directors were to elect for the streaming regime to apply, a Shareholder within the charge to UK corporation tax receiving a dividend designated by the Company as an interest distribution would be treated for tax purposes as receiving interest under a creditor loan relationship. Accordingly, such a Shareholder would be subject to corporation tax in respect of the distribution.

Taxation of disposals

(A) *General*

A disposal of Shares by a Shareholder who is resident in the UK for tax purposes may, depending on the Shareholder’s circumstances, and subject to any available exemption or relief, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

UK-resident individuals are, for each tax year, entitled to an exemption from capital gains tax for a specified amount of gains realised in that tax year. The current annual exempt amount for the tax year 2016/17 is £11,100 (rising to £11,300 for the tax year 2017/18).

For Shareholders within the charge to corporation tax, indexation allowance may reduce the amount of any chargeable gain arising on a disposal of Shares (but cannot give rise to or increase the amount of an allowable loss).

Shareholders that are not resident in the UK for tax purposes (and not only temporarily non-resident) will not generally be subject to UK taxation of chargeable gains on a disposal of their Shares, provided that their Shares are not and have not been acquired, held or used in or for the purposes of any trade, profession or vocation carried on by the Shareholder in the UK through a branch, agency or permanent establishment. It should however be noted that, in certain circumstances, an individual Shareholder who is only temporarily non-UK resident may, on re-establishing UK tax residence, be subject to capital gains tax in respect of disposals which occurred in the period of temporary non-residence.

A Conversion of C Shares into Ordinary Shares should, for the purposes of UK taxation of chargeable gains, generally be treated as a reorganisation of share capital and, to that extent, should not be treated as giving rise to a disposal.

(B) *Redemptions and buy-backs of Ordinary Shares*

A redemption or buy-back of Ordinary Shares by the Company which is not effected through the “matched bargain” mechanism will generally be treated for tax purposes as giving rise to both:

- a disposal by the Shareholder of the Ordinary Shares for the purposes of UK capital gains tax or, in the case of corporate shareholders, corporation tax on chargeable gains; and
- to the extent that proceeds of the redemption or buy-back exceed the amount which is treated for tax purposes as paid-in share capital attributable to the Ordinary Shares, a distribution by the Company to the Shareholder (the “distribution element”). Shareholders should note that the amount treated for tax purposes as paid-in share capital attributable to the Ordinary Shares may be less than the amount paid by the Shareholder for those shares.

The distribution element will generally be taxed as if it were a dividend (please refer to the discussion above, relating to dividends which are not designated as interest distributions, for further detail as to the tax treatment of dividends).

For UK-resident individual Shareholders, this means that the distribution element will be subject to income tax. However, to the extent that the redemption or buy-back proceeds are subject to income tax in this way, they will not be taken into account in the capital gains tax calculation.

For UK-resident corporate Shareholders, the distribution element should generally be exempt from corporation tax on income (provided that, as discussed above, the distribution falls into an exempt class and any other relevant conditions are met). In the case of a redemption of Ordinary Shares (but not a buy-back), this exempt distribution element would not generally fall to be taken into account in computing any chargeable gains subject to corporation tax. In the case of a buy-back of Ordinary Shares, however, the exempt distribution element would generally fall to be taken into account in the calculation of any chargeable gains subject to corporation tax.

Shareholders should note that the discussion above in relation to redemptions and buy-backs of Ordinary Shares is general in nature and that there are a number of detailed rules which, depending on the circumstances, may affect the tax treatment of redemptions or buy-backs for particular Shareholders. The statements above may not apply to redemptions or buy-backs effected through the “matched bargain” mechanism, which may instead fall to be treated as a normal sale to a third party in the market. Shareholders should therefore seek independent professional advice as to the tax consequences of any proposed redemption or buy-back of Ordinary Shares.

NISAs

Shares should qualify for inclusion in a NISA, subject to applicable subscription limits. Investments held in NISAs will be free of UK tax on both capital gains and income. Individuals wishing to invest in Shares through a NISA should contact their professional advisers.

Stamp Duty and Stamp Duty Reserve Tax

The following comments in relation to UK stamp duty and SDRT apply to Shareholders wherever they are resident or domiciled. They are intended only as a general guide and (except to the extent stated) do not relate to persons such as market makers, brokers, dealers, intermediaries or persons connected with depositary arrangements or clearance services, to whom special rules may apply.

The First Issue and the Placing Programme

The issue of Shares pursuant to the First Issue and the Placing Programme will not give rise to stamp duty or SDRT.

Subsequent transfers of Shares

Stamp duty at the rate of 0.5 per cent. (rounded up to the nearest £5) of the amount or value of the consideration given will generally be payable in respect of an instrument transferring Shares. An exemption from stamp duty is available for instruments transferring shares where the amount or value of the consideration is £1,000 or less and it is certified on the instrument that the transaction effected by it does not form part of a larger transaction or series of transactions in respect of which the aggregate amount or value of the consideration exceeds £1,000.

A charge to SDRT will also arise in respect of an unconditional agreement to transfer Shares (at the rate of 0.5 per cent. of the amount or value of the consideration for the Shares). However, if an instrument of transfer is executed in pursuance of the agreement and duly stamped within six years of the date on which the agreement became unconditional, the SDRT charge will generally be cancelled and any SDRT which has already been paid can generally be reclaimed.

The liability to pay stamp duty or SDRT is normally satisfied by the purchaser or transferee.

Shares held through CREST

Paperless transfers of Shares within CREST are generally subject to SDRT, rather than stamp duty, at the rate of 0.5 per cent. of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the system. Deposits of Shares into CREST will generally not be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration in money or money's worth, in which case a liability to SDRT will arise, usually at the rate of 0.5 per cent. of the amount or value of the consideration.

Shares held through clearance services or depositary receipt arrangements

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5 per cent.

Following litigation, HMRC have confirmed that they will no longer seek to apply the 1.5 per cent. SDRT charge on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. HMRC's view is that the 1.5 per cent. SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. This view is currently being challenged in further litigation.

Information reporting

The UK has entered into international agreements with a number of jurisdictions which provide for the exchange of information in order to combat tax evasion and improve tax compliance. These include, but are not limited to, an Inter-governmental Agreement with the US in relation to FATCA, the OECD's Multilateral Competent Authority Agreement for the Common Reporting Standard, the European Council Directive on administrative cooperation in the field of taxation and International Tax Compliance Agreements with Guernsey, Jersey, the Isle of Man and Gibraltar. In connection with such international agreements the Company may, among other things, be required to collect and report to HMRC certain information regarding Shareholders and other account holders of the Company and HMRC may pass this information on to tax authorities in other jurisdictions in accordance with the relevant international agreements.

Irish Taxation

The following is a summary of Irish withholding tax on dividends for Shareholders based on the laws and practice of the Irish Revenue Commissioners currently in force in Ireland and may be subject to change. It deals with Shareholders who beneficially own their Shares as an investment. Particular rules not discussed below may apply to certain classes of taxpayers holding Shares, such as dealers in securities, trusts etc. The summary does not constitute tax or legal advice and the comments below are of a general nature only. Prospective investors in the Shares should consult their professional advisers

on the tax implications of the purchase, holding, redemption or sale of the Shares and the receipt of payments thereon under the laws of their country of residence, citizenship or domicile.

Withholding Tax

No Irish dividend withholding tax will be levied on dividends paid by the Company as it is not an Irish resident company.

Encashment Tax

Irish tax will be required to be withheld at the standard rate of income tax (currently 20 per cent.) on any interest, dividends or annual payments payable out of or in respect of the stocks, funds, shares or securities of a company not resident in Ireland, where such interest, dividends or annual payments are collected or realised by a bank or encashment agent in Ireland.

Encashment tax will not apply where the Shareholder is not resident in Ireland and has made a declaration in the prescribed form to the encashment agent or bank.

Guernsey Taxation

Any Shareholders who are resident for tax purposes in the Islands of Guernsey, Alderney or Herm will be subject to income tax in Guernsey on any dividends paid on Ordinary Shares and/or C Shares owned by them.

Guernsey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover (unless the varying of investments and the turning of such investments to account is a business or part of a business), nor are there any estate duties (save for registration fees and ad valorem duty for a Guernsey Grant of Representation where the deceased dies leaving assets in Guernsey which require presentation of such a Grant).

Jersey Taxation

Any shareholders who are resident for tax purposes in Jersey may be liable to pay income tax on any dividends paid on the shares held by them. Jersey does not otherwise levy taxes upon capital, inheritances, capital gains or gifts nor are there other estate duties.

PART X

ADDITIONAL INFORMATION

1. THE COMPANY AND THE INVESTMENT MANAGER

- 1.1 The Company was incorporated in England and Wales as a public limited company on 17 February 2017, with registered number 10626295. The Company is registered as an investment company under section 833 of the Act. The Company has received a certificate under section 761 of the Act entitling it to commence business and to exercise its borrowing powers. The Company is domiciled in England and Wales and operates under the Act. Since its incorporation the Company has not commenced operations (other than entry into of the material contracts referred to in paragraph 7 of this Part X), has not declared any dividend, and no financial statements have been made up.
- 1.2 The Company is not regulated as a collective investment scheme by the FCA. The Company's registered office and principal place of business is Ergon House, Horseferry Road, London SW1P 2AL.
- 1.3 The Company currently has no employees. As at the date of this Prospectus, the Company does not have any subsidiaries.
- 1.4 The principal activity of the Company will be to invest predominantly in the smallest of quoted traded companies in accordance with the Company's investment policy with a view to achieving its investment objective.
- 1.5 As a Company with its shares admitted to the premium segment of the Official List and to trading on the Main Market, the Company will be subject to the Listing Rules, the Prospectus Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation and to the rules of the London Stock Exchange.
- 1.6 The Company intends at all times to conduct its affairs so as to enable it to qualify as an investment trust for the purposes of section 1158 of the Corporation Tax Act 2010 and the Investment Trust (Approved Company) (Tax) Regulations 2011. In summary, the key conditions that must be met for approval by HMRC for any given accounting period as an investment trust are that:
- 1.6.1 all or substantially all of the business of the Company is investing its funds in shares, land or other assets with the aim of spreading investment risk and giving members the benefit of the results of the management of its funds;
- 1.6.2 the Company is not a close company at any time during the accounting period for which approval is sought;
- 1.6.3 the Company's ordinary share capital is admitted to trading on a regulated market throughout the accounting period; and
- 1.6.4 the Company must not retain in respect of the accounting period an amount greater than the higher of:
- (a) 15 per cent. of its income for the period; and
 - (b) the amount of any income which the Company is required to retain in respect of the period by virtue of a restriction imposed by law.

However, where the Company has relevant accumulated losses brought forward from previous accounting periods of an amount equal to or greater than the higher of the amounts mentioned in (a) and (b) above, it may retain an amount equal to the amount of such losses.

- 1.7 The Investment Manager is a limited liability partnership registered in England and Wales with number OC341575. The Investment Manager is authorised and regulated by the FCA. The address of the registered office of the Investment Manager is 5th Floor, Ergon House, Horseferry Road, London SW1P 2AL.
- 1.8 The Northern Trust Company acts as custodian to the Company. The Custodian is responsible for the safe keeping of the Company's assets. The Custodian is a company established under the laws of the State of Illinois in the United States of America with State of Illinois Charter number 2016 and has been operating in the UK through its London branch since 10 June 1969 with the UK establishment number BR001960. The Custodian's registered place of business in the UK is 50 Bank Street, Canary Wharf, London E14 5NT. The Custodian is authorised by the PRA and regulated by the FCA and PRA with firm reference number 122020.

2. SHARE CAPITAL

- 2.1 The currency of the Issues is pounds sterling.
- 2.2 On incorporation, the issued share capital of the Company was £50,000.002 represented by 2 Ordinary Shares of a nominal value of £0.001 each that were subscribed for by members of the Investment Manager's group and 50,000 Management Shares of a nominal value of £1.00 each that were subscribed for by Downing Corporate Finance Limited.
- 2.3 Set out below is the issued share capital of the Company as at the date of this Prospectus:

	<i>Nominal Value</i>	<i>Number</i>
Ordinary Shares	£0.002	2
Management Shares	£50,000	50,000

The Ordinary Shares are fully paid up. To enable the Company to obtain a certificate of entitlement to conduct business and to borrow under Section 761 of the Act, on 17 February 2017, 50,000 Management Shares were allotted to Downing Corporate Finance Limited. The Management Shares are fully paid up. The Management Shares will be redeemed immediately following Admission out of the proceeds of the First Issue.

- 2.4 Set out below is the issued share capital of the Company as it will be following the First Issue (assuming that the First Issue is subscribed as to £100 million):

	<i>Nominal Value</i>	<i>Number</i>
Ordinary Shares	£100,000.002	100,000,002
C Shares	£0.000	0.000

All Ordinary Shares will be fully paid.

No dilution will result from the First Issue.

If 50 million Ordinary Shares or C Shares are issued pursuant to the Placing Programme, assuming the First Issue has been subscribed as to 50 million Ordinary Shares, there would be a dilution of approximately 50 per cent. in Shareholders' voting control of the Company immediately after the First Issue. The voting rights may be diluted further on conversion of any C Shares depending on the applicable conversion ratio. However, it is not anticipated that there will be any dilution in the Net Asset Value per Ordinary Share as a result of any issues of Ordinary Shares and/or C Shares under the Placing Programme.

- 2.5 By special resolutions passed on 15 March 2017:

2.5.1 the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot Ordinary Shares up to an aggregate nominal amount of £100,000 in connection with the First Issue, such authority to expire immediately following First Admission, 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 the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;

- 2.5.2 the Directors were generally empowered (pursuant to section 570 of the Act) to allot Ordinary Shares for cash pursuant to the authority referred to in paragraph 2.5.1 above as if section 561 of the Act did not apply to any such allotment, such power to expire immediately following First Admission, save that the Company may before such expiry make an offer or agreement which would or might require Ordinary Shares to be allotted after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power had not expired;
- 2.5.3 the Directors were generally and unconditionally authorised in accordance with section 551 of the Act to exercise all the powers of the Company to allot such number of Ordinary Shares and/or C Shares in aggregate as shall equal 100 million Ordinary Shares and/or C Shares less the aggregate number of Ordinary Shares issued pursuant to the First Issue in the period immediately following First Admission to the first annual general meeting of the Company, 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 the allotment of shares in pursuance of such an offer or agreement as if such authority had not expired;
- 2.5.4 the Directors were empowered (pursuant to sections 570 and 573 of the Act) to allot Ordinary Shares and C Shares and to sell Ordinary Shares and C Shares from treasury for cash pursuant to the authority referred to in paragraph 2.5.3 above as if section 561 of the Act did not apply to any such allotment or sale, such power to expire at the conclusion of the first annual general meeting of the Company, 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 and/or C Shares to be allotted or sold from treasury after the expiry of such power, and the Directors may allot or sell from treasury equity securities in pursuance of such an offer or an agreement as if such power had not expired;
- 2.5.5 the Company was authorised in accordance with section 701 of the Act to make market purchases (within the meaning of section 693(4) of the Act) of Ordinary Shares, provided that the maximum number of Ordinary Shares authorised to be purchased is 14.99 per cent. of the issued Ordinary Shares immediately following First Admission. The minimum price which may be paid for an Ordinary Share is £0.001. The maximum price which may be paid for an Ordinary Share must not be more than the higher of: (a) 5 per cent. above the average of the mid-market value of the Ordinary Shares for the five Business Days before the purchase is made; or (b) that stipulated by the regulatory technical standards adopted by the EU pursuant to the Market Abuse Regulation from time to time.. Such authority will expire on the earlier of the conclusion of the first annual general meeting of the Company and the date 18 months after the date on which the resolution was passed save that the Company may contract to purchase its Ordinary Shares under the authority hereby conferred prior to the expiry of such authority, which contract will or may be executed wholly or partly after the expiry of such authority and may purchase its Ordinary Shares in pursuance of such contract; and
- 2.5.6 the Company resolved that, conditional upon First Admission and the approval of the Court, the amount standing to the credit of the share premium account of the Company immediately following completion of the First Issue be cancelled.
- 2.6 At the date of this Prospectus:
- 2.6.1 the Company had no shares which did not represent capital;
- 2.6.2 no shares in the Company were held by or on behalf of the Company, in treasury or otherwise;
- 2.6.3 no convertible securities, exchangeable securities or securities with subscription rights had been issued by the Company;
- 2.6.4 save in connection with the Issues, there were no acquisition rights and/or obligations over any of the Company's unissued capital and no undertakings to increase the Company's capital; and

- 2.6.5 no share or loan capital of the Company was under option or had been agreed, conditionally or unconditionally, to be put under option.
- 2.7 In accordance with the authority referred to in paragraph 2.5.1 above, it is expected that the Ordinary Shares in respect of the First Issue will be allotted pursuant to a resolution of the Board to be passed shortly before, and conditional upon, First Admission.
- 2.8 The provisions of section 561 of the Act (which, to the extent not disapplied pursuant to section 570 or section 573 of the Act, confer on Shareholders rights of pre-emption in respect of the allotment or sale of equity securities for cash) shall apply to any unissued share capital of the Company, except to the extent disapplied by the resolutions referred to in paragraphs 2.5.2 and 2.5.4 above.
- 2.9 Save as disclosed in this paragraph 2, since the date of its incorporation: (i) there has been no alteration in the share capital of the Company; (ii) no share or loan capital of the Company has been issued or agreed to be issued, or is now proposed to be issued for cash or any other consideration; and (iii) no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any such capital and no share or loan capital of the Company is under option or agreed, conditionally or unconditionally, to be put under option.
- 2.10 The Ordinary Shares and the C Shares, expected to be issued on 9 May 2017 in the case of the First Issue and in the period from 10 May 2017 to 23 March 2018 in the case of the Placing Programme, will be in registered form. Temporary documents of title will not be issued.

3. ARTICLES OF ASSOCIATION

A summary of the main provisions of the Articles are set out below.

3.1 Objects

The Articles do not provide for any objects of the Company and accordingly the Company's objects are unrestricted.

3.2 Issue of Shares

Subject to the provisions of the Act, any shares may be issued on terms that they are, or are liable to be, redeemed at the option of the Company or the members on the terms and in the manner provided for in the Articles and with such preferred, deferred or other rights or subject to such restrictions, whether as regards dividend, return of capital, voting, conversion or otherwise, as the Company may from time to time determine by ordinary resolution.

3.3 Voting Rights

Subject to any special rights or restrictions as to voting on which shares have been allotted or issued or in accordance with the Articles:

- (i) on a show of hands every member entitled to vote on the resolution who is present in person has one vote, and every proxy present who has been duly appointed by a member entitled to vote on the resolution has one vote; and
- (ii) on a poll every member who is present in person or by proxy and entitled to vote on the resolution has one vote for every share held by them.

Unless the Directors otherwise determine, no member shall be entitled in respect of any share held by them to attend, vote or speak at a general meeting (including a separate meeting of the holders of shares of a particular class) either personally or by proxy, or to exercise any other right conferred by membership in relation to such meetings of the Company, if any call or other sum presently payable by them to the Company in respect of such share remains unpaid. This restriction shall cease to apply when all amounts due (including interest) are paid, together with all costs, charges and expenses incurred by the Company by reason of the non-payment.

Where a shareholder vote is required to be taken in accordance with the Listing Rules, that vote must be decided by a resolution of the holders of the shares that have been admitted to the premium listing. Where the provisions of the Listing Rules require that any resolution must, in addition, be approved by the independent shareholders (as defined in the Listing Rules), only independent shareholders who hold shares that have a premium listing shall be entitled to vote on the relevant resolution.

3.4 ***Dividends and Reserves***

Subject to the provisions of the Act and of the Articles, the Company may by ordinary resolution declare dividends to be paid to members according to their respective rights and interests in the profits of the Company. However, subject to any special rights for the time being attached to any shares, no dividend shall exceed the amount recommended by the Directors.

Except as otherwise provided by the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up (otherwise than in advance of calls) on the shares on which the dividend is paid. Subject as aforesaid, all dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid, but if any share is issued on terms providing that it shall rank for dividend as from a particular date, it shall rank for dividend accordingly.

Provided that the Directors act in good faith, they shall not incur any liability to the holders of shares for any loss that they may suffer by the lawful payment of any fixed or interim dividend.

Subject to the Act and the Articles, the Directors may, before recommending any dividend whether preferential or otherwise, transfer to reserves out of the profits of the Company such sums as they think proper. All sums standing to reserve may be applied from time to time, at the discretion of the Directors, for any purpose to which the profits of the Company may properly be applied and, pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Directors think fit.

Any unclaimed dividend, interest or other moneys payable on or in respect of a share may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed and the Company shall not be constituted a trustee in respect thereof. All dividends which remain unclaimed for a period of 12 years after having become due for payment shall be forfeited and shall revert to the Company.

3.5 ***Transfer of Shares***

Subject to the Articles, any member may transfer all or any of their certificated shares by an instrument of transfer in any usual form or in any other form approved by the Directors. The instrument of transfer of a share shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. An uncertificated share may be transferred in accordance with the Uncertificated Securities Regulations 2001 and the rules of any relevant system.

A transferor shall remain the holder of the share concerned (whether a certificated share or an uncertificated share) until the name of the transferee is entered in the Register as the holder of that share.

Subject to the rules of the London Stock Exchange and the requirements of the UK Listing Authority, the Directors may refuse to register the transfer of a certificated share which is not fully paid provided that this power will not be exercised so as to disturb the market in the shares.

The Directors may also refuse to register the transfer of a certificated share or a renunciation of a renounceable letter of allotment (except where to do so would disturb the market in the shares) unless all of the following conditions are satisfied:

- (i) it is in respect of only one class of share;
- (ii) it is in favour of a single transferee or renounee or not more than four joint transferees or renounees;

- (iii) it is duly stamped (if required); and
- (iv) it is delivered for registration to the Registrar's office or such other place as the Directors have specified, accompanied by the certificate(s) for the shares to which it relates (except in the case of a transfer by a financial institution where a certificate has not been issued or in the case of a renunciation) and such other evidence as the Directors may reasonably require to prove the title of the transferor or person renouncing and the due execution by them of the transfer or renunciation or, if the transfer or renunciation is executed by some other person on their behalf, the authority of that person to do so.

If the Directors refuse to register the transfer of a certificated share, the Directors shall, as soon as practicable and in any event within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the purported transferee, together with the reasons for the refusal and the Directors shall provide the purported transferee with such further information about the reasons for the refusal as the purported transferee may reasonably request.

The Directors may require the transfer of shares in certain circumstances including, inter alia, (i) to prevent the Company from being in violation of, or required to register under, the US Investment Company Act of 1940 (as amended) and (ii) to avoid the Company's assets being treated as "plan assets" for purposes of the regulations adopted under the United States Employee Retirement Income Security Act 1974.

3.6 **Restrictions on Shares**

If the Board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under section 793 of the Act and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice, the Board may serve on such member or on any such person a notice ("a direction notice") in respect of the shares in relation to which the default occurred ("default shares") directing that a member shall not be entitled to vote, attend or speak at any general meeting or class meeting of the Company.

Where default shares represent at least 0.25 per cent. of the class of shares concerned, the direction notice may in addition direct that any dividend which would otherwise be payable on such shares and any shares issued in lieu of a dividend that would otherwise be issued by the Company shall be retained by the Company without liability to pay interest or compensation and no transfer of any of the shares held by the member shall be registered unless it is a transfer on sale to a bona fide unconnected third party or by the acceptance of a takeover offer or through a sale through a recognised investment exchange as defined in FSMA. The prescribed period referred to above means not less than 14 days from the date of service of the notice under section 793 of the Act.

3.7 **Variations of Rights**

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights for the time being attached to any class may, subject to the Act, be varied or abrogated in such manner (if any) as may be provided by those rights or, in the absence of such provision, either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class (excluding any shares of that class held as treasury shares) or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class (but not otherwise) and may be so varied or abrogated either whilst the Company is a going concern or during or in contemplation of a winding-up. To every such separate general meeting, all the provisions of the Act and the Articles relating to general meetings of the Company or to the proceedings thereat shall apply.

3.8 **Alteration of Capital**

Subject to the Act, the Company may from time to time by ordinary resolution:

- (i) consolidate, or consolidate and divide, all or any of its share capital into shares of a larger nominal amount than its existing shares; and

- (ii) sub-divide its shares, or any of them, (whether or not following a consolidation) into shares of a smaller nominal amount than its existing shares and the resolution may determine that, as between the shares resulting from such sub-division, any of them may, as compared with the others, have any such preferred, deferred or other rights, or be subject to any such restrictions, as the Company has power to attach to new shares.

3.9 **General Meetings**

Annual general meetings of the Company shall be convened in accordance with the Act.

The Directors may convene other general meetings whenever they think fit, and are required to do so if requisitioned by members in accordance with the Act. If the Directors fail to convene a general meeting when requisitioned, the meeting may be convened by the requisitionists.

If at any time there are not within the United Kingdom sufficient Directors to call a general meeting, any Director may convene a general meeting. If the Company has fewer than two Directors and the Director (if any) is unable or unwilling to appoint sufficient Directors to make up a quorum or to call a general meeting to do so, two or more members may call a general meeting (or instruct the company secretary to do so) for the purpose of appointing one or more Directors.

3.10 **Record Date for Attendance and Voting at Meetings**

In relation to each general meeting of the Company, the Company shall determine the time by which a person must be entered on the Register in order to be entitled to attend or vote at the meeting. No person shall have the right to attend or vote at the meeting if they are entered on the Register after the time determined by the Company. That time shall not be more than 48 hours before the time fixed for the meeting. In calculating that period of 48 hours, no account shall be taken of any part of a day that is not a working day.

3.11 **Corporate Representatives**

Any body corporate which is a member of the Company may, by resolution of its directors or other governing body, authorise such person or persons as it thinks fit to act as its representative or representatives at any meeting of the Company or of any class of members of the Company. Such body corporate shall for the purposes of the Articles be deemed to be present in person at any such meeting if one or more persons so authorised is present thereat and all references to attendance and voting in person shall be construed accordingly.

A person so authorised shall be entitled to exercise (on behalf of the body corporate) the same powers as the body corporate could exercise if it were an individual member of the Company, save that where a body corporate authorises more than one person:

- (i) on a vote on a resolution on a show of hands at a meeting, each authorised person has one vote if the body corporate is entitled to vote on the resolution; and
- (ii) where sub-paragraph (i) does not apply, where more than one authorised person purports to exercise a power on behalf of the body corporate in respect of the same shares, if they purport to exercise the power in the same way as each other, the power is treated as exercised in the same way, or if they do not purport to exercise the power in the same way as each other, the power is treated as not exercised.

3.12 **Borrowing Powers**

Subject to the provisions of the Act, the Directors may exercise all of the powers of the Company to borrow money and to mortgage or charge its undertaking, property (present and future) and uncalled capital or any part thereof and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

3.13 **Directors**

3.13.1 *Number of Directors*

Unless otherwise determined by ordinary resolution of the Company, the Directors (other than alternate Directors) shall not be less than two nor more than eight in number.

3.13.2 *Shareholding Qualification*

A Director shall not be required to hold any shares in the Company.

3.13.3 *Directors' Remuneration and Expenses*

The ordinary remuneration of the Directors (other than any Director who holds any executive office, including for this purpose the office of chairman or deputy chairman where such office is held in an executive capacity, or employment with the Company or any associated company, entitling them to remuneration under any agreement and who is not thereby entitled to any fees as a Director) shall not exceed in aggregate £150,000 per annum (or such other amount as may from time to time be determined by ordinary resolution of the Company). Such remuneration shall be deemed to accrue from day to day and shall be divisible among the Directors in such proportion and manner as the Directors may determine.

3.13.4 *Retirement*

Each Director shall retire at the annual general meeting held in the third calendar year following the year in which he was elected or last re-elected by the Company. Each Director (other than the Chairman and any Director holding an executive office) shall retire at each annual general meeting following the ninth anniversary of the date on which he was first elected (as opposed to re-elected) by the Company. A Director who retires at any annual general meeting shall be eligible for re-election unless the Directors otherwise determine.

3.13.5 *Interests and Conflicts*

The Directors are empowered pursuant to section 175 of the Act to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a Director to avoid a situation in which they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation shall be subject to such conditions or limitations as the Directors may determine, whether at the time such authorisation is given or subsequently, and may be terminated by the Directors at any time. Neither the Director in question nor any other interested Director shall vote on, or be counted in the quorum at any meeting relating to, any resolution concerning any such authorisation.

A Director, notwithstanding their office, may be or become a director or other officer of, or hold any place of profit in, or act in a professional capacity for, or otherwise be interested in, any associated company. In such circumstances, the Director is authorised to act subject to any guidance from time to time issued by the Directors for dealing with conflict situations arising in relation to associated companies or any of them.

Where a Director has, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and the matter constituting such conflict or potential conflict has been authorised by the Directors, or by the Company or is otherwise permitted by the Articles, subject to the terms on which any authorisation has been given:

- (i) the Director in question need not disclose to or use for the benefit of the Company any information relating to the relevant matter which they obtain or have obtained otherwise than as a Director or employee of the Company and in respect of which they owe a duty of confidentiality to a person other than the Company;
- (ii) the Director in question shall not, unless otherwise agreed, be liable to account to the Company for any profit, remuneration or other benefits realised or receivable by them in consequence of the relevant matter and no contract, transaction or arrangement relating thereto shall be liable to be avoided on the grounds of their conflict of interests;
- (iii) the Director in question need not consider board papers, nor participate in discussion of the Directors, relating to the relevant matter; and

- (iv) any Director may act in any way authorised by any guidance for dealing with conflicts of interest issued by the Directors from time to time.

3.13.6 *Restrictions on Voting*

Except as provided in the Articles, a Director shall not vote (or, if they do vote, their vote shall not be counted) on any resolution of the Directors in respect of any contract, arrangement, transaction or any other kind of proposal in which they have a direct or indirect interest unless their interest cannot reasonably be regarded as likely to give rise to a conflict of interests or the resolution relates to one of the permitted matters listed below and they have no other interest beyond that listed below.

A Director shall not be counted as part of the quorum at a meeting in relation to any resolution on which they are not entitled to vote.

The following are permitted matters for the purposes of the Articles:

- (i) any contract, arrangement, transaction or other proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in which offer the Directors are, or may be, entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which they are to participate;
- (ii) any contract, arrangement, transaction or other proposal to which the Company is or is to be a party concerning any other body corporate in which the Directors do not, to their knowledge, directly or indirectly, hold an interest in shares (as that term is defined in the Act) representing 1.0 per cent. or more of either any class of the equity share capital (excluding, for the avoidance of doubt, any shares of that class held as treasury shares), or the voting rights (excluding, for the avoidance of doubt, any voting rights attached to shares held as treasury shares), in such body corporate;
- (iii) any contract, arrangement, transaction or other proposal concerning in any way a pension, retirement, superannuation, death and/or disability benefits scheme or fund or employees' share scheme under which the Directors may benefit and which either:
 - a. has been approved, or is conditional on approval, by HMRC for taxation purposes; or
 - b. relates both to employees and Directors of the Company (or any associated company) and does not award them any privilege or benefit not generally awarded to the employees to whom such scheme or fund relates;
- (iv) any contract or other proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any Directors or for persons including Directors.

3.13.7 *Indemnity*

Subject to the Act and the Articles but without prejudice to any indemnity to which they may otherwise be entitled, every Director, alternate Director or secretary (or former Director or secretary) of the Company or of any associated company shall be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities which they may sustain or incur in the execution or purported execution or discharge of their duties or in the exercise or purported exercise of their powers or otherwise in relation to or in connection with their duties, powers or office. This indemnity shall not operate to provide an indemnity against any liability attaching to a Director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company or any associated company except as permitted by law.

3.14 **Untraced Shareholders**

The Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years at least three dividends (whether interim or final) in respect of those shares have become payable and no dividend in respect of those shares during that period has been claimed, the Company has advertised its intention to sell the relevant shares in a UK national newspaper and within a newspaper circulating in the area in which the last known address of the relevant person is located and, within a further period of three months following the date of such advertisement, the Company, so far as the Directors are aware, has not received any communication from such member or person entitled by transmission (in their capacity as such).

3.15 **Shares**

The rights and restrictions attaching to the Ordinary Shares, Management Shares, the C Shares and the Deferred Shares are summarised below.

3.15.1 *Interpretation*

The following definitions apply for the purposes of this paragraph 3.15 only:

- “Business Day”** a day (other than a Saturday or a Sunday) on which clearing banks in London are open for general commercial banking business;
- “Calculation Date”** the earliest of:

 - (i) the close of business on the day to be determined by the Directors occurring on or after the day on which the Investment Manager shall have given notice to the Directors that at least 90 per cent. of the Net Proceeds have been invested in accordance with the Company’s investment policy; or
 - (ii) the close of business on such date as the Directors may determine as is necessary to enable the Company to comply with its obligations in respect of Conversion; or
 - (iii) the close of business on the day the Directors resolve that Force Majeure Circumstances have arisen or are in contemplation; or
 - (iv) the close of business on the last Business Day falling nine months after the Issue Date.
- “Conversion”** the conversion (and, where relevant, subdivision) of C Shares in accordance with paragraph 3.15.2 of this Part X;
- “Conversion Date”** the close of business on such Business Day as selected by the Directors provided that such day shall not be more than 10 Business Days after the Calculation Date;
- “Conversion Ratio”** the ratio at the Calculation Date to be used to determine the number of New Ordinary Shares and Deferred Shares arising on Conversion, being the ratio of the Net Asset Value per C Share to the Net Asset Value per Ordinary Share at the Calculation Date, calculated to four decimal places (with 0.00005 being rounded upwards) more particularly being:

$$\frac{A}{B}$$

where: $A = \frac{(C-D)}{E}$ and $B = \frac{(F-G)}{H}$

where 'C' is the aggregate of:

- (i) the value of all the investments of the Company attributable to the C Shares valued in accordance with the Company's normal accounting policies subject to such adjustments as the Directors may deem appropriate;
- (ii) the amount which in the Directors' opinion fairly reflects at the Calculation Date the value of the current assets of the Company attributable to the C Shares (excluding the investments valued at (i) above but including cash and deposits with or balances at bank and any accrued income less accrued expenses and other items of a revenue nature); and
- (iii) any currency hedging arrangements attributable to the C Shares shall be deemed to have been closed out at the Calculation Date and the value of (or liability arising from) any such currency hedging arrangements taken out in relation to the C Shares shall be taken into account in full as an asset (or liability), as the case may be;

'D' is the amount (to the extent not otherwise deducted in the calculation of 'C') which in the Directors' opinion fairly reflects the amount of the liabilities and expenses attributable to the C Shares at the Calculation Date (including, for the avoidance of doubt, all expenses of the issue of the C Shares and any declared but unpaid special dividend in respect of the C Shares);

'E' is the number of C Shares in issue at the Calculation Date;

'F' is the aggregate of:

- (i) the value of all the investments of the Company attributable to the Ordinary Shares valued in accordance with the Company's normal accounting policies, subject to such adjustments as the Directors may deem appropriate;
- (ii) the amount which, in the Directors' opinion, fairly reflects at the Calculation Date the value of current assets of the Company attributable to the Ordinary Shares (excluding the investments valued under (i) above but including cash and deposits with or balances at bank and any accrued income less accrued expenses and other items of a revenue nature); and
- (iii) any currency hedging arrangements attributable to the Ordinary Shares shall be deemed to have been closed out at the Calculation Date and the value of (or liability arising from) any such currency hedging arrangements taken out in relation to the Ordinary Shares shall be taken into account in full as an asset (or liability), as the case may be;

'G' is the amount which (to the extent not otherwise deducted in the calculation of F) in the Directors' opinion fairly reflects the amount of the liabilities and expenses of the Company attributable to the Ordinary Shares at the Calculation Date including any declared but unpaid interim dividend; and

	<p>‘H’ is the aggregate of the number of Ordinary Shares (excluding any Ordinary Shares held in treasury) in issue at the Calculation Date, provided that the Directors shall be entitled to make such adjustments to the value or amount of A or B as the Auditors shall state, in their opinion, is appropriate having regard inter alia (a) to the assets of the Company immediately prior to the Issue Date and (b) to the reasons for the issue of the C Shares set out in the terms of issue of the C Shares;</p>
“C Share Surplus”	<p>the net assets of the Company attributable to the C Shareholders (for the avoidance of doubt, including any income and/or revenue arising from or relating to such assets less such proportion of the Company’s liabilities; including the fees and expenses of the liquidation or return of capital (as the case may be) as the Directors or any liquidator (as the case may be) shall reasonably allocate to the assets of the Company attributable to the C Shareholders);</p>
“Deferred Shares”	<p>deferred shares of £0.001 each in the capital of the Company arising upon Conversion;</p>
“Force Majeure Circumstances”	<p>(i) any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable notwithstanding that less than the appropriate percentage of the Net Proceeds have been invested or that the date set as the date for Conversion by the Directors for the C Shares has not been reached;</p> <p>(ii) the issue of any legal proceedings challenging or seeking to challenge the power of the Company and/or its Directors to issue the C Shares with the rights proposed to be attached to them and/or to the persons to whom they are, and/or the terms upon which they are, proposed to be issued; or</p> <p>(iii) the convening of any general meeting of the Company at which a resolution is to be proposed to wind up the Company, whichever shall happen earliest;</p>
“Issue Date”	<p>the day on which the Company receives the proceeds of the issue of the C Shares (whether received gross or net of expenses);</p>
“Management Shares Capital Amount”	<p>shall have the meaning given in paragraph 3.15.4(a)(i);</p>
“Net Proceeds”	<p>the net cash proceeds of the issue of the C Shares (after deduction of all commissions and expenses attributable to the C Shares and payable by the Company);</p>
“New Ordinary Shares”	<p>the New Ordinary Shares arising upon Conversion;</p>
“Ordinary Share Surplus”	<p>the net assets of the Company less the aggregate amount of the C Share Surplus and the Management Shares Capital Amount.</p>

3.15.2 *The Conversion Process*

The C Shares shall be converted into New Ordinary Shares on the Conversion Date in accordance with the following provisions:

- (a) The Directors shall procure that within 10 Business Days of the Calculation Date:
 - (i) the Administrator shall calculate the Conversion Ratio as at the Calculation Date and the numbers of Ordinary Shares and Deferred Shares to which each C Shareholder shall be entitled on Conversion; and
 - (ii) the Auditors shall state, whether, in their opinion such calculations:
 - A. have been performed in accordance with the Articles; and
 - B. are arithmetically accurate whereupon such calculations shall become final and binding upon the Company and all Shareholders.
- (b) The Directors shall procure that as soon as practicable following such confirmation and in any event within 10 Business Days of the Calculation Date an announcement through a Regulatory Information Service is made stating the Conversion Date, the Conversion Ratio and the numbers of New Ordinary Shares and Deferred Shares which will arise upon Conversion.
- (c) On the Conversion Date each C Share shall automatically sub-divide into ten C Shares of £0.001 and such C Shares of £0.001 each arising upon the sub-division shall automatically convert into such number of Ordinary Shares and Deferred Shares (such Conversion being deemed authorised by the resolution creating the C Shares) as shall be necessary to ensure that, upon such Conversion being completed:
 - (i) the aggregate number of C Shares of £0.001 each which are converted into New Ordinary Shares equals the number of C Shares in issue at the Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole Ordinary Share); and
 - (ii) each C Share of £0.001 each which does not so convert into a New Ordinary Share shall convert into one Deferred Share.
- (d) The New Ordinary Shares and Deferred Shares arising upon Conversion shall be divided amongst the former C Shareholders pro rata according to their respective former holdings of C Shares (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to New Ordinary Shares and Deferred Shares arising upon Conversion including, without prejudice to the generality of the foregoing, the right to sell any such fractional entitlements and retain the proceeds for the benefit of the Company) and for such purposes any Director is authorised as agent on behalf of the former C Shareholders, in the case of a Share in certificated form, to execute any stock transfer form and to do any other act or thing as may be required to give effect to the same including, or in the case of a Share in uncertificated form, the giving of directions to or on behalf of the former C Shareholders who shall be bound by them.
- (e) Following Conversion, the Company shall issue to each former C Shareholder new certificates in respect of the New Ordinary Shares which have arisen upon Conversion unless such former C Shareholder elects (or is deemed to have elected) to hold their New Ordinary Shares in uncertificated form. Share certificates in respect of the Deferred Shares will not be issued.
- (f) Forthwith upon Conversion:
 - (i) the rights attaching to the C Shares as set out in this paragraph 3.15.2 shall lapse; and

- (ii) the Company shall at the absolute discretion of the Directors repurchase all the Deferred Shares arising upon Conversion in accordance with the provisions of paragraph 3.15.5.
- (g) The Directors shall be authorised to make such non-material adjustments to the terms and timing of Conversion as they shall in their discretion consider fair and reasonable having regard to the interests of all shareholders.
- (h) The Company shall use its reasonable endeavours to procure that on Conversion the New Ordinary Shares arising on Conversion are admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market.

3.15.3 Dividends

The holders of the Ordinary Shares, the Management Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the Articles, have the following rights to be paid dividends:

- (a) The Directors may determine as part of the terms of issue of C Shares that C Shareholders shall be entitled, in that capacity, to receive as a special dividend such amount as the Directors may resolve to pay out of the net assets attributable to the C Shares and from income received and accrued and attributable to the C Shares (the "**Special Dividend**") payable on a date falling after the Conversion Date as the Directors shall determine.
- (b) The New Ordinary Shares shall rank pari passu with the existing Ordinary Shares for all dividends and other distributions made or declared in accordance with the Articles by reference to a record date falling after the Conversion Date save that (for the avoidance of doubt and irrespective of whether the same is declared before or after the Conversion Date) the Directors may determine as part of the terms of issue they shall not rank for dividends including any special interim dividend which may be declared by reference to a record date falling on or prior to Conversion.
- (c) The Deferred Shares (to the extent that they are in issue and extant) shall entitle the holders thereof to a cumulative dividend at a fixed rate of 0.01 per cent. per annum of the nominal amount of the Deferred Shares held by the holder (the "**Deferred Dividend**") payable on the date six months after the Conversion Date to the holders thereof on the register of members on that date as holders of Deferred Shares, and thereafter at six monthly intervals, but shall confer no other right on the holders thereof to share in the profits of the Company. The Deferred Dividend shall not become payable in any way until the date six months after the Conversion Date and shall then only be payable to those holders of Deferred Shares registered in the register of members of the Company as holders of Deferred Shares on the date six months after the Conversion Date. It should be noted that given the intended repurchase of the Deferred Shares as described in paragraph 3.15.5 below, it is not expected that any dividends will be paid on the Deferred Shares.
- (d) A holder of Management Shares shall be entitled (in priority to any payment of dividend on any other class of share) to a fixed cumulative preferential dividend of 0.01 per cent. per annum on the nominal amount of the Management Shares held by him, such dividend to accrue annually and to be payable in respect of each accounting reference period of the Company within 21 days of the end of such period;
- (e) Save for the Special Dividend, no dividend or other distribution shall be made or paid by the Company on any of its shares between the Calculation Date and the Conversion Date of the C Shares (both dates inclusive) and no dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).

3.15.4 *Rights as to Capital*

The holders of the Ordinary Shares, the Management Shares, the C Shares and the Deferred Shares shall, subject to the provisions of the Articles, have the following rights as to capital:

- (a) The capital and assets of the Company shall on a winding up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) prior, in each case, to Conversion, be applied as follows:
 - (i) first, amongst the Management Shareholders pro rata according to the nominal capital paid up on their holdings of Management Shares provided however that the holders of the Management Shares shall only receive an amount up to the capital paid up on such Management Shares (the “**Management Shares Capital Amount**” and the Management Shares shall not confer the right to participate in any surplus remaining following payment of such amount; and
 - (ii) the Ordinary Share Surplus shall be divided amongst the holders of the Ordinary Shares pro rata according to the nominal capital paid up on their holdings of Ordinary Shares as if the Ordinary Share Surplus comprised the assets of the Company available for distribution; and
 - (iii) the C Share Surplus shall be divided amongst the holders of the C Shares pro rata according to the nominal share capital paid up on their holdings of C Shares.
- (b) The capital and assets of the Company available to Shareholders shall on a winding up or on a return of capital (otherwise than on a purchase by the Company of any of its shares) after Conversion of all C Shares, be applied as follows:
 - (i) first, if there are for the time being Deferred Shares in issue, amongst the Deferred Shareholders pro rata according to the nominal capital paid up on their holdings of Deferred Shares provided however that the holders of the Deferred Shares shall only receive an amount up to the capital paid up on such Deferred Shares and the Deferred Shares shall not confer the right to participate in any surplus remaining following payment of such amount; and
 - (ii) second, the surplus shall be divided, first, amongst the Management Shareholders pro rata according to the nominal capital paid up on their holdings of Management Shares and, second, amongst the Ordinary Shareholders pro rata according to the nominal capital paid up on their holdings of Ordinary Shares provided however that the holders of the Management Shares shall only receive the Management Shares Capital Amount and the Management Shares shall not confer the right to participate in any surplus remaining following payment of such amount.

3.15.5 *Repurchase of Deferred Shares*

- (a) The C Shares are issued on terms that the Deferred Shares, but not the New Ordinary Shares arising on Conversion, shall at the absolute discretion of the Directors be repurchased by the Company in accordance with the terms set out in the Articles.
- (b) Immediately upon Conversion, the Company shall at the absolute discretion of the Directors repurchase all of the Deferred Shares which arose as a result of Conversion for an aggregate nil consideration as permitted by section 659 of the Act and the provisions of this paragraph (b) shall be deemed to constitute notice to each C Shareholder (and any person or persons having rights to acquire or acquiring C Shares) that the Deferred Shares shall be repurchased on such basis.
- (c) On repurchase, each Deferred Share shall be treated as cancelled in accordance with section 688 of the Act.

3.15.6 *Redemption*

The Ordinary Shares and Management Shares are redeemable. C Shares are not redeemable by the Company.

3.15.7 *Class consents and variation of rights*

Without prejudice to the generality of the provisions of this paragraph 3.15.7, until Conversion the consent of both (i) the holders of the C Shares as a class and (ii) the holders of the Ordinary Shares as a class, shall be required for, and accordingly the special rights attached to the C Shares and the Ordinary Shares shall be deemed to be varied inter alia, by:

- (a) any alteration to the Articles of Association of the Company; or
- (b) any alteration, increase, consolidation, division, sub-division, cancellation, reduction or purchase by the Company of any issued or authorised share capital of the Company (other than on the Conversion and/or repurchase of the Deferred Shares all as provided for in the Articles); or
- (c) any allotment or issue of any security convertible into or carrying a right to subscribe for any share capital of the Company or any other right to subscribe or acquire share capital of the Company; or
- (d) the passing of any resolution to wind up the Company.

3.15.8 *Undertakings*

Until Conversion and without prejudice to its obligations under the Act, the Company shall:

- (a) procure that the Company's records and bank accounts shall be operated and maintained so that the assets and liabilities attributable to the C Shareholders can, at all times, be separately identified and, in particular but without prejudice to the generality of the foregoing, the Company shall procure that separate cash accounts, broker settlement accounts and investment ledger accounts be created and maintained for the assets attributable to the C Shareholders; and
- (b) allocate a fair proportion of every expense or liability of the Company relating to capital to the extent that such expense or liability is incurred or accrued between the Issue Date and the Calculation Date (both dates inclusive) to the C Shares; and
- (c) give appropriate instructions to the Investment Manager to manage the Company's assets so that such undertakings can be complied with by the Company.

3.15.9 *General Meetings*

- (a) The Ordinary Shares shall carry the right to receive notice of and to attend or vote at any general meeting of the Company. The voting rights of the Ordinary Shares are that on a show of hands every member entitled to vote on the resolution who is present in person has one vote, and every proxy present who has been duly appointed by a member entitled to vote on the resolution has one vote; and on a poll every member who is present in person or by proxy and entitled to vote on the resolution has one vote for every share held by them.
- (b) The C Shares shall carry the right to receive notice of and to attend or vote at any general meeting of the Company. The voting rights of C Shareholders will be the same as those applying to Ordinary Shareholders as set out in the Articles as if the C Shares and existing Ordinary Shareholders were a single class.
- (c) The Deferred Shares and Management Shares shall not carry any right to receive notice of or attend or vote at any general meetings of the Company unless, in the case of the Management Shares, no other shares are in issue at that time.

4. CITY CODE ON TAKEOVERS AND MERGERS

4.1 *Mandatory bid*

The Takeover Code applies to the Company. In view of the existence of the buy-back powers described in this Prospectus, there are certain considerations that Shareholders should be aware of with regard to the Takeover Code. Under Rule 9 of the Takeover Code, if:

- 4.1.1 a person acquires an interest in shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- 4.1.2 a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in shares which increase the percentage of shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel on Takeovers and Mergers) to make a cash offer for the outstanding shares at a price not less than the highest price paid for any interests in the shares by the acquirer or its concert parties during the previous 12 months.

4.2 *Compulsory Acquisition*

Under sections 974 to 991 of the Act, if an offeror acquires or contracts to acquire (pursuant to a takeover offer) not less than 90 per cent. of the shares (in value and by voting rights) to which such offer relates it may then compulsorily acquire the outstanding shares not assented to the offer. It would do so by sending a notice to holders of outstanding shares telling them that it will compulsorily acquire their shares and then, six weeks later, it would execute a transfer of the outstanding shares in its favour and pay the consideration to the Company, which would hold the consideration on trust for the holders of outstanding shares. The consideration offered to the holders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the takeover offer.

In addition, pursuant to section 983 of the Act, if an offeror acquires or agrees to acquire not less than 90 per cent. of the shares (in value and by voting rights) to which the offer relates, any holder of shares to which the offer relates who has not accepted the offer may require the offeror to acquire his shares on the same terms as the takeover offer.

The offeror would be required to give any holder of outstanding shares notice of his right to be bought out within one month of that right arising. Such sell-out rights cannot be exercised after the end of the period of three months from the last date on which the offer can be accepted or, if later, three months from the date on which the notice is served on the holder of outstanding shares notifying them of their sell-out rights. If a holder of shares exercises their rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

5. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

- 5.1 The Directors (and, so far as is known to or could with reasonable diligence be ascertained by the Directors, any persons connected with them) intend to subscribe for Ordinary Shares pursuant to the First Issue as set out in the following table:

<i>Name</i>	<i>Number of Ordinary Shares</i>	<i>Per cent. of issued Ordinary Share capital*</i>
Hugh Aldous (<i>Chairman</i>)	100,000	0.100%
Andrew Griffiths (<i>Non-executive Director</i>)	15,000	0.015%
Diana Hunter (<i>Non-executive Director</i>)	25,000	0.025%
Stephen Yapp (<i>Non-executive Director</i>)	100,000	0.100%

* Assuming that the First Issue is subscribed as to 100 million Ordinary Shares

Save as disclosed in this paragraph 5.1, at the date of this Prospectus, none of the Directors (and, so far as is known to or could with reasonable diligence be ascertained by the Directors, any persons connected with them) had:

- (i) any interest in the share capital of the Company; or
- (ii) any options over shares in the Company's capital.

5.2 There are no existing or proposed service contracts between any of the Directors and the Company. Each of the Directors has entered into a letter of appointment with the Company (subject to re-election on retirement at any annual general meeting of the Company at which he is required to retire by rotation), terminable on three months' notice. The Directors are entitled to the remuneration referred to in paragraph 5.3 of this Part X, payable monthly in arrears, and are entitled to out-of-pocket expenses and other expenses incurred in the proper performance of their duties as directors of the Company. The Directors are not entitled to any compensation or benefits on termination of their office as directors of the Company.

5.3 At the date of this Prospectus, the Directors were entitled to aggregate annual remuneration (including any contingent or deferred compensation but excluding expenses) equal to:

- (i) in the case of Hugh Aldous (Chairman), £35,000;
- (ii) in the case of Stephen Yapp (Chairman of the Audit Committee), £30,000; and
- (iii) in the case of each of each of the other Non-Executive Directors, £25,000.

In the event that the proceeds of the First Issue do not exceed £50 million, the aggregate annual remuneration set out above in respect of the Chairman, Chairman of the Audit Committee and all other Non-Executive Directors will be reduced to £30,000, £25,000 and £20,000 respectively.

5.4 There are no commission or profit sharing arrangements between the Directors and the Company. Similarly, none of the Directors is entitled to pension, retirement or similar benefits and no benefits in kind have been, or are expected to be, granted to the Directors.

5.5 The Company has not made any loans to the Directors which are outstanding, nor has it ever provided any guarantees for the benefit of any Director or the Directors accordingly.

5.6 The Company intends to maintain directors' and officers' liability insurance on behalf of the Directors at the expense of the Company to the extent that the Company is able to maintain such insurance.

5.7 Over the five years preceding the date of this Prospectus, the Directors hold or have held the following directorships (apart from their directorships of the Company) or memberships of the following administrative, management or supervisory bodies and/or partnerships:

	<i>Current</i>	<i>Previous</i>
Hugh Aldous	Elderstreet VCT plc Polar Capital Holdings plc. Innospec Inc. SPL (Guernsey) ICC Limited KCSB Properties Limited DKP Consultants Limited Savile AD7 Limited Savile AD8 Limited Savile AD9 Limited	Schroder Asian Total Return Investment Company plc Capita Sinclair Henderson Limited Smart Education Limited Savile AD2 Limited Savile AD4 Limited Savile ANG1 Limited Savile APG1 Limited Savile APG3 Limited Savile Durham1 Limited Savile Exeter1 Limited Financial Ventures Limited Savile ML1 Limited Nice Investments (Germany) LLP
Andrew Griffiths	Green Star Media Ltd	Downing Income VCT 3 PLC (Dissolved) Downing One VCT PLC

	<i>Current</i>	<i>Previous</i>
Diana Hunter	A2 Contractors Limited Bargain Booze EBT Trustees Limited Bargain Booze Limited Bibendum Limited Bibendum PLB (Topco) Limited Bibendum PLB Group Limited Bibendum Wine Limited Catalyst-PLB Brands Ltd Chalk Farm Wines Ltd Conviviality Brands Limited Conviviality plc Conviviality Retail Limited Conviviality Retail Logistics Limited Conviviality Stores Ltd Elastic Productions Limited G.T. News Limited GT News (Holdings) Limited GT News (Nottingham) Ltd Instil Drinks Company Limited Matthew Clark (Holdings) Limited Matthew Clark and Sons Limited Matthew Clark Limited Matthew Clark Wholesale Bond Limited Matthew Clark Wholesale Limited Matthew Clark (Scotland) Limited Mixbury Drinks Limited Odyssey Intelligence Limited Peppermint Events Limited PLB Group Ltd PLB Beers Limited PLB Wines Limited The Real Rose Company Limited The Wine and Spirit Trade Association The Wine and Spirit Trades' Benevolent Society The Wine Studio Limited The Wondering Wine Company Limited The Yorkshire Fine Wines Company Limited Vivas Wine Limited Walker & Wodehouse Wines Limited Wine Rack Ltd	Family and Childcare Trust

	<i>Current</i>	<i>Previous</i>
Stephen Yapp	Air Fayre Limited Elev8 Retail Limited International Catering Limited Journey Group Limited Journey Products Limited MNH Grp Ltd MNH Management Services Ltd Pittards PLC.	Journey Group Services Limited Altitude Group plc MNH Sustainable Cabin Services Ltd Watermark Limited Bigger Than Life (UK) Limited (Dissolved) Update International Services Limited (Dissolved) Watermark Connect Limited (Dissolved) Encompass Supply Chain Management Limited (Dissolved)

- 5.8 The Directors in the five years before the date of this Prospectus:
- (i) do not have any convictions in relation to fraudulent offences;
 - (ii) have not been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; and
 - (iii) do not have any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administration, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.
- 5.9 As at the date of this Prospectus, insofar as known to the Company, there are no persons known to have a notifiable interest under English law in the Company's capital or voting rights.
- 5.10 All Shareholders have the same voting rights in respect of the share capital of the Company.
- 5.11 Pending the allotment of Ordinary Shares pursuant to the First Issue, the Company is controlled by the Investment Manager, as described in paragraph 2.2 of this Part X above. The Company and the Directors are not otherwise aware of any person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 5.12 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.
- 5.13 The Company has not entered into any related party transaction at any time since incorporation.
- 5.14 There are no interests that are material to the First Issue or the Placing Programme and no conflicting interests.
- 5.15 None of Hugh Aldous, Diana Hunter or Stephen Yapp have any conflict of interest or potential conflicts of interest between any duties to the Company and his private interests and any other duties. Andrew Griffiths may have a potential conflict of interest by reason of Nick Lewis, founding partner, member and chairman of Downing LLP being the Investment Manager and he and persons connected to him, together being majority shareholders of Downing Corporate Finance Limited holding 25.3 per cent. of the share capital of Green Star Media Limited, a company in which Andrew Griffiths holds 24.5 per cent. of the share capital and of which he is a director. The Investment Manager, any of its directors, officers, employees, agents and affiliates and the Directors and any person or company with whom they are affiliated or by whom they are employed (each an "**Interested Party**") may be involved in other financial, investment or other professional activities which may cause conflicts of interest with the Company. In particular, Interested Parties may provide services similar to those provided to the Company to other entities and shall not be liable to account for any profit from any such services. For example, an Interested Party may acquire on behalf of a client an investment in which the Company may invest.

6. INVESTMENT RESTRICTIONS

The Company will at all times invest and manage its assets with the objective of spreading risk and in accordance with its published investment policy as set out in Part I.

In order to comply with the Listing Rules, the Company will not invest more than 10 per cent. of its Gross Assets in other listed closed-ended investment funds, except that this restriction shall not apply to investments in listed closed-ended investment funds which themselves have stated investment policies to invest no more than 15 per cent. of their gross assets in other listed closed-ended investment funds.

In the event of a breach of the investment policy set out in Part I and the investment restrictions set out therein, the Investment Manager shall inform the Company upon becoming aware of the same and, if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.

The Company must not conduct any trading activity which is significant in the context of its group as a whole.

7. MATERIAL CONTRACTS

Save as described below, the Company has not: (i) entered into any material contracts (other than contracts in the ordinary course of business) since its incorporation; or (ii) entered into any contracts that contain provisions under which the Company has any obligation or entitlement that is material to the Company as at the date of this Prospectus.

7.1 *Placing Agreement*

By a Placing Agreement dated 24 March 2017 between the Company, the Investment Manager, the Directors and Stockdale Securities, Stockdale Securities has undertaken to use its reasonable endeavours to procure subscribers as agent for the Company under the First Placing and the Placing Programme for Ordinary Shares and/or C Shares (as applicable) at the relevant Issue Price. In the event that commitments or applications are received for more than the number of Ordinary Shares and/or C Shares available for issue pursuant to any Issue, Stockdale Securities (in consultation with the Company and the Investment Manager) will scale back such commitments and applications in such manner as it, in its absolute discretion, considers appropriate. The Placing Agreement confers on Stockdale the power to appoint sub-agents or to delegate the exercise of any of its powers, authorities or discretions to third parties and the Company agrees to ratify and confirm all actions which Stockdale or any such sub-agents or delegates lawfully take in the good faith exercise of such appointment, powers, authorities or discretions provided that Stockdale shall remain responsible for the acts and omissions of any such sub-agent or delegate.

The Placing Agreement is subject to, *inter alia*, the Ordinary Shares to be issued pursuant to the First Issue being admitted to the premium segment of the Official List and to trading on the London Stock Exchange's main market for listed securities by 9 May 2017 (or such later date and time as Stockdale Securities and the Company agree but not later than 8.00 a.m. on 9 July 2017).

Under the Placing Agreement, which may be terminated by Stockdale Securities in certain circumstances prior to First Admission or any Subsequent Admission, the Company and the Investment Manager have given certain warranties and indemnities to Stockdale Securities and the Directors have given certain warranties to Stockdale Securities. These warranties and indemnities are customary for an agreement of this nature.

In consideration for its services in relation to the First Issue and conditional upon First Admission, Stockdale Securities is entitled to receive a commission of 1.5 per cent. of the value of the Ordinary Shares issued under the First Placing and Intermediaries Offer and 1.0 per cent. of the value of the Ordinary Shares issued under the Offer for Subscription, in each case excluding any Ordinary Shares subscribed for by any member of the Investment Manager's group (including employees or partners of the Investment Manager's group), or any other investors introduced to the First Placing, Intermediaries Offer and/or Offer for Subscription by the Investment Manager's group. In respect of any Subsequent Admission, Stockdale Securities is also entitled to receive a commission of up to 1.5 per cent. of the value of any Ordinary Shares and/or C Shares issued to Placees pursuant to the Placing Programme, excluding the value of any Ordinary Shares and/or C Shares subscribed for by any member of the Investment Manager's group, any fund managed or advised by any member of the Investment Manager's group and any partner,

member, officer or employee of any member of the Investment Manager's group or any of their respective friends, family or specific clients, raised in connection with any Subsequent Admission.

The Placing Agreement is governed by the laws of England and Wales.

7.2 Investment Management Agreement

By an investment management agreement dated 23 March 2017 between the Company and the Investment Manager, the Company appointed the Investment Manager to act as investment manager of the Company, with, subject to a proper instruction by the Company to the contrary, complete discretion to manage, invest, realise or reinvest the proceeds of the sale of any investment or assets of the Company or any part thereof in accordance with the Company's investment objective, policy and restrictions from time to time.

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to an investment management fee together with reimbursement of reasonable charges or expenses incurred by it in the performance of its duties. The investment management fee is calculated as 1/12th of 1 per cent of the Market Capitalisation and payable on a monthly basis in arrears.

The Investment Management Agreement contains indemnity provisions (which are standard for this type of agreement) in favour of the Investment Manager (and any associate or other person to whom the Investment Manager delegates its duties under the Investment Management Agreement) against any costs, loss, liability or expense except where there has been fraud, negligence, wilful default or breach of the Investment Management Agreement on the part of the Investment Manager (or its directors, employees, officers, agents, associates or persons to whom the Investment Manager delegates its duties under the Investment Management Agreement).

The Investment Management Agreement is for a minimum term of three years and is terminable by either the Company or the Investment Manager giving the other not less than six months' written notice, such notice not to expire prior to the expiry of the three year minimum term. Following expiry of 30 months from the Commencement Date, the Company may, in its absolute discretion, terminate on immediate written notice on the payment to the Investment Manager of 6 months' fees in lieu of notice. In addition, the Company on the one hand and the Investment Manager on the other may terminate the Investment Management Agreement forthwith by notice if the other party suffers an insolvency event, the Company may terminate the Investment Management Agreement forthwith by notice if (i) the Investment Manager breaches its regulatory obligations under the Investment Management Agreement or ceases to be authorised and regulated by the FCA or (ii) the Investment Manager commits a material breach of its other obligations under the Investment Management Agreement without rectifying the breach within 30 days' notice thereof or by giving not less than 60 days' notice in writing if Judith MacKenzie ceases to be employed by or be a partner of the Investment Manager or is otherwise unable (as a result of medical incapacity or otherwise) to manage the Portfolio for a continuous period of 30 days and the Investment Manager may terminate the Investment Management Agreement by giving not less than 60 days' notice if the Company commits a material breach of its obligations under the Investment Management Agreement without rectifying the breach within 30 days' notice thereof.

7.3 Administration Agreement

By an administration agreement between the Administrator and the Company dated 23 March 2017, the Administrator has agreed to provide general fund valuation, accounting and investment operation services to the Company, AIFM support services and company secretarial services.

The Administration Agreement is for an initial period of one year from the commencement date. Either the Company or the Administrator may terminate the Administration Agreement by giving not less than 3 months' prior written notice, such notice not to expire earlier than the expiry of such initial period. The Company may, in lieu of giving notice, terminate the Administration Agreement at any time by paying to the Administrator a termination fee, calculated by reference to the fees the Administrator would have reasonably expected to receive in respect of the period of notice which otherwise would have applied. Either party may terminate the Administration Agreement immediately by written notice to the other if the other party suffers an insolvency

event or where the party breaches the provisions of the Administration Agreement (and such breach is not waived by that Party) or, in the case of a breach capable of remedy such breach shall not have been remedied within 30 days of the receipt by the other party of 30 days' notice thereof.

The Company has agreed to indemnify the Administrator from and against any and all losses incurred by the Administrator provided they have not resulted from the negligence, bad faith, fraud or wilful default or breach of the Administration Agreement by the Administrator or its directors, officers, employees or agents. The indemnity is customary for an agreement of this nature.

Under the terms of the Administration Agreement, the Administrator is entitled to customary fees. The Administrator will also be entitled to reimbursement of all out of pocket costs and expenses reasonably and properly incurred by it in providing its services under the Administration Agreement.

The Administration Agreement is governed by the laws of England and Wales.

7.4 Custody Agreement

The Company entered into the Custody Agreement with the Custodian on 24 March 2017 pursuant to which The Northern Trust Company was appointed to act as the Company's custodian. The Custodian receives a safe-keeping fee and transaction fees which vary by market, subject to a minimum fee of £7,500 per annum.

Under the terms of the Custody Agreement the Custodian is authorised to act through and hold the Company's investments with sub-custodians. The Custodian will use due skill, care and diligence in the selection, appointment and periodic review of sub-custodians. The Custodian will remain liable for direct losses reasonably and properly incurred by the Company that result from the negligence, wilful default or fraud of a sub-custodian.

The Custody Agreement contains an indemnity in favour of the Custodian and its respective affiliates, directors, officers, employees and agents from all losses and any claim arising out of or in connection with any matter which per the terms of the Custody Agreement the Custodian is protected, not liable or not responsible, or otherwise with respect to any act or omission taken by the Custodian in the absence of the Custodian's bad faith, negligence, wilful default or fraud.

The Custody Agreement may be terminated by either party giving 30 days' written notice.

The Custodian may act as trustee and custodian of other collective investment schemes.

The Custody Agreement is governed by the laws of England.

7.5 Registry Services Agreement

By a registry services agreement dated 23 March 2017 between the Company and the Registrar, the Registrar has agreed to act as registrar to the Company.

Under the terms of the Registry Services Agreement, the Registrar is entitled to a fee calculated on the basis of the number of Shareholders and the number of transfers processed (exclusive of VAT).

The Registrar is also entitled to reimbursement of all disbursements and out of pocket expenses.

The Registry Services Agreement may be terminated on not less than six months' notice, such notice not to expire prior to the end of the third anniversary of the commencement date of the Registry Services Agreement and is also terminable by either party on shorter notice in the event of breach of the agreement, insolvency or failure to have appropriate authorisations. The Company has given certain market standard indemnities in favour of the Registrar in respect of the Registrar's potential losses in carrying on its responsibilities under the Registry Services Agreement. The Registrar's liabilities under the Registry Services Agreement are subject to a cap.

The Registry Services Agreement is governed by the laws of England and Wales.

7.6 **Receiving Agent Agreement**

By a receiving agent agreement dated 23 March 2017 between the Company and the Receiving Agent the Receiving Agent has agreed to act as receiving agent in connection with the Offer for Subscription.

Under the terms of the Receiving Agent Agreement, the Receiving Agent is entitled to a fee, plus a processing fee per application. The Receiving Agent is also entitled to reimbursement of all out-of-pocket expenses reasonably incurred by it in connection with its duties.

The Company has given certain market standard indemnities in favour of the Receiving Agent in respect of the Receiving Agent's potential losses in carrying on its responsibilities under the agreement. The Receiving Agent's liability under the Receiving Agent Agreement is subject to a cap.

The agreement is governed in accordance with English law.

8. **LITIGATION**

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware), since its incorporation which may have, or have had in the recent past, a significant effect on the Company's financial position or profitability.

9. **SIGNIFICANT CHANGE**

As at the date of this Prospectus, there has been no significant change in the financial or trading position of the Company since its incorporation.

10. **WORKING CAPITAL**

10.1 The Company is of the opinion that, taking into account the Minimum Net Proceeds, it has sufficient working capital available for its present requirements, that is for at least 12 months from the date of this Prospectus.

10.2 If the Minimum Net Proceeds are not raised, the First Issue may only proceed where a supplementary prospectus (including a working capital statement based on a revised minimum net proceeds figure) has been prepared in relation to the Company and approved by the UKLA.

11. **ANNUAL OPERATING EXPENSES**

Annual operating expenses include the following:

11.1 **Investment Manager**

Under the terms of the Investment Management Agreement, the Investment Manager is entitled to an investment management fee together with reimbursement of reasonable expenses incurred by it in the performance of its duties. The management fee is at the rate of 1/12th of 1 per cent of the Market Capitalisation calculated and payable monthly in arrears. The Investment Manager has agreed that, for so long as it remains the Company's investment manager, it will rebate such part of any management fee payable to it so as to help the Company maintain an ongoing charges ratio of 2 per cent. or lower.

No performance fee will be payable to the Investment Manager.

11.2 **Administration and Company Secretary**

Under the terms of the Administration Agreement, the Administrator is entitled to a fund valuation, accounting and investment operations fee of:

0.09 per cent. per annum of the first £50,000,000 in value of the Scheme Property;

0.07 per cent. per annum on the next £50,000,000 in value of the Scheme Property;

0.05 per cent. per annum on the next £100,000,000 in value of the Scheme Property; and

0.02 per cent. per annum on the value of the Scheme Property thereafter

subject to a minimum annual fee at a rate of 1/12th of £55,000 per month.

In respect of AIFM support services the Administrator is entitled to a fee of:

0.02% of the first £100,000,000 in value of the Scheme Property; and

0.01% on the value of the Scheme Property thereafter.

The Administrator is also entitled to reimbursement of all reasonable out of pocket expenses incurred by it in connection with its duties.

The above fees will be calculated monthly and payable monthly in arrears.

Maitland Administration Services Ltd has also been appointed as the company secretary of the Company under the Administration Agreement to provide the company secretarial functions required by the Act.

In respect of company secretarial services, the Administrator is entitled to a fixed fee at a rate of 1/12th of £20,000 plus VAT calculated and payable monthly in arrears.

11.3 **Registrar**

Under the terms of the Registry Services Agreement, the Registrar is entitled to a fee calculated on the number of Shareholders and the number of transfers processed (exclusive of VAT). The Registrar is also entitled to reimbursement of all disbursements and out of pocket expenses.

11.4 **Directors**

Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. At the date of this Prospectus, the Directors were entitled to aggregate annual remuneration (including any contingent or deferred compensation but excluding expenses) equal to:

- (i) in the case of Hugh Aldous (Chairman), £35,000;
- (ii) in the case of Stephen Yapp (Chairman of the Audit Committee), £30,000; and
- (iii) in the case of each of each of the other Non-Executive Directors, £25,000.

In the event that the proceeds of the First Issue do not exceed £50 million, the aggregate annual remuneration set out above in respect of the Chairman, Chairman of the Audit Committee and all other Non-Executive Directors will be reduced to £30,000, £25,000 and £20,000 respectively.

All of the Directors are also entitled to be paid all reasonable expenses properly incurred by them in attending general meetings, board or committee meetings or otherwise in connection with the performance of their duties. The Board may determine that additional remuneration may be paid, from time to time, to any one or more Directors in the event such Director or Directors are requested by the Board to perform extra or special services on behalf of the Company.

11.5 **Other operational expenses**

Other ongoing operational expenses (excluding fees paid to service providers as detailed above) of the Company will be borne by the Company including travel, accommodation, printing, audit, finance costs, due diligence, brokerage fees and legal fees. All reasonable out of pocket expenses of the Investment Manager, the Administrator, the Registrar, and the Directors relating to the Company will be borne by the Company.

12. **UNAUDITED CAPITALISATION AND INDEBTEDNESS**

As at the date of this Prospectus, the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness and there have been no material changes to the Company's capitalisation from the date of incorporation to the date of this Prospectus.

13. GENERAL

- 13.1 Certain information contained in this Prospectus has been sourced from third parties. Such information has been accurately reproduced, the source of such information has been identified and, so far as the Company is aware and is able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 13.2 Downing LLP has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which they appear.
- 13.3 Stockdale Securities is acting as Sponsor, Broker and Placing Agent to the Issues and Intermediaries Offer Adviser in relation to the Intermediaries Offer and has given and not withdrawn its written consent to the inclusion in this Prospectus of references to its name in the form and context in which they appear.
- 13.4 The effect of the First Issue will be to increase the net assets of the Company. On the assumption that the First Issue is subscribed as to 100 million Ordinary Shares, the fundraising is expected to increase the net assets of the Company by approximately £98 million.

14. AUDITORS

The auditors to the Company are Grant Thornton UK LLP of 30 Finsbury Square, London EC2P 2YU. Grant Thornton UK LLP is registered to carry on audit work by The Institute of Chartered Accountants in England and Wales (ICAEW).

15. INTERMEDIARIES

The Intermediaries authorised at the date of this Prospectus to use this Prospectus in connection with the Intermediaries Offer are:

AJ Bell Securities Limited, Trafford House, Chester Road, Manchester M32 0RS

Alliance Trust Savings Limited, PO Box 164, 8 West Marketgait, Dundee DD1 9YP

Barclays Bank plc, 1 Churchill Place, London E14 5HP

Cornhill Capital Limited, 4th Floor, 18 St Swithins Lane, London EC4N 8AD

Equiniti Financial Services Limited, Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA

Financial Express Investments Limited, t/a Trustnet Direct, Hollywood House, Church Street East, Woking, Surrey GU21 6HJ

Hargreaves Lansdown Asset Management Limited, One College Square South, Anchor Road, Bristol BS1 5HL.

Interactive Investor Trading Limited, Standon House, 21 Mansell Street, London E1 8AA

Jarvis Investment Management Limited, 78 Mount Ephraim, Royal Tunbridge Wells, Kent TN4 8BS

Redmayne-Bentley LLP, 9 Bond Court, Leeds, West Yorkshire LS1 2JZ

Syndicate Room Ltd, First Floor, 71 Regent Street, Cambridge CB2 1AB

TD Direct Investing (Europe) Limited, Exchange Court, Duncombe Street, Leeds LS1 4AX

The Share Centre Limited, Oxford House, Oxford Road, Aylesbury, Buckinghamshire HP21 8SZ

Any new information with respect to financial intermediaries unknown at the date of this Prospectus will be notified via a Regulatory Information Service.

16. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents will be available for inspection at the registered office of the Company and at the offices of Maclay Murray & Spens LLP, 12th Floor, One London Wall, London EC2Y 5AB, during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) until 23 March 2018:

- this Prospectus; and
- the Articles.

In addition, a copy of this Prospectus is available at the National Storage Mechanism which is located at www.morningstar.co.uk/UK/NSM, and a section of the Investment Manager's website dedicated to the Company, which is located at www.downing.co.uk/strategic.

Dated: 24 March 2017

PART XI

DEFINITIONS

“Act”	the Companies Act 2006, as amended from time to time
“Administration Agreement”	the administration agreement dated 23 March 2017, between the Company and the Administrator
“Administrator”	Maitland Administration Services Ltd
“Admission”	the admission of the Ordinary Shares and/or C Shares (i) to the premium segment of the Official List; and (ii) to trading on the Main Market, becoming effective in accordance with the Listing Rules and the admission and disclosure standards of the London Stock Exchange
“AIC”	the Association of Investment Companies
“AIC Code”	the Association of Investment Companies’ Code of Corporate Governance, as amended from time to time
“AIC Guide”	the Association of Investment Companies’ Corporate Governance Guide for Investment Companies, as amended from time to time
“AIF”	alternative investment fund
“AIFM”	alternative investment fund manager
“AIFM Directive or AIFMD”	Directive 2011/61/EU on Alternative Investment Fund Managers
“AIFM Rules”	the AIFM Directive and all applicable rules and regulations implementing the AIFM Directive in the UK
“AIM”	the market of that name operated by the London Stock Exchange
“Application Form”	the form of application as appended to this Prospectus by which application may be made under the Offer for Subscription
“Articles”	the articles of association of the Company as at the date of this Prospectus or, in the context of the Placing Programme, as at the date of the relevant issue under the Placing Programme
“Auditors”	Grant Thornton UK LLP or such other auditor as the Company may appoint from time to time
“Benefit Plan Investor”	a “benefit plan investor” as defined in Section 3(42) of ERISA and any regulations promulgated by the US Department of Labor thereunder, being “employee benefit plans” as defined in Section 3(3) of ERISA that are subject to Title I of ERISA, “plans” that are subject to the prohibited transaction provisions of Section 4975 of the US Internal Revenue Code, and entities the assets of which are treated as “plan assets” under Section 3(42) of ERISA and any regulations promulgated thereunder
“Business Day”	a day (which is not a Saturday or Sunday or a bank holiday in England and Wales)
“Calculation Date”	has the meaning given to it in paragraph 3.15.1 of Part X
“C Shares”	C shares of £0.010 each in the capital of the Company

“Company”	Downing Strategic Micro-Cap Investment Trust plc
“Company Secretary”	Maitland Administration Services Ltd
“Continuing Pool”	the cash, assets and liabilities of the Company other than those constituting the Redemption Pool, as more particularly described in Part IV
“Conversion”	has the meaning given to it in paragraph 3.15.1 of Part X
“Conversion Date”	has the meaning given to it in paragraph 3.15.1 of Part X
“Conversion Ratio”	has the meaning given to it in paragraph 3.15.1 of Part X
“CREST”	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
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755), as amended
“Custodian”	The Northern Trust Company, a company established under the laws of the State of Illinois in the United States, whose principal place of business in England and Wales is at 50 Bank Street, Canary Wharf, London E14 5NT
“Custody Agreement”	the global custody agreement dated 24 March 2017 between the Company and the Custodian, further details of which are set out in paragraph 7.4 of Part of this document
“Dealing Value”	the value of the Company calculated in accordance with paragraph 7 of Part IV
“Dealing Value per Ordinary Share”	the value by reference to which Ordinary Shares may be redeemed on a Redemption Point calculated in accordance with paragraph 7 of Part IV
“Deferred Dividend”	has the meaning given to it in paragraph 3.15.1 of Part X
“Deferred Shares”	has the meaning given to it in paragraph 3.15.1 of Part X
“Directors” or “Board”	the board of directors of the Company
“Disclosure Guidance and Transparency Rules”	the disclosure guidance and transparency rules made by the FCA under Part VIII of FSMA
“EEA”	European Economic Area
“ERISA”	the United States Employee Retirement Income Security Act of 1974, as amended
“EU Prospectus Regulation”	Commission Regulation (EC) No. 809/2004 of 29 April 2004
“Euroclear”	Euroclear UK & Ireland Limited
“FATCA”	The US Foreign Account Tax Compliance Act
“FCA”	Financial Conduct Authority
“First Admission”	Admission of the Ordinary Shares issued pursuant to the First Issue
“First Issue”	the First Placing, the Offer for Subscription and the Intermediaries Offer

“First Placing”	the conditional placing of Ordinary Shares by Stockdale Securities at the Placing Issue Price pursuant to the Placing Agreement as described in Part V
“Force Majeure Circumstances”	has the meaning given to it in paragraph 3.15.1 of Part X
“FSMA”	the UK Financial Services and Markets Act 2000, as amended
“GDP”	gross domestic product
“Gross Assets”	the gross assets of the Company as determined in accordance with the accounting principles adopted by the Company from time to time
“HMRC”	HM Revenue & Customs
“IFRS”	International Financial Reporting Standards
“Intermediaries”	the entities listed in paragraph 15 of Part X, together with any other intermediary (if any) that is appointed by the Company in connection with the Intermediaries Offer after the date of this Prospectus and “Intermediary” shall mean any one of them
“Intermediaries Booklet”	the booklet entitled Intermediaries Booklet and containing, among other things, the Intermediaries’ Terms and Conditions
“Intermediaries Offer”	the offer of Ordinary Shares by the Intermediaries
“Intermediaries Offer Adviser”	Stockdale Securities Limited
“Intermediaries Terms and Conditions”	the terms and conditions agreed between the Intermediaries Offer Adviser, the Company, the Investment Manager and the Intermediaries in relation to the Intermediaries Offer and contained in the Intermediaries Booklet
“Investment Management Agreement”	the Investment Management Agreement dated 23 March 2017, between the Company and the Investment Manager
“Investment Manager”	Downing LLP
“Issue Date”	has the meaning given to it in paragraph 3.15.1 of Part X
“Issue Price”	the price at which Ordinary Shares and/or C Shares are issued, being £1.00 per Ordinary Share in the case of the First issue and the relevant Placing Programme Price in the case of the Placing Programme
“Issues”	the First Issue and any subsequent issue under the Placing Programme and each an “Issue”
“Listing Rules”	the listing rules made by the UKLA under Part VI of FSMA
“London Stock Exchange”	London Stock Exchange plc
“Main Market”	the London Stock Exchange’s main market for listed securities
“Management Shares”	redeemable preference shares of £1.00 each in the capital of the Company held, at the date of this Prospectus, by the Investment Manager
“Market Abuse Regulation”	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse

“Market Capitalisation”	the average of the mid-market prices for an Ordinary Share and a C Share, respectively, as derived from the Daily Official List of the London Stock Exchange on each Business Day in the relevant calendar month multiplied by the number of Ordinary Shares and C Shares, respectively, in issue on the last Business Day of the relevant calendar month excluding any Ordinary Shares or C Shares held by the Company in treasury
“Member State”	any member state of the European Economic Area
“Micro-Cap Companies”	companies typically with a market capitalisation of less than £150 million
“Minimum Net Proceeds”	the minimum net proceeds of the First Issue, being £35 million
“Money Laundering Directive”	the Money Laundering Directive (2005/60/EC) of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing
“Money Laundering Regulations”	the UK Money Laundering Regulations 2007
“Net Assets”	the assets of the Company less its liabilities as determined in accordance with the accounting principles adopted by the Company from time to time and the Articles
“Net Asset Value”	the value of the assets of the Company less its liabilities, determined in accordance with the accounting principles adopted by the Company from time to time
“Net Asset Value per Ordinary Share” or “NAV”	the Net Asset Value divided by the number of Ordinary Shares in issue (excluding treasury shares)
“Net Proceeds”	has the meaning given to it in paragraph 3.15.1 of Part X
“New Ordinary Shares”	has the meaning given to it in paragraph 3.15.1 of Part X
“NISA”	a new Individual Savings Account maintained in accordance with the UK Individual Savings Account Regulations 1998 (as amended from time to time)
“Offer for Subscription”	the offer for subscription of Ordinary Shares at the Issue Price as described in this Prospectus
“Official List”	the official list maintained by the UKLA
“Ordinary Shares”	redeemable ordinary shares of £0.001 each in the capital of the Company
“Ordinary Share Surplus”	has the meaning given to it in paragraph 3.15.1 of Part X
“Placees”	the persons with whom the Ordinary Shares and/or C Shares are placed pursuant to the First Placing and/or Placing Programme
“Placing Agent”	Stockdale Securities Limited
“Placing Agreement”	the conditional agreement dated 24 March 2017, between the Company, the Investment Manager, the Directors and Stockdale Securities
“Placing Programme”	the conditional programme of placings of Ordinary Shares and/or C Shares by Stockdale Securities pursuant to the Placing Agreement

“Placing Programme Price”	the applicable price at which Ordinary Shares and/or C Shares are issued under the Placing Programme, as determined by the Company being not less than the prevailing Net Asset Value (cum income) per Ordinary Share and £1.00 per C Share respectively
“PRA”	Prudential Regulation Authority
“Prospectus”	this Prospectus, which comprises a prospectus relating to the Company prepared in accordance with the Prospectus Rules in connection with the Issues and the applications for Admission
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council of the European Union and any relevant implementing measure in each Relevant Member State
“Prospectus Rules”	the rules and regulations made by the FCA under Part VIII of FSMA
“Receiving Agent”	Computershare Investor Services PLC
“Receiving Agent Agreement”	the agreement dated 23 March 2017 between the Company and the Receiving Agent
“Redemption Point”	5.00 p.m. on the last Business Day in May in any Redemption Year on which date holders of Ordinary Shares which have submitted valid Redemption Requests to have their Ordinary Shares redeemed will be considered for redemption at the discretion of the Board
“Redemption Pool”	the pool of cash, assets and liabilities to be created in respect of a particular Redemption Point and allocated to the Ordinary Shares which are the subject of Redemption Requests for that Redemption Point, as more particularly described in Part IV
“Redemption Price”	the price for which Ordinary Shares are redeemed on a Redemption Point as determined by reference to the Dealing Value per Ordinary Share or a Redemption Pool, as more particularly described in Part IV
“Redemption Request”	a notice to the Company to redeem Ordinary Shares in the form from time to time prescribed by the Company
“Redemption Year”	means 2020 and subsequently every second year thereafter
“Register”	the register of members of the Company
“Registrar”	Computershare Investor Services PLC
“Registry Services Agreement”	the agreement dated 23 March 2017, between the Company and the Registrar
“Regulatory Information Service”	a service authorised by the UKLA to release regulatory announcements to the London Stock Exchange
“Relevant Member State”	each Member State which has implemented the Prospectus Directive or where the Prospectus Directive is applied by the regulator
“Scheme Property”	the cash, securities or any other assets of the Company
“SEC”	the United States Securities and Exchange Commission
“Securities Act”	the United States Securities Act of 1933, as amended

“Share”	a share in the capital of the Company (of whatever class)
“Shareholder”	a holder of Ordinary Shares and/or C Shares, as the context may require
“Special Dividend”	has the meaning given to it in paragraph 3.15.1 of Part X
“Stockdale Securities”	Stockdale Securities Limited, the Company’s Sponsor, Broker, Placing Agent and Intermediaries Offer Adviser
“Subsequent Admission”	Admission of any Ordinary Shares and/or C Shares issued pursuant to the Placing Programme
“Takeover Code”	The City Code on Takeovers and Mergers
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“Underlying Applicants”	investors who wish to acquire Ordinary Shares under the Intermediaries Offer who are clients of any Intermediary
“United States or US”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“US Code”	the US Internal Revenue Code of 1986, as amended
“US Investment Company Act”	the United States Investment Company Act of 1940, as amended
“US Person”	a US Person as defined for the purposes of Regulation S promulgated under the Securities Act
“Valuation Point”	close of business on the Business Day immediately preceding the relevant Redemption Point

APPENDIX

APPLICATION FORM FOR THE OFFER FOR SUBSCRIPTION

Investors should complete Sections 1-4, 6 and 7 and sign the investor declaration in Section 3. In addition, if applicable Introducers should complete Section 5. Multiple subscriptions under the Offer for Subscription by individual investors will not be accepted.

Before completing this Application Form you should read the Prospectus dated 24 March 2017 (the "**Prospectus**"), including the terms and conditions set out in Part VIII (Terms and Conditions of Application under the Offer for Subscription) and the accompanying Notes to this form.

All times and dates in this Application Form, including the Notes to the Application Form, and in the Prospectus generally may be subject to adjustment. Any such changes to times and dates will be notified through a Regulatory Information Service.

Completed Application Forms must be returned to Computershare Investor Services PLC, Corporate Actions Projects, Bristol BS99 6AH or delivered by hand (during normal business hours only) to Computershare Investor Services PLC at The Pavilions, Bridgwater Road, Bristol BS13 8AE in either case so as to be received as soon as possible and in any event by 12.00pm on 27 April 2017.

Please make your cheque or banker's draft payable to "Computershare Investor Services PLC re: Downing Strategic Micro-Cap Investment Trust plc Offer for Subscription A/C" (crossed A/C payee only) and return it together with this form to the address as shown above, so as to arrive by no later than 12.00pm on 27 April 2017.

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PLEASE COMPLETE IN BLOCK CAPITALS ONLY and in BLACK INK.

To: Downing Strategic Micro-Cap Investment Trust plc and the Receiving Agent

1. APPLICATION

I/We the person(s) detailed in Section 2A below offer to subscribe the amount shown in Box 1 for Ordinary Shares subject to the Terms and Conditions of the Initial Offer for Subscription set out in the Prospectus in Part VIII (Terms and Conditions of Application under the Offer for Subscription) and subject to the articles of association of the Company in force from time to time.

Box 1

Please insert the amount you wish to subscribe. Applications must be for a minimum of £1,000 and thereafter in multiples of £100.

£

2A. DETAILS OF HOLDER(S) IN WHOSE NAME(S) SHARES WILL BE ISSUED

1:	Mr, Mrs, Ms or Title:	Forenames (in full):
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Surname/Company Name:

Address (in full):

	Postcode:
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Designation (if any):

2:	Mr, Mrs, Ms or Title:	Forenames (in full):
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Surname/Company Name:

3:	Mr, Mrs, Ms or Title:	Forenames (in full):
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Surname/Company Name:

4:	Mr, Mrs, Ms or Title:	Forenames (in full):
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Surname/Company Name:



2B. CREST ACCOUNT DETAILS INTO WHICH SHARES ARE TO BE DEPOSITED (IF APPLICABLE)

Only complete this Section if Ordinary Shares allotted are to be deposited in a CREST Account which must be the same name as the holder(s) give in Section 2A.

CREST Participant ID:						
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CREST Member Account ID:									
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3. SIGNATURE(S): ALL HOLDERS MUST SIGN

By completing the signature/execution boxes below you are deemed to have read the Prospectus and agreed to the terms and conditions in Part VIII (Terms and Conditions of Application under the Offer for Subscription) of the Prospectus and to have given the warranties, representations and undertakings set out therein.

First Applicant Signature		Date:	
Second Applicant Signature		Date:	
Third Applicant Signature		Date:	
Fourth Applicant Signature		Date:	

Execution by a Company:

Executed by (Name of Company):		Date:	
Name of Director:		Signature:	Date:
Name of Director/Secretary:		Signature:	Date:
If you are affixing a company seal, please mark a cross:		Affix Company Seal here:	

4. SETTLEMENT

Please tick the relevant box confirming your method of payment.

(a) **Cheque/Banker's Draft**

If you are subscribing for Ordinary Shares and paying by cheque or banker's draft, pin or staple to this form your cheque or banker's draft for the exact amount shown in Box 1 (being the Issue Price of £1.00 per Ordinary Share multiplied by the number of Ordinary Shares you wish to subscribe for) made payable to "Computershare Investor Services PLC re: Downing Strategic Micro-Cap Investment Trust plc Offer for Subscription A/C" (crossed A/C payee only). Cheques and bankers' payments must be in sterling and drawn on an account at a branch of a clearing bank in the United Kingdom, Guernsey, Jersey or the Isle of Man and must bear a United Kingdom bank sort code number in the top right hand corner.

(b) **Electronic Bank Transfer**

For applicants sending subscription monies by electronic bank transfer (CHAPS), payment must be made for value by 12.00 p.m. on 27 April 2017. Please contact Computershare Investor Services PLC by email at paymentqueries@computershare.co.uk for full bank details or telephone the Shareholder Helpline for further information. Computershare Investor Services PLC will then provide you with a unique reference number which must be used when sending payment. Please enter below the sort code of the bank branch you will be instructing to make such payment for value by 12.00 p.m. on 27 April 2017 together with the name and number of the account to be debited with such payment and the branch contact details.

Sort Code:	Account Name:
Account Number:	Contact name at branch and telephone number:

(c) **CREST Settlement**

If you choose to settle your commitment within CREST, this is DVP, you or your settlement agent/custodian's CREST account must allow for the delivery and acceptance of Ordinary Shares to be made against payment of the Initial Issue Price per Ordinary Share, following the CREST matching criteria set out below:

Trade Date: 4 May 2017
Settlement Date: 9 May 2017
Company: Downing Strategic Micro-Cap Investment Trust plc
Security Description: Ordinary Shares of £0.001 each
SEDOL: BF0SCX5
ISIN: GB00BF0SCX52

Should you wish to settle DVP, you will need to match your instructions to Computershare Investor Service PLC's Participant account 3RA42 by no later than 1.00 p.m. on 4 May 2017.

You must also ensure that you or your settlement agent/custodian has sufficient "debit cap" within the CREST system to facilitate settlement in addition you/its own daily trading and settlement requirements.



5. RELIABLE INTRODUCER DECLARATION

Completion and signing of this declaration by a suitable person or institution may avoid presentation being requested of the identity documents detailed in Section 6 of this form.

The declaration below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm (the "firm") which itself if not subject in its own country to operation of "know your customer" and anti-money laundering regulations no less stringent than those which prevail in the United Kingdom.

DECLARATION:

To the Company and the Receiving Agent

With reference to the holder(s) detailed in Section 2A, all persons signing at Section 3 and the payor identified in Section 6 if not also a holder (collectively the "subjects") WE HEREBY DECLARE:

- we operate in the United Kingdom, or in a country where money laundering regulations under the laws of that country are, to the best of our knowledge, no less stringent than those which prevail in the United Kingdom and our firm is subject to such regulations;
- we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
- each of the subjects is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to immediately provide to you copies thereof on demand;
- we confirm the accuracy of the names and residential business address(es) of the holder(s) given at Section 2A and if a CREST Account is cited at Section 2B that the owner thereof is named in Section 2A;
- having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the Ordinary Shares mentioned; and
- where the payor and holder(s) are different persons we are satisfied as to the relationship between them and reason for the payor being different to the holder(s).

The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of this firm or its officials.

Signed:	Name:	Position:
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Name of regulatory authority:	Firm's licence number:
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Website address or telephone number of regulatory authority:
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STAMP of firm, giving full name and business address:

6. IDENTITY INFORMATION

If the declaration in Section 5 cannot be signed and the value of your application is greater than €15,000 (or the Sterling equivalent), please enclose with that Application Form the documents mentioned below, as appropriate. Please also tick the relevant box to indicate which documents you have enclosed, all of which will be returned by the Receiving Agent to the first named Applicant.

In accordance with internationally recognised standards for the prevention of money laundering, the documents and information set out below must be provided:

Holders				Payor
Tick here for documents provided				

A. For each holder being an individual enclose:

(1) an original or certified clear photocopy of one of the following identification documents which bear both a photograph and the signature of the person: current passport, Government or Armed Forces identity card, driving licence; and

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(2) an original or certified copies of at least two of the following documents no more than 3 months old which purport to confirm that the address given in Section 2A is that person’s residential address: a recent gas, electricity, water or telephone (not mobile) bill, a recent bank statement, a council rates bill or similar document issued by a recognised authority; and

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(3) if none of the above documents show their date and place of birth, enclose a note of such information; and

(4) details of the name and address of their personal bankers from which the Receiving Agent may request a reference, if necessary.

B. For each holder being a company (a “holder company”) enclose:

(1) a certified copy of the certificate of incorporation of the holder company; and

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(2) the name and address of the holder company’s principal bankers from which the Receiving Agent may request a reference, if necessary; and

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(3) a statement as to the nature of the holder company’s business, signed by a director; and

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(4) a list of the names and residential addresses of each director of the holder company; and

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(5) for each director provide documents and information similar to that mentioned in A above; and

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(6) a copy of the authorised signatory list for the holder company; and

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(7) a list of the names and residential/registered address of each ultimate beneficial owner interested in more than 5 per cent. of the issued share capital of the holder company and, where a person is named, also complete C below and, if another company is named (a “**beneficiary company**”), also complete D below. If the beneficial owner(s) named do not directly own the holder company but do so directly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.

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C. For each person named in B(7) as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in A(1) to (4).

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D. For each beneficiary company named in B(7) as a beneficial owner of a holder company enclose:

(1) a certified copy of the certificate of incorporation of that beneficiary company;

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(2) a statement as to the nature of that beneficiary company’s business signed by a director; and

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(3) the name and address of that beneficiary company’s principal bankers from which the Receiving Agent may request a reference, if necessary; and

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(4) a list of the names and residential/registered address of each beneficial owner owing more than 5 per cent. of the issued share capital of that beneficiary company.

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E. If the payor is not a holder and is not a bank providing its own cheque or banker’s payment on the reverse of which is shown details of the account being debited with such payment (see note 5 on how to complete this form) enclose:

(1) if the payor is a person, for that person the documents mentioned in A(1) to (4); or

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(2) if the payor is a company, for that company the documents mentioned in B(1) to (7); and

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(3) an explanation of the relationship between the payor and the holder(s).

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7. CONTACT DETAILS

To ensure the efficient and timely processing of this application please enter below the contact details of a person the Receiving Agent may contact with all enquiries concerning this application. Ordinarily this contact person should be the person signing in Section 3 on behalf of the first named holder. If no details are provided here but a regulated person is named in Section 5 and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Contact name:	E-mail address:
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Contact address:	Postcode:
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Telephone No:	Fax No:
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PLEASE AFFIX YOUR CHEQUE OR BANKER'S DRAFT HERE



NOTES ON HOW TO COMPLETE THE APPLICATION FORM

Applications should be returned to the Receiving Agent, Computershare Investor Services PLC, so as to be received no later than 12.00pm. on 27 April 2017.

HELP DESK: If you have a query concerning completion of this Application Form please call Computershare on 0370 707 1358 from within the UK or on +44 (0)370 707 1358 if calling from outside the UK. Calls may be recorded and randomly monitored for security and training purposes. Lines are open from 8.30am until 5.30pm (London time) Monday to Friday excluding UK public holidays). The helpline cannot provide advice on the merits of the offer nor give any financial, legal or tax advice.

1. APPLICATION

Fill in (in figures) in Box 1 the amount of money being subscribed for Ordinary Shares. The amount being subscribed must be a minimum of £1,000 and thereafter in multiples of £100. Financial intermediaries who are investing on behalf of clients should make separate applications or, if making a single application for more than one client, provide details of all clients in respect of whom application is made in order to benefit most favourably from any scaling back should this be required or to benefit most favourably from any commission arrangements.

2. HOLDER DETAILS

Fill in (in block capitals) the full name and address of each holder. Applications may only be made by persons aged 18 or over. In the case of joint holders only the first named may bear a designation reference and the address given for the first named will be entered as the registered address for the holding on the share register and used for all future correspondence. A maximum of four joint holders is permitted. All holders name must sign the application Form at Section 3.

3. CREST

If you wish your Ordinary Shares to be deposited in a CREST account in the name of the holders given in Section 2A enter in Section 2B the details of that CREST account. Where it is requested that Ordinary Shares be deposited into a CREST account please note that payment for such Ordinary Shares must be made prior to the day such Ordinary Shares might be allotted and issued. It is not possible for an applicant to request that Ordinary Shares be deposited in their CREST account on an against payment basis. Any Application Form received containing such a request will be rejected.

4. SIGNATURE

All holders named in Section 2A must sign Section 3 and insert the date. The Application Form may be signed by another person on behalf of each holder if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection (which originals will be returned by post at the addressee's risk). A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.

5. SETTLEMENT

5.1 *Cheque/Banker's Draft*

Payments must be made by cheque or banker's draft in Sterling drawn on a branch in the United Kingdom of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or banker's drafts to be cleared through the facilities provided for members of any of these companies.

Such cheques or banker's drafts must bear the appropriate sort code in the top right hand corner.

Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "**Computershare Investor Services PLC re: Downing Strategic Micro-Cap Investment Trust plc Offer for Subscription A/C**". Third party cheques may not be accepted with the exception of building society cheques

or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping and endorsing the cheque/banker's draft to such effect. The account name should be the same as that shown on the application.

5.2 **Electronic Bank Transfer**

For applicants sending subscription monies by electronic bank transfer (CHAPS) payment must be made for value by 12.00 p.m. on 27 April 2017. Please contact Computershare by email at paymentqueries@computershare.co.uk for full bank details or telephone the Shareholder helpline on 0370 707 1358 from within the UK or on +44 (0)370 707 1358 if calling from outside the UK for further information. Computershare will then provide you with a unique reference number which must be used when sending payment.

5.3 **CREST Settlement**

The Company will apply for the Ordinary Shares issued pursuant to the Initial Offer for Subscription in uncertificated form to be enabled for CREST transfer and settlement with effect from Initial Admission (the "**Settlement Date**"). Accordingly, settlement of transactions in the Ordinary Shares will normally take place within the CREST system.

The Application Form in the Appendix contains details of the information which the Company's registrars, Computershare Investor Services PLC ("**Computershare**"), will require from you in order to settle your application within CREST, if you so choose. If you do not provide any CREST details or if you provide insufficient CREST details for Computershare to match to your CREST account, Computershare will deliver our Ordinary Shares in certificated form provided payment has been made in terms satisfactory to the Company.

The right is reserved to issue your Ordinary Shares in certificated form should the Company, having consulted with Computershare, consider this to be necessary or desirable. This right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST or any part of CREST or on the part of the facilities and/or system operated by Computershare in connection with CREST.

The person named for registration purposes in your Application Form (which term shall include the holder of the relevant CREST account) must be (i) the person procured by you to subscribe for or acquire the relevant Ordinary Shares; or (ii) yourself; or (iii) a nominee of any such person or yourself, as the case may be. Neither Computershare nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. Computershare, on behalf of the Company, will input a DVP instruction into the CREST system according to the booking instructions provided by you in your Application Form. The input returned by you or your settlement agent/custodian of a matching or acceptance instruction to our CREST input will then allow the delivery of your Ordinary Shares to your CREST account against payment of the Initial Issue Price per Ordinary Share through the CREST system upon the Settlement Date.

By returning the Application Form you agree that you will do all things necessary to ensure that you or your settlement agent/custodian's CREST account allows for the delivery and acceptance of Ordinary Shares to be made prior to 8.00am on 9 May 2017 against payment of the Initial Issue Price per Ordinary Share. Failure by you to do so will result in you being charged interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling plus 2 per cent. per annum.

To ensure that you fulfil this requirement it is essential that you or your settlement agent/custodian follow the CREST matching criteria set out below:

Trade Date	4 May 2017
Settlement Date	9 May 2017
Company	Downing Strategic Micro-Cap Investment Trust plc
Security Description	Ordinary shares of £0.001 each

SEDOL

BF0SCX5

ISIN

GB00BF0SCX52

Should you wish to settle DVP, you will need to match your instructions to Computershare's Participant account 3RA42 by no later than 1.00pm on 4 May 2017.

You must also ensure that you or your settlement agent/custodian has a sufficient "debt cap" within the CREST system to facilitate settlement in addition to your/its own daily trading and settlement requirements.

In the event of late CREST settlement, the Company, after having consulted with Computershare, reserves the right to deliver Ordinary Shares outside CREST in certificated form provided payment has been made in terms satisfactory to the Company and all other conditions in relation to the Initial Offer for Subscription have been satisfied.

6. RELIANCE INTRODUCER DECLARATION

Applications will be subject to the UK's verification of identity requirements. This will involve you providing the verification of identity documents listed in Section 6 of the Application Form UNLESS you can have the declaration provided at Section 5 of the Application Form given and signed by a firm acceptable to the Receiving Agent. In order to ensure your application is processed timely and efficiently all applicants are strongly advised to have the declaration provided in Section 5 of the Application Form completed and signed by a suitable firm.

7. IDENTITY INFORMATION

Applicants need only consider Section 6 of the Application Form if the declaration in Section 5 cannot be completed. Notwithstanding that the declaration in Section 5 has been completed and signed Computershare Investor Services PLC reserves the right to request of you the identity documents listed in Section 6 and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time your application might be rejected or revoked. Where certified copies of documents are provided such company documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

8. CONTACT DETAILS

To ensure the efficient and timely processing of your Application Form, please provide contact details of a person Computershare may contact with all enquiries concerning your application. Ordinarily this contact person should be the person signing in Section 3 on behalf of the first named holder. If no details are provided here but a regulated person is identified in Section 5, Computershare will contact the regulated person. If no details are entered here and no regulated person is named in Section 5 and the Computershare requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

INSTRUCTIONS FOR DELIVERY OF COMPLETED APPLICATION FORMS

Completed Application Forms should be returned, by post to Computershare, Corporate Actions Projects, Bristol BS99 6AH or by hand (during normal business hours only), to the Receiving Agent, Computershare, The Pavilions, Bridgwater Road, Bristol BS13 8AE so as to be received no later than 12.00 p.m. (London time) on 27 April 2017, together in each case with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least two days for delivery. Application Forms received after this date may be returned.

