

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt as to what action you should take, you are recommended to seek your own financial advice immediately from an independent financial adviser who specialises in advising on shares or other securities and who is authorised under the Financial Services and Markets Act 2000 (as amended) (“FSMA”) or, if you are not resident in the UK, from another appropriately authorised independent financial adviser in your own jurisdiction.

This document comprises (i) a circular prepared for the purposes of the General Meeting convened pursuant to the Notice of General Meeting set out at the end of this document in accordance with the Listing Rules of the Financial Conduct Authority (the “FCA”) made under section 73A of FSMA and (ii) a prospectus relating to City of London Investment Group plc (“CLIG” or the “Company”) and, together with its consolidated subsidiaries from time to time, the “Group”) prepared in accordance with the Prospectus Regulation Rules of the FCA made under section 73A of FSMA. This document has been approved by the FCA in accordance with section 87A of FSMA, will be made available to the public and has been filed with the FCA in accordance with the Prospectus Regulation Rules. This document, together with the documents incorporated into it by reference (as set out in Part X (“Documents Incorporated by Reference”) of this document) will be made available to the public in accordance with Prospectus Regulation Rule 3.2.1 by the same being made available, free of charge, at www.citlon.com.

This prospectus has been approved by the FCA, as the competent authority under Regulation (EU) 2017/1129 of the European Parliament and Council of 14 June 2017 (the “Prospectus Regulation”). The FCA only approves this prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorsement of the issuer that is the subject of this prospectus or an endorsement of the quality of the securities that are the subject of this prospectus. Investors should make their own assessment as to the suitability of investing in the securities. In addition, this document has been drawn up as a simplified prospectus in accordance with Article 14 of the Prospectus Regulation.

City of London Investment Group plc

(a public limited company incorporated in England and Wales with company number 2685257)

Proposed Merger with Karpus Management, Inc.

Issue of up to 24,118,400 New Shares in connection with the Merger

Notice of General Meeting

Sponsor

Beaumont Cornish Limited

Financial Adviser and Broker

Zeus Capital Limited

The Company is not making a public offer of any Shares nor any other securities in connection with the Merger (as defined below) or Admission (as defined below). This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for or buy, any Shares nor any other securities in any jurisdiction. The Shares will not be generally made available or marketed to the public in the UK or any other jurisdiction in connection with the Merger or Admission.

The distribution of this document into jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this document, together with the documents incorporated into it by reference and any other such documents should not be distributed, forwarded to or transmitted into the Excluded Territories.

A Notice of General Meeting of the Company, to be held at 77 Gracechurch Street, London EC3V 0AS at 2.00 p.m. on 13 July 2020, is set out at the end of this document. Due to mandatory measures imposed by the UK Government as a result of the spread of the COVID-19 virus in the United Kingdom, the General Meeting will be convened with the minimum quorum of Shareholders present in order to conduct the business of the meeting. Physical attendance at the General Meeting will be unlawful and those persons wishing to gain entry will be refused. All resolutions will be taken on a poll and, accordingly, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 2.00 p.m. on 9 July 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Alternatively, Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual on the Euroclear website (www.euroclear.com) by not later than 2.00 p.m. on 9 July 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The results of the votes cast at the General Meeting will be announced as soon as possible, once known, through a Regulatory Information Service, and on CLIG's website at www.citlon.com.

Members have a right under Section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the General Meeting, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) it is undesirable in the best interests of the Company or the good order of the meeting. Members wishing to raise any questions at the General Meeting should do so by email to investorrelations@citlon.co.uk so as to be received by the Company no later than 2.00 p.m. on 9 July 2020. You may not use the email address to communicate with the Company for any purposes other than as expressly stated.

Further information regarding the meeting which the Company is required by Section 311A of the Companies Act 2006 to publish on a website in advance of the meeting (including the Notice of General Meeting), can be accessed at www.citlon.com.

If you sell or have sold or have otherwise transferred all of your Shares, please send this document and any accompanying documents at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent to any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including but not limited to the Excluded Territories. If you sell or have sold or otherwise transferred only part of your holding of Shares, you should retain this document and any accompanying documents and consult with the bank, stockbroker or other agent through whom the sale or transfer was effected as to the action you should take.

Your attention is drawn to the letter of recommendation from the Chairman, which is set out in Part I ("*Letter from the Chairman of City of London Investment Group plc*") on pages 32 to 42 of this document. You should read the entire document but your attention is also drawn to the section of this document headed "Risk Factors" which sets out certain risks and other factors that should be considered by Shareholders when deciding on what action to take in relation to the Merger.

This document relates to the proposed Merger by a subsidiary of the Company with Karpus Management, Inc. ("**KMI**") (the "**Merger**"). Application will be made to the FCA and the LSE, respectively, for up to 24,118,400 new Shares to be allotted and issued by the Company to the KMI Stockholders as consideration for the Merger (the "**New Shares**") to be admitted to the premium listing segment of the Official List of the FCA and to trading on the premium segment of the LSE's main market for listed securities (together, "**Admission**"). It is currently expected that Admission will become effective following the closing of the Merger pursuant to the Merger Agreement ("**Completion**") and that dealings in the New Shares will commence at 8.00 a.m. on the date of Completion whereupon an announcement will be made by the Company through a Regulatory Information Service.

Each of CLIG and the Directors, whose names appear on page 30 of this document in the section entitled “Directors, Company Secretary and Advisers”, accept responsibility for the information contained in this document. To the best of the knowledge of CLIG and the Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.

Each member of the Concert Party, whose names appear in paragraph 7 of Part IX (*Additional Information*) of this document, accepts responsibility for the information contained in this document relating to him or her in his or her capacity as a member of the Concert Party. To the best of the knowledge of each member of the Concert Party, the information contained in this document for which he or she is responsible is in accordance with the facts and the information contained in this document relating to him or her in his or her capacity as a member of the Concert Party makes no omission likely to affect its import.

Zeus Capital Limited (“**Zeus Capital**”) and Beaumont Cornish Limited (“**Beaumont Cornish**” or the “**Sponsor**” and, together with Zeus Capital, the “**Financial Advisers**”), each of which is authorised and regulated in the United Kingdom by the FCA, are acting exclusively for the Company and no-one else in connection with the arrangements described in this document and will not regard any other person (whether or not a recipient of this document) as a client in relation to the arrangements described in this document and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing advice in relation to the arrangements referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on the Financial Advisers by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liabilities under the relevant regulatory regime would be illegal, void and unenforceable, neither of the Financial Advisers nor any of their respective affiliates accepts any responsibility whatsoever or makes any representation or warranty, express or implied, for the contents of this document, including its accuracy, completeness or verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, or the arrangements described in this document, and nothing contained in this document is, or shall be relied upon as, a promise or representation in this respect, whether as to the past or the future. Each of the Financial Advisers and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise have in respect of this document or any such statement.

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in this document for any purpose other than considering the Merger is prohibited.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities by any person in any circumstances in which such offer or solicitation is unlawful. The distribution of this document into jurisdictions other than the UK may be restricted by law. 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 jurisdiction. In particular, this document should not be distributed, forwarded to or transmitted in or into the Excluded Territories. No action has been taken by the Company or by the Financial Advisers that would permit possession or distribution of this document or any other offering or publicity material in any jurisdiction where action for that purpose is required, other than in the UK.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by the Company or by the Financial Advisers. The delivery of this document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Group since the date of this document or that the information in this document is correct as at any time subsequent to its date.

Shareholders and prospective investors acknowledge that they have not relied on the Financial Advisers or any person affiliated with the Financial Advisers in connection with any investigation of the accuracy of any information contained in this document or their decision in connection with the Merger or any investment decision. In making any decision in connection with the Merger or any

investment decision, each Shareholder or prospective investor must rely on their own examination, analysis and enquiry of the Company.

NOTICE TO UNITED STATES SHAREHOLDERS

The Shares have not been approved or disapproved by the SEC, any state's securities commission in the US or any US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of any offering of the Shares or the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the US. This Prospectus is not an offer of securities for sale in the United States, or any other jurisdiction.

The New Shares to be issued to KMI Stockholders as consideration for the Merger will not be, and are not required to be, registered with the SEC under the US Securities Act, in reliance upon an exemption from registration thereunder. The Shares have not been and will not be registered on a United States securities exchange or quoted on any inter-dealer quotation system in the United States. The Company does not intend to take any action to facilitate a market in the Shares in the United States.

The Shares will not be registered under the securities laws of any state of the United States, and the New Shares will be issued in the United States to KMI Stockholders in reliance on available exemptions from such state law registration requirements. The Shares may not be offered, sold, resold, transferred or delivered, directly or indirectly, within the United States except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States.

Capitalised terms used in this document have the meanings ascribed to them in Part XI (*Definitions*) of this document.

THE CONTENTS OF THIS DOCUMENT ARE NOT TO BE CONSTRUED AS LEGAL, FINANCIAL OR TAX ADVICE. EACH SHAREHOLDER AND PROSPECTIVE INVESTOR SHOULD CONSULT HIS, HER OR ITS OWN SOLICITOR, INDEPENDENT FINANCIAL ADVISER OR TAX ADVISER FOR LEGAL, FINANCIAL OR TAX ADVICE.

The date of this document is 12 June 2020.

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SUMMARY

1 Introduction and warnings

1.1 Introduction

City of London Investment Group plc ("**CLIG**" or the "**Company**") has its registered office at 77 Gracechurch Street, London EC3V 0AS (telephone number: +44 (0) 207 711 0771). The Company's LEI code is 549300BV85TFYXK2Y635.

The securities which the Company intends to issue are ordinary shares of £0.01 each with ISIN GB00B104RS51 ("**Shares**").

This document comprises a prospectus relating to the Company prepared in accordance with the Prospectus Regulation and the Prospectus Regulation Rules. A copy of this document has been filed with the Financial Conduct Authority ("**FCA**") and approved on 12 June 2020. The address of the FCA is 12 Endeavour Square, London E20 1JN and its contact number is 0300 500 8082 from the UK, or +44 207 066 1000 from abroad.

1.2 Warnings

This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of this document as a whole by the investor. The investor could lose all or part of their invested capital. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under national law, have to bear the costs of translating this document before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document, or where it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities.

2 Key information on the issuer

2.1 Who is the issuer of the securities?

The Company is domiciled in England and was incorporated and registered in England and Wales on 7 February 1992 as a public company limited by shares with the registered number 2685257. The principal legislation under which the Company operates is the Companies Act 2006 and the regulations made thereunder. The Shares are issued pursuant to the terms of the Articles and the Companies Act 2006. The Company's LEI code is 549300BV85TFYXK2Y635.

CLIG is the ultimate holding company of City of London Investment Management Company Limited ("**CLIM**"), a fund management group specialising in Emerging Markets closed-end fund ("**CEF**") investment, with an institutional client focus predominantly based in the US. Over the years the Group has expanded its product range to include Developed, Frontier, Opportunistic Value and Tactical Income strategies and a Real Estate Investment Trust strategy.

At 31 March 2020, the CLIG group (the "**Group**") had US\$4.4 billion of funds under management ("**FuM**") with an institutional client base. The Group has established offices in the US (East Coast and West Coast), London, Singapore and Dubai, and manages money using a team approach working around the global time zones.

On 9 June 2020, the Company announced that it had entered into a merger agreement (the "**Merger Agreement**") to acquire the entire issued share capital of Karpus Management, Inc. ("**KMI**") on a debt free basis (the "**Merger**").

KMI, an investment adviser registered with the US Securities and Exchange Commission (the "**SEC**") (CRD #110275/SEC #801-29607) was founded in May 1986 by George W. Karpus and provides investment management services for primarily US high net worth clients and small corporate accounts. KMI is a corporation organised under the laws of the State of New York and its registered office and principal place of business is located at 183 Sully's Trail, Pittsford, New York. KMI has a sales and client servicing office in Naples, Florida.

KMI's aim is to produce superior returns, net of fees and expenses, for risk-averse clients. KMI's portfolios are extensively diversified in terms of assets, asset classes and managers. As at 31 March 2020, KMI managed US\$3.2 billion in assets for 2,273 client accounts. Most client assets are managed in balanced portfolios, with over 50 per cent. invested in closed-end funds and CEF-preferred securities. KMI tailors portfolios to single asset classes such as tax-exempt fixed income, taxable fixed income, US equities or international equities.

The consideration due under the Merger Agreement will be satisfied through the issue of up to 24,118,400 new Shares (the "**New Shares**") (which, based on the closing price of the Shares on the date of the Merger Agreement of 325 pence per Share, equates to £78.4 million). In addition, each KMI Stockholder will become entitled to a cash payment (*pro rata* to their interest in KMI) of the amount by which the net working capital of KMI at completion exceeds US\$550,000, up to a maximum amount in aggregate of US\$550,000. It is currently anticipated that completion of the Merger in accordance with the terms of the Merger Agreement ("**Completion**") will occur on or around 1 October 2020. Completion of the Merger Agreement is conditional on, amongst other things, shareholder approval and admission of

the New Shares to the premium segment of the Official List and to trading on the premium segment of the London Stock Exchange's main market for listed securities ("Admission"). On Completion, the Company will become the ultimate holding company of the enlarged Group (the "Enlarged Group").

As at close of business on 10 June 2020 (the "Latest Practicable Date"), insofar as the Company has been notified, the following persons were directly or indirectly interested in 3 per cent. or more (or 5 per cent. in the case of investment managers) of the Company's issued share capital. Their proportionate ownership immediately following Completion (assuming 24,118,400 New Shares are issued pursuant to the Merger and that no additional Shares are issued by the Company or options granted under its Employee Share Schemes are exercised between the Latest Practicable Date and Completion) is also set out below:

Shareholder	At the Latest Practicable Date		Immediately following Completion	
	Number of Shares	Percentage of issued share capital (%)	Number of Shares	Percentage of Enlarged Share Capital (%)
George W. Karpus	—	—	15,948,202*	31.47
Hargreaves Lansdown	3,044,575	11.46	3,044,575	6.00
Barry Olliff	1,855,799	7.00	1,855,799	3.66
APQ Global Limited	1,683,001	6.34	1,683,001	3.32
City of London Employee Benefit Trust	1,670,555	6.29	1,670,555	3.30
Interactive Investor	1,376,714	5.18	1,376,714	2.72
BlackRock Inc.	1,328,019	5.00	1,328,019	2.62
William Strong Advisors, LLC	1,070,435	4.03	1,070,435	2.11
Canaccord Genuity	1,060,135	3.99	1,060,135	2.09
Invesco	900,000	3.39	900,000	1.78
AJ Bell	866,396	3.26	866,396	1.71

* Mr. Karpus is entitled to receive up to 15,948,202 New Shares on Completion. US\$10,000,000.00 worth of New Shares valued as at, and due to Mr. Karpus on, Completion shall be placed in escrow with a third party escrow agent as security against any indemnification or adjustment claims made against Mr. Karpus under the terms of the Merger Agreement. The escrowed New Shares, and the distributions accruing on them, shall be released in stages up to the fifth anniversary of Completion.

The Company's executive Directors are: Tom Griffith (Chief Executive Officer), Mark Dwyer (Chief Investment Officer) and Carlos Yuste (Head of Business Development). The executive Board is supported by five non-executive Directors: Barry Aling, Barry Olliff, Susannah Nicklin, Peter Roth and Jane Stabile.

The Company's statutory auditors are RSM UK Audit LLP.

2.2 What is the key financial information regarding the issuer?

Selected financial information for CLIG and KMI is set out below together with *pro forma* financial information for the Enlarged Group. Investors should read the whole of this document and not rely solely on the summarised financial information set out in this paragraph.

CLIG

The selected financial information for CLIG set out below has been derived without material adjustment from the consolidated financial statements for CLIG for the years ended 30 June 2018 and 30 June 2019 and the consolidated interim financial statements for the six months ended 31 December 2018 and 31 December 2019.

Selected consolidated statement of comprehensive income:

	Year ended 30 June 2019 audited (£)	Year ended 30 June 2018 audited (£)	Six months ended 31 December 2019 unaudited (£)	Six months ended 31 December 2018 unaudited (£)
Net fee income	29,854,410	31,606,789	16,442,291	14,520,974
Operating profit	10,503,828	12,527,994	6,175,871	5,066,023
Interest receivable and similar gains	893,731	264,501	157,089	96,379
Profit before taxation	11,397,559	12,792,495	6,332,960	5,162,402
Income tax expense	(2,352,275)	(2,732,152)	(1,276,045)	(1,057,440)
Profit for the period	9,045,284	10,060,343	5,056,915	4,104,962
Basic earnings per share	34.9p	39.5p	19.9p	16.3p

Selected consolidated statement of financial position:

	As at 30 June 2019 audited (£)	As at 30 June 2018 audited (£)	*As at 31 December 2019 unaudited (£)
Non current assets	8,943,238	899,526	10,826,128
Current assets	19,919,291	25,732,383	18,935,555
Total assets	28,862,529	26,631,909	29,761,683
Total liabilities	(6,575,765)	(5,165,675)	(8,001,832)
Net assets	22,286,764	21,466,234	21,759,851
Total equity	22,286,764	21,466,234	21,759,851

*The Group adopted IFRS 16 at 1 July 2019. Under the transaction method chosen, comparative information has not been restated.

Selected consolidated statement of cashflow:

	Year ended 30 June 2019 audited (£)	Year ended 30 June 2018 audited (£)	Six months ended 31 December 2019 unaudited (£)	Six months ended 31 December 2018 unaudited (£)
Net cash generated / (used) from operating activities	10,307,781	12,101,570	5,388,452	4,734,265
Net cash generated / (used) from investing activities	(7,474,177)	689,368	(62,973)	(331,911)
Net cash generated / (used) from financing activities	(8,953,453)	(6,969,306)	(6,707,849)	(5,454,109)
Net (decrease) / increase in cash and cash equivalents	(6,119,849)	5,821,632	(1,382,370)	(1,051,755)

KMI

The selected financial information for KMI set out below has been derived from the historical financial information for KMI for the years ended 30 June 2018 and 30 June 2019 and the unaudited interim financial information for KMI for the six months ended 31 December 2018 and 31 December 2019.

Selected statement of comprehensive income:

	Year ended 30 June 2019 audited (\$)	Year ended 30 June 2018 audited (\$)	Six months ended 31 December 2019 unaudited (\$)	Six months ended 31 December 2018 unaudited (\$)
Net fee income	25,662,203	24,965,344	13,719,464	12,762,392
Operating (loss) / profit	(195,841)	(334,202)	607,230	(269,102)
Total other income / (expense)	734,785	72,989	714,974	(62,598)
Profit / (loss) before taxation	538,944	(261,213)	1,322,204	(331,700)
Income tax expense	(77,046)	118,222	(284,905)	165,277
Profit / (loss) for the period	461,898	(142,991)	1,037,299	(166,423)

Selected statement of financial position:

	As at 30 June 2019 audited (\$)	As at 30 June 2018 audited (\$)	As at 31 December 2019 unaudited (\$)
Non current assets	553,852	994,038	465,438
Current assets	8,485,572	8,258,312	10,837,206
Total assets	9,039,424	9,252,350	11,302,644
Current liabilities	(1,413,209)	(2,972,403)	(10,811,401)
Non current liabilities	(330,078)	(473,233)	(156,617)
Total liabilities	(1,743,287)	(3,445,636)	(10,968,018)
Net current assets	7,072,363	5,285,909	25,805
Net assets	7,296,137	5,806,714	334,626
Total equity	7,296,137	5,806,714	334,626

Selected statement of cashflow:

	Year ended 30 June 2019 audited (\$)	Year ended 30 June 2018 audited (\$)	Six months ended 31 December 2019 unaudited (\$)	Six months ended 31 December 2018 unaudited (\$)
Net cash generated / (used) from operating activities	824,129	427,574	10,696,156	9,814,759
Net cash generated / (used) from investing activities	(62,120)	1,768,017	5,625,263	828,360
Net cash generated / (used) from financing activities	(545,063)	(1,975,215)	(8,282,906)	(911,469)
Net (decrease) / increase in cash and cash equivalents	216,946	220,376	8,038,513	9,731,650

Selected unaudited *pro forma* financial information

The unaudited *pro forma* income statement of the Enlarged Group set out below has been prepared based on the unaudited income statement of the Group for the six months ended 31 December 2019 and the unaudited income statement of KMI for the six months ended 31 December 2019 to illustrate the effect on the income statement of the Group as if the Merger had taken place on 1 July 2019. The unaudited *pro forma* statement of net assets of the Enlarged Group has been prepared based on the unaudited balance sheet of the Group as at 31 December 2019 and the unaudited balance sheet of KMI as at 31 December 2019 to illustrate the effect on the net assets of the Group as if the Merger had taken place on 31 December 2019. The unaudited *pro forma* income statement of the Enlarged Group and the unaudited *pro forma* statement of net assets of the Enlarged Group together form the unaudited *pro forma* financial information. The unaudited *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's or KMI's actual financial position or results. The unaudited *pro forma* financial information has been prepared in accordance with Annex 20 of the Prospectus Regulation and in a manner consistent with the accounting policies and presentation adopted by the Group in preparing its unaudited interim financial statements for the six month period ended 31 December 2019 and on the basis of the notes set out below. Furthermore, the unaudited *pro forma* financial information set out below does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

Unaudited *pro forma* income statement of the Enlarged Group for the six months ended 31 December 2019

	CLIG for the six months ended 31 December 2019 Note 1 £'000	KMI for the six months ended 31 December 2019 Note 2 £'000	Transaction costs Note 3 £'000	<i>Pro forma</i> income statement of the Enlarged Group for the six months ended 31 December 2019 £'000
Net fee income	16,442	10,879	—	27,321
Administration expenses	(10,266)	(10,398)	(3,300)	(23,964)
Operating profit	6,176	481	(3,300)	3,357
Net interest and other income	157	567	—	724
Profit before taxation	6,333	1,048	(3,300)	4,081
Income tax expense	(1,276)	(226)	—	(1,502)
Profit for the period	5,057	822	(3,300)	2,579

Notes:

- The CLIG income statement for the six months ended 31 December 2019 has been derived from the consolidated unaudited interim financial statements of CLIG for the six months ended 31 December 2019.
- The KMI income statement for the six months ended 31 December 2019 has been derived from the unaudited interim financial information of KMI for the six months ended 31 December 2019.
The income statement of KMI has been converted to pounds sterling at the average exchange rate for the six months ended 31 December 2019 of \$1.261:£1.00.
- A charge of £3,300,000 has been made to administrative expenses to reflect an estimate of the one-off costs relating to the Merger, which consist of adviser fees wholly attributable to the Merger. No tax relief is expected to be available on these expenses. This adjustment to the *pro forma* income statement is not expected to have a continuing effect on the Enlarged Group.
- The *pro forma* income statement does not take account trading of the Group or of KMI since 31 December 2019, nor any other events save as disclosed above.

Unaudited *pro forma* net assets of the Enlarged Group as at 31 December 2019

	CLIG as at 31 December 2019 Note 1 £'000	KMI as at 31 December 2019 Note 2 £'000	Transaction costs Note 3 £'000	<i>Pro forma</i> net assets of the Enlarged Group as at 31 December 2019 £'000
Total non current assets	10,826	355	—	11,181
Total current assets	18,936	8,266	(3,300)	23,902
Total assets	29,762	8,621	(3,300)	35,083
Total current liabilities	(6,251)	(8,246)	—	(14,497)
Total non current liabilities	(1,751)	(119)	—	(1,870)
Total liabilities	(8,002)	(8,365)	—	(16,367)
Total net assets	21,760	256	(3,300)	18,716

Notes:

- The net assets of CLIG as at 31 December 2019 have been derived from the consolidated unaudited interim financial statements of CLIG for the six months ended 31 December 2019.
- The net assets of KMI as at 31 December 2019 have been derived from the unaudited interim financial information of KMI for the six months ended 31 December 2019.
The net assets of KMI have been converted to pounds sterling at the period end exchange rate at 31 December 2019 of \$1.311:£1.00.
- Costs relating to the Merger, which consist of adviser fees wholly attributable to the Merger, are expected to be up to £3,300,000. This adjustment is not expected to have a continuing effect on the Enlarged Group.
- No account has been taken of the financial performance of CLIG or of KMI since 31 December 2019, nor any other events save as disclosed above.

2.3 What are the key risks that are specific to the issuer?

- Completion of the Merger is subject to a number of conditions and there is no assurance that they will be satisfied or waived on or before the Longstop Date. If the Merger does not complete, the Company will have incurred one-off costs of up to approximately £3,300,000 (plus VAT, where applicable) which may adversely affect the business and financial condition of the Group.
- The financial markets in which the Enlarged Group offers its services are directly affected by many national and international factors that are beyond its control. In particular, the Enlarged Group's financial performance and prospects have already been directly affected by and may continue to be adversely affected by the COVID-19 pandemic, the reaction by governments thereto and the negative reaction by global markets. The cumulative impact of the COVID-19 pandemic and its effect on the Enlarged Group's funds under management is uncertain in the longer-term.
- The Enlarged Group's revenue and hence its profitability is directly linked to the level of FuM. There is no assurance that the Enlarged Group will be successful in the retention of current FuM. If there is a loss of FuM, as a result of client redemptions or market volatility for example, the Enlarged Group's financial performance may be materially impaired.
- The Enlarged Group's financial performance is dependent on the performance of its underlying portfolios. The performance of the Enlarged Group's investment products is central to its ability to attract and retain the FuM from which its fee income is exclusively derived on fixed percentage management fee bases. Any investment underperformance could, therefore, have a material adverse effect on the Enlarged Group's business, reputation and brand, and also on revenue and hence financial performance, financial condition and growth prospects.
- The Company has conducted business, legal and financial due diligence in relation to KMI with the goal of identifying and evaluating material risks involved in the Merger. However, the due diligence carried out may not have identified and/or evaluated all such risks. A material level of defect in the performance of the business, legal and financial due diligence in relation to KMI could have an adverse impact on the Enlarged Group's ability to implement its business plan and could adversely impact the Enlarged Group's ability to realise the benefits of the Merger or delay their realisation.
- The Enlarged Group's ability to operate as a business is dependent upon it maintaining its regulatory approvals. CLIM's primary regulator is the FCA and KMI's primary regulator is the SEC. Withdrawal or amendment of regulatory approval in respect of all or part of the businesses carried on by a member of the Enlarged Group might oblige a member of the Enlarged Group to cease conducting a particular business or modify the way in which it is conducted which may have a material adverse effect on the Enlarged Group's financial performance.
- Given the highly regulated environment in which the Enlarged Group operates, any regulatory proceedings which may be brought against any member of the Enlarged Group could result in adverse publicity or negative perceptions regarding the Enlarged Group as well as divert management's attention from the day-to-day management of the business. A significant regulatory action against the Enlarged Group could have a material adverse effect on the Enlarged Group's business, growth prospects, sales, results of operations and/or financial condition.
- Disruption, or lack of access, to internal systems and controls may negatively impact the Enlarged Group's ability to execute its strategy and to analyse in a timely and efficient manner its financial and other business information, which may ultimately have a material adverse effect on the Enlarged Group's business, growth prospects, sales, results of operations and/or financial condition.

3 Key information on the securities

3.1 What are the main features of the securities?

The type and class of securities being issued by the Company are Shares of £0.01 each which will be denominated and traded in pounds sterling under the ticker symbol CLIG. Up to 24,118,400 New Shares are to be issued as consideration under the Merger Agreement. The ISIN Code for the New Shares will be the same as that of the Existing Shares, being GB00B104RS51. The Company's LEI code is 549300BV85TFYXK2Y635.

The New Shares will rank *pari passu* with the Existing Shares as regards voting, entitlement to income and entitlement on a return of capital. The Shares carry the right to receive notice of, attend and vote at general meetings of the Company. Shareholders are entitled to receive, and to participate in, any dividends declared in relation to the Shares, although the KMI Stockholders have agreed to waive their entitlement to receive: (i) the final dividend declared on the Shares in respect of the financial period to 30 June 2020 in respect of their entire holding of Shares; and (ii) the interim and final dividend declared on the Shares for the financial period to 30 June 2021 in respect of such percentage of their holding of Shares which represents the number of days in that financial period for which they do not hold Shares, divided by 365.

In the event of insolvency, Shareholders will be entitled to a share in the capital of the Company in the same proportions as capital is attributable to them, only after the Company has settled all amounts to its creditors. There are no restrictions on the free transferability of the Shares under the Articles.

The board of CLIG (the “**Board**”) attaches great importance to providing Shareholders with a stable flow of dividends, balanced by a policy of prudential capital management. To this end, the Board has for some years adhered to a dividend cover ratio of 1.2 times profit after taxation attributable to Shareholders based on rolling 5-year periods, using accumulated retained earnings to address any short-term profit shortfalls that derive from volatility in the markets in which CLIM invests. The Board of CLIG intends to continue with the same dividend policy on completion of the Merger.

3.2 Where will the securities be traded?

Application will be made to the FCA for the New Shares to be admitted to listing on the premium segment of the Official List and to the London Stock Exchange for the New Shares to be admitted to trading to the LSE’s main market for listed securities. Admission is conditional on Completion, which is expected to occur on or about 1 October 2020.

3.3 What are the key risks that are specific to the securities?

- If the Merger completes, Shareholders will be diluted by up to approximately 48 per cent. in their proportionate ownership and up to approximately 35 per cent. in their voting interests in the Company immediately following Completion (assuming that 24,118,400 New Shares are issued pursuant to the Merger and no other Shares are issued by the Company between the Latest Practicable Date and Admission).
- The price at which the Shares trade may fluctuate and investors may not be able to realise their investment in the Company at a price which reflects its fair value.
- The Company may not be able to maintain the level of dividends it has historically paid or pay any dividends at all, particularly if the Enlarged Group’s performance is affected by the risks set out in paragraph 2.3 above, including the potential effect of the COVID-19 pandemic and the reaction of markets thereto.
- On Admission, Mr. Karpus and the other persons constituting Concert Party will hold, in aggregate, up to approximately 37.8 per cent. of the Enlarged Share Capital. Notwithstanding the terms of the Relationship Agreement, the Articles and applicable laws and regulations, these Shareholders may be able to exercise significant influence over the Enlarged Group and the Enlarged Group’s operations, business strategy and those corporate actions which require the approval of Shareholders.

4 Key information on the admission to trading on a regulated market

4.1 Under which conditions and timetable can I invest in this security?

Not applicable. There is no offer of shares being made pursuant to this document. The New Shares are not being offered to the public. The New Shares are being issued by the Company to the KMI Stockholders pursuant to the Merger. The issue of such New Shares is conditional on, amongst other things, Shareholder Approval and Admission.

If the Merger completes, Shareholders will be diluted by up to approximately 48 per cent. in their ownership and up to approximately 35 per cent. in their voting interests in the Company immediately following Completion (assuming that 24,118,400 New Shares are issued pursuant to the Merger and no other Shares are issued by the Company between the Latest Practicable Date and Admission).

The Shares are currently listed on the premium listing segment of the Official List of the FCA and traded on the London Stock Exchange’s main market for listed securities.

Applications will be made to the FCA for the New Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and that dealings on the London Stock Exchange in the New Shares will commence as soon practicable after 1 October 2020.

4.2 Why is this prospectus being produced?

On 9 June 2020, the Company announced it had entered into a Merger Agreement to acquire the entire issued share capital of KMI on a debt free basis. The consideration for the Merger will be settled through the issue of the New Shares.

This document has been prepared in connection with the Merger (which requires the approval of the Company’s Shareholders as a Class 1 Transaction under the Listing Rules) and in connection with the Company’s applications for admission to listing on the premium segment of the Official List and to trading on the premium segment of the main market of the London Stock Exchange (in accordance with the Prospectus Regulation Rules) of the New Shares to be issued in connection with the Merger.

This prospectus is being produced solely in connection with the Admission and does not comprise an offer or an invitation to any person to subscribe for or purchase any Shares in the Company. None of the Company, KMI or the Enlarged Group will receive any proceeds as a result of the Merger.

There are no material conflicts of interest pertaining to the Merger or Admission.

The issue of the New Shares is not being underwritten.

RISK FACTORS

An investment in the Company and its Shares is subject to a number of risks. Accordingly, investors should carefully consider the factors and risks associated with any investment in the Shares, the Group's and the Enlarged Group's business and the industry in which it operates, together with all other information contained in this document and all of the information incorporated by reference into this document, including, in particular, the risk factors described below, and their own personal circumstances, prior to making any investment decision. Some of the following factors relate principally to the Group's and the Enlarged Group's business. Other factors relate principally to the Merger and an investment in the Shares. The Group's business and the Enlarged Group's business, operating results, financial condition and prospects could be materially and adversely affected by any of the risks described below. In such case, the market price of the Shares may decline and investors may lose all or part of their investment.

Prospective investors should note that the risks relating to the Group and the Enlarged Group, its industry and the Shares summarised in the section of this document headed "Summary" are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Group and the Enlarged Group face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed "Summary" but also, among other things, the risks and uncertainties described below.

The following is not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group and the Enlarged Group that are not currently known to the Group, or that it currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's and the Enlarged Group's business, prospects, operating results and financial position and, if any such risk or risks should occur, the price of the Shares may decline and investors could lose all or part of their investment.

Investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this document and their personal circumstances.

The information included herein is based on information available as at the date of this Prospectus and, except as requested by the FCA or required by the Listing Rules, the Prospectus Regulation, the Prospectus Regulation Rules, MAR, the Disclosure Guidance and Transparency Rules or any other applicable law, will not be updated.

References in this section on Risk Factors to the Enlarged Group shall be construed as CLIG and KMI together if the Merger is completed, or CLIG if the Merger is not completed, as applicable.

1 Risks relating to the Merger

The Merger is subject to a number of conditions which may not be satisfied or waived

Completion of the Merger is subject to the satisfaction of a number of conditions including Change in Control Approval, Shareholder Approval, KMI Client Consents as well as the consent of relevant antitrust authorities. There is no assurance that these (or other) conditions will be satisfied on terms satisfactory to the Company or, where applicable, waived either at or before the Longstop Date, in which case the Merger may not proceed to Completion. If the Merger does not complete, the Company would nonetheless have incurred one-off costs of up to approximately £3,300,000 (plus VAT, where applicable) in connection with the Merger. Failure to complete the Merger may therefore adversely affect the business and financial condition of the Group and, accordingly, the Group's operating results and the trading price of the Shares.

The Company's due diligence on KMI may not uncover all the risks associated with the Merger

The Company has conducted business, legal and financial due diligence in relation to KMI with the goal of identifying and evaluating material risks involved in the Merger. However, the due diligence carried out may not have identified and/or evaluated all such risks. Whilst the Merger Agreement provides some contractual protection, any warranty claims will be subject to customary contractual limitations and common law rules which may restrict the Company's ability to recover all or a substantial proportion of any losses suffered. A material level of defect in the performance of the

business, legal and financial due diligence in relation to KMI could have an adverse impact on the Enlarged Group's ability to implement its business plan and could adversely impact the Enlarged Group's ability to realise the benefits of the Merger or delay their realisation. As a result, the Company may not realise the expected benefits and/or synergies which could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

The Enlarged Group may experience difficulties in integrating KMI successfully and/or in a timely manner

It is the intention of CLIG that, following Completion, KMI will continue to operate as a distinct entity and a fully operational business within the Enlarged Group. However, it is anticipated that there will be areas of mutual advantage and support, for example in the areas of marketing initiatives, finance, payroll, information technology and operational support. Support and oversight of these functions may be more difficult, more costly and more time-consuming than the Directors currently anticipate. In addition, some of the potential challenges relating to incorporation of these functions may not become known until after Completion.

Among the risks associated with the integration of KMI that could materially adversely affect the Group's growth are the following:

- (i) the Group may incur substantial costs, delays or other operational or financial problems in integrating KMI, such as costs and issues relating to monitoring, hiring and training of new personnel or the integration of accounting and internal control systems;
- (ii) IT infrastructure and data elements of the integration process may fail or not be managed so as to achieve the Group's operational objectives;
- (iii) the Group may be required to incur additional costs associated with developing appropriate risk management and internal control structures or understanding and complying with a new regulatory regime of which it is not yet aware;
- (iv) the Merger may not achieve anticipated operational synergies or other expected benefits, including as a result of either CLIM's or KMI's clients terminating their investment mandate as a result of the Merger.

Although the Directors believe that the integration and costs of the Merger will be more than offset by the benefits of the Merger, this net benefit may not be achieved in the short-term or at all, particularly if the Merger is delayed or does not complete. In addition, the costs incurred by the Enlarged Group in complying with the ongoing UK and US regulatory regimes are likely to exceed the costs currently incurred by the Group. These factors could adversely affect the Enlarged Group's operations and/or financial condition. If not managed carefully, the operational effectiveness and efficiency of the Enlarged Group could be negatively affected, impacting upon profitability and cash generation.

The value of KMI may be less than the consideration paid

Prior to Completion, the Company has limited rights to terminate the Merger Agreement. In addition, the consideration agreed to be paid at Completion is the issue of up to 24,118,400 New Shares (subject to certain adjustments). Accordingly, if there is an adverse event affecting the value of KMI prior to Completion, the value of the KMI business purchased by the Group may be less than the consideration agreed to be paid and, accordingly, the net assets of the Enlarged Group could be reduced. The Company may therefore pay an amount in excess of market value for KMI, which could have an adverse effect on the business and financial condition of the Enlarged Group.

2 Risks relating to the Enlarged Group's financial situation, business activity and industry

The Enlarged Group's financial performance and prospects may be adversely affected by COVID-19, the long-term impact of which is currently unknown

On 11 March 2020, the World Health Organisation announced that the outbreak of COVID-19 (commonly referred to as Coronavirus) had been declared a global pandemic. The long-term impacts of the outbreak are unknown and rapidly evolving. A widespread health crisis could adversely affect the global economy, resulting in a substantial decline in financial markets. The future development of the outbreak is highly uncertain and there is no assurance that the outbreak will not have a material adverse impact on the future results of the Company. The extent of the

impact will depend on the geographical range of the virus, infection rates, the severity and mortality rates of the virus, the timing and efficacy of a vaccine, the steps taken nationally and globally to prevent the spread of the virus as well as fiscal and monetary stimuli offered by governments globally. In particular, CLIM's funds under management fell from US\$6.0 billion as at 31 December 2019 to US\$4.4 billion as at 31 March 2020 reflecting the fall in those markets in which CLIG invests. KMI's funds under management fell from US\$3.6 billion as at 31 December 2019 to US\$3.2 billion over the same period as a result of the fall in the markets in which KMI invests. As described further in the paragraph below, the Enlarged Group's profitability is directly linked to the level of FuM and a sustained fall in financial markets as a result of COVID-19 will directly affect the Enlarged Group's FuM and profitability. Whilst the Enlarged Group's financial performance and prospects have already been directly affected by and may continue to be adversely affected by the COVID-19 pandemic, the reaction by governments thereto and the negative reaction by global markets, the cumulative impact of the COVID-19 pandemic and its effect on the Enlarged Group's funds under management is uncertain in the longer-term. Nothing in this risk factor in any way qualifies the statements as to the sufficiency of the working capital of the Group and the Enlarged Group as set out in paragraph 14 of Part IX (*Additional Information*) of this document.

The Enlarged Group's profitability is directly linked to the level of FuM

The Enlarged Group's profitability is directly linked to the level of FuM. There is no assurance that the Enlarged Group will be successful in the retention of current FuM. If there is a loss of FuM, as a result of client redemptions, poor investment performance, a breach of mandate guidelines or market volatility, or a failure to develop new products, the Enlarged Group's financial performance may be materially impaired.

Client funds are not tied by long term contracts. This can be very materially impacted by: (i) the performance of stock and bond markets, and emerging stock markets in particular; (ii) the performance of the Enlarged Group's funds relative to the stock and bond markets; and (iii) the winning or losing of fund management mandates – heavily influenced by (i) and (ii) above. Winning new mandates has a long lead time (often 2-3 years for institutional investors), whereas existing mandates can be cancelled with almost no notice. Material withdrawals of FuM would have an immediate impact on management fees and therefore revenues and, depending on the extent of such withdrawals, could have a material adverse effect on the Enlarged Group's business, results of operations, financial condition and growth prospects.

The Enlarged Group's financial performance is dependent on the performance of its underlying portfolios

Returns on securities have historically been volatile and the performance of the Enlarged Group is, to a degree, linked to future performance of financial markets. The performance of the Enlarged Group's investment products is central to its ability to attract and retain the FuM from which its fee income is exclusively derived.

When buying investment products or selecting a fund manager, one of the most important considerations for clients and intermediaries is the historical investment performance of the product or manager. If the Enlarged Group's investment performance is unsatisfactory in the short term, existing clients may decide to reduce or liquidate their investments or transfer mandates to other fund managers. As one of both CLIM's and KMI's key selling points is to generate strong investment performance, any sustained period of investment underperformance could have a material adverse effect on their business, reputation and brand, sales, results of operations, financial condition and growth prospects. Investment underperformance relative to competitors or relevant benchmarks would also make it more difficult for each of CLIM and KMI to attract new clients and could damage their reputation and brand, which has in part been built around their investment performance generally. Any such investment underperformance could, therefore, have a material adverse effect on the Enlarged Group's business, reputation and brand, sales, results of operations, financial condition and growth prospects.

The financial markets in which the Enlarged Group offers its services are directly affected by many national and international factors that are beyond its control

The Enlarged Group's business is subject to risks arising from general and sector-specific economic conditions in the markets in which it operates or invests. The exact impact of market risks faced by the Group is uncertain, difficult to predict and respond to and any one of the following factors,

which are outside the control of the Enlarged Group, may cause a substantial decline in the financial markets in which the Enlarged Group offers its services: legislative and regulatory changes; economic and political conditions in the UK, US, Singapore, Dubai and elsewhere in the world; concerns about terrorism and war; natural disasters; pandemics; the level and volatility of equity and commodity markets; the level and volatility of interest rates and foreign currency exchange rates; concerns over inflation and changes in institutional and consumer confidence levels.

The Enlarged Group's performance is highly exposed to the performance of emerging markets securities which may be more volatile than developed market securities

A high proportion of CLIM's investment products focus on emerging market securities. Emerging market countries, securities and issuers are subject to political and economic risk that could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition. These risks include price volatility, liquidity constraints, limited market capitalisation, currency fluctuations and devaluation, restrictions on foreign investment and potential repatriation of capital and remittance of profits and dividends, underdeveloped legislative and regulatory systems, including risk of confiscatory taxation and expropriation or nationalisation of assets.

Asset classes in which the Enlarged Group invests may suffer from weak investment performance leading to loss of investor appeal and a fall in FuM

Whilst the Enlarged Group has diversified in recent years, a high proportion of its investment products remain focused on emerging market securities. Similarly, over half of KMI's investments are in closed-end fund strategies. Net inflows into the Enlarged Group's investment funds are, in part, determined by the relative attractiveness to investors of the different asset classes that it manages. In the event of a prolonged period of weak investment performance from an asset class as a whole or if a particular asset class (in particular, the emerging market asset class on which a high proportion of the Enlarged Group's investment products are focused) goes out of favour with investors for any other reason, there may be reduced sales and/or increased redemptions from specific funds represented by that asset class or relevant institutional mandates may be withdrawn, either of which could have a material adverse effect on the Enlarged Group's business, growth prospects, sales, results of operations and/or financial condition.

There may be restrictions or onerous obligations on investments in securities in other jurisdictions, particularly emerging markets, which may affect investor returns

Certain emerging market countries may require governmental approval prior to investment by foreign persons. They may also limit investments in particular companies or sectors as well as controlling the purchase of local currency and imposing additional taxes on foreign persons. For example, many countries, including some of the larger emerging markets such as China, India, Russia, South Korea, and Taiwan impose currency convertibility and/or ownership controls on foreign investors. These include limitations on foreign investors such as minority ownership and/or other non-controlling stakes in strategic sectors such as natural resources. These factors could adversely affect investment performance.

The Enlarged Group's success will depend on its ability to attract, motivate and retain key personnel

The Enlarged Group believes that its growth is largely attributable to the efforts and abilities of its key senior personnel including members of the Board and of its senior management team, who have played and continue to play an important role in the business. Loss of key management or other key personnel, particularly to competitors, could have adverse consequences for the Enlarged Group.

The founders of each of the Company and KMI (Mr. Olliff and Mr. Karpus) have, until recently, been involved in the day-to-day running of their respective businesses. Whilst both of Mr. Olliff and Mr. Karpus intend to remain involved in the business of the Enlarged Group as Non-Executive Directors and/or advisers to the Company during the transition period and have had succession strategies in place for some time, their reduced role may have adverse consequences for the Enlarged Group. Similarly, whilst the Enlarged Group has (or will have prior to Completion) entered into service agreements and/or letters of appointment/engagement with each of its Directors and certain senior employees, the retention of their services cannot be guaranteed.

Furthermore, as the Enlarged Group expands it will need to recruit and integrate additional personnel in a competitive market for suitably qualified candidates. The Enlarged Group may not be successful in identifying and engaging suitably qualified people or integrating them into the Enlarged Group which may impact the performance of its business.

There is no assurance that the Enlarged Group will be successful in the development of its products and services and, if developed, that there will be a market for these products.

The Enlarged Group's growth in profits depends on increasing its FuM in a cost-effective manner. If the Enlarged Group does not achieve its business objectives, its growth may be materially impaired.

The Enlarged Group is vulnerable to adverse market perception since it operates in an industry where integrity and customer trust are paramount. In addition, any negative publicity (whether well founded or not) associated with the business or operations of the Enlarged Group or the occurrence of any of the risks set out in this document could result in a loss of clients and/or mandates by the Enlarged Group. Accordingly, any mismanagement, fraud or failure to satisfy fiduciary responsibilities, or the negative publicity resulting from such activities or any allegation of such activities, could have a material adverse effect on the Enlarged Group's business, growth prospects, sales, results of operations and/or financial condition.

The Enlarged Group's cashflow may be negatively affected by new clients' internal approval processes

The Enlarged Group's ability to generate revenues in part depends on the efforts of third parties to market its products, over whom there is little control. New sales of the Enlarged Group's products may also be subject to potential delays arising from customers' acceptance and approval processes.

The markets in which the Enlarged Group operates are increasingly competitive and changes by competitors in the terms offered to clients and customers may result in increased pressure on the Enlarged Group's revenue margins

Each of CLIM and KMI competes on the basis of investment performance, brand recognition, business reputation, quality of service and the level of fees for services. The markets in which they operate are increasingly competitive and a failure by the Enlarged Group to compete effectively in this environment may result in the loss of existing clients and their business and of opportunities to capture new business, each of which could have a material adverse effect on the Enlarged Group's business, growth prospects, sales, results of operation and/or financial condition.

Competitors may be able to develop products and services that are more attractive to customers than the Enlarged Group's products and services. In order to be successful in the future, the Enlarged Group will need to respond to market demand and competitors' innovations. An inability to devote sufficient resources to research and development activities in order to achieve this may lead to a material and adverse effect on the Enlarged Group's business.

The Enlarged Group is at risk of losing business to competitors if it fails to keep up with technological change

The Enlarged Group will continue to develop its systems in response to the expected growth and increased sophistication in the investment management market. The markets in which the Enlarged Group will operate are, however, characterised by rapid technological change, changes in client requirements and preferences, frequent product and service introductions employing new technologies and the emergence of new industry standards and practices that could render the Enlarged Group's existing technology and systems obsolete. Failure to keep up with such change could restrict the Enlarged Group's ability to increase its FuM, or could have an adverse impact upon investment performance, potentially leading to loss of FuM.

There can be no assurance that the Enlarged Group will be able to anticipate and respond to the demand for new services, products and technologies in a timely and cost-effective manner, to adapt to technological advancements and changing standards or to retain its clients. The Enlarged Group's failure to do any of these could have a material adverse impact on the Enlarged Group's business, growth prospects, revenues, results of operations and/or financial condition.

The Enlarged Group may have to use its own financial resources for seed capital to launch new investment products and there is no guarantee that such products will be successful

The value of the Enlarged Group's seed capital investments or other investments held on its balance sheet may fall. When establishing or launching a new fund, CLIG often uses its own resources to provide seed capital to allow such funds to build a track record. CLIG may also provide additional seed money during the marketing phase and/or to provide scale for existing funds. The seed capital investments vary in duration depending on the nature of the investment. Losses incurred by funds in which seed capital has been invested could have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group will be reliant on third parties and any interruption or deterioration in the performance of these third parties could impair the timing and quality of the Enlarged Group's services to its clients

The Enlarged Group is reliant on third parties to which it has outsourced certain functions. The Enlarged Group relies on third party providers of compliance, legal, company secretarial, administration, IT services and other back office functions (including for certain fund and institutional mandate valuations), custodian and sub-custodian services and fund administration functions. Any interruption in the services of these third parties or deterioration in their performance of the outsourced service could impair the timing and quality of the Enlarged Group's services to its clients. Furthermore, if the contracts with any of these third-party providers were terminated, the Enlarged Group may not find alternative service providers on a timely basis or on as favourable terms or may suffer disruption as a result of the transition of functions to the new service provider. The occurrence of any of these events could have a material adverse effect on the Enlarged Group's business, reputation and brand, revenues, results of operations and/or financial condition.

The strength or weakness of sterling relative to the US dollar and to other currencies has a significant effect on the Group's results of operations

Almost all of the Enlarged Group's income, and a significant part of its expenses, are denominated in currencies other than sterling, principally US dollars, while the Enlarged Group reports in sterling. In addition, fluctuations in exchange rates may affect product demand in different regions and may adversely affect the profitability of products provided by the Enlarged Group in foreign markets. The Enlarged Group will review its hedging policy where appropriate, but there can be no assurance that this will protect the Enlarged Group against inherent exchange rate risks. Variations in exchange rates may have a material adverse effect on the Enlarged Group's business, results of operations and/or financial condition.

The Enlarged Group is exposed to risks related to climate change, which could adversely affect its results, investment performance and financial condition

The physical impact and transition risks of climate change pose potentially significant risks to the Enlarged Group in that these and the political and economic responses thereto could materially affect the markets in which the Enlarged Group operates and hence operating performance and financial condition. The climate risk landscape continues to evolve and is of increasing importance to many regulators, governments, non-governmental organisations and investors. The transition to a low carbon economy in the coming decades could have an adverse impact on global investment assets. The failure to understand and respond effectively to the physical and transitional risks associated with climate change and the impact it may have on markets generally could adversely affect the Enlarged Group's business, results of operations, financial conditions and prospects. Additionally, rising global temperatures, more volatile weather patterns and changes in demographics as a result of climate change, may impact operations. Emerging markets, in which the Enlarged Group has significant exposure, may suffer disproportionate adverse effects as a result of climate change.

3 Legal and regulatory risks

The Enlarged Group's ability to operate as a business is dependent upon it maintaining its regulatory approvals

The FCA is CLIM's primary regulator and CLIM is also subject to regulation in the various other jurisdictions in which it operates. CLIM distributes and offers, or intends to offer, products and services in the UK, Europe, the United States, Canada and elsewhere. The SEC is KMI's primary

regulator. Withdrawal or amendment of regulatory approval in respect of all or part of the businesses carried on by a member of the Enlarged Group or in respect of the fitness of one or more individuals to perform their current role (including any of the directors) might oblige a member of the Enlarged Group to cease conducting a particular business or modify the way in which it is conducted, or allocate responsibility for that business to different individuals. In the UK, agreements made in the course of the carrying on of regulated activities by unauthorised persons are unenforceable.

The FCA has broad regulatory powers dealing with all aspects of financial services including, among other things, the authority to grant, and in specific circumstances to vary or cancel, permissions and to regulate marketing and sales practices, advertising and the maintenance of adequate financial resources. The SEC has similar regulatory powers in the United States. One of the FCA's principal regulatory objectives is the protection of investors rather than shareholders or creditors. The FCA and other regulatory authorities may from time to time make enquiries of companies within their jurisdiction regarding compliance with regulations governing the conduct of the business or the operation of a regulated business (including the degree and sufficiency of supervision of the business) and the handling and treatment of clients. In the context of the current regulatory environment, whilst the Enlarged Group endeavours to respond to regulatory enquiries in an appropriate way and takes corrective action when warranted, it faces the risk that the FCA, SEC or another governmental or regulatory body could find that it has failed to comply with applicable regulations or has not undertaken corrective action as required. In this case, regulatory proceedings could be commenced which could result in a public reprimand and/or fines or other regulatory sanctions.

Regulatory action against the Enlarged Group may have a material adverse effect on the Enlarged Group and its financial condition

Regulatory proceedings could result in adverse publicity or negative perceptions regarding the Enlarged Group as well as diverting management's attention from the day-to-day management of the business. A significant regulatory action against the Enlarged Group could have a material adverse effect on the Enlarged Group's business, growth prospects, revenues, results of operations and/or financial condition.

KMI's operations, including its compliance function, are subject to periodic examinations by the SEC and there is no guarantee that any modification by KMI to any of its systems and controls as might be recommended by the SEC following any particular review will be adequate until any subsequent periodic examination.

The Enlarged Group will operate in an environment with high exposure to claims of negligence and potential violation of securities laws which may be costly to settle

Because of the extent and complexity of the regulatory environment in which the Enlarged Group will operate and the products and services which the Enlarged Group will offer, many aspects of the Enlarged Group's business will involve substantial risks of liability, including any material error or investment mandate breach. In recent years, there have been increasing incidents of litigation involving the financial services industry and, while neither the Company nor any other member of the Enlarged Group is involved in any legal proceedings at the date of this document which have had or may have a significant effect on the financial position or profitability of the Enlarged Group, the costs of defending and/or settling any litigation brought in the future could have a material adverse effect on the Enlarged Group's business, growth prospects, revenues, results of operations and/or financial condition. The Enlarged Group could also potentially face liability for claims of negligence and violation of securities laws.

The Enlarged Group's insurance may not be adequate to protect it against losses it may suffer

The Enlarged Group's business entails the risk of liability related to litigation from clients or third-party service providers and actions taken by regulatory agencies, which may not be adequately covered by insurance or at all. Specifically, there is a risk that claims may arise in relation to damage resulting from the Enlarged Group's employees' or service providers' operational errors or negligence, or misconduct or misrepresentation by its fund managers and other operational personnel. All fund managers have a fiduciary duty to their clients, and can be liable for client losses to the extent that they may derive from operational errors, for example a breach of the investment guidelines which apply to the client's account. The Enlarged Group has checks in place

which should guard against mandate breaches and these, plus other controls, are overseen by its compliance department. There can be no assurance that a claim or claims will be covered by insurance or, if covered, that any such claim will not exceed the limits of available insurance coverage, or that any insurer will meet its obligations to insure. There can also be no assurance that insurance coverage with sufficient limits will continue to be available at a reasonable cost. Renewals of insurance policies or claims under existing policies may expose the Enlarged Group to additional costs through higher premiums or the assumption of higher deductibles or co-insurance liability. A significant increase in the costs of maintaining insurance cover or the costs of meeting liabilities not covered by insurance could have a material adverse effect on the Enlarged Group's business, results of operations, financial condition and growth prospects.

Breaches by the Enlarged Group of investment mandates could lead to significant losses. Members of the Enlarged Group are required to invest in accordance with specific investment mandates established for the particular fund or (in the case of segregated mandates) set by the client. If investments are made or managed in breach of an investment mandate, that member of the Enlarged Group could be required to unwind the relevant transactions and would be likely to be liable for any losses suffered by an affected party in doing so. Such losses could be significant and exceed amounts recoverable under the Enlarged Group's insurance policies, if any. The obligation to compensate for such losses could have a material adverse effect on the Enlarged Group's reputation and brand, results of operations and/or financial condition.

The Enlarged Group's results of operations may be adversely affected by the costs of compliance with law and regulation

Any changes in the laws and regulations governing its business or adverse outcomes of regulatory reviews of the Enlarged Group could reduce the services members of the Enlarged Group are able to offer or the fees they are able to charge, or increase the costs of compliance with regulation, any of which would decrease the Enlarged Group's revenues and profitability.

The range of services the Enlarged Group is able to offer may be adversely affected by changes in regulation

Changes in regulation could have a material adverse effect on the Enlarged Group. The heavily regulated environment in which the Enlarged Group operates is evolving. Recent and proposed regulatory changes will have an effect on the regulatory environment within which the Enlarged Group operates. Any changes in the laws and regulations governing the investment management industry could limit the services the Enlarged Group is able to offer or the fees it is able to generate, or increase the costs of compliance. A substantial change in regulatory capital requirements or the regulatory environment for the investment management industry could have a material adverse effect on the Enlarged Group's business, revenues, results of operations, financial condition and growth prospects.

4 Internal control risks

Disruption, or lack of access, to internal systems and controls may negatively impact the Enlarged Group's ability to execute its strategy

While the Directors believe that the Enlarged Group has appropriate financial and management controls in place, these systems and processes are subject to continual development to address the Enlarged Group's increasing FuM and transactional requirements, market changes and legal and regulatory changes. Any disruption in, or lack of access to, the further development of these systems or processes, or issues that emerge in relation to their implementation, may result in additional costs and may negatively impact the Enlarged Group's ability to execute its strategy and may have a material adverse effect on the Enlarged Group's business and growth prospects.

The Enlarged Group is dependent on its IT systems which are vulnerable to damage or interruption

The Enlarged Group's ability to maintain financial controls, implement research and invest successfully according to its mandates as well as its ability to provide high quality service to customers depend, in part, on the efficient and uninterrupted operation of its management information systems and processes, including its computer systems. The Enlarged Group's business operations, information systems and processes are vulnerable to damage or interruption from fires, floods, chemical spillage, power loss, telecommunication failures, bomb threats, explosions or other

forms of terrorist activity and other natural and man-made disasters. Such interruption could have a material adverse effect on the Enlarged Group's business, growth prospects, revenues, results of operations and/or financial condition.

The Enlarged Group's systems could be subject to physical and electronic break-ins, cyber-crime and similar disruptions from unauthorised tampering. In addition, the Enlarged Group will be subject to the accidental loss of data by its employees or outsourced service providers, which could expose the Enlarged Group to potential liabilities and could negatively impact its relationships with its business partners and clients. The same is true of third-party providers on which the Enlarged Group will depend. The factors described above may impede or interrupt the Enlarged Group's business operations or lead to unauthorised disclosure or loss of data or data corruption, including client data, which could lead to potential liabilities and damage the Enlarged Group's reputation.

The Enlarged Group's core businesses have in place disaster recovery plans covering current business requirements, which have been tested. Suppliers of administration and IT services and other back office functions have disaster recovery plans and business continuity plans. If, however, the disaster recovery plans are found to be inadequate there could be an adverse impact on the Group's business, growth prospects, revenues, results of operations and/or financial condition.

Operational errors or a failure of systems and controls could have a material adverse effect on the Enlarged Group. The management of client assets involves a number of risks, including:

- (i) a failure to administer portfolios properly, for example by making incorrect valuations or pricing decisions with regard to the underlying investments. While the Enlarged Group will use third party providers to provide its fund valuation and pricing functions, it remains primarily liable to investors for any failure to provide these services properly. Any such failures or errors in valuation or pricing by a relevant third party provider may require the Enlarged Group to reimburse the affected parties in respect of losses suffered (which may be significant). The Enlarged Group may be unable to recover any such losses fully or at all from the third party or under the Enlarged Group's insurance policies;
- (ii) incorrect assets being purchased or erroneous trades being placed or the failure to place trades on a timely basis or at all;
- (iii) the incorrect processing of corporate actions (rights issues, takeovers etc.); and
- (iv) a failure of the systems and controls utilised by the Group or its outsourced service providers to detect and prevent errors.

If any of the foregoing or any similar risks were to materialise, the Enlarged Group might also be required to conduct thorough investigations of the circumstances surrounding the breach and regulatory investigations might also follow. The costs involved in such investigations, including management time and professional fees, could be material to the Enlarged Group. The risks of error and mismanagement cannot be eliminated entirely. The Enlarged Group's ability to maintain financial controls and provide high quality service to its customers depends, in part, on the efficient and uninterrupted operation of its management information systems, including its computer systems, which are programmed to detect and prevent errors. There can be no assurance that these systems will function as designed. Any damage to, or failure of, its management information systems could result in interruptions to the Enlarged Group's financial controls, investment processes and customer service. Such interruptions and any other operational errors or negligence by third party providers or the Enlarged Group's employees could lead to reputational damage and financial costs, such as the Enlarged Group being required, by contract or otherwise, to put clients back into the position in which they would have been had the error or negligence not occurred. The consequences of such operational errors or negligence could have a material adverse effect on the Enlarged Group's business, reputation and brand, revenues, results of operations and/or financial condition.

The failure of connectivity between the Enlarged Group's offices and between its servers could have an adverse effect on the Enlarged Group.

5 Risks relating to ownership of the Shares

Shareholders will suffer dilution in their ownership following the issue of the New Shares in connection with the Merger

If the Merger completes, Shareholders' proportionate ownership in the Company will be diluted by up to approximately 48 per cent. immediately following Completion. Mr. Karpus and the other persons constituting the Concert Party will agree, pursuant to the terms of the Relationship Agreement, to limit their voting rights at any Shareholder meeting to the lower of: (i) the number of Shares held by them; and (ii) 24.99 per cent. of the votes cast on any resolution by all Shareholders. Accordingly, if the Merger completes, Shareholders' voting interests will be diluted by up to approximately 35 per cent. immediately following Completion. In each case, the proportionate dilution is based on the assumption that 24,118,400 New Shares are issued pursuant to the Merger and no other Shares are issued by the Company between the Latest Practicable Date and Completion.

The price at which the Shares trade may fluctuate and investors may not be able to realise their investment in the Company at a price which reflects its fair value

The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to future performance. In addition, changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments in general and the Enlarged Group's prospects in particular. The Share price may fluctuate as a result of a variety of factors, including the operating and share price performance of other companies in the industries and markets in which the Enlarged Group operates; speculation about the Enlarged Group's business in the press, media or investment community; changes to the Enlarged Group's revenue or profit estimates; the publication of research reports by analysts; and general market conditions. There can be no guarantee that any appreciation in the value of the Shares will occur or that the commercial objectives of the Enlarged Group will be achieved. Investors may not get back the full amount initially invested.

The Company may not be able to maintain the level of dividends it has historically paid or pay any dividends at all

There are no guarantees that the Company will pay dividends or as to the level of any such dividends. The Enlarged Group's results of operations could fluctuate and the Company's ability to pay dividends will depend on, amongst other things, it having sufficient distributable profits. The Company might not pay dividends if the Directors believe this would cause any member of the Enlarged Group to be inadequately capitalised (including taking into account any regulatory restrictions that may be applicable) or if for any other reason the Directors conclude it would not be in the best interests of the Company. Dividends will depend on, amongst other things, the Company's profits, financial position and regulatory capital requirements, accounting changes, general economic conditions and other factors that the Directors deem significant from time to time including any of the risks set out in this section materialising, particularly the potential effect of the COVID-19 pandemic and the reaction of markets thereto. There can be no assurance that the Company will pay dividends or, if it does pay dividends, regarding the amount of such dividends, and consequently Shareholders may not receive their anticipated income stream.

On Admission, Mr. Karpus and the other persons constituting the Concert Party may be able to exercise significant influence over the Enlarged Group

On Admission, Mr. Karpus and the other persons constituting the Concert Party will hold, in aggregate, up to approximately 37.8 per cent. of the Enlarged Share Capital. Notwithstanding the terms of the Relationship Agreement, the Articles and applicable laws and regulations, these Shareholders may be able to exercise significant influence over the Enlarged Group and the Enlarged Group's operations, business strategy and those corporate actions which require the approval of Shareholders.

IMPORTANT INFORMATION

1 Notice to investors

Investors should rely solely on the information contained in this document and the information incorporated by reference into this document (and any supplementary prospectus produced to supplement the information contained in this document) when making a decision as to whether to purchase Shares. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company or the Directors. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to Article 23 of the Prospectus Regulation and Rule 3.4 of the Prospectus Regulation Rules, neither the delivery of this document nor any issue or sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Company and its subsidiaries taken as a whole since the date of this document or that the information contained herein is correct as at any time subsequent to its date. Apart from the responsibilities and liabilities, if any, which may be imposed on Beaumont Cornish or Zeus Capital by FSMA or the regulatory regime established thereunder, neither Beaumont Cornish or Zeus Capital accepts any responsibility whatsoever, or makes any representation or warranty, express or implied, in relation to the contents of this document, including its accuracy, completeness or for any other statement made or purported to be made by it or on behalf of it, the Company, the Directors or any other person, in connection with the Company, the Shares, the Merger or Admission and nothing in this document shall be relied upon as a promise or representation in this respect, whether as to the past or the future. Beaumont Cornish and Zeus Capital accordingly disclaim to the fullest extent permitted by law all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this document or any such statement.

2 Forward-looking statements

Certain statements contained in this document, which include, but are not limited to, statements in respect of the Merger, the expected timetable for completing the Merger, the benefits and synergies of the Merger, and certain plans, targets and expectations relating to the future financial condition, performance, strategic initiatives, objectives and results of CLIG and/or KMI and/or the Enlarged Group constitute “forward-looking statements”. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including terms such as “aim”, “anticipate”, “target”, “expect”, “estimate”, “intend”, “plan”, “goal”, “believe”, “seek”, “may”, “could”, “outlook” and similar statements of a future or forward-looking nature. Forward-looking statements may be affected by a number of variables which are or may be beyond the control of CLIG and/or KMI and which could cause actual results or trends to differ materially, including, but not limited to, domestic and global economic business conditions; market-related risks such as fluctuations in interest rates; the policies and actions of governmental and regulatory authorities; the effect of competition, inflation and deflation; the effect of legislative, fiscal, tax and regulatory developments in the jurisdictions in which CLIG and KMI and their respective affiliates operate; the effect of volatility in the equity, capital and credit markets on profitability and ability to access capital and credit; a decline in credit ratings of CLIG and/or KMI; the effect of operational risks; an unexpected decline in global stock markets and therefore CLIG and KMI’s funds under management; the loss of key personnel; and the impact of any action taken by governmental and regulatory bodies in seeking to suppress the spread of COVID-19 or in its aftermath. Each forward-looking statement contained in this document speaks only as at the date of this document. Except as required by applicable law, including the Listing Rules, the Prospectus Regulation Rules, the Market Abuse Regulation and the Disclosure Guidance and Transparency Rules, the Company expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained in this document to reflect any changes in the Company’s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. By their nature, all forward-looking statements involve known and unknown risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. As a result, undue reliance should not be placed on forward-looking statements. The actual results of operations, financial condition, prospects, growth, synergies, strategies and dividend policy of CLIG and KMI and the Enlarged Group, and the development of the industry in which they operate, may differ materially from the

plans, goals and expectations set forth in any forward-looking statements. In addition, even if the results of operations, financial condition, prospects, growth, synergies, strategies and dividend policy of CLIG and KMI and the Enlarged Group, and the development of the industry in which they operate, are consistent with the forward-looking statements in this document, those results or developments may not be indicative of results or developments in subsequent periods. These forward-looking statements are qualified by the risk factors described in the section entitled “Risk Factors” set on pages 13 to 22 of this document. Any forward-looking statement contained in this document based on past or current trends and/or activities of CLIG and/or KMI should not be taken as a representation that such trends or activities will continue in the future. The statements above relating to forward-looking statements do not in any way qualify the statement as to the sufficiency of working capital set out in paragraph 14 of Part IX (*Additional Information*) of this document.

3 Sources and presentation of financial information

3.1 Sources and presentation of financial information relating to CLIG

Unless specified otherwise, financial information relating to CLIG as at and for each of the years ended 30 June 2018 and 30 June 2019 has been extracted without adjustment from the consolidated, audited financial statements relating to CLIG as at and for the years ended 30 June 2018 and 30 June 2019 and financial information relating to CLIG as at and for the six months ended 31 December 2018 and 31 December 2019 has been extracted without adjustment from the consolidated unaudited interim financial statements relating to CLIG as at and for the six months ended 31 December 2018 and 31 December 2019, which are incorporated into this document by reference as explained in Part X (*Documents Incorporated by Reference*) (the “**CLIG Financial Information**”). The CLIG Financial Information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”).

3.2 Sources and presentation of financial information relating to KMI

Unless specified otherwise, financial information relating to KMI as at and for each of the years ended 30 June 2017, 30 June 2018 and 30 June 2019 has been extracted without adjustment from the audited historical financial information relating to KMI as at and for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 and financial information relating to KMI as at and for the six months ended 31 December 2019 has been extracted without adjustment from the unaudited interim financial information relating to KMI as at and for the six months ended 31 December 2019, which are contained in Part V of this document (*Financial Information on KMI*) (the “**KMI Financial Information**”). The KMI Financial Information has been prepared in accordance with IFRS. The Directors confirm that the interim financial information on KMI has been prepared in a manner consistent with the accounting policies adopted by CLIG in the CLIG Financial Information.

3.3 Enlarged Group financial information

Following Completion, KMI will be a wholly-owned subsidiary of CLIG and the accounting policies applied to KMI will be the same as those applied to CLIG. The Enlarged Group’s financial year will be 1 July to 30 June.

4 Pro forma financial information relating to the Enlarged Group

In this document, any reference to *pro forma* financial information is to information which has been extracted without material adjustment from the unaudited *pro forma* financial information contained in Part VI (*Unaudited Pro Forma Financial Information on the Enlarged Group*) of this document. The unaudited *pro forma* financial information for the Enlarged Group has been prepared in accordance with sections 1 and 2 of Annex 20 of the Prospectus Delegated Regulation in a manner consistent with the accounting policies and presentation adopted by the Group in its unaudited 2020 Interim Financial Statements for the six months period ended 31 December 2019 incorporated by reference in this document. No account has been taken of any results of other activity since 31 December 2019.

The unaudited *pro forma* income statement of the Enlarged Group has been prepared based on the unaudited income statement of the Group for the six months ended 31 December 2019 and the unaudited income statement of KMI for the six months ended 31 December 2019 to illustrate the effect on the income statement of the Group as if the Merger had taken place on 1 July 2019.

The unaudited *pro forma* statement of net assets of the Enlarged Group has been prepared based on the unaudited balance sheet of the Group as at 31 December 2019 and the unaudited balance sheet of KMI as at 31 December 2019 to illustrate the effect on the net assets of the Group as if the Merger had taken place on 31 December 2019.

The unaudited *pro forma* income statement of the Enlarged Group and the unaudited *pro forma* statement of net assets of the Enlarged Group together form the unaudited *pro forma* financial information.

The unaudited *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's actual financial position or results.

It may not therefore give a true picture of the Enlarged Group's financial position or results, nor is it indicative of the results that may or may not be achieved in the future.

5 Non-IFRS financial measures

Any non-IFRS financial measures for CLIG and KMI included in this document are supplementary measures that are not required by, or presented in accordance with, IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measures calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. Such non-IFRS financial measures are included in this document because they are used by management to assess operating performance and as a basis for strategic planning and forecasting. The Directors also believe that these or similar measures are widely used by securities analysts, investors and other interested parties as supplemental measures of operating performance. The non-IFRS measures contained in this document have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, measures presented in accordance with IFRS. In addition, the non-IFRS measure presented by CLIG or KMI may not be comparable to similarly titled measures presented by other businesses, as such businesses may define and calculate such measures differently. Accordingly, undue reliance should not be placed on the non-IFRS measures contained in this document.

6 Rounding

Certain numerical figures contained in this document, including financial information, market data and certain operating data have been subject to rounding adjustments for ease of presentation. Accordingly, in certain instances, the sum of the numbers in a column or a row in tables may not conform exactly to the total figure given for that column or row or the sum of certain numbers presented as a percentage may not conform exactly to the total percentage given.

7 Currencies and exchange rate information

Unless otherwise indicated in this document, all references to:

- (a) "sterling", "pounds sterling" or "£" are to the lawful currency of the UK; and
- (b) "\$" or "US dollars" or "US\$" are to the lawful currency of the US.

Unless otherwise indicated, the financial information contained in this document has been expressed in pounds sterling. The functional currency of the Company is pounds sterling and the Group presents its consolidated financial statements in pounds sterling. The functional currency of KMI is US dollars and it presents its financial statements in US dollars. Where financial information has been converted from one currency to another, the relevant exchange rate used for such conversion is indicated.

8 No profit forecasts or estimates

No statement in this document or incorporated by reference into this document is intended as a profit forecast or profit estimate for any period and no statement in this document or incorporated by reference into this document should be interpreted to mean that earnings per Share for the current or future financial years would necessarily be greater or lesser than those for the relevant preceding financial reports for the Company.

9 Third party information

The Company confirms that all third-party data contained in this document has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third party information has been used in this document, the source of such information has been identified.

10 No incorporation of website

The contents of the Company's or members of the Enlarged Group's websites or any website directly or indirectly linked to the Company's or members of the Enlarged Group's websites do not form part of this document and investors should not rely on them, save for those webpages specifically referred to in paragraph 20 of Part IX (*Additional Information*) and Part X (*Documents Incorporated by Reference*) of this document.

11 Interpretation

Certain terms used in this document, including capitalised terms, are defined in Part XI (*Definitions*).

All references to legislation in this document are to the legislation of England and Wales unless the contrary is indicated. Any reference to any provision of any legislation or regulation shall include any amendment, modification, re-enactment or extension thereof.

References to the singular in this document shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender where the context requires.

12 COVID-19

A Notice of General Meeting of the Company, to be held at 77 Gracechurch Street, London EC3V 0AS at 2.00 p.m. on 13 July 2020, is set out at the end of this document. Due to mandatory measures imposed by the UK Government as a result of the spread of the COVID-19 virus in the United Kingdom, the General Meeting will be convened with the minimum quorum of Shareholders present in order to conduct the business of the meeting. Physical attendance at the General Meeting will be unlawful and those persons wishing to gain entry will be refused. Accordingly, you are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 2.00 p.m. on 9 July 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Alternatively, Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual on the Euroclear website (www.euroclear.com) by not later than 2.00 p.m. on 9 July 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). The results of the votes cast at the General Meeting will be announced as soon as possible, once known, through a Regulatory Information Service, and on CLIG's website at www.citlon.com.

Members have a right under Section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the General Meeting, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) it is undesirable in the best interests of the Company or the good order of the meeting. **Members wishing to raise any questions at the General Meeting should do so by email to investorrelations@citlon.co.uk so as to be received by the Company no later than 2.00 p.m. on 9 July 2020.** You may not use the email address to communicate with the Company for any purposes other than as expressly stated.

13 Notice to Shareholders in the United States

The Shares have not been and will not be registered under the US Securities Act or under any securities laws of any state or other jurisdiction of the US and may not be offered, sold, resold,

transferred or delivered, directly or indirectly, within the US except pursuant to an applicable exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the US.

The Shares have not been and will not be registered on a United States securities exchange or quoted on any inter-dealer quotation system in the United States. The Company does not intend to take any action to facilitate a market in the Shares in the US.

The New Shares to be issued to KMI Stockholders as consideration for the Merger will not be, and are not required to be, registered with the US Securities Act or under the securities laws of any state of the United States, in reliance upon an exemptions from registration thereunder.

SHARE CAPITAL

Number of issued Shares at the Latest Practicable Date	26,560,707
Number of New Shares to be issued	Up to 24,118,400
Price at which the New Shares will be issued ¹	325 pence
Number of Shares in issue immediately following Admission ²	Up to 50,679,107
Estimated market capitalisation of the Company at Completion ^{1, 2}	£164.7 million
New Shares as a percentage of the Enlarged Share Capital immediately following Completion ²	Up to 47.6%
ISIN	GB00B104RS51
Ticker	CLIG
SEDOL	B104RS5

Notes:

- 1 Based on the closing price of the Shares on the date of the Merger Agreement of 325 pence per Share.
- 2 Assuming 24,118,400 New Shares are issued pursuant to the Merger and that no additional Shares are issued by the Company and no options granted under the Employee Share Schemes are exercised between the Latest Practicable Date and Completion.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

The following dates assume the satisfaction of the conditions to Completion set forth in the Merger Agreement by the Longstop Date but are indicative only and subject to change.

Event	Expected time/date
Publication and posting of this document, the Notice of General Meeting and the Forms of Proxy	12 June 2020
Latest time and date for receipt of Forms of Proxy	2.00 p.m. on 9 July 2020
General Meeting	2.00 p.m. on 13 July 2020
Expected date of Completion	1 October 2020
Admission	8.00 a.m. on 1 October 2020

Notes:

1. The times and dates set out in the expected timetable of principal events above and mentioned throughout this document are indicative only and may be adjusted by the Company. Any changes will be notified to Shareholders through an RIS.
2. References to times in this document are to London time unless otherwise stated.

DIRECTORS, COMPANY SECRETARY AND ADVISERS

Directors	<p>Barry Aling (<i>Chairman and Non-Executive Director</i>) Barry Olliff (<i>Founder and Non-Executive Director</i>) Tom Griffith (<i>Executive Director and Chief Executive Officer</i>) Mark Dwyer (<i>Executive Director and Chief Investment Officer</i>) Carlos Yuste (<i>Executive Director and Head of Business Development</i>) Susannah Nicklin (<i>Non-Executive Director, Senior Independent Director and Chair of the Nominations Committee</i>) Peter Roth (<i>Non-Executive Director and Chair of the Audit Committee</i>) Jane Stabile (<i>Non-Executive Director and Chair of the Remuneration Committee</i>)</p>
Company Secretary	Philippa Keith
Registered Office and Directors' business address	<p>77 Gracechurch Street London EC3V 0AS United Kingdom</p>
Sponsor and Financial Adviser	<p>Beaumont Cornish Limited 10th Floor 30 Crown Place London EC2A 4FB United Kingdom</p>
Financial Adviser and Broker	<p>Zeus Capital Limited 10 Old Burlington Street London W1S 3AG United Kingdom</p>
Corporate Finance Adviser	<p>Pakenham Partners Limited 6th Floor 1 Knightsbridge Green London SW1X 7NE United Kingdom</p>
Legal Advisers to the Company as to English law	<p>Stephenson Harwood LLP 1 Finsbury Circus London EC2M 7SH United Kingdom</p>
Legal Advisers to the Company as to US law	<p>Seward & Kissel LLP One Battery Park Plaza New York NY 10004 United States</p>
Legal Advisers to the Financial Advisers	<p>Travers Smith LLP 10 Snow Hill London EC1A 2AL United Kingdom</p>

Auditor	RSM UK Audit LLP 6 th Floor 25 Farringdon Street London EC4A 4AB United Kingdom
Reporting Accountant	RSM Corporate Finance LLP 6 th Floor 25 Farringdon Street London EC4A 4AB United Kingdom
Registrar	Link Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU United Kingdom

**PART I – LETTER FROM THE CHAIRMAN OF
CITY OF LONDON INVESTMENT GROUP PLC**

CITY OF LONDON INVESTMENT GROUP PLC

(a public limited company incorporated in England and Wales with company number 2685257)

Directors:

Barry Aling (*Chairman and Non-Executive Director*)
Barry Olliff (*Founder and Non-Executive Director*)
Tom Griffith (*Executive Director and Chief Executive Officer*)
Mark Dwyer (*Executive Director and Chief Investment Officer*)
Carlos Yuste (*Executive Director and Head of Business Development*)
Susannah Nicklin (*Non-Executive Director, Senior Independent Director
and Chair of the Nominations Committee*)
Peter Roth (*Non-Executive Director and Chair of the Audit Committee*)
Jane Stabile (*Non-Executive Director and Chair of the Remuneration
Committee*)

Registered office:

77 Gracechurch Street
London
EC3V 0AS

12 June 2020

Dear Shareholder,

**Proposed merger (the “Merger”) by Karpus Management, Inc. (“KMI”) with CLIG (“CLIG”) and
Notice of General Meeting**

1 Introduction

On 9 June 2020, the Company announced that it had entered into a Merger Agreement to acquire the entire issued share capital of KMI on a debt free basis. The consideration due under the Merger Agreement will be satisfied through the issue of up to 24,118,400 New Shares in the capital of the Company (which, based on the closing price of the Shares on the date of the Merger Agreement of 325 pence per Share, equates to £78.4 million). In addition, each KMI Stockholder will become entitled to a cash payment (*pro rata* to their interest in KMI) of the amount by which the net working capital of KMI at Completion exceeds \$550,000, up to a maximum amount in aggregate of \$550,000. Completion of the Merger Agreement is conditional on, amongst other things, Shareholder Approval and Admission. On Completion, the Company will become the ultimate holding company of the Enlarged Group.

The Board currently anticipates that Completion of the Merger in accordance with the terms of the Merger Agreement will occur on or around 1 October 2020. For further information on the terms and conditions of the Merger please see Part VIII (*Terms of the Merger*) of this document.

The purpose of this letter is to explain: (i) the background to and reasons for the Merger; (ii) why the Board believes that the Merger is in the best interests of the Group, its Shareholders, clients and employees; and (iii) why the Board recommends that you vote in favour of each of the Resolutions to be proposed at the General Meeting.

This document should be read in its entirety and you should not rely solely on the information in this Part I (*Letter from the Chairman of City of London Investment Group plc*). Your attention, in particular, is drawn to the risk factors set out on pages 13 to 22 of this document.

2 Background to the Merger

The Board believes that the Merger will be of substantial strategic and financial benefit to the Group and for all Shareholders. While CLIG and KMI share a focus on investment in closed-end funds for their respective clients, the two businesses operate in quite separate and distinct market segments. **Your Board believes that this business complementarity will serve to improve the stability of revenues and profits over time,** which it expects should reduce Share price volatility and that, for the reasons set out in the paragraph entitled “6. Financial effects of the Merger” in this Part I (*Letter from the Chairman of City of London Investment Group plc*), the Merger will have the potential to be earnings enhancing for the first full financial year following Completion. Importantly, however, the Group will remain a pure-play asset management business, and the Board believes that the

performance of City of London Investment Management Company Limited (“CLIM”) and KMI will have relatively low correlation in terms of earnings and asset class performance.

The Directors recognise that both businesses are reliant on the support of their clients. For this reason, we have analysed closely the impact of the transaction on both sets of clients. We have identified three reasons why clients will benefit from the establishment of the Enlarged Group. First, the career paths of investment and management personnel in both businesses will be enhanced. Employees will have the opportunity to be part of an Enlarged Group with expanded opportunity. Secondly, the resources at the disposal of the Enlarged Group to support the investment process by enhanced technology and research will be greater. Thirdly, the business risk for CLIG will be reduced by the earnings of the Enlarged Group being expected to be more stable and more diversified; while in KMI, uncertainty caused by the retirement of Mr. Karpus will be resolved.

The Board has considered carefully the impact of the COVID-19 pandemic and has concluded that the strategic rationale for the Merger remains sound and indeed may have been enhanced given the strong strategic fit of the two businesses, the diversification of the revenue base and the risk mitigation which the Directors strongly believe will result from the Merger. Furthermore, the Board is confident that both businesses are well set to take advantage of opportunities when the situation has stabilised.

Also, the Board believes that the funding of the Merger by the issue of New Shares will not only preserve the Group’s current cash balance for future dividends but also lead to improved liquidity in the Company’s Shares in the medium to long-term due to the resulting larger market capitalisation.

Throughout its 29-year history, the Group has pursued a value-driven approach to the management of assets through the use of closed-end funds to provide enhanced investment performance for an institutional client base that is predominantly US-based. The twin strategies of using investment consultants to extend its marketing reach and constructing a closed-end fund platform to enhance relative returns has created a successful business investing in emerging markets. More recently, the strategy to diversify dependence on volatile emerging markets through the creation of parallel products in developed markets has been a success and the Board believes that this organic shift in the asset mix will continue to yield positive results. However, organic diversification is a slow process, requiring many years to establish teams able to generate a superior track record that will attract new fund flows. The Group has always been mindful of the need to consider merger or acquisition opportunities that could accelerate growth and stabilise a revenue stream which is relatively volatile and may be difficult to forecast. In attempting to diversify by means of closed-end funds or compatible products, the Company has, over the years, looked at a wide range of businesses to identify opportunities to spread risk, create economies of scale, and provide greater security and career opportunities for employees. On each occasion when management looked in depth at a business, they have decided for cultural or structural reasons, or as a result of conflicts of interest, not to proceed.

For over 10 years, the Company has been aware of KMI, an investment management business that uses closed-end funds amongst other securities, as a means to gain exposure for its client base, which is concentrated in the wealth management sector. Through a process of regular contact at an industry level over a number of years, the management of both firms have become more familiar with their counterparts, gaining an insight into the similarities in terms of business culture and philosophy. At the beginning of 2018, these contacts entered a more formal phase in which the potential benefits of a business combination were explored for the first time in detail. The corporate cultures of both CLIG and KMI are performance-based, sharing a commitment to investment returns and repeatable investment processes, including significant use of closed-end funds. Both firms are entrepreneurial – created from strong individual leadership and dynamism, which is now passing to the next generation of management. In our discussions, management believe that the professionals within the two firms have earned each other’s respect based on their professional track records.

It is intended that CLIM and KMI would remain separate investment management entities within the Enlarged Group for the foreseeable future. The intention is not to alter either investment management business. Existing offices will remain in place staffed by existing personnel. No client-facing functions will alter. Savings, improvements, and economies of scale that may be achieved are at the holding company level in the functions of finance, payroll, information technology and certain aspects of operations.

For the Company's strategy and leadership, the proposed Merger clarifies the future direction of the Group by geography, with reinforced strength in the US. Tom Griffith, based in the US, will continue as Chief Executive Officer, backed by an experienced management team. The founders of CLIG and KMI, Mr. Olliff and Mr. Karpus respectively, support this transaction, which they view as a culmination of their business visions. Each will remain owners of significant stakes in the Company's Shares and will be committed to the transition of their businesses under new leadership.

As stated earlier, attaining adequate scale through sustained growth has been a key Group objective. Management believe that, viewed from a Shareholder and employee perspective, the ongoing marginal erosion of the Group's average fees (partly as a result of our recent product diversification and partly due simply to industry trends), could give the appearance of a Company entering a slower growth phase. While we are confident that recent successes in achieving organic growth in the diversified products will continue, it is also the case that security and motivation are needed to maintain the Group's enviable employee retention record, established over the past 20 years. This Merger provides employees with career opportunities, which in the long term will be transformative and, in terms of scale, will enable the Group to develop its strategy and expand its ambitions to compete more extensively and in new markets.

The Board is unanimous in believing that there are specific benefits for Shareholders arising from the Merger. In terms of culture, objectives, background, and investment approach, the Merger represents a significant opportunity to operate in a cohesive group. The two investment firms benefit each other with complementary brands, products and US client bases. As such, we believe that this Merger would serve the best interests of all of our stakeholders: Shareholders, clients and employees.

3 Summary information on CLIG

3.1 Overview

The Group is a growing fund management group, which has built its reputation by specialising in emerging markets closed-end fund ("CEF") investment, with an institutional client focus predominantly based in the US. Over the years, the Group has expanded its range to include Developed, Frontier, Opportunistic Value and Tactical Income CEF strategies and, more recently, an Emerging Market and International Real Estate Investment Trust ("REIT") strategy.

As at 31 May 2020, the Group had US\$5.0 billion of funds under management ("FuM") with an institutional client base that remains largely stable. The Group has established offices in London, the US (East Coast and West Coast), Singapore and Dubai, and manages money using a team approach working around the global time zones.

The Group has eight key strategic objectives for CLIM namely: (i) to offer outperformance for clients against its peers through an investment cycle which is defined as five years; (ii) to maximise total Shareholder returns (calculated as any increases in the Share price plus any dividends paid on the Shares) over the economic cycle consistent with its fiduciary duties to all stakeholders; (iii) to ensure high employee retention using a partnership approach and a long-term view with regard to remuneration; (iv) to increase FuM from long-term institutional investors; (v) to remain open in dealings with Shareholders and making management available and accountable; (vi) to remain committed to keeping costs down within all aspects of the business; (vii) to offer good corporate citizenship; and (viii) to continue to diversify the Group's business activities.

For further information on CLIG, please see Part II (*Business Overview of City of London Investment Group plc*) and Part IV (*Financial Information on City of London Investment Group plc*) of this document.

3.2 CLIG's current trading position and outlook

On 17 February 2020, the Company announced its unaudited half year results for the six months ended 31 December 2019 and reported that the Group received notification of approximately US\$182 million of net inflows in aggregate across all strategies.

The Group's Emerging Markets strategy outperformed against its relative indices in 2018 and 2019 and remained either first or second quartile against peers for 1, 5, 10, and 15 years, and since inception. (*Source: Evestment Alliance*). In addition, the Developed strategy had been in the first or second quartile against peers for 1, 3, and 5 years and since inception and the Opportunistic Value strategy had been in the first quartile against peers for the same period (*Source: Evestment*

Alliance), which had been achieved while investing the inflows from new client mandates. The Emerging Market REIT and International REIT strategies posted positive results for the six-month period to 31 December 2019 in relative and absolute terms, driven by good stock selection.

However, on 11 March 2020, the World Health Organisation announced that the outbreak of COVID-19 (commonly referred to as Coronavirus) had been declared a global pandemic. The full impacts of the outbreak are unknown and rapidly evolving, but the potential adverse impact of a widespread and prolonged health crisis on the global economy, has resulted in a substantial decline in financial markets and heightened levels of volatility. The future impact of the outbreak is still highly uncertain and cannot be predicted and the extent of the impact will depend on future developments, including actions taken to contain the coronavirus and fiscal and monetary stimuli offered by governments globally.

The Group has taken a number of steps to protect the welfare of the Group's employees and comply with the far reaching emergency measures which national governments have introduced to restrict the spread of infection of COVID-19 by social distancing measures which have, *inter alia*, substantially limited non-essential travel, resulting in an unforeseen level of remote home-working by the Group's employees. The Group has been preparing and testing its Disaster Recovery and Business Continuity Plans for years in order to ensure full operational capability. Currently, all employees are working remotely across the Group's five global offices in order to both protect their health and comply with local regulations. Employees remain connected via audio, video and full network connectivity to all critical systems with security protocols in place to protect client data.

As part of CLIG's regular reporting, the Company publishes within its trading results a dividend cover illustration in the form of a quarterly bar chart ("**Template**") based on certain trading assumptions, most recently, in the Company's half year results announcement for the six months ended 31 December 2019. As CLIG's clients pay investment management fees on a regular (monthly, quarterly or other) basis calculated as a percentage of funds under management, revenue is directly linked to the value of total funds under management. The last published Template was based on the value of FuM as at 31 December 2019 and assumed no market growth.

As a consequence of the fall in the markets largely due to COVID-19 in which CLIG invests, as at 31 March 2020, CLIG's total FuM amounted to US\$4.4 billion, representing a fall of 26.6 per cent. from FuM as at 31 December 2019, as announced by the Company on 21 April 2020. For the reasons set out in paragraphs 8.1 and 8.2 of Part II (*Business Overview of City of London Investment Group plc*) of this document below, the Company has therefore withdrawn the Template as it is no longer valid and will not re-introduce any market guidance for the time being until the COVID-19 pandemic has abated. As at 31 May 2020, CLIG's total FuM had increased to US\$5.0 billion. The Group's results are also impacted by any change in the valuation of other financial assets, reflected in the Consolidated Income Statement under "Interest Receivable and Similar Gains". As at 31 December 2019, unaudited other financial assets, net of corresponding non-controlling interest, amounted to £4.6 million. As at 30 April 2020, unaudited other financial assets net of corresponding non-controlling interest amounted to £3.7 million.¹

Whilst there has been a short-term impact in the Company's trading performance and whilst it is too early to say whether or to what extent this will continue for the foreseeable future, the Directors believe that the Company's position within its sector remains solid and, therefore, when the markets recover, the Directors believe that the Company can return to the levels of growth that it has demonstrated in prior years.

1. Note: The financial information in this paragraph in relation to other financial assets, net of corresponding non-controlling interest, has been extracted without material adjustment from CLIG's unaudited interim accounts for the six months ended 31 December 2019 (incorporated by reference in this document as set out in Part X (*Documents Incorporated by Reference*)), and the unaudited internal CLIG management accounts as at 30 April 2020, prepared in a manner consistent with the accounting policies and presentation adopted by the Group in preparing its unaudited interim financial statements for the six month period ended 31 December 2019.

4 Summary information on KMI

4.1 Overview

KMI is a US SEC-registered investment adviser, providing investment management services primarily for US high net worth clients and small corporate accounts.

As at the last quarter end of 31 March 2020, KMI managed US\$3.2 billion in funds under management for 2,273 client accounts. As at 31 May 2020, KMI's estimated FuM amounted to US\$3.4 billion. Most client assets are managed in balanced portfolios, with over 50 per cent. invested in CEF and CEF-preferred securities. KMI employs 36 staff including 11 that perform investment advisory functions, including research.

KMI was founded by George W. Karpus in 1986 in Rochester, New York State and has a sales office in Naples, Florida. Mr. Karpus holds approximately 66.1 per cent. of KMI's equity, with 13.3 per cent. owned by Mr. Karpus's family members, 10.0 per cent. by a charitable foundation and a university, and the remainder by management and one former executive.

FuM, revenues and profits had been generally stable over the past 10 years, with a gradual increase over the last four years to December 2019, due to a combination of market appreciation and net inflows. Fee income for each of the three financial years ended 30 June 2019 (as set out in Part V (*Financial Information on Karpus Management, Inc.*) of this document) was US\$23.3 million (2017), US\$25.0 million (2018), and US\$25.7 million (2019) respectively.

KMI's unaudited total assets were approximately US\$11.3 million as at 31 December 2019. KMI's audited profit after tax for the year to 30 June 2019 amounted to approximately US\$0.5 million. Please refer to the paragraph entitled "6. Financial effects of the Merger" in this Part I (*Letter from the Chairman of City of London Investment Group plc*) of this document for a discussion of the financial effects of the Merger.

The selected financial information for KMI set out above in this paragraph has been extracted without material adjustment from the audited historic financial information of KMI set out in Part V (*Financial Information on Karpus Management, Inc.*), Section B of this document and the unaudited interim financial information of KMI set out in Part V (*Financial Information on Karpus Management, Inc.*), Section C of this document

4.2 KMI's current trading position and outlook

KMI has also been affected by the COVID-19 outbreak. Prior to such outbreak, KMI had maintained a defensive posture regarding its investment decisions and had taken a risk-averse stance to pre-emptively reduce equity exposure prior to the market volatility. Due to increased volatility and significant discount widening, KMI has substantially increased client holdings in closed-end funds. KMI believes that the response of many investors to the outbreak has created a favourable buying opportunity in such funds, and believes these opportunities should increase value for its clients in the long-term. As at 31 May 2020, KMI estimates that its FuM amounted to US\$3.4 billion.

5 Rationale of the Merger

The Directors believe that the Merger will deliver the following strategic and financial benefits to the Group:

- **Significant diversification:** The Directors believe that the Merger with KMI is highly complementary and represents an opportunity for significant diversification, which is in line with the Group's strategic plan.
- **Reinforces strength and presence in US:** The Directors believe that the addition of KMI will reinforce the Group's presence in the US where it is already very well established.
- **Complementary activities with scale:** The Merger is expected to establish CLIG in a new but related segment with immediate scale. KMI invests in the CEF sector, which relates to CLIG's core market, and has delivered strong investment performance for its clients.
- **Potential for reduced earnings volatility:** The Directors believe that the earnings of the wealth management sector can be less volatile than other parts of the asset management sector and can offer long-term stable client relationships. The Merger will diversify CLIG from the potentially more volatile Emerging Market segment of asset management, therefore reducing earnings volatility for the Enlarged Group. By way of example, in the three months to

31 March 2020 when markets experienced significant falls as a result of COVID-19, KMI's FuM fell by approximately 11 per cent. compared with a fall in CLIG's FuM of almost 27 per cent. over the same period.

- **KMI management will become significant stakeholders in the Enlarged Group:** The founder and management team of KMI will become significant stakeholders in the Enlarged Group as the Merger is a share-based transaction and the KMI Stockholders will be subject to the Lock-up Deed.
- **Potential for improved liquidity in CLIG's Shares in the medium term:** The Directors believe that in the medium-term onwards, the Merger has the potential to improve liquidity in the Shares.

6 Financial effects of the Merger

Set out in Section A of Part VI (*Unaudited Pro Forma Financial Information on the Enlarged Group*) of this document, the *pro forma* statement of net assets shows net assets of the Enlarged Group of £18.7 million as at 31 December 2019 and the *pro forma* income statement shows a profit before tax of the Enlarged Group for the six months ended 31 December 2019 was approximately £4.1 million. As referred to in Note 4 of Section B of Part V (*Financial Information on Karpus Management, Inc.*) of this document, in the year ended 30 June 2019, KMI recorded remuneration to the highest paid member of key management, being Mr. Karpus, its Chairman, Chief Investment Strategist and 66.1 per cent. stockholder, of US\$15.5 million. Mr. Karpus will resign from KMI on Completion although the Board currently proposes to offer him a position as consultant to KMI in consideration for an annual fee of **US\$100,000** and the reduction in his remuneration would, to the extent that earnings are continued to be made by KMI, be available to enhance the earnings of the Enlarged Group.

It is estimated by the Directors of CLIG and KMI that at 31 May 2020 they had FuM of US\$5.0 billion and US\$3.4 billion respectively.

7 Post-Merger integration

Operational matters and areas of potential mutual benefits

CLIG intends that KMI will continue to operate as a distinct entity and a fully operational business within the Enlarged Group. It is anticipated that there will be areas of mutual advantage and support, for example in the areas of marketing initiatives, finance, payroll, information technology and operational support.

Management of the Enlarged Group

Many of the Group's operational functions are already based in the US and will remain so following Completion of the Merger. Tom Griffith will remain as Chief Executive Officer and will be based in Coatesville, Pennsylvania and report to the CLIG Board of Directors.

CLIG has a high regard for the management team and staff at KMI, and it is the intention that, save for Mr. Karpus who will resign from KMI on Completion, the KMI team should remain in place following Completion of the Merger and that the terms and conditions of the team's employment will remain largely unchanged.

A management committee will be formed with members from both businesses.

The Board of CLIG has agreed to offer Mr. Karpus the right to nominate one Non-Executive Director and one Executive Director to the Board of CLIG following Completion, as described in the paragraph entitled "Summary of the Relationship Agreement" in paragraph 8 of this Part I (*Letter from the Chairman of City of London Investment Group plc*) below.

8 Principal terms of the Merger

Summary of the Merger Agreement

Under the terms of the proposed Merger, the Company will become the holding company of the Enlarged Group, comprising CLIM and KMI.

The consideration due under the Merger Agreement will be satisfied through the issue of up to 24,118,400 New Shares in the capital of the Company (which, based on the closing price of the

Shares on the date of the Merger Agreement of 325 pence per Share, equates to £78.4 million). In addition, each KMI Stockholder will become entitled to a cash payment (*pro rata* to their interest in KMI) of the amount by which the net working capital of KMI at Completion exceeds US\$550,000, up to a maximum amount in aggregate of US\$550,000. On the terms and subject to the conditions of the Merger Agreement, at Completion, each KMI Stockholder shall receive up to 79.18 New Shares for every KMI Share, with any fractional entitlement to New Shares forfeited by the KMI Stockholders. The aggregate number of New Shares to be issued to KMI Stockholders shall be reduced if, at the date which is three days prior to Completion, the aggregate assets under management (as measured at 30 April 2020 but as adjusted for new deposits or withdrawals between 30 April 2020 and such pre-Completion measurement date) of KMI's clients who have by such date, consented to the Merger is less than US\$3.0595 billion. In such circumstances, the aggregate number of New Shares to be issued to KMI Stockholders shall be reduced by a number of Shares equal to 24,118,400 multiplied by a percentage arrived at by taking (i) 95 per cent. and subtracting (ii) the quotient expressed as a percentage arrived at by dividing KMI's aggregate assets under management (as determined pursuant to the foregoing sentence) by US\$3.2205 billion.

US\$10.0 million worth of New Shares valued as at, and due to Mr. Karpus on, Completion shall be placed in escrow with a third-party escrow agent as security against any indemnification or adjustment claims made against Mr. Karpus under the terms of the Merger Agreement. The escrowed New Shares, and the distributions accruing on them, shall be released in stages up to the fifth anniversary of Completion.

The Merger will be implemented by way of a reverse triangular merger in accordance with the New York Business Corporation Law and in accordance with the terms of the Merger Agreement. Subject to the satisfaction of certain conditions, including the approval of Shareholders, the Company and KMI shall procure that Merger Sub (a newly-formed, direct wholly-owned subsidiary of Company) will merge with and into KMI, with KMI surviving such merger as a direct wholly-owned subsidiary of the Company.

Application will be made for the New Shares to be listed on the premium segment of the Official List and to be admitted to trading on the premium segment of the main market of the LSE, in each case, upon Completion. Pursuant to the Lock-up Deed, the KMI Stockholders will agree that, subject to certain customary exceptions, for a period of 12 months from Completion, they will not, without the prior written consent of the Company and Zeus Capital, offer, sell or contract to sell, or otherwise dispose of any New Shares (or any interest therein or in respect thereof) or enter into any transaction with the same economic effect as any of the foregoing. In addition, for a further period of 12 months, without the prior written consent of the Company and Zeus Capital, the KMI Stockholders have agreed that they will not dispose of any interest in the New Shares other than through Zeus Capital, subject to the terms relating to price and execution offered by Zeus Capital being no less favourable than other brokers at that time and on a "best execution" basis.

The KMI Stockholders will further agree to waive their entitlement to receive: (i) the final dividend declared on the Shares in respect of the financial period to 30 June 2020 in respect of their entire holding of Shares; and (ii) the interim and final dividend declared on the Shares in respect of the financial period to 30 June 2021 in respect of such percentage of their holding of Shares which represents the number of days in that financial period for which they do not hold Shares, divided by 365.

Completion is subject to customary conditions for a transaction of this size and type including, among other things, the following: (i) approval of the Merger by KMI Stockholders (which condition has been satisfied); (ii) approval of the Merger, of the authority to allot New Shares in connection with the Merger and of the Rule 9 Waiver by Shareholders at the General Meeting; (iii) receipt of customary regulatory approvals, including, among others: (a) expiration or termination of any applicable waiting period under the US Hart-Scott-Rodino Antitrust Improvements Act of 1976; (b) approval of the Merger by the FCA in respect of Mr. Karpus becoming a controller of CLIM; (c) approval from the applicable governmental authorities in Singapore; (iv) KMI's FuM immediately before Completion in respect of clients who have consented to the Merger being at least US\$2.5764 billion, where for this purpose FuM is measured at 30 April 2020 but as adjusted for new deposits or withdrawals between 30 April 2020 and the date that is three business days prior to the Completion date; (v) CLIG's FuM as at 1 July 2020 being at least US\$3.5 billion, where for this purpose FuM is measured as US\$4.828 billion but as adjusted for new deposits or withdrawals

between 30 April 2020 and 1 July 2020; (vi) admission of the New Shares to listing on the premium segment of the Official List, and to trading on the premium segment of the main market of the London Stock Exchange becoming effective; and (vii) the absence of a material adverse change on the business, assets, financial condition, operating results, or liabilities of KMI.

The Company will announce Completion of the Merger through an RIS as soon as practicable following Admission.

Further details of the terms of, and conditions to, the Merger, are set out in Part VIII (*Terms of the Merger*) of this document.

Summary of the Relationship Agreement

The Company will enter into the Relationship Agreement with Mr. Karpus and the other members of the Concert Party on or prior to Completion which will, conditional upon Admission, regulate the ongoing relationship between the Company and the Concert Party. The principal purpose of the Relationship Agreement is to ensure that: (i) all transactions and arrangements between the Company or any other member of the Group and the Concert Party and/or any of its associates shall be conducted at arm's length and on normal commercial terms; (ii) neither the Concert Party nor any of its associates take any action that would have the effect of preventing the Company from complying with its obligations under the Listing Rules; and (iii) neither the Concert Party nor any of its associates propose or procure the proposal or passing of a Shareholder resolution which is intended or appears to be intended to circumvent the proper application of the Listing Rules.

Mr. Karpus and the other persons constituting the Concert Party will further agree, pursuant to the terms of the Relationship Agreement, to limit their voting rights at any Shareholder meeting to the lower of: (i) the number of Shares held by them; and (ii) 24.99 per cent. of the votes cast on any resolution by all Shareholders.

From Completion, Mr. Karpus has the right to nominate one Non-Executive Director (the "**Nominated NED**") and, for so long as Relevant Shareholders (being Mr. Karpus, the other members of the Concert Party and any charities or family trusts to whom Mr. Karpus has transferred Shares) hold 20 per cent. or more of the issued share capital of the Company, one Executive Director (the "**Nominated Executive**"), provided always that such nominated directors shall constitute no more than 24.99 per cent. of the total number of Directors of the Company. The appointment of the nominated Directors shall be subject to the approval of the Board, not to be unreasonably withheld or delayed and those Directors shall be subject to retirement by rotation in accordance with the Articles.

Mr. Karpus shall not be entitled to nominate himself as the Nominated Executive. In the event that Mr. Karpus nominates himself as the Nominated NED, his appointment will terminate at the Company's annual general meeting to be held in 2021. Prior to the Company's annual general meeting in 2021, Mr. Karpus may request the Board and its nomination committee to consider the continuation of Mr. Karpus's appointment as a Non-Executive Director beyond the Company's annual general meeting in 2021. If the Board resolves to approve such continuation, Mr. Karpus's re-election shall be subject to the approval of the Company's Shareholders at the Company's annual general meeting in 2021. If Mr. Karpus is to step down as a Director at the Company's annual general meeting in 2021: (a) he shall have the opportunity to participate in the selection of an additional independent Non-Executive Director, whether or not he is at the time a member of the Board's nomination committee; and (b) he shall also be appointed as "chairman emeritus" following the end of his appointment as a Director and, in such role, shall be entitled to receive, notice of, and attend and speak at, all Board meetings and to receive copies of all Board papers but shall not be entitled to vote on any resolutions proposed.

The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on an independent business as its main activity in accordance with the requirements of the Listing Rules.

Effect of Enlarged Share Capital

Immediately following Admission of the New Shares, the Enlarged Share Capital is expected to be up to 50,679,107 Shares. On this basis, the New Shares will represent up to approximately 47.6 per cent. of the Enlarged Share Capital immediately following Admission, of which the Concert Party will hold up to 37.8 per cent. (including Mr. Karpus who will hold up to 31.5 per cent.).

9 Costs and expenses of the Merger and Admission

The total costs, charges and expenses payable by the Company in connection with the Merger and Admission are expected to be up to approximately £3,300,000 (plus VAT, where applicable). There are no commissions, fees or expenses to be charged to investors by the Company.

10 Dispensation from Rule 9 of the Takeover Code

The Takeover Code applies to the Company and governs, amongst other things, transactions which may result in a change of control of a company to which the Takeover Code applies.

Rule 9 of the Takeover Code

Under Rule 9 of the Takeover Code, any person who acquires, whether by a series of transactions over a period of time or not, an interest in shares which, taken together with shares in which he is already interested, or in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Takeover Code, is normally required to make a general offer to all the remaining shareholders to acquire their shares. Similarly, Rule 9 of the Takeover Code also provides that when any person, together with persons acting in concert with him, is interested in shares which, in aggregate, carry more than 30 per cent. of the voting rights of such company, but does not hold shares carrying 50 per cent. or more of such voting rights, a general offer will normally be required if any further interest in shares is acquired by any such person. An offer under Rule 9 must be in cash and must be at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company in question during the 12 months prior to the announcement of the offer.

Concert Party

Persons acting in concert include persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of a company. The Concert Party consists of Mr. Karpus and 12 of his family members, all of whom are presumed to be acting in concert under the Takeover Code. Full details of, and information on, the members of the Concert Party who are presumed to be acting in concert for the purposes of the Takeover Code and their interests in the Company are set out in paragraph 7 of Part IX (*Additional Information*) of this document.

Waiver of Rule 9 of the Takeover Code

The Takeover Panel has agreed, subject to the Whitewash Resolution being passed on a poll of Independent Shareholders, to waive the requirement for the Concert Party to make a general offer to all Shareholders where such an obligation would arise as a result of members of the Concert Party acquiring the New Shares (the “**Rule 9 Waiver**”). In the event that the waiver by the Takeover Panel is approved by Independent Shareholders passing the Whitewash Resolution at the General Meeting, on Completion of the Merger, the Concert Party will hold in aggregate, up to 19,145,222 Shares, representing up to approximately 37.8 per cent. of the Enlarged Share Capital.

Notwithstanding the Waiver, the individual members of the Concert Party will not be able to increase their percentage shareholding through or between a Rule 9 threshold without the consent of the Takeover Panel. In addition, in the event that the Waiver is approved at the General Meeting, neither the Concert Party nor any other person acting in concert with it will be restricted from making an offer for the Company.

11 Risk factors

Investors should consider fully and carefully the risk factors associated with the Group, the Enlarged Group, the Merger and the Shares, which are set out on pages 13 to 22 of this document.

12 Dividend policy

For the financial year to 30 June 2019, the Board declared dividends of 40.5 pence per Share (calculated based on the weighted average number of Shares in issue for the year). This included a special dividend of 13.5 pence per Share.

The Board of CLIG attaches great importance to providing Shareholders with a stable flow of dividends, balanced by a policy of prudential capital management. To this end, the Board has for

some years adhered to a dividend cover ratio of 1.2 times profit after taxation attributable to Shareholders based on rolling 5-year periods, using accumulated retained earnings to address any short-term profit shortfalls that derive from volatility in the markets in which CLIM invests. The Board of CLIG intends to continue with the same dividend policy on Completion of the Merger.

13 Taxation

Certain information about UK and US taxation is set out in Part VII (*Taxation*) of this document. Such information is intended only as a general guide to the current UK and US tax position. If you are in any doubt as to your tax position, or if you are subject to tax in a jurisdiction other than the United Kingdom or the United States, you should consult your own independent tax adviser without delay.

14 General Meeting

As a result of the size of KMI when compared to CLIG, the Merger is classified under the Listing Rules as a Class 1 Transaction, and its implementation requires the approval of Shareholders at a general meeting. Shareholders will also be asked to approve the allotment of the New Shares as well as the Whitewash Resolution.

The Resolutions are summarised as follows:

Resolution 1

Resolution 1 proposes that the Merger be approved and that the Directors be authorised to take all steps and enter all agreements and arrangements necessary or appropriate to implement the Merger. In accordance with the Listing Rules, it will be proposed as an ordinary resolution requiring a simple majority of votes in favour.

Resolution 2

Resolution 2 proposes that the Directors be generally and unconditionally authorised to allot and issue equity securities in connection with the Merger up to an aggregate nominal amount of £241,184.00 which represents 90.8 per cent. of the Company's issued share capital at the Latest Practicable Date. If granted, this authority will expire on 31 December 2020. In accordance with the Companies Act 2006, this resolution will be proposed as an ordinary resolution, requiring a simple majority of votes in favour, and is conditional upon the passing of Resolution 1.

Resolution 3

Resolution 3 proposes that the Rule 9 Waiver be approved. This resolution will be proposed as an ordinary resolution, requiring a simple majority of votes in favour. In accordance with the Takeover Code, this resolution will need to be approved by way of a poll of the Independent Shareholders.

A notice convening a General Meeting to be held at 2.00 p.m. on 13 July 2020, at which the Resolutions will be proposed, is set out at the end of this document in the Notice of General Meeting. **Please refer to paragraph 15 below in relation to the arrangements the Board is making for the General Meeting due to measures imposed by the UK Government as a result of the spread of the COVID-19 virus.**

Completion of the Merger is conditional upon all of the Resolutions being passed.

15 Action to be taken

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the General Meeting. Due to mandatory measures imposed by the UK Government as a result of the spread of the COVID-19 virus in the United Kingdom, the General Meeting will be convened with the minimum quorum of Shareholders present in order to conduct the business of the meeting, which is in accordance with the latest guidance published by the Department for Business, Energy & Industrial Strategy and the Financial Reporting Council. Physical attendance at the General Meeting will be unlawful and those persons wishing to gain entry will be refused. **However, all resolutions will be taken on a poll and, accordingly, you are strongly advised to complete and return the enclosed Form of Proxy in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by the Registrar, Link Asset Services, PXS1, 34 Beckenham Road, Beckenham, Kent BR3 4TU, by not later than 2.00 p.m.**

on 9 July 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). Alternatively, Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual on the Euroclear website (www.euroclear.com) by not later than 2.00 p.m. on 9 July 2020 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting).

The results of the votes cast at the General Meeting will be announced as soon as possible, once known, through a Regulatory Information Service, and on CLIG's website at www.citlon.com.

Members have a right under Section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the General Meeting, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) it is undesirable in the best interests of the Company or the good order of the meeting. Members wishing to raise any questions at the General Meeting should do so by email to investorrelations@citlon.co.uk so as to be received by the Company no later than 2.00 p.m. on 9 July 2020. You may not use the email address to communicate with the Company for any purpose other than as expressly stated.

16 Further information

Your attention is drawn to the further information set out in this document. Shareholders should read all of the information contained in this document before deciding on the action to take in relation to the General Meeting. The results of the votes cast at the General Meeting will be announced as soon as possible, once known, through a Regulatory Information Service, and on CLIG's website at www.citlon.com.

17 Recommendation and voting intentions

The Board of CLIG, who has been so advised by Zeus Capital in relation to the Rule 9 Waiver, believes that the Rule 9 Waiver is fair and reasonable and in the best interests of the Group and its Shareholders as a whole. In providing its advice to the Directors, Zeus Capital has taken into account the commercial assessments of the Directors.

Further, the Board of CLIG considers the Merger and the Resolutions to be in the best interests of the Group and its Shareholders as a whole.

Accordingly, the Board unanimously recommends that Shareholders vote in favour of the Resolutions, as all of the CLIG Directors intend to do in respect of their own beneficial shareholdings, amounting to 2,469,026 Shares in aggregate as at the Latest Practicable Date (representing approximately 9.3 per cent. of the Existing Ordinary Shares).

Yours faithfully,

Barry Aling
Chairman

PART II – BUSINESS OVERVIEW OF CITY OF LONDON INVESTMENT GROUP PLC

1 Introduction

The Group is a growing fund management group, which has built its reputation by specialising in Emerging Markets closed-end fund investment, with an institutional client focus predominantly based in the US. Over the years the Group has expanded its range to include Developed, Frontier, Opportunistic Value and Tactical Income CEF strategies and a Real Estate Investment Trust strategy.

At 31 May 2020, the Group had an estimated US\$5.0 billion of funds under management with a stable institutional client base. The Group has established offices in the US (East Coast and West Coast), London, Singapore and Dubai, and manages money using a team approach working around the global time zones.

2 History

The Group was founded in 1991 by Barry Olliff and was formed out of the London-based operations of Olliff & Partners plc (“O&P”). O&P was an agency stockbroker and corporate finance boutique specialising in the UK investment trust sector. As part of the brokerage research effort, the firm identified significant pricing inefficiencies particularly in those funds giving Emerging Markets exposure.

The Board of O&P determined the most appropriate way to capitalise on these inefficiencies was from an investment management standpoint and launched City of London Group Unit Trust Managers Limited, the predecessor of CLIM in 1991. The first active Emerging Markets unit trust product, The Emerging Markets Country Trust, was launched in September 1991.

In 1994, the firm launched a US institutional Emerging Markets strategy for tax-exempt investors. The firm registered with the SEC as an investment advisor in April of 1994. A Canadian marketing presence was also established that year. Over the following six years, a number of institutional funds for North American clients were launched as Emerging Markets benchmarks were developed in the industry and, by 2000, the Group had become a specialist CEF manager, opening its first US office on the East Coast, closing its stockbroking interests, and establishing an office in Singapore.

In 2006, CLIG floated on AIM and by the end of that decade the Group had opened a further office in Dubai and moved to the premium segment of the Official List and to trading on the main market of the London Stock Exchange.

Since 2010, the business has continued to expand both in terms of CEF products and FuM and the Group opened an additional US office in Seattle to serve West Coast clients. In 2019, as part of its diversification strategy, the Group launched an Emerging Markets REIT and an International REIT strategy.

3 Business description

3.1 Overview

At CLIG the focus is on developing products for its global institutional clients that reflect the business’s expertise. Initially, and for many years since the firm was founded, that expertise was very specific to CEFs which offered Emerging Markets exposure. This was subsequently complemented by applying the investment management’s expertise of CEFs around the world to the creation of a Developed Markets CEF strategy, a Frontier Markets CEF strategy and an Opportunistic Value CEF strategy, using a similar investment process. Additionally, for US taxable investors, CLIM created a Tactical Income CEF strategy, with a focus on maximizing after-tax returns. Today, while the management remains both proud and protective of its “boutique” status, the range of products still centres around its main area of expertise, CEFs.

Management have always strived to develop an investment process which does not rely on ‘star’ fund managers, but rather upon a series of analytical procedures that can produce repeatable and sustainable first or second quartile performance versus the Group’s peers. The process employs an array of proprietary tools for analysing and identifying value. These quantitative tools supplement both macroeconomic analysis and the trading expertise that has been developed over a period of more than 20 years.

The clients of CLIM are the basis of the business. Investment performance is a first priority and client service is a close second. Management consider that a “one size fits all” approach is not appropriate and aim to be open and accessible to each and every client. Whilst the business has a designated client service team, management also expect and encourage the institutional client base to enjoy direct contact with fund managers and other key individuals within the investment management team. Management understand that the focus on client service is a key driver for long-term client retention.

3.2 Six key drivers of the business

The Directors believe that the business philosophy can be defined by six key drivers: (i) a strong focus on profitability, margins and cost control; (ii) investment performance should drive the business; (iii) technology can help leverage capabilities; (iv) risk averseness is a keynote in the management of the business; (v) aim for diversification based on the core competencies of the business; and (vi) offer proactive client servicing aiming to increase client retention.

3.3 Governance and culture

The Board recognises the importance of good corporate practice and is committed to maintaining high standards of corporate governance throughout the Group. The Board comprises three Executive Directors and five Non-Executive Directors. The Directors intend to comply with the UK Corporate Governance Code in such respects as are appropriate for a company of this size, nature and stage of development.

The Board meets regularly and has overall responsibility for ensuring that the Group is properly led and controlled and is accountable to Shareholders for financial and operational performance. The Board reviews trading performance, ensures adequate financing, sets and monitors strategy, examines investment and acquisition opportunities and discusses reports to Shareholders.

The Board has established an Audit Committee, a Remuneration Committee and a Nominations Committee with formally delegated duties and responsibilities. Each of the Committees comprises three Non-Executive Directors, who may invite other members of the Board to attend meetings as appropriate.

As previously announced on 31 December 2019, Mr. Olliff, the founder of CLIG, is remaining on the Board of CLIG as a Non-Executive, non-independent Director through to the annual general meeting in October 2020. Tracy Rodrigues the Finance Director of CLIG, requested a leave of absence for family reasons and stepped down from the Board of CLIG on 31 March 2020. The Finance team is well established and will cover her duties during her absence and will report directly to Tom Griffith, Chief Executive Officer of the Group.

3.4 Client type

CLIG's client base is predominantly US domestic institutional investors, such as foundations, endowments and pension funds. Based on FuM at 31 March 2020 of US\$4.4 billion, pension fund clients represented approximately 36 per cent. of total FuM; foundations represented approximately 26 per cent.; and endowment funds represented approximately 18 per cent. The balance was predominantly healthcare funds and other institutional clients. Retail represented only approximately 1 per cent. of the Group's FuM.

3.5 Business diversification

Product diversification has been undertaken across asset classes, including international equity, fixed income, US municipal bonds, private equity and both US taxable and tax-exempt strategies. CLIM offers six principal strategies to its clients:

The Emerging Markets Strategy seeks to provide long-term capital growth through both stock selection and active country allocation in emerging markets.

The Developed Markets CEF Strategy utilises our experience with closed-end funds in our core Emerging Markets strategy to provide exposure to global developed markets.

The Frontier Emerging Markets CEF Strategy, which is an extension of the Emerging Markets core equity product, focuses on the smallest of pre-emerging markets with high growth potential.

The Opportunistic Value CEF Strategy, formerly known as Global Tactical Asset allocation CEF Strategy, was renamed as it encompasses a variety of asset classes via closed-end funds and adopts a “go anywhere” approach. Both taxable and tax-exempt products are available.

The Tactical Income CEF Strategy seeks to provide a high-level of after-tax total return for US taxable investors. Our multi-sector tactical asset allocation approach results in a cross-asset diversified income stream that is tax-advantaged.

The Real Estate Investment Trust Strategy was recently added which focuses on emerging market and global REITs, a complementary area with similarities to closed-end funds.

3.6 Summary of investment performance

Over the longer term, the Emerging Markets strategy was in either the first or second quartile against peers for 1, 5, 10, and 15 years ended 31 December 2019 (*Source: Evestment Alliance*).

The Developed strategy was in the first or second quartile against peers for 1, 3 and 5 years ended 31 December 2019 and the Opportunistic Value strategy was in the first quartile against peers for the same period (*Source: Evestment Alliance*).

The Frontier strategy was in the second, third or fourth quartile against peers for 1, 3 and 5 years ended 31 December 2019 (*Source: Evestment Alliance*).

3.7 Assets by strategy (historic trend)

As Table 1 below demonstrates, the Emerging Markets strategy grew between 2015 and 2019 at a pace that reflected a disciplined approach to balancing the competing interests of maintaining investment performance while growing the business. The Developed strategy has demonstrated significant growth in this period in an area where investment performance can be maintained before reaching a critical mass and has aided diversification of the business. The Frontier and Opportunistic Value strategies have grown in FuM terms over the period.

Table 1: Assets by strategy (historic trend)

	30/6/15 (US\$m)	30/6/16 (US\$m)	30/6/17 (US\$m)	30/6/18 (US\$m)	30/6/19 (US\$m)	31/12/19 (US\$m)
Emerging	3,853	3,659	4,200	4,207	4,221	4,429
Developed	99	71	179	480	729	1,110
Frontier	103	127	172	245	206	206
Opportunistic Value and Tactical Income	153	148	110	174	233	270
Other	3	0	0	1	7	7
Total FuM	4,211	4,005	4,661	5,107	5,396	6,022

(Source: CLIG)

3.8 Assets by strategy (three months ended 31 March 2020)

On 11 March 2020, the World Health Organisation announced that the outbreak of COVID-19 (commonly referred to as Coronavirus) had been declared a global pandemic. While the impacts of the outbreak are unknown and rapidly evolving, the potential adverse impact of a widespread and prolonged health crisis on the global economy has resulted in a substantial decline in financial markets and heightened levels of volatility during the three months ended 31 March 2020. As set out in Table 2 below, the Group's total FuM fell from US\$6.0 billion as at 31 December 2019 to US\$4.4 billion as at 31 March 2020, reflecting the fall in those markets in which the Group invests.

In the first two quarters of the financial year to 31 December 2019, FuM had been maintained or had increased across all strategies. The substantial decline in financial markets as a result of COVID-19 resulted in the Group recording net outflows of US\$35 million in the three months to 31 March 2020.

Table 2: Assets by strategy (three months ended 31 March 2020)

	FuM (US\$m)			Strategy Index	
	Mar-20	Dec-19	Increase/ decrease (%)	Net Flows	Increase/ decrease
Emerging Markets	3,236	4,429	-27%	-68	MSCI Emerging Markets Index -24%
Developed Markets	774	1,110	-30%	-5	MSCI ACWI Ex USA Index -23%
Frontier	153	206	-26%	8	MSCI Frontier Markets Index -27%
Opportunistic Value and Tactical Income	232	270	-14%	30	Blended 50/50 MSCI ACWI Index/ Barclays Global Agg Bond Index -11%
REIT	5	7	-29%		FTSE EPRA/ NAREIT Global Ex US Net Total Return Index -28%
	4,400	6,022		-35	

* Excludes seed investments

(Source: Bloomberg, CLIG)

There has historically been a relationship between the Emerging Market index and FuM growth. Business diversification efforts are intended to reduce this relationship as Emerging Market equity comprises a smaller share of the Group's FuM.

3.9 Net flows across strategies

As noted in the Company's half-year report to 31 December 2019, net inflows during the first two quarters of the financial year totalled US\$182 million. The Emerging Markets strategy experienced net outflows of US\$118 million due primarily to clients rebalancing, while the Diversification strategies experienced net inflows of US\$300 million over the same period. Net flows of US\$272 million into the Developed strategy through the first half of this fiscal year outpaced full year flows of US\$253 million through the fiscal year end to 30 June 2019.

In the three months to 31 March 2020, the largest outflows were experienced in the Emerging Markets strategy which saw net outflows of US\$68 million.

The table below shows net flows into and out of each strategy for each of the past five years ended 30 June 2019, the six months ended 31 December 2019 and the three months ended 31 March 2020:

Table 3: Net flows across strategies (US\$000's)

	Financial year ended 30 June 2015	Financial year ended 30 June 2016	Financial year ended 30 June 2017	Financial year ended 30 June 2018	Financial year ended 30 June 2019	Six months ended 31 December 2019	Three months ended 31 March 2020
Emerging Markets	22,698	150,116	(295,333)	(215,083)	(183,521)	(118,000)	(68,238)
Frontier	100,000	25,000	11,001	67,000	(21,336)	8,000	8,178
Developed	—	(20,000)	68,551	279,394	252,883	272,000	(4,933)
Opportunistic Value/Tactical Income	142,602	(14,772)	(56,136)	54,251	48,236	20,000	30,000
REIT	—	—	—	—	6,000	—	—
Discontinued strategies	(335)	(2,038)	—	—	—	—	—
Group totals	264,965	138,306	(271,917)	185,562	102,262	182,000	(34,992)

(Source: CLIG)

3.10 Global market outlook

The recent unprecedented market sell-off has upended several of our expectations, which had been geared towards a resumption and broadening of the recovery that started in late 2019. In particular, the MSCI USA index sold off 21 per cent. in only seven trading days (between 4 March 2020 and 12 March 2020) the sharpest US stock market correction on record. Meanwhile, 10-year US Treasury securities dropped from 1.9 per cent. at the beginning of the year to a previously unimaginable level near 0.5 per cent. on 9 March 2020. After an initial period of what looked like complacency, markets swiftly moved into panic mode. Initial – benign – assessments of the threat stemming from the COVID-19 virus were based on four assumptions: i) that the epidemic would be limited mostly to China; ii) that it would be contained and peak before the end of the first quarter; iii) that the growth path would be V-shaped with a strong rebound in the second quarter of 2020; and iv) that policymakers would resort to strong and early action to support the economy and markets. These assumptions have since unravelled to different degrees. With the spread of the virus beyond China's border and its neighbours, the first assumption has proven invalid, implying a much greater risk for the global economy. Initial data remain sparse and observers largely rely on alternative data sources, but it has also become apparent that the impact on the economy was likely to be deeper than anticipated at first and that second-and third-round effects would imply a very distorted "V-recovery" at best. As the epidemic spreads around the globe, a peak in infections will likely only be reached towards the end of the second quarter and the negative economic impact could thus stretch well over two to three quarters or beyond. A high degree of uncertainty remains though as countries with similar rates of infection have so far experienced radically different fatality rates. What is more, differentiation by gender and age group, variation in the prevalence of testing and the extent of containment can further affect the outcome. The risk is that a high number of uninsured and underinsured people, a lack of paid sick leave and a downplaying of the risk by the US administration lead to a wider spread of the virus in the US than could otherwise be the case.

3.11 CLIM's environmental, social and governance ("ESG") approach

CLIM seeks to promote growth in the industry by encouraging CEFs to make their product more attractive to investors. CLIM firmly believes that businesses which adopt best practice in their ESG policies will ultimately earn better returns and CLIM managers are actively promoting ESG awareness to closed-end fund boards and their investment managers. As part of the initiative CLIM is now using a leading third party scoring methodology, provided by

Sustainalytics, to measure the ESG characteristics of the underlying closed-end fund investments. A key consideration is to encourage CEFs to be more explicit about how ESG considerations are integrated into their investment processes.

3.12 Use of technology in investment management

CLIM has consistently sought to introduce integrated technology solutions to its business. Examples of this are the internal DART system which is a custom research database for closed-end fund research, the use of the Charles River Investment Management System for trading and compliance across all strategies which allows for significant economies of scale, and an in-house applications development team with internal programming capabilities.

The technology supports a capability to focus on relative investment performance and facilitates 24 hour trading, thereby reducing risk potential and facilitating disaster recovery protocols. It is also utilised to continually improve the proprietary investment processes.

The Group is obliged to comply with the far reaching emergency measures which national governments have introduced to restrict the spread of infection of COVID-19 by social distancing measures which have, *inter alia*, substantially limited non-essential travel, resulting in a very high and unforeseen level of remote home-working by the Group's employees. CLIG has business continuity plans in place, and currently, all employees are working remotely across the five global offices in order to both protect their health and comply with local regulations. Employees remain connected via audio, secure video, and full network connectivity to all critical systems with security protocols in place to protect client data. From an investment perspective, client assets continue to be managed as if employees were in the office and, most importantly, our investment process remains unchanged. Group Chief Investment Officer, Mark Dwyer, oversees the various strategy teams who implement our process – buying closed-end funds at wide discounts to net asset value. While we have seen sharp volatility across all asset classes, our experienced investment teams have navigated a number of market cycles and crises since 1991.

4 Key strengths, strategy and objectives

4.1 Key strengths

Management believe that one of the key strengths of CLIM is having experienced investment teams focused on researching, identifying and exploiting pricing anomalies in CEF trading around the world. CLIM has demonstrated strong investment performance over the last 25 years relative to benchmarks and its peers. The business offers specialist fund management expertise in the CEF segment and applies this expertise to six key markets, namely Emerging, Developed, Frontier, Opportunistic Value, Tactical Income and REITs. Management believe the business has a proven risk-averse culture and prudent investment approach, with an international presence. It benefits from low turnover of employees and a loyal client base.

4.2 Strategy and objectives

The Group has eight key strategic objectives for CLIM namely:

- To offer outperformance for clients through an investment cycle which is defined as five years.
- To maximise total Shareholder returns (calculated as any increases in the Share price plus any dividends paid on the Shares) over the economic cycle consistent with its fiduciary duties to all stakeholders.
- To ensure high employee retention using a partnership approach and a long-term view regarding remuneration.
- To increase FuM from long-term institutional investors. The Group's clients are largely US-based institutions who have shown a high degree of loyalty over the years.
- To remain open in dealings with Shareholders and making management available and accountable.
- To remain committed to keeping costs down within all aspects of the business.
- To offer good corporate citizenship.

- To continue to diversify the Group's business activities. This is an important component of the Group's strategy to ensure that the business remains robust, manages risk and enhances long-term Shareholder return.

5 Investment philosophy and process

CLIM has developed and nurtured a team investment process which does not rely on "star" fund managers, but rather upon a team-based approach of experienced fund managers using analytical procedures that can produce repeatable and sustainable first and second quartile performance versus the peer group.

The Directors believe that this approach and philosophy differ from its peer group. The investment process identifies opportunities to capture pricing anomalies in securities trading at a discount to their net asset value, with a focus on generating consistent investment performance over time and through economic cycles within a controlled risk environment.

CLIM's investment approach combines a top-down macro process with bottom-up stock picking. CLIM's macroeconomic team is responsible for analysing and ranking the countries in the investment universe, while the investment team selects stocks based upon several criteria.

The macro process consists of a three-stage proprietary process: (i) a detailed analysis of macroeconomic data; (ii) a process of ranking markets according to 13 key criteria; and (iii) re-ranking these markets based upon relative pricing of country specific securities.

The bottom-up stock selection occurs at stage three of the above macro process. The portfolio managers and research analysts review and discuss the macroeconomist's recommendations. The investment management team then re-ranks the countries based upon the relative value available within the CLIM universe of closed-end funds.

The stock selection process at this stage will identify a number of closed-end funds to give the desired country exposure, guided by CLIM's country allocation model. In effect, CLIM will have identified the best performing funds, at the widest discounts to NAV, to give the most potentially profitable country exposure. Some of the funds selected will potentially be subject to a corporate event (such as liquidation or conversion to open-ended status) that may lead to an accelerated return of capital at NAV.

The following four valuation components summarise the key drivers in the stock selection process: (i) the historical, net performance of the closed-end fund in NAV terms, versus its benchmark; (ii) the current discount to NAV of the fund compared to its historical average and its peer group; (iii) pre-determined fund liquidation date, if any; and (iv) the potential for the fund's discount to NAV to narrow due to unitisation (conversion to open-ended status), a share buy-back programme or some other form of corporate activity.

The implementation of CLIM's investment philosophy aims to be a dynamic process. It is based upon an assessment of the outlook for the stock markets within the benchmark, coupled with the value available via the universe of closed-end funds. While snapshots of these two components are taken on a quarterly basis, both day-to-day and intra-day stock market and discount volatility in funds create the need for regular portfolio adjustments with a quarterly, monthly, weekly and daily review and implementation process.

6 Operations, compliance, information technology and risk management

6.1 Operational support functions

CLIG's operations are centred in two principal offices: London headquarters and the main US office in suburban Philadelphia, USA. The support functions are as follows:

- 6.1.1 Operations – the Group's operations functions includes fund accounting (four employees), operations staff (four employees) and client service (five employees) who are all based in the US;
- 6.1.2 Finance – the Group's finance function is based in the London office, with a staff of four professionals, including the Head of Finance;

- 6.1.3 IT – the Group’s IT function has a team of four employees. The Head of IT is based in the US supported by one other employee and a further two employees are based in London;
- 6.1.4 Compliance and Risk Management – the Group’s compliance team includes an internal staff of three employees. The Head of Compliance is based in London. The US Chief Compliance Officer and another compliance officer are based in the main US office. The Group retains a compliance consultant in Dubai to support compliance efforts in that office. While the compliance team enhances the Group’s risk management framework and coordinates the process of risk assessment updated by each department, risk management remains the responsibility of the Board and senior management;
- 6.1.5 Legal and Company Secretarial – the Group’s legal and company secretarial functions are outsourced to external providers; and
- 6.1.6 Human Resources – the Group has a human resources representative in each of the London and US offices.

These functions aim to provide high quality operational support, assurance and operational risk management to the CLIM business through centralised infrastructure and oversight. The Group has developed infrastructure that enables current operations to be supported in the most efficient manner and this provides a robust platform from which the Group can bring new ideas to market, while delivering a high level of service to its clients.

Customer databases created internally are owned by the Group.

6.2 **Compliance**

The Group’s principal operating subsidiary, CLIM, is authorised and regulated in the UK by the FCA, is registered as an investment adviser in the US with the Securities and Exchange Commission and is regulated by the Dubai Financial Services Authority. In addition, CLIM is the approved investment manager to an Irish UCITS fund. City of London Investment Management (Singapore) PTE Limited (“**CLIM Singapore**”) is authorised by the Monetary Authority of Singapore (“**MAS**”) and holds a Capital Markets Services Licence for Fund Management.

The Group retains a compliance consultant in Dubai to support compliance efforts in that office.

The principal responsibilities of the compliance department are:

- To provide advice and guidance to CLIM and CLIM Singapore, its management and employees on regulatory issues.
- To assist CLIM and CLIM Singapore in meeting its financial services regulatory responsibilities.
- To manage CLIM and CLIM Singapore’s relationship with its various financial services regulators.
- To keep abreast of financial services regulatory developments that will impact CLIM and CLIM Singapore.
- To monitor day-to-day adherence to investment guidelines.
- To monitor and test CLIM & CLIM Singapore’s compliance with its regulatory requirements and quality of controls in place.

The work of the compliance department is overseen by the Risk and Compliance Committee, as detailed further below, while the Group Head of Compliance reports directly to the Board with a reporting line into the Chief Executive Officer.

6.3 **Approach to risk management**

The Board has established a Risk and Compliance Committee, which is chaired by the Head of Compliance. The other members of the Risk and Compliance Committee are the three Executive Directors, the US Chief Compliance Officer and a representative covering UK

Corporate Governance. The purpose of the Risk and Compliance Committee is to assist the Board in the oversight, maintenance and development of the Group's risk and compliance framework in adherence with its risk appetite.

Whilst the Risk and Compliance Committee has day-to-day operational oversight of the risk management process, the Board has ultimate responsibility for setting the risk framework for the Group, including discussing and agreeing what the Group's overall top risks are, which are reviewed by the Board on a regular basis.

The Risk and Compliance Committee meets five to six times each financial year to provide the members with a forum at which to ensure any relevant issues are discussed and agreed upon. The Risk and Compliance Committee, via the Head of Compliance, reports to the Board on a quarterly basis and the Audit Committee at each meeting (currently three per financial year). In addition to these meetings, the Head of Compliance meets with the Chairman of the Group on a regular basis.

7 Intellectual property

The Group holds a portfolio of unregistered UK trademarks which protect the names and logos of the CLIG brand. While other branding materials such as logos, colours and designs are not registered, some protection may be afforded by unregistered design rights, unregistered trademarks and copyright. The Group does not own any patents. The key websites for the Group's brands all have current domain name registrations held by or on behalf of the Group.

There are currently no outstanding intellectual property infringement actions involving any member of the Group as defendant or any charges over any intellectual property rights held by the Group.

8 Previous market guidance from the Company

As part of CLIG's regular reporting, it has published within its trading results a dividend cover illustration in the form of a quarterly bar chart ("**Template**") based on certain trading assumptions. Most recently, in CLIG's half year results announcement for the six months ended 31 December 2019, published on 17 February 2020, CLIG made the following statement:

"Please see page 8 of our interim accounts for our Template projecting CLIG profitability, using a number of key assumptions. This is not a profit forecast – rather it should be used in conjunction with data that can be reviewed – and is updated monthly, on the CLIG website."

The interim accounts for the six months ended 31 December 2019, including the Template, are incorporated by reference into this document and can be accessed using the following link: https://www.citlon.com/investor-relations/investor-reports/CoL_Interim11_19.pdf.

8.1 Invalidity of the Template as profit forecasts

For the purposes of Rule 28 of the Takeover Code, the Template constituted profit forecasts in respect of the years ending 30 June 2020 and 30 June 2021 (the "**CLIG Profit Forecasts**"). These are unaudited, were made in the ordinary course of business before the announcement of the Merger and, accordingly, the requirements of Rule 28.1(c) of the City Code apply.

In accordance with Rule 28.1(c)(ii) of the City Code and Paragraph 7.1 of Annex 3 of the Prospectus Rules, the Directors confirm that for the reasons set out below and the recognition by the UK Financial Reporting Council that making forward-looking statements is particularly difficult currently, the CLIG Profit Forecasts are no longer valid and do not represent information necessary for Shareholders to make an informed decision as to how to vote in respect of the Resolutions. Consequently, the Directors believe that reassessment of CLIG Profit Forecasts for the purposes of the Listing Rules is not necessary.

8.2 Basis of invalidity of the Template as profit forecasts

As CLIG's clients pay investment management fees on a regular (monthly, quarterly or other) basis calculated as a percentage of funds under management and, accordingly, CLIG's revenue is directly linked to the value of total funds under management. Any reduction in funds under management will directly result in a fall in fee income, and all other things remaining

equal, a fall in earnings. The CLIG Profit Forecasts were based on the value of funds under management as at 31 December 2019 and assumed no market growth, an assumption outside of CLIG's control.

While the impacts of the outbreak of COVID-19 are unknown and rapidly evolving, the potential adverse impact of a widespread and prolonged health crisis on the global economy resulted in a substantial decline in financial markets during the three months ended 31 March 2020. This was reflected in a fall in total funds under management from US\$6.0 billion as at 31 December 2019, to US\$4.4 billion as at 31 March 2020 (as announced on 21 April 2020). This reflected the fall in those markets in which CLIG invests. As at 31 May 2020, the Directors estimate that CLIG's total FuM amounted to US\$5.0 billion.

The increasing global spread of COVID-19, the uncertainty it has created, and the actions by governments to maximise social distancing, including widespread travel restrictions, has also resulted in increased levels of market volatility, with abnormal levels of intra-day market movements in the price of underlying securities reflecting a lack of clarity on the economic impact of these actions.

None of CLIG, the Directors or their respective advisers accept responsibility for the accuracy, reasonableness, validity or completeness of the CLIG Profit Forecasts or the estimates and assumptions that underlie them. In addition, neither CLIG's auditors nor any other independent accountants, have audited, compiled, examined or performed any procedures with respect to the CLIG Profit Forecasts, nor have they expressed any opinion or any other form of assurance on such information or its achievability. No statement in this document, unless otherwise stated, is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings for CLIG for the current or future financial years would necessarily match or exceed the historical published earnings.

9 Capitalisation and indebtedness

The following tables set out the Group's unaudited capitalisation as at 31 December 2019 (being the date of the last published financial information of the Group) and unaudited indebtedness and net financial indebtedness as at 31 March 2020. These statements of indebtedness and net financial indebtedness have been prepared under the IFRS accounting policies that are consistent with those used in preparing the Group's 2019 Annual Financial Statements.

The following tables: (i) have not been audited and have been sourced from the Company's internal accounting records; and (ii) do not reflect the impact of the Merger on the Group's capitalisation and indebtedness.

Indebtedness

The following table sets out the indebtedness of the Group at as 31 March 2020:

	31 March 2020 (£)
Total current debt	
Guaranteed	—
Secured	—
Unguaranteed / unsecured	—
Total current debt	—
Total non-current debt (excluding current portion of the long term debt)	
Guaranteed	—
Secured	—
Unguaranteed / unsecured	—
Total non-current debt	—

The following table sets out the net consolidated capitalisation of the Group as at 31 December 2019:

Capitalisation

The indebtedness statement above has been made within 90 days of the date of this document.

	31 December 2019 (£)
Share capital	265,607
Share premium	2,256,104
Other reserves	(4,512,481)
Total capitalisation	(1,990,770)

Notes:

1. Other reserves does not include retained earnings or non-controlling interests.
2. There has been no material change in the capitalisation of the Group since 31 December 2019.

Net indebtedness

The following table sets out the net consolidated financial indebtedness of the Group as at 31 March 2020.

	31 March 2020 (£)
Cash	13,114,095
Cash equivalents	—
Cash and cash equivalents	13,114,095
Total liquidity	13,114,095
Current Financial Receivable	
Current bank debt	—
Other current financial debt	—
Current financial debt	—
Net current financial liquidity	13,114,095
Non-current bank loans	—
Other non-current financial debt	—
Non-current financial liquidity	—
Net financial indebtedness	13,114,095

Notes:

1. As at 31 March 2020, the Group does not have any indirect or contingent indebtedness.

PART III – BUSINESS OVERVIEW OF KARPUS MANAGEMENT, INC.

1 Business description

1.1 Overview

KMI, an investment adviser registered with the US Securities and Exchange Commission (the “SEC”) (CRD #110275/SEC #801-29607) was founded in May 1986 by George W. Karpus and provides investment management services for primarily US high net worth clients and small corporate accounts. KMI is a corporation organised under the laws of the State of New York and its registered office and principal place of business is located at 183 Sully’s Trail, Pittsford, New York. KMI has a sales and client servicing office in Naples, Florida.

KMI is an active fund manager in US domestic investments with a focus on delivering long-term outperformance. All of KMI’s products provide exposure to developed markets.

KMI’s aim is to produce superior returns, net of fees and expenses, for risk-averse clients. KMI’s portfolios are extensively diversified in terms of assets, asset classes and managers. As at the last quarter end of 31 March 2020, KMI managed US\$3.2 billion in assets for 2,273 client accounts. As at 31 May 2020, KMI’s FuM are estimated to amount to US\$3.4 billion. Most client assets are managed in balanced portfolios, with over 50 per cent. invested in closed-end funds and CEF-preferred securities. KMI tailors portfolios to single asset classes such as tax-exempt fixed income, taxable fixed income, US equities or international equities.

KMI’s investment style is enhanced indexing. KMI adds value to clients’ portfolios by (i) using CEFs when market discounts relative to net asset values are wide; and (ii) using mutual funds and exchange traded-funds when such discounts are narrow.

FuM, revenues and profits have been generally stable over the past 10 years, with a gradual increase over the last four years ended 31 December 2019, due to a combination of market appreciation and net inflows. Fee income for each of the three financial years ended 30 June 2019 (as set out in Part V (*Financial Information on Karpus Management, Inc.*) of this document) was US\$23.3 million (2017), US\$25.0 million (2018), and US\$25.7 million (2019) respectively.

KMI does not offer taxation advice but may from time to time offer limited financial planning advice to its clients.

1.2 Management, staff and ownership

KMI’s directors are Mr. Karpus and Kathleen Crane.

Mr. Karpus founded KMI in 1986, growing the business to approximately US\$3.4 billion in funds under management as at 31 May 2020. Mr. Karpus is currently chairman of the board and Chief Investment Strategist of KMI. Prior to founding KMI, Mr. Karpus held key positions at two brokerage firms, a regional bank and another investment advisory firm.

Kathleen Crane has been employed by KMI since 1986 and currently holds positions as Chief Financial Officer, Treasurer and Secretary. Between 2004 and 2018, Ms Crane also acted as Chief Compliance Officer in addition to her current duties. Ms Crane graduated from Saint Bonaventure University in 1986 with a Bachelor of Arts in Management Science and a minor in Computer Science.

KMI is run by its Management Committee, headed by Mr. Karpus (Chief Investment Strategist), and five other members: Kathleen Crane (Chief Financial Officer); Thomas Duffy (Vice President); Sharon Thornton (Executive Vice President); Dana Consler (Executive Vice President); and Daniel Lippincott (Director of Investment Personnel). KMI has four other committees: Investment, Brokerage Allocation, Compliance and Systems and Procedures.

KMI has 36 staff of whom 11 are in relationship management (including assistants), 11 are investment staff and 14 are corporate/operations staff, in addition to the Chief Investment Strategist. The Chief Investment Strategist’s role spans all aspects of the business, as, in addition to his corporate responsibilities, the Chief Investment Strategist is also involved in sales and investments.

Sales and client retention personnel includes six senior Relationship Managers and three assistants. Relationship Managers are responsible for sourcing client relationships, providing the initial primary client contact and formulating asset allocation according to the client's goals and risk tolerance. Relationship Managers are not involved in the day to day investment decisions. Given Relationship Managers' contribution to client sourcing, part of their compensation is linked to the amount of new business they bring to KMI.

Each Relationship Manager is expected to spend approximately 20 per cent. of his or her working time generating new business (primarily from referrals of existing clients).

One of KMI's senior Relationship Managers is scheduled to retire at the conclusion of calendar year 2020 and his account relationships will be allocated among the five remaining Relationship Managers. KMI hired two Relationship Managers within the past three years to take over responsibility for accounts based on the possibility of retirements in the near future. KMI does not currently anticipate any other Relationship Manager retirements in the near future.

KMI has eleven investment staff members, overseen by the Investment Committee, who are responsible for KMI's investment process. The Investment Committee meets formally every other month, with frequent ad hoc meetings in the interim. Three Portfolio Managers are responsible for matrix construction which guides the account management process. Each Portfolio Manager is supported by analysts; however, all Portfolio Managers and analysts are responsible for trading – this approach is used to mitigate the bureaucratic delay that could result from splitting the responsibilities of analysts and traders.

Portfolio management responsibility is staffed as follows: (i) two analysts/traders for municipal bond funds; (ii) two analysts/traders for taxable bond funds; (iii) two analysts/traders for US equity funds; (iv) two analysts/traders for non-US equity funds; (v) one analyst/trader responsible for small portfolio analysis; and (vi) one analyst/trader for shareholder activism. KMI's Chief Investment Strategist manages the investment process.

The KMI investment team has extensive experience with high levels of staff retention. KMI's investment staff (excluding Mr. Karpus) have a total of 131 years' experience. The average tenure is thirteen years, with the maximum tenure of eighteen years and minimum tenure of seven years.

1.3 FuM analysis

As at the last quarter end of 31 March 2020, KMI's FuM was US\$3.2 billion, which is estimated by KMI to have increased to US\$3.4 billion as at 31 May 2020. Non-fee paying accounts as a percentage of total FuM have not exceeded 1.3 per cent. over the last five years.

1.3.1 Historical trends

KMI's FuM have shown consistent growth, as illustrated in Table 4 below. FuM (including non-fee paying accounts) have grown with a compound annual growth rate of 13.24 per cent. between 30 June 1997 and 31 December 2019. KMI's five year and ten year FuM (including non-fee paying accounts) compound annual growth rates for the period from 30 June 2010 to 30 June 2019 and to 31 December 2019 (inclusive) were 8.12 per cent. and 7.33 per cent. respectively.

Table 4: Historical FuM (historical trend)

(US\$ bn)	As at 30 June										As at 31 December
	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2019
FuM	1.86	2.17	2.23	2.36	2.57	2.56	2.81	3.05	3.12	3.40	3.62

(Source: KMI)

1.3.2 Inflows and outflows

Over the five years ended 30 June 2019, market performance was the primary driver in KMI's FuM growth. KMI's business had relatively high rates of gross outflows over this period, driven in part by mandatory distributions and pension distributions. Inflows as a

percentage of the beginning of period FuM (including non-fee paying accounts) have been higher than 10 per cent., with the exception of 2015, and generally more volatile than outflows.

Gross inflows were the result of new business initiatives and client additions to existing accounts. Outflows included fees, required distributions, pension distributions and regular distributions to fund client needs.

In the three months to 31 March 2020, KMI saw outflows in excess of inflows, primarily as a result of COVID-19.

A summary of inflows, outflows and flows of FuM (including non-fee paying accounts) are set out in Table 5 below:

Table 5: Inflows, outflows and net flows

	Year ended 30 June						Six months ended 31 December	Three months ended 31 March
	2014	2015	2016	2017	2018	2019	2019	2020
US\$ million								
Gross In	240	212	408	384	328	326	250	62
Gross Out	(344)	(282)	(302)	(383)	(390)	(294)	(216)	(112)
Net	(105)	(70)	106	1	(61)	32	34	(50)

(Source: KMI)

1.3.3 FuM by source and type

Approximately 64 per cent. of KMI's FuM has been sourced through existing client referrals or new business efforts by KMI's Relationship Managers. Most of the remaining FuM have been sourced through referrals or solicitations from third party brokers or consultants. As at 31 March 2020, approximately 36 per cent. of KMI's FuM (including non-fee paying accounts) had been sourced by such third party referrals and solicitations with the counterparty receiving fees within a range of 20 per cent. to 40 per cent. of the gross revenue received by KMI. These third party referrals relate to both wrap accounts and non-wrap accounts.

Wrap accounts are those for which KMI serves as a portfolio manager to certain wrap fee programs. Wrap fee programs are investment programs in which the client of a wrap sponsor is charged a single fee by the wrap sponsor (i.e. a third party investment manager) for investment management and brokerage services. In such programs, KMI typically serves as the portfolio manager for the client and receives fees relating thereto. However, KMI has no direct contact with such client in these programs, as the contact is only with the source of the referral. For wrap accounts, the third party broker would typically receive a fee negotiated with KMI for any referral; this allows the wrap sponsor to charge the end-client a single fee.

The fees for non-wrap referrals are set out in solicitation agreements, which generally provide for revenue sharing arrangements between KMI and the solicitation source (the "solicitor"). KMI also has written solicitation agreements pursuant to Rule 206(4)-3(b) of the US Investment Advisers Act of 1940 with certain financial services, legal and accounting firms that require KMI to pay the solicitor an annual fee, paid quarterly, that ranges from 20 per cent. to 40 per cent. of client's investment management fee paid to KMI by the client that the solicitor has referred to KMI. These agreements are disclosed in writing to clients of the respective introducer when referred to KMI. These agreements do not include the cost of brokerage services.

The total fee sharing expense incurred to brokers in 2019 was equivalent to approximately 1.78 per cent. of KMI's total gross revenues for the year ended 30 June 2019.

As at 30 June 2019, approximately 68 per cent. of KMI's FuM (including non-fee paying accounts) were managed for individual high net worth clients (including individual retirement accounts), 17 per cent. for ERISA retirement accounts, 7 per cent. for corporate accounts, 6 per cent. for foundations and endowments and 2 per cent. for a combination of pooled investment vehicles, municipal entities and insurance companies.

1.3.4 Client base segmentation by size and tenure

As at 31 March 2020, approximately 44 per cent. of KMI's FuM (including non-fee paying accounts) were managed for clients with portfolios valued at US\$5 million or more, which represents approximately 5 per cent. of the client base count. As is normal for this type of business, clients with smaller portfolios represent a disproportionately high share of the overall client base by count (rather than by FuM). Smaller accounts may be associated with or related to larger client relationships and may be serviced with the larger client. In total, as at 31 March 2020, the 2,273 client accounts managed by KMI are represented by 821 client relationships.

KMI has an established, long-term tenure with most of its clients. 90 per cent. of KMI's FuM (including non-fee paying accounts) at 31 December 2019 were held on behalf of clients who have had relationships with KMI for more than two years, and nearly three-quarters of KMI's FuM (including non-fee paying accounts) at the same date were held on behalf of clients who have had relationships with KMI for over five years.

1.3.5 Asset class analysis

As at 31 March 2020, equities represented 39 per cent. of total FuM and fixed income and cash represented 61 per cent. of FuM (including non-fee paying accounts). By security type, as of the same date, CEFs and related securities represented 59 per cent. of FuM, exchange-traded funds represented 20 per cent. of FuM, cash represented 5 per cent. of FuM, special purpose acquisition companies represented 3 per cent. of FuM, mutual funds represented 1 per cent. of FuM and individual securities represented less than 1 per cent. of the total FuM.

The overall portfolios are actively managed; therefore, depending on the positioning during the investment cycle, the proportions can vary. For example, the percentage invested in CEFs has been as low as 26 per cent. of total FuM (including non-fee paying accounts) in the last five years.

1.4 Fee rates

KMI's fee schedule as a percentage of funds under management is generally between 70 and 150 basis points (i.e. 0.7 per cent. and 1.5 per cent.), depending on the size of the account and the asset class in which assets are invested. Certain clients who have been with KMI for a long time may pay lower, historic fee rates. If clients commit to a minimum investment period, they receive discounts on fees of up to 25 per cent. Clients sourced through certain intermediaries, such as wrap assets, also pay lower fees.

As a result, KMI's average fee as a percentage of total funds under management to the year ended 30 June 2019 was approximately 80 net basis points (and 82 gross basis points) and has been fairly stable in recent years. In this context, the term "gross" reflects the average of fees paid on FuM before any type of payment is made to third parties, and the term "net" reflects the average of fees after all third parties are paid.

2 Key strengths, strategy & objectives

2.1 Key strengths

The Directors believe that KMI's business has several key strengths, namely:

2.1.1 Client base: KMI has a long-established base of high net worth clients and related corporate and foundation accounts. With 821 client relationships, KMI has limited concentration risk, with the largest client generating only approximately 4 per cent. of annual fees of just over US\$1.0 million for the year ended 30 June 2019. As at 31 March 2020, the average FuM by client account was approximately US\$3.9 million.

- 2.1.2 **Personnel:** KMI has a team of 35 personnel, 31 of whom have been engaged with KMI for five years or longer, and only four of whom have been engaged with KMI for less than one year.
- 2.1.3 **Fee yield:** The fee yield has historically been stable at approximately 80 basis points as a percentage of total FuM.
- 2.1.4 **Investment proposition:** KMI offers a distinct proposition with typically over 50 per cent. of FuM invested in CEFs and CEF preferred securities. KMI offers a clear and transparent approach to portfolio management and a well-defined segmentation of responsibilities between the Relationship Managers and investment functions.
- 2.1.5 **Financial performance:** KMI has reported steady and gradual growth in FuM, fee rates, revenues and EBITDA over the last five years ended 30 June 2019.

2.2 Strategy and objectives

KMI's strategy and objectives are centred around providing the best possible client experience and the most attractive risk-adjusted returns to aid clients in achieving their financial goals. To achieve these goals, KMI continually implements the following principles:

- independence and objectivity;
- in-house, proprietary research;
- consultative asset allocation for each client; and
- conservative long-term management and extensive diversification.

KMI seeks to work with a select group of risk-averse clients that target top quartile² longer term performance against an agreed-upon benchmark, net of fees and expenses.

3 Investment approach and process

3.1 Approach to portfolio construction

Each client is assigned one of sixteen risk levels by their Relationship Manager and asked about their tax sensitivity. At each risk level (separately for tax free and tax sensitive portfolios), the asset and security mix is determined by the investment team. For example, a risk level 1 would imply an asset allocation of 100 per cent. in 90-day US T-Bills, whereas a risk level of 10 would imply a 100 per cent. asset allocation in equities. Once assigned a risk level, the client's portfolio is invested in line with that risk level's investment guidance, such that there is limited variance in the portfolio components of clients who are in the same risk level and taxable/tax free part of the matrix.

Given that it is the function of the Relationship Managers to assign clients to a risk level, and of the investment team to manage the investments, there is little overlap between functions, and Relationship Managers do not influence investment decisions at the level of individual securities. For portfolios that are managed by KMI and for which KMI receives fees for such management, KMI does not accept client requests for KMI to manage individual securities picked by the client. KMI will accommodate client requests to include particular securities in a client portfolio, but in such cases KMI and the client enter into an agreement acknowledging that (i) KMI is not providing management services with respect to such security and (ii) KMI is not charging fees to the client for the inclusion of such security in the portfolio.

3.2 Investment process

The investment team is focused on constructing portfolios to deliver outperformance through their specialism in:

- Asset allocation.
- CEFs. The team seeks to identify funds with narrowing discounts, combined with shareholder activism such as working with the management of heavily discounted CEFs which can be converted to an open-end fund and benefit from the underlying securities' higher net asset values.

² Here top quartile refers to performance against an agreed-upon benchmark.

- Auction rate preferred securities, issued as leverage for CEFs. This is a highly specialised market, where expert knowledge can identify opportunities for improving portfolio performance, but it is also an area of risk as reflected in the high yields. KMI has been active in this market for nearly ten years.
- Active management of the fixed income part of the portfolio, identifying higher yielding securities without materially increased risk. Each fixed income portfolio has an appropriate benchmark which has been agreed upon with the client to judge performance.

The approach is value driven, with the investment team using quantitative filters to track a large universe of securities and identify undervalued securities (while monitoring investments for improving valuations) and to implement sell and buy decisions.

The investment team's members have the ability to implement investment decisions within parameters approved by the Investment Committee in accordance with client preferences. The average portfolio turnover is approximately 40 per cent. to 50 per cent. per annum as a percentage of total funds under management.

3.3 Assets by strategy (historic trend)

KMI has historically delivered strong performance across its key portfolios as set out in Table 6 below. Total FuM (including non-fee paying accounts) increased for each of the last five financial years and for the six months ended 31 December 2019. The Fixed Income, Tax-Sensitive Fixed Income, Conservative Balanced and Growth Balanced strategies experienced consistent growth with only the Equity strategy showing some volatility.

Table 6: Asset by strategy (historic trend)

	30/06/2015 (US\$m)	30/06/2016 (US\$m)	30/06/2017 (US\$m)	30/06/2018 (US\$m)	30/06/2019 (US\$m)	31/12/2019 (US\$m)
Fixed Income	313.8	383.3	421.1	356.0	427.7	441.8
Tax-Sensitive Fixed Income	156.1	279.0	289.0	306.0	420.1	426.0
Conservative Balanced	901.5	1,064.3	1,214.8	1,303.8	1,411.7	1,567.0
Growth Balanced	1,032.1	957.3	1,006.9	1,048.6	1,054.5	1,099.5
Equities	157.1	140.4	135.0	147.1	124.8	130.5
Other	22.1	22.1	13.9	4.7	4.6	3.8
TOTAL	2,582.7	2,846.4	3,080.8	3,166.2	3,443.3	3,668.8

(Source: KMI)

3.4 Assets by strategy (three months ended 31 March 2020)

On 11 March 2020, the World Health Organisation announced that the outbreak of COVID-19 (commonly referred to as Coronavirus) had been declared a global pandemic. While the impacts of the outbreak are unknown and rapidly evolving, the potential adverse impact of a widespread and prolonged health crisis on the global economy resulted in a substantial decline in financial markets and heightened levels of volatility during the three months ended 31 March 2020. As set out in Table 7 below, KMI's total FuM (including non-fee paying accounts) fell from US\$3.7 billion as at 31 December 2019 to US\$3.2 billion as at 31 March 2020 reflecting the fall in those markets in which KMI invests.

During the three months ended 31 March 2020, KMI recorded net outflows of US\$47.9 million as a result. A breakdown is provided below.

Table 7: Assets by strategy (three months ended 31 March 2020)

	31/12/2019 (US\$m)	31/03/2020 (US\$m)	Change (%)	Net Flows (US\$m)	Strategy Index	Change (%)
Fixed Income	441.8	412.5	-6.64	0.13	Bloomberg Barclays US Gov/Credit Index	3.37
Tax-Sensitive Fixed Income	426.0	414.3	-2.72	(2.0)	Bloomberg Barclays Municipal Bond Index	-0.63
Conservative Balanced	1,567.1	1,383.8	-11.70	(37.4)		
Growth	1,099.5	896.3	-18.48	(4.5)		
Balanced Equities	130.5	97.0	-25.66	(3.7)	65% Russell 3000 Index/ 35% MSCI ACWI ex USA Net Total Return USD Index	-21.76
Other	3.8	11.5	201.10	(0.5)		
Total	3,668.8	3,216.0	12.35	(47.9)		

(Source: KMI)

4 Operations, compliance and risk management

KMI's operations are centralized in its main office, located at 183 Sully's Trail Pittsford, New York, USA, with a client servicing satellite office in Naples, Florida, USA.

- 4.1 **Operations.** KMI's operations functions includes client reporting and operations staff (five employees) and Relationship Management support (four employees), with one Vice President overseeing the various areas.
- 4.2 **Finance.** KMI's finance functions are based in KMI's Pittsford office, with a staff of two including KMI's Chief Financial Officer.
- 4.3 **IT.** The IT functions of KMI are outsourced to a firm whose main office is located in Victor, New York, USA.
- 4.4 **Compliance.** KMI's compliance functions are overseen by Ascendant Consulting Solutions. The Chief Compliance Officer of KMI is based in KMI's Pittsford office. KMI also has a Compliance Committee comprising the Chief Compliance Officer and four members of the Management Committee who are stockholders of KMI.
- 4.5 **Legal and Company Secretarial.** All legal issues are outsourced to KMI's outside legal advisors. The Chief Financial Officer of KMI also serves as Secretary of the Board of Directors.
- 4.6 **Human Resources.** The Chief Financial Officer and an assistant based in KMI's Pittsford office perform the firm's Human Resources functions.
- 4.7 **Risk Management.** The Management Committee, which comprises individuals who represent various departments of KMI, is responsible for overseeing KMI's risk management.

5 Intellectual property

KMI conducts its own proprietary research. In doing so, it has created its own internal risk management, trade allocation and market monitoring tools in-house that are utilised by analysts and portfolio managers. KMI has also recently undertaken an intranet project to assist in compliance data gathering/archival and to help facilitate intra-departmental communications.

6 Approach to risk management/compliance

KMI is an investment adviser registered with the SEC (CRD# 110275/SEC#: 801-29607) and advises its clients' separately managed accounts. In managing those accounts, it utilises proprietary tools that it has developed to support its risk management capabilities. The tools help KMI allocate trades and ensure proper asset exposure based on each account's designated risk tolerance. The tools also help KMI monitor duration, yield, sector exposure, market capitalisations, geographical exposure, as well as myriad other metrics.

KMI has also recently undertaken an intranet project to assist in compliance data gathering/archival and to help facilitate intra-departmental communications. Referring specifically to KMI's approach to compliance, in addition to recently hiring a new Chief Compliance Officer, it has also engaged an outside compliance consultant whose team aids KMI's internal Compliance Committee in compiling and documenting the information and processes of KMI's business.

7 Current trading and outlook

The coronavirus outbreak has raised worldwide concerns related to health, safety and the economy. The market corrections at the end of February 2020 and continuing into March 2020 were in part a response to these concerns. Due to the increased volatility and what KMI considers to be a liquidity event, KMI has increased client holdings in closed-end funds in the belief that the historically wide discounts resulting in part from such outbreak represented an unprecedented investment opportunity.

In the current year, KMI had maintained a defensive posture regarding its investment decisions and had taken a risk-averse stance to pre-emptively reduce equity exposure prior to the market volatility described above. As at 31 May 2020, KMI estimates that its FuM amounted to US\$3.4 billion.

PART IV – FINANCIAL INFORMATION ON CITY OF LONDON INVESTMENT GROUP PLC

1 Introduction

The audited consolidated annual financial statements for the Company for the 12 months ended 30 June 2018 (the “**2018 Annual Financial Statements**”) and for the 12 months ended 30 June 2019 (the “**2019 Annual Financial Statements**”) have been prepared in accordance with IFRS. The 2018 Annual Financial Statements and the 2019 Annual Financial Statements, in respect of which the Company’s auditors, RSM UK Audit LLP, who are members of the Institute of Chartered Accountants of Scotland, made an unqualified report under section 495 and 497 of the Companies Act, did not contain any statement under section 498(2) or (3) of that Act.

The unaudited consolidated interim financial statements for the Company for the six months ended 31 December 2018 (the “**2019 Interim Financial Statements**”) and for the six months ended 31 December 2019 (the “**2020 Interim Financial Statements**”) were prepared in accordance with IAS 34 (Interim Financial Reporting). The accounting policies are consistent with those set out and applied in the 2019 Annual Financial Statements.

Copies of the 2018 Annual Financial Statements, the 2019 Annual Financial Statements, the 2019 Interim Financial Statements and the 2020 Interim Financial Statements (together, the “**Historical Financial Information of the Company**”) are available for inspection in accordance with paragraph 20 of Part IX (*Additional Information*) of this document.

2 Historical financial information of the Company

The parts of the published annual report and audited accounts of the Company for the 12 months ended 30 June 2018 and for the 12 months ended 30 June 2019 and the unaudited half-yearly report for the six months ended 31 December 2019 set out in the table below are expressly incorporated by reference into this document. The non-incorporated parts of the annual report and accounts and half-yearly report are either not relevant to investors or are covered elsewhere in this document. The following list is intended to enable investors to identify easily specific items of information which have been incorporated by reference into this document.

Nature of information	Audited annual report and accounts for the year ended 30 June 2018 Page No. (s)	Audited annual report and accounts for the year ended 30 June 2019 Page No. (s)
Independent Auditor’s report	60-63	64-67
Financial statements		
<i>Consolidated income statement</i>	64	68
<i>Consolidated and Company statement of comprehensive income</i>	64	68
<i>Consolidated and Company statement of financial position</i>	65	69
<i>Consolidated statement of changes in equity</i>	66	70
<i>Company statement of changes in equity</i>	67	71
<i>Consolidated and Company cash flow statement</i>	68	72
<i>Notes to the financial statements</i>	69-90	73-98

Nature of information	Unaudited interim results for the six months ended 31 December 2018	Unaudited interim results for the six months ended 31 December 2019
	Page No. (s)	Page No. (s)
<i>Consolidated income statement</i>	10	10
<i>Consolidated statement of comprehensive income</i>	10	10
<i>Consolidated statement of financial position</i>	11	11
<i>Consolidated statement of changes in equity</i>	12	12
<i>Consolidated cash flow statement</i>	14	14
<i>Notes</i>	15-24	15-24
<i>Independent review report</i>	26-27	26-27

PART V – FINANCIAL INFORMATION ON KARPUS MANAGEMENT, INC.

Section A: Accountants' report of the historical financial information of KMI for the three years ended 30 June 2019



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The Directors
City of London Investment Group plc
77 Gracechurch Street
London
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12 June 2020

Dear Sirs,

Karpus Management, Inc. (“KMI”)

We report on the historical financial information of KMI set out in Part V, Section B of the combined Class 1 circular and prospectus dated 12 June 2020 (the “Document”) of City of London Investment Group plc (the “Company”). This historical financial information has been prepared for inclusion in the Document on the basis of the accounting policies set out at Note 2 to the historical financial information. This report is required by item 11 of Annex 3 of Commission Delegated Regulation (EU) 2019/980 (the “Prospectus Delegated Regulation”) and LR 13.5.21 R of the Listing Rules made by the Financial Conduct Authority (the “Listing Rules”) and is given for the purpose of complying with those items and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the KMI historical financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the KMI historical financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 3 of the Prospectus Delegated Regulation and LR 13.4.1 R (6) of the Listing Rules, consenting to its inclusion in the Document.

Basis of opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the KMI historical financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the historical financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance

that the KMI historical financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Opinion

In our opinion, the KMI historical financial information gives, for the purposes of the Document, a true and fair view of the state of affairs of KMI as at 30 June 2017, 30 June 2018 and 30 June 2019 and of its results, cash flows and changes in equity for the years ended 30 June 2017, 30 June 2018 and 30 June 2019 in accordance with International Financial Reporting Standards as adopted by the European Union.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Document and declare that, to the best of our knowledge, the information contained in this report is in accordance with the facts and this report makes no omission likely to affect its import. This declaration is included in the Document in compliance with item 1.2 of Annex 3 and item 1.2 of Annex 12 of the Prospectus Delegated Regulation.

Yours faithfully,

RSM Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

RSM Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street London EC4A 4AB

Section B: Historical financial information of Karpus Management, Inc. for the three years ended 30 June 2019

Karpus Management, Inc. income statement for the three years ended 30 June 2019

	Note	Year ended 30 June		
		2017	2018	2019
		\$	\$	\$
Net fee income	3	23,317,868	24,965,344	25,662,203
Administrative expenses				
Staff costs	4	20,491,434	21,782,406	22,705,047
Other administrative expenses	5	2,723,362	3,303,891	2,926,697
Depreciation and amortisation	10/19	203,145	213,249	226,300
		23,417,941	25,299,546	25,858,044
Operating loss		(100,073)	(334,202)	(195,841)
Other Income / (expense)				
Interest receivable and other gains	6	76,967	114,109	776,119
Interest expense		(47,409)	(41,120)	(41,334)
Total other income		29,558	72,989	734,785
Profit / (loss) before taxation		(70,515)	(261,213)	538,944
Income tax benefit / (expense)	15	103,019	118,222	(77,046)
(Loss / profit) for the year		32,504	(142,991)	461,898
Statement of Comprehensive Income:				
Profit / (loss) for the year		32,504	(142,991)	461,898
Items which may not be reclassified through the income statement				
Actuarial gain / (loss) on pension assets		88,729	32,112	(75,710)
Tax effect on actuarial (loss) / gain		(34,325)	(8,544)	20,145
Tax adjustment due to rate change		—	62,846	—
Other comprehensive income / (loss)		54,404	86,414	(55,565)
Total comprehensive income / (loss) for the year		86,908	(56,577)	406,333

The accompanying notes are an integral part of the KMI historical financial information.

KMI statement of financial position

		As at 30 June		
	Note	2017	2018	2019
		\$	\$	\$
Non current Assets				
Property and equipment	10	74,161	118,637	87,743
Right of use assets	19	782,955	598,471	413,987
Pension asset	13	388,506	276,930	52,122
		<u>1,245,622</u>	<u>994,038</u>	<u>553,852</u>
Current assets				
Trade and other receivables	8	853,158	854,012	450,835
Other financial assets	9	8,785,698	6,930,730	7,344,221
Cash and cash equivalents		253,194	473,570	690,516
		<u>9,892,050</u>	<u>8,258,312</u>	<u>8,485,572</u>
Current liabilities				
Trade and other payables	12	(497,109)	(790,485)	(648,809)
Current tax payable		—	—	(12,867)
Lease liability	19	(170,188)	(181,918)	(196,252)
Note payable to former shareholder	11	—	—	(55,281)
Promissory note payable to shareholder	14	(870,000)	(2,000,000)	(500,000)
		<u>(1,537,297)</u>	<u>(2,972,403)</u>	<u>(1,413,209)</u>
Creditors, amounts falling due within one year				
		<u>(1,537,297)</u>	<u>(2,972,403)</u>	<u>(1,413,209)</u>
Net current assets		<u>8,354,753</u>	<u>5,285,909</u>	<u>7,072,363</u>
Total assets less current liabilities		<u>9,600,375</u>	<u>6,279,947</u>	<u>7,626,215</u>
Non current liabilities				
Lease liability	19	(636,719)	(454,800)	(258,547)
Note payable to former shareholder	11	—	—	(27,640)
Deferred tax liability	15	(203,724)	(18,433)	(43,891)
		<u>(840,443)</u>	<u>(473,233)</u>	<u>(330,078)</u>
Net assets		<u>8,759,932</u>	<u>5,806,714</u>	<u>7,296,137</u>
Capital and reserves				
Share capital	16	33,702	33,949	34,590
Share premium account	16	8,134,908	8,574,277	9,767,288
Fair value reserve		319,066	405,480	349,915
Treasury shares	16	(717,153)	(3,051,332)	(3,161,894)
Retained earnings		989,409	(155,660)	306,238
		<u>8,759,932</u>	<u>5,806,714</u>	<u>7,296,137</u>
Total equity		<u>8,759,932</u>	<u>5,806,714</u>	<u>7,296,137</u>

The accompanying notes are an integral part of the KMI historical financial information.

KMI statement of changes in equity

	Share capital	Share premium account	Retained earnings	Fair value reserve	Treasury shares	Total
	\$	\$	\$	\$	\$	\$
As at 1 July 2016	33,468	7,755,857	956,905	264,662	(717,153)	8,293,739
Total comprehensive income						
Profit for the period	—	—	32,504	—	—	32,504
Other comprehensive income	—	—	—	54,404	—	54,404
Total comprehensive income	—	—	32,504	54,404	—	86,908
Transactions with owners						
Issuance of share capital	234	379,051	—	—	—	379,285
Transactions with owners	234	379,051	—	—	—	379,285
As at 30 June 2017	33,702	8,134,908	989,409	319,066	(717,153)	8,759,932
Total comprehensive income						
Loss for the period	—	—	(142,991)	—	—	(142,991)
Other comprehensive income	—	—	—	86,414	—	86,414
Total comprehensive income	—	—	(142,991)	86,414	—	(56,577)
Transactions with owners						
Dividends paid	—	—	(1,002,078)	—	—	(1,002,078)
Issuance of share capital	247	439,369	—	—	—	439,616
Purchase of own shares	—	—	—	—	(2,334,179)	(2,334,179)
Transactions with owners	247	439,369	(1,002,078)	—	(2,334,179)	(2,896,641)
As at 30 June 2018	33,949	8,574,277	(155,660)	405,480	(3,051,332)	5,806,714
Total comprehensive income						
Profit for the period	—	—	461,898	—	—	461,898
Other comprehensive income	—	—	—	(55,565)	—	(55,565)
Total comprehensive income	—	—	461,898	(55,565)	—	406,333
Transactions with owners						
Issuance of share capital	641	1,193,011	—	—	—	1,193,652
Purchase of own shares	—	—	—	—	(110,562)	(110,562)
Transactions with owners	641	1,193,011	—	—	(110,562)	1,083,090
As at 30 June 2019	34,590	9,767,288	306,238	349,915	(3,161,894)	7,296,137

The accompanying notes are an integral part of the KMI historical financial information.

KMI cash flow statement

	Note	Year ended 30 June		
		2017	2018	2019
		\$	\$	\$
Cash flow from operating activities				
Profit / (loss) for the year		32,504	(142,991)	461,898
Adjustments for:				
Depreciation and amortisation	10/19	203,145	213,249	226,300
Deferred income tax (benefit) / expense		(119,497)	(130,989)	45,604
Gain on disposal of property and equipment		—	(14,768)	—
Fair value losses / (gains) on investments		327,662	155,277	(345,720)
Pension plan interest income	6	(17,266)	(15,541)	(11,077)
Lease interest expense		44,120	38,385	29,155
Realised (gain) / loss on investments		(112,118)	43,465	—
Reinvestment of income from other financial assets	9	(243,280)	(170,264)	(16,573)
Pension expense	4	149,140	159,229	160,175
Changes in certain assets and liabilities affecting operations:				
(Increase) / decrease in trade and other receivables		(31,386)	(854)	403,177
(Decrease) / increase in trade and other payables		(2,271)	293,376	(141,677)
(Decrease) / increase in current tax payable		(13,275)	—	12,867
Net cash generated from operating activities		217,478	427,574	824,129
Cash flow from investing activities				
Purchases of property and equipment	10	(15,500)	(75,325)	(10,922)
Proceeds from the sale of property and equipment	10	—	16,852	—
Purchases of other financial assets	9	(2,290,005)	(6,906,996)	(3,950,157)
Proceeds from the sale of other financial assets	9	1,976,462	8,733,486	3,898,959
Net cash (used) / generated from investing activities		(329,043)	1,768,017	(62,120)
Cash flow from financing activities				
Repayments of note payable to former shareholder	11	—	—	(27,641)
Borrowings on promissory note payable to shareholder	14	870,000	2,000,000	500,000
Repayments of promissory note payable to shareholder	14	(1,300,000)	(870,000)	(2,000,000)
Payment of dividends	6	—	(1,002,078)	—
Principal paid on lease liabilities	19	(191,837)	(208,574)	(211,074)
Proceeds from sale of share capital	16	379,285	439,616	1,193,652
Purchase of own shares	16	—	(2,334,179)	—
Net cash used in financing activities		(242,552)	(1,975,215)	(545,063)
Change in cash and cash equivalents		(354,117)	220,376	216,946
Cash and cash equivalents at beginning of year		607,311	253,194	473,570
Cash and cash equivalents at end of year		253,194	473,570	690,516
Non cash operating activities				
Reinvestment of income from other financial assets		(243,280)	(170,624)	(16,573)
Non cash financing activities				
Own shares acquired through the issuance of note payable to former shareholder		—	—	110,562

Supplemental cash flow information

Cash paid for interest in the years ended 30 June 2019, 2018, and 2017 totaled approximately \$12,200, \$2,700, and \$3,300, respectively.

The accompanying notes are an integral part of the KMI historical financial information.

Notes to the KMI historical financial information

NOTE 1 – KMI

KMI is an investment advisor, acting in a fiduciary capacity, registered with the Securities and Exchange Commission under the provisions of the Investment Advisors Act of 1940.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

This historical financial information has been prepared in accordance with International Financial Reporting Standards and Interpretations issued by the International Financial Reporting Standards Interpretations Committee (“IFRIC”) as adopted by the European Union (collectively “IFRS”).

This historical financial information has been prepared in accordance with the accounting policies of CLIG.

The historical financial information is presented in US Dollars, which is KMI's presentational currency.

Going concern

The continued impact of the Covid-19 outbreak on market volatility and potential reduction in funds under management may have a material adverse impact on KMI's results of future operations. However, after reviewing KMI's statement of financial position, cashflow forecasts and trading budgets and making appropriate enquiries, including the consideration of the potential impact of Covid-19 (see note 21), the Directors do not foresee any event which would affect the going concern nature of KMI. Based on this work, the Directors are satisfied that KMI has adequate resources to continue in operational existence for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the historical financial information.

Basis of measurement

The historical financial information has been prepared on a historical cost basis, except for investments in marketable securities, which have been valued at fair value.

Cash and cash equivalents

KMI maintains its cash and cash equivalents in bank demand deposit and money market accounts, with an original maturity of three months or less from inception.

Trade receivables

KMI provides credit to customers in the normal course of business. Accounts for which no payments have been received for several months are considered delinquent and customary collection efforts are begun. After all collection efforts are exhausted, the account is written off. KMI records an impairment provision for doubtful accounts based on the simplified model under IFRS 9 *Financial Instruments*. The impairment provision for doubtful accounts is based on KMI's historical experience, consideration of the implicit risk of an invoice becoming doubtful once issued, as well as a review of specific outstanding accounts. At 30 June 2019, 2018, and 2017, an impairment provision for doubtful accounts was not considered necessary, this aligns with the historic experience whereby there have been no write offs of accounts receivable balances that could not be collected in recent years.

Property and equipment

Items of property, plant and equipment are initially recognised at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future unavoidable costs of dismantling and removing items. The corresponding liability is recognised within provisions.

Depreciation is provided on property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates:

Leasehold improvements	—	Straight line over the shorter of the lease term or the useful life of the asset
Furniture and fixtures	—	20% per annum straight line
Computer equipment	—	33 1/3% per annum straight line
Vehicles	—	20% per annum straight line

Investments

Investments include common stocks, non-taxable fixed income funds, and auction rate preferred equity shares. These securities are recorded in the balance sheets at fair value. These financial assets under IFRS 9 are measured at fair value through the profit and loss, because they are not held for cash flows solely from payments of principal and interest, and the business model they are used for is “hold to collect and sell”.

Investments are exposed to various risks such as interest rate, market and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the accompanying historical financial information.

Fair value measurement

IFRS establishes a framework for measuring fair value. That framework provides a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that KMI has the ability to access.

Level 2 – Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximise the use of observable inputs and minimise the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value (both of which are part of the investments balance in note 9).

Common stocks and non-taxable fixed income funds: Valued at quoted market values of the investments on the last business day of the fiscal year.

Auction rate preferred equity shares: Valued through third-party valuation using quoted prices.

The methods described above may produce a fair value calculation that may not be indicative of net realisable value or reflective of future fair values. Furthermore, while KMI believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Financial assets

KMI classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. KMI's accounting policy for each category is as follows:

Fair value through profit or loss

This category comprises investments in marketable securities. See the accounting policy above for more information on the classification and measurement of these assets.

Financial Assets at amortised cost

These assets arise principally from the provision of goods and services to customers (e.g. trade receivables and ultimately cash and cash equivalents), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Financial liabilities

KMI only has one class of financial liabilities, due to the nature of the liabilities.

Financial liabilities at amortised cost

Financial liabilities at amortised cost include the following items:

Accounts payables and other short-term monetary liabilities, which are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method.

Notes payable to current and former shareholders which are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method.

Revenue recognition

Revenue from investment management fees is recognised based on the services provided in accordance with the current investment management agreements. The fees are charged as a percentage of funds under management. The performance obligations encompassed within these agreements are based on daily/monthly asset management of funds. KMI has an enforceable right to the payment of these fees for services provided, in accordance with the underlying agreements.

For each contract KMI identifies the contract with a customer; identified the obligations in the contract, determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative standalone selling price of each distinct service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that reflects the transfer to the customer of the services promised.

Advertising costs

Advertising costs are expensed as incurred and amounted to \$64,955, \$58,453, and \$70,674 in the years ended 30 June 2019, 2018, and 2017, respectively.

Income taxes

Tax expense recognised in profit or loss comprises the sum of deferred tax and current tax not recognised in other comprehensive income or directly in equity.

Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period. Deferred income taxes are calculated using income tax rates that have been enacted or substantially enacted by the reporting entity and are expected to apply when the deferred tax liabilities/assets are settled/recovered. Deferred income taxes are recognised when the carrying amount of an asset or liability in the statement of financial position differs from its tax base.

Deferred tax assets are recognised to the extent that it is probable that the underlying tax loss or deductible temporary difference will be utilised against future taxable income. This is assessed

based on KMI's forecast of future operating results, adjusted for significant non-taxable income and expenses and specific limits on the use of any unused tax loss or credit.

Leases

KMI accounts for a contract, or a portion of a contract, as a lease when it conveys the right to use an asset for a period of time in exchange for consideration. Leases are those contracts that satisfy the following criteria:

- (a) There is an identified asset;
- (b) KMI obtains substantially all the economic benefits from use of the asset; and
- (c) KMI has the right to direct use of the asset.

See additional information related to the adoption of IFRS 16 and the treatment of leases below and in note 19.

Dividends

Dividends are recognised when they become legally payable. In the case of final dividends, this is when approved by the shareholders at the Annual General Meeting.

Defined contribution plan

Contributions to the defined contribution retirement plan are charged to the income statement in the year to which they relate.

Defined benefit plan

Defined benefit plan surpluses and deficits are measured at:

- The fair value of plan assets at the reporting date; less
- Plan liabilities calculated using the projected unit credit method discounted to its present value using yields available on high quality corporate bonds that have maturity dates approximating to the terms of the liabilities and are denominated in the same currency as the post-employment benefit obligations; less
- The effect of minimum funding requirements agreed with plan trustees.

Remeasurements of the net defined obligation are recognised directly within equity. The remeasurements include:

- Actuarial gains and losses
- Return on plan assets (interest exclusive)

Service costs are recognised in profit or loss, and include current and past service costs as well as gains and losses on curtailments.

Net interest expense (income) is recognised in profit or loss, and is calculated by applying the discount rate used to measure the defined benefit obligation (asset) at the beginning of the annual period to the balance of the net defined benefit obligation (asset), considering the effects of contributions and benefit payments during the period.

Gains or losses arising from changes to plan benefits or plan curtailment are recognised immediately in profit or loss.

Settlements of the defined benefit plan are recognised in the period in which the settlement occurs

Investment in own shares

Consideration paid for the purchase of own shares is recognised directly in equity. The cost of the investment in own shares is presented as a separate reserve (the "Treasury shares").

Segment information

For management purposes KMI only applies one operating segment – investment management, in one geographical region – United States of America. This segment generates all revenue of KMI's revenue via asset management fees (see note 3). The Chief Operating Decision Makers review management information that is not disaggregated any further than the single operating segment.

Estimates

The preparation of historical financial information in conformity with IFRS requires management to make estimates and assumptions that affect the amounts reported in the historical financial information. Actual results could differ from those estimates.

The areas where significant judgements and estimates have been made in preparing the historical financial information are:

- Valuation of investments in marketable securities (note 9)
- Defined benefit plan – actuarial assumptions (note 13)
- The determination of the incremental borrowing rate used to measure lease liabilities (note 19)

Changes in accounting policies

New standards, interpretations and amendments effective from 1 July 2016

New standards impacting KMI, that have been adopted early in this historical financial information for the years ended 30 June 2017, 30 June 2018 and 30 June 2019, and which have given rise to changes in KMI's accounting policies are:

- IFRS 9 Financial Instruments ("IFRS 9")
- IFRS 15 Revenue from Contracts with Customers ("IFRS 15")
- IFRS 16 Leases ("IFRS 16"); and
- IFRIC 23 Uncertainty over Income Tax Treatments ("IFRIC 23")

There were other new and amended standards and Interpretations issued by the IASB effective in the period but these are not expected to impact KMI as they are either not relevant to KMI's activities or require accounting which is consistent with KMI's current accounting policies.

IFRS 9

This standard provides guidance and specifies the requirements for classification and measurement of financial instruments. The standard specifies three classification categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income and two categories for financial liabilities, amortised cost or fair value through the profit and loss. As noted in the accounting policies above, KMI only has financial assets that can be categorised as amortised cost and fair value through profit and loss; and financial liabilities that are classified as amortised cost. Since this is KMI's first IFRS historical financial information, these changes in classification do not represent a change that has led to a difference in the measurement of financial assets and liabilities.

IFRS 9 also introduces an expected credit loss model for the assessment of impairment of financial assets. Under the expected credit loss model, impairment losses are recorded if there is an expectation of credit losses, even in the absence of a default event. As noted in the accounting policies above, there is no allowance for expected credit losses for KMI, due to historical experience and the nature and size of the accounts receivable balance at each period end, thus the adoption of IFRS 9 did not change the carrying value of KMI's financial assets and liabilities.

IFRS 15

IFRS 15 is focused on revenue recognition and establishes the principals for reporting useful information to users of the financial statements about the nature, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue should be recognised when a customer obtains control of a good or services and thus has the ability to direct the use and obtain the benefits from the goods or service. KMI adopted IFRS 15 effective 1 July 2016, thus all information within this historical financial information is compliant with IFRS 15.

Following the standards five stage approach to recognising revenue, there was no material impact or change in the way that revenues are recognised by KMI.

IFRS 16

KMI early adopted IFRS 16 effective 1 January 2016. IFRS 16 replaced IAS 17 *Leases* and IFRIC 4 *Determining whether an Arrangement Contains a Lease*.

IFRS 16 provides a single lessee accounting model, requiring the recognition of assets and liabilities for all leases, together with options to exclude leases where the lease term is 12 months or less, or where the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting in IAS 17, with the distinction between operating leases and finance leases being retained. KMI does not have significant leasing activities acting as a lessor.

Transition method and practical expedients utilised

KMI adopted IFRS 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 July 2016). KMI elected to apply the practical expedient to not reassess whether a contract is, or contains a lease at the date of initial application. Contracts entered into before the transition date that were not identified as leases under IAS 17 and IFRIC 4 were not reassessed. The definition of a lease under IFRS 16 was applied only to contracts entered into or changed on or after 1 July 2016.

IFRS 16 provides for certain optional practical expedients, including those related to the initial adoption of the standard. KMI applied the following practical expedients when applying IFRS 16 to leases previously classified as operating leases under IAS 17:

- Reliance on previous assessments on whether leases are onerous as opposed to preparing an impairment review under IAS 36 as at the date of initial application; and
- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than the 12 months of lease term remaining as of the date of initial application.

As a lessee, KMI previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under IFRS 16, KMI recognises right-of-use assets and lease liabilities for most leases. However, KMI has elected not to recognise right-of-use assets and lease liabilities for some leases of low value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

On adoption of IFRS 16, KMI recognised right-of-use assets and lease liabilities as follows:

- Right-of-use assets – are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.
- Lease liabilities – are measured at the present value of the remaining lease payments, discounted using KMI's incremental borrowing rate as at 1 July 2016. KMI's incremental borrowing rate is the rate at which a similar borrowing could be obtained from an independent creditor under comparable terms and conditions. The weighted-average rate applied was 5.2588%.

The impact of adopting IFRS 16 on the statement of financial position as at 1 July 2016 was to create a right of use asset of \$866,752 and lease liability of the same amount.

Since all periods have been adjusted to reflect the application of IFRS 16 from 1 July 2016 and the transition date to IFRS was the same date, IAS 17 lease commitments information disclosed by KMI, therefore no reconciliation has been presented in this historical financial information.

IFRIC 23

IFRIC 23 provides guidance on the accounting for current and deferred tax liabilities and assets in circumstances in which there is uncertainty over income tax treatments. The Interpretation requires:

- KMI to determine whether uncertain tax treatments should be considered separately, or together as a group, based on which approach provides better predictions of the resolution;
- KMI to determine if it is probable that the tax authorities will accept the uncertain tax treatment; and
- If it is not probable that the uncertain tax treatment will be accepted, measure the tax uncertainty based on the most likely amount or expected value, depending on whichever method better predicts the resolution of the uncertainty. This measurement is required to be based on the assumption that each of the tax authorities will examine amounts they have a right to examine and have full knowledge of all related information when making those examinations.

KMI elected to apply IFRIC 23 retrospectively with the cumulative effect recorded in retained earnings as at the date of initial application, 1 July 2016. The adoption of IFRIC 23 did not have a material impact on the KMI historical financial information.

New standards, interpretations and amendments not yet effective

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that KMI has decided not to adopt early. None of these are expected to have a material impact on KMI's financial information.

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Materially all of KMI's revenue is derived from the provision of investment management services to its customers. These amounts are billed to customers quarterly in advance and are recognised in the period that the service is delivered evenly over time. KMI only operates in one geographical region, the United States of America. Chief Decision Makers do not review analyses of financial information at a more disaggregated level than this.

There are no IFRS 15 contract assets or liabilities at any of the year ends reported in this historical financial information.

NOTE 4 – STAFF COSTS

Staff costs (including Key Management Personnel) comprise:

	Year ended 30 June		
	2017	2018	2019
	\$	\$	\$
Wages and salaries	3,145,107	3,693,043	3,652,562
Bonus expense	16,107,770	16,757,678	17,773,244
Profit sharing payments	336,522	390,062	361,405
Employment taxes	535,937	552,051	547,801
Defined contribution pension costs	194,447	207,461	188,396
Defined benefit pension costs	149,140	159,229	160,175
Other staff costs	22,511	22,882	21,464
	20,491,434	21,782,406	22,705,047

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of KMI. Key management compensation comprised:

	Year ended 30 June		
	2017	2018	2019
	\$	\$	\$
Wages and salaries	16,962,229	15,945,136	18,075,539
Employment taxes	293,270	278,969	311,534
Retirement plans	242,977	264,848	235,451
Other staff costs	6,000	6,000	6,000
	17,504,476	16,494,953	18,628,524

Total remuneration paid to the highest paid member of key management was as follows:

	Year ended 30 June		
	2017	2018	2019
	\$	\$	\$
Wages and salaries	14,459,669	13,854,028	15,248,649
Employment taxes	217,551	208,844	229,345
Retirement plans	32,400	36,000	11,500
Other staff costs	1,000	1,000	1,000
	<u>14,710,620</u>	<u>14,099,872</u>	<u>15,490,494</u>

The average number of employees, employed by KMI during the period was as follows:

	Year ended 30 June		
	2017	2018	2019
Business development/client administration	12	14	12
Investments/research	13	13	12
Client support/operations	10	9	10
Finance/human resources	2	2	2
	<u>37</u>	<u>38</u>	<u>36</u>

NOTE 5 – EXPENSES BY NATURE – OTHER ADMINISTRATIVE EXPENSES

	Year ended 30 June		
	2017	2018	2019
	\$	\$	\$
Insurance	1,123,113	1,050,585	672,528
Legal and professional fees	63,407	166,687	549,413
Fee sharing	463,354	497,755	457,011
Data services and software subscriptions	3,294,414	1,599,477	2,311,033
Soft Dollar credit	(3,177,019)	(1,160,589)	(1,959,973)
Short-term lease expense	39,661	41,243	31,338
Registration, filing, and compliance	10,233	206,676	182,910
Marketing	248,218	129,375	95,506
Travel and entertainment	253,773	237,105	158,461
Office equipment	61,546	60,889	53,515
Office	83,068	116,155	68,714
Advertising	70,674	58,453	64,955
Telephone and utilities	44,263	50,356	55,360
Outside consulting fees	48,404	86,167	43,020
Seminars and meetings	43,382	62,491	26,884
Promotional	2,000	15,300	9,481
Vehicle	6,685	6,516	6,684
Contributions	400	300	1,200
Postage	38,744	26,090	25,469
Other	5,042	52,860	73,188
	<u>2,723,362</u>	<u>3,303,891</u>	<u>2,926,697</u>

NOTE 6 – INTEREST RECEIVABLE AND SIMILAR GAINS

	Year ended 30 June		
	2017	2018	2019
	\$	\$	\$
Interest and dividend income on investments	176,771	51,383	166,596
Interest income	210,592	202,462	252,726
Unrealised investment gains / (losses)	(327,662)	(155,277)	345,720
Pension interest income	17,266	15,541	11,077
	<u>76,967</u>	<u>114,109</u>	<u>776,119</u>

NOTE 7 – DIVIDENDS

In April 2018, a dividend of \$3.35 per share was declared and paid, which resulted in a total dividend paid of \$1,002,078.

NOTE 8 – TRADE AND OTHER RECEIVABLES

	As at 30 June		
	2017	2018	2019
	\$	\$	\$
Trade receivables	5,925	3,831	65,872
Investment income receivable	13,003	12,510	14,851
Prepaid taxes	9,800	4,579	—
Prepaid expenses	824,430	833,092	370,112
	<u>853,158</u>	<u>854,012</u>	<u>450,835</u>

NOTE 9 – OTHER FINANCIAL ASSETS

Other financial assets are comprised of investments in marketable securities, measured at fair value, as follows:

	2017	2018	2019
	\$	\$	\$
<u>Market value</u>			
At beginning of the year	8,444,419	8,785,698	6,930,730
Additions	2,290,005	6,906,996	3,950,157
Other reinvestment of income	243,280	170,264	16,573
Disposals, cost	(1,976,462)	(8,733,486)	(3,898,959)
Realised gains / (losses) on disposals	112,118	(43,465)	—
Fair value gains / (losses) recognised	(327,662)	(155,277)	345,720
At the end of the year	<u>8,785,698</u>	<u>6,930,730</u>	<u>7,344,221</u>

Fair value measurements

The following table sets out by level, within the fair value hierarchy, KMI's assets at fair value:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<u>30 June 2017</u>				
Common stock	349,651	—	—	349,651
Non-taxable fixed income funds	6,704,530	—	—	6,704,530
Auction rate preferred equity shares	—	1,731,517	—	1,731,517
	<u>7,054,181</u>	<u>1,731,517</u>	<u>—</u>	<u>8,785,698</u>
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<u>30 June 2018</u>				
Non-taxable fixed income funds	5,305,730	—	—	5,305,730
Auction rate preferred equity shares	—	1,625,000	—	1,625,000
	<u>5,305,730</u>	<u>1,625,000</u>	<u>—</u>	<u>6,930,730</u>
	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<u>30 June 2019</u>				
Common stock	1,449,152	—	—	1,449,152
Non-taxable fixed income funds	5,220,069	—	—	5,220,069
Auction rate preferred equity shares	—	675,000	—	675,000
	<u>6,669,221</u>	<u>675,000</u>	<u>—</u>	<u>7,344,221</u>

See note 2 for details as to how the fair value of assets was computed for each asset class.

There were no transfers of assets between levels in the fair hierarchy in the periods presented.

NOTE 10 – PROPERTY AND EQUIPMENT

Property and equipment consisted of the following:

	Leasehold improvements	Furniture and fixtures	Computer equipment	Vehicles	Total
	\$	\$	\$	\$	\$
Cost					
As at 1 July 2016	104,083	764,787	98,459	66,640	1,033,969
Additions	—	324	15,176	—	15,500
As at 30 June 2017	104,083	765,111	113,635	66,640	1,049,469
Accumulated depreciation					
As at 1 July 2016	82,356	740,118	91,778	29,580	943,832
Depreciation for the year	3,830	7,335	6,983	13,328	31,476
As at 30 June 2017	86,186	747,453	98,761	42,908	975,308
Net book value					
As at 30 June 2017	17,897	17,658	14,874	23,732	74,161

	Leasehold improvements	Furniture and fixtures	Computer equipment	Vehicles	Total
	\$	\$	\$	\$	\$
Cost					
As at 1 July 2017	104,083	765,111	113,635	66,640	1,049,469
Additions	—	4,565	41,862	28,898	75,325
Disposals	—	—	—	(41,681)	(41,681)
As at 30 June 2018	104,083	769,676	155,497	53,857	1,083,113
Accumulated depreciation					
As at 1 July 2017	86,186	747,453	98,761	42,908	975,308
Depreciation for the year	2,274	6,368	6,313	13,810	28,765
Disposals	—	—	—	(39,597)	(39,597)
As at 30 June 2018	88,460	753,821	105,074	17,121	964,476
Net book value					
As at 30 June 2018	15,623	15,855	50,423	36,736	118,637

	Leasehold improvements	Furniture and fixtures	Computer equipment	Vehicles	Total
	\$	\$	\$	\$	\$
Cost					
As at 1 July 2018	104,083	769,676	155,497	53,857	1,083,113
Additions	—	3,573	7,349	—	10,922
As at 30 June 2019	104,083	773,249	162,846	53,857	1,094,035
Accumulated depreciation					
As at 1 July 2018	88,460	753,821	105,074	17,121	964,476
Depreciation for the year	2,252	7,268	21,524	10,772	41,816
As at 30 June 2019	90,712	761,089	126,598	27,893	1,006,292
Net book value					
As at 30 June 2019	13,371	12,160	36,248	25,964	87,743

NOTE 11 – NOTE PAYABLE TO FORMER SHAREHOLDER

In 2019, KMI entered into an agreement to repurchase 594 outstanding shares of common stock. Under the agreement, KMI will pay the former shareholder approximately \$110,500 in semiannual payments of \$27,640, plus interest at 2.21%. At 30 June 2019, \$82,921 was outstanding under the terms of the agreement. Future required payments are as follows:

Year ending 30 June	Amount
	\$
2020	55,281
2021	27,640
	<u>82,921</u>

NOTE 12 – TRADE AND OTHER PAYABLES

Trade and other payables consisted of the following at 30 June:

	As at 30 June		
	2017	2018	2019
	\$	\$	\$
Trade payable	3,806	4,125	44,165
Accrued expenses	476,783	703,286	604,644
Accrued profit sharing	16,520	83,074	—
	<u>497,109</u>	<u>790,485</u>	<u>648,809</u>

NOTE 13 – DEFINED BENEFIT POST-RETIREMENT PLAN

KMI has a funded defined benefit pension plan covering substantially all employees who have completed one year of service and who are at least 21 years of age. Participants may enter the plan on the first of January or July after they meet eligibility requirements. Pension benefits are based on the employees' years of service and final average salary. KMI's funding policy is to contribute the hypothetical allocations, as defined in the plan document. The plan operates under the Employee Retirement Income Security Act (ERISA) and IRS regulatory requirements. The minimum funding requirement is determined each year under ERISA regulations. Plan assets are held in trust accounts and also governed by U.S. regulations. Responsibility for plan governance, including investment decisions and plan administration, lies with KMI and the trustees of the plan, in accordance with the plan's specifications.

The defined benefit plan is exposed to a number of risks, including:

- Investment risk: Movement of discount rate used (high quality corporate bonds denominated in the same currency as the post-employment benefit obligations) against the return from plan assets.
- Interest rate risk: A decrease in corporate bond yields will increase plan liabilities, although this should be partially offset by an increase in the value of the plans' bond holdings.
- Longevity risk: The majority of the plan's obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plan's liabilities.
- Salary risk: Increases in future salaries increase the gross defined benefit obligation.

	30 June		
	2017	2018	2019
	\$	\$	\$
Movement in the present value of defined benefit obligations			
Defined benefit obligation at 1 July			
of which funded defined benefit plans	985,260	1,173,810	1,364,557
Service cost	149,140	159,229	160,175
Interest expense	39,410	46,652	54,582
Actuarial (gains) / losses	—	(137)	153,668
Benefits paid	—	(14,997)	—
of which funded defined benefit plans	—	(14,997)	—
of which unfunded defined benefit plans	—	—	—
Defined benefit obligation at 30 June	1,173,810	1,364,557	1,732,982
of which funded defined benefit plans	1,173,810	1,364,557	1,732,982
Movement in fair value of defined benefit plan assets			
Fair value of assets at 1 July	(1,416,911)	(1,562,316)	(1,641,487)
Interest income	(56,676)	(62,193)	(65,659)
Actual return on plan assets, excluding interest income	(88,729)	(31,975)	(77,958)
Benefits paid	—	14,997	—
Fair value of assets at 30 June	(1,562,316)	(1,641,487)	(1,785,104)
Reconciliation of assets and liabilities recognised in balance sheet			
Present value of funded obligations	1,173,810	1,364,557	1,732,982
Fair value of plan assets	(1,562,316)	(1,641,487)	(1,785,104)
Excess of liabilities / (assets) over funded obligations	(388,506)	(276,930)	(52,122)

	30 June		
	2017	2018	2019
	\$	\$	\$
Excess of liabilities / (assets) over funded obligations at beginning of period	(431,651)	(388,506)	(276,930)
Expenses recognised in income statement			
Service cost	149,140	159,229	160,175
Net interest (income)/expense	(17,266)	(15,541)	(11,077)
Defined benefit expenses	131,874	143,688	149,098
Remeasurement of defined benefit plans reported in other comprehensive income			
Actual return on plan assets, excluding interest income	(88,729)	(31,975)	(77,958)
Experience adjustments on plan liabilities	—	(137)	153,668
Remeasurement on defined benefit plan	(88,729)	(32,112)	75,710
Excess of liabilities / (assets) over funded obligations at beginning of period	(388,506)	(276,930)	(52,122)

30 June			
	2017	2018	2019
	\$	\$	\$
Principal actuarial assumptions			
Discount rate	4.00%	4.00%	4.00%
Interest credit rate	4.00%	4.00%	4.00%
Expected rate of pension adjustments	4.00%	4.00%	4.00%
Mortality table	RP-2014 with MP-2017 projection scale	RP-2014 with MP-2018 projection scale	RP-2014 with MP-2019 projection scale
As reported	1,173,810	1,364,557	1,732,982
Discount rate			
Increase of 50 basis points	—	—	—
Decrease of 50 basis points	—	—	—
Expected rate of pension adjustments			
Increase of 50 basis points	N/A	N/A	N/A
Decrease of 50 basis points	N/A	N/A	N/A
Longevity at retirement age			
At 30 June – Male	20.5 years	20.5 years	20.6 years
– Female	22.5 years	22.5 years	22.6 years
Weighted average duration of defined benefit obligations			
At 30 June	20.3	20.6	19.4

Plan assets by category

The fair values and level, within the fair value hierarchy, of KMI's pension plan assets, by asset category, are as follows:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2017				
Interest bearing cash and money market funds	97,058	—	—	97,058
Corporate bonds	—	574,363	—	574,363
Corporate common stocks	607,621	—	—	607,621
Other	—	283,274	—	283,274
	704,679	857,637	—	1,562,316

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
30 June 2018				
Interest bearing cash and money market funds	42,014	—	—	42,014
Corporate bonds	—	416,878	—	416,878
Corporate common stocks	629,792	—	—	629,792
Other	—	552,803	—	552,803
	671,806	969,681	—	1,641,487

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
<u>30 June 2019</u>				
Interest bearing cash and money market funds	33,227	—	—	33,227
Corporate bonds	—	558,522	—	558,522
Corporate common stocks	700,394	—	—	700,394
Other	-	492,961	—	492,961
	<u>733,621</u>	<u>1,051,483</u>	<u>492,961</u>	<u>1,785,104</u>

The level 2 assets held within the pension plan are valued at the last known transaction price using quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

KMI's overall investment strategy is to provide a regular and reliable source of income to meet the liquidity needs of the pension plans and minimise reliance on plan sponsor contributions as a source of benefit security. KMI's investment policy includes various guidelines and procedures designed to ensure assets are invested in a manner necessary to meet expected future benefits earned by participants.

Expected benefit payments

All benefits expected to be paid by the plan, were anticipated to be made in the year ended 30 June 2020 as at the balance sheet date. Total expected benefit payments were \$1,767,642.

See footnote 21 for further information on what happened in the period subsequent to 30 June 2019.

NOTE 14 – RELATED PARTY TRANSACTIONS

Promissory note payable to shareholder

In the year ended 30 June 2017, KMI borrowed \$870,000 from KMI's majority shareholder. Amounts borrowed bore interest at the prime rate at the time of the loan, 4.25%, and were repaid in the year ended 30 June 2018.

In the year ended 30 June 2018, KMI borrowed \$2,000,000 from KMI's majority shareholder. Amounts borrowed bore interest at the prime rate at the time of the loan, 5.00%, and were repaid in the year ended 30 June 2019.

In the year ended 30 June 2019, KMI borrowed \$500,000 from KMI's majority shareholder. Amounts borrowed bore interest at the prime rate at the time of the loan, 5.50%, and were repaid, in the year ended 30 June 2020.

KMI paid the majority shareholder interest of \$10,959, \$2,735, and \$3,289 in the years ended 30 June 2019, 2018, and 2017, respectively.

Captive insurance

KMI purchased insurance from a captive insurance entity owned by KMI's majority shareholder. In the years ended 30 June 2019, 2018, and 2017, KMI recognised expense of approximately \$480,000, \$390,000, and \$558,000 related to insurance provided by the captive entity. At 30 June 2018 and 2017, there was approximately \$480,000 and \$390,000, respectively, included in prepaid expenses in the balance sheets.

NOTE 15 – INCOME TAXES

The (benefit from) provision for income taxes consisted of the following:

	Year ended 30 June		
	2017	2018	2019
	\$	\$	\$
Current tax expense (benefit)	16,478	12,767	31,442
Deferred tax expense (benefit)	(119,497)	(130,989)	45,604
	(103,019)	(118,222)	77,046

In December 2017, the Tax Cuts and Jobs Act (the Act) was enacted. Under the Act, the Federal corporate tax rate was reduced to 21%, effective 1 January 2018, resulting in rates of 21%, 27.5%, and 34.0% applicable to KMI for the years ended 30 June 2019, 2018, and 2017, respectively. The provision for income taxes differs from the “expected” tax provision, computed by applying the U.S. Federal corporate income tax rates to income, as follows:

	Year ended 30 June		
	2017	2018	2019
	\$	\$	\$
Profit before tax	(70,515)	(261,213)	538,944
Tax percentage	34.00%	27.50%	21.00%
Tax at the standard rate	(23,975)	(71,834)	113,178
Change in tax rates	—	29,532	—
State and local taxes, net of federal benefit	(16,577)	(28,811)	22,243
Tax exempt interest	(71,703)	(55,895)	(53,135)
Other permanent items	9,236	8,786	(5,240)
Current tax expense (benefit)	(103,019)	(118,222)	77,046

The impact of the Act on deferred tax items is included in the reconciliation above. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of KMI's net deferred income taxes were as follows:

	Year ended 30 June		
	2017	2018	2019
	\$	\$	\$
<u>Deferred income tax assets</u>			
Trade and other payables	163,000	142,643	149,574
Lease liability	312,160	169,425	121,018
Capital losses carried forward	—	11,565	7,155
Total deferred tax asset	475,160	323,633	277,747
Set off of deferred tax liabilities pursuant to set off provisions	(475,160)	(323,633)	(277,747)
Balance of deferred income tax assets	—	—	—

	Year ended 30 June		
	2017	2018	2019
	\$	\$	\$
Deferred income tax liabilities			
Property and equipment	(1,994)	(16,622)	(9,699)
Prepaid expenses	(136,969)	(73,245)	(77,812)
Unrealised position of marketable securities	(52,145)	5,451	(86,541)
Pension asset	(150,297)	(73,688)	(13,869)
Right of use assets	(302,894)	(159,247)	(110,158)
Other, net	(34,585)	(24,715)	(23,559)
Total deferred tax liability	(678,884)	(342,066)	(321,638)
Set off of deferred tax liabilities pursuant to set off provisions	475,160	323,633	277,747
Balance of deferred income tax assets	(203,724)	(18,433)	(43,891)
Deferred income tax assets			
Balance of deferred income tax assets at 1 July	—	—	—
Balance of deferred income tax assets at 30 June	—	—	—
Change	—	—	—
Deferred tax assets analysis			
Balance of deferred income tax assets at 1 July	—	—	—
Trade and other payables	163,000	(20,357)	6,930
Lease liability	312,160	(142,735)	(48,408)
Capital losses carried forward	—	11,565	(4,410)
Total of effects	475,160	(151,527)	(45,888)
Total deferred tax asset	475,160	(151,527)	(45,888)
Sett off of deferred tax liabilities pursuant to set off provisions	(475,160)	151,527	45,888
Balance of deferred income tax assets at 30 June	—	—	—
Deferred income tax liabilities			
Balance of deferred income tax liabilities at 1 July	—	(203,724)	(18,433)
Balance of deferred income tax liabilities at 30 June	(203,724)	(18,433)	(43,891)
Change	(203,724)	(185,291)	25,458

	Year ended 30 June		
	2017	2018	2019
		\$	\$
<u>Deferred tax liabilities analysis</u>			
Balance of deferred income tax liabilities at 1 July	—	(203,724)	(18,433)
Property and equipment	(1,994)	(14,628)	6,923
Prepaid expenses	(136,969)	63,724	(4,567)
Unrealised position of marketable securities	(52,145)	57,596	(91,992)
Right of use assets	(302,894)	76,609	49,089
Pension asset	(150,297)	143,647	59,820
Other, net	(34,585)	9,870	1,157
Total of effects	(678,884)	336,818	20,430
Total deferred tax liability	(678,884)	133,094	1,997
Set off of deferred tax liabilities pursuant to set off provisions	475,160	(151,527)	(45,888)
Balance of deferred income tax liabilities at 30 June	(203,724)	(18,433)	(43,891)

KMI paid cash for income taxes of approximately \$12,700, \$7,500, and \$38,700 in the years ended 30 June 2019, 2018, and 2017, respectively.

NOTE 16 – EQUITY TRANSACTIONS

The nature and purpose of KMI's reserves can be described as follows:

- Share premium account – used to record the issue of share capital at a premium to nominal value.
- Retained earnings – includes all current and prior year retained earnings.
- Fair value reserve – includes actual return on defined benefit plan assets (excluding interest income) and experience adjustments on plan liabilities for current and prior periods.
- Investment in own shares – includes the cost of shares repurchased from certain current and former shareholders

Investment in own shares

During the year ended 30 June 2019, KMI repurchased 594 shares of common stock from a certain shareholder at a cost of \$110,562. See note 11 for details of the note payable to former shareholder for the treasury stock.

During the year ended 30 June 2018, KMI repurchased 13,120 shares of common stock from certain shareholder at a cost of \$2,334,179, for cash.

Increases in share capital and share premium

KMI has authorised share capital of 500,000 with a nominal value of \$0.10. The issued and fully paid share capital is, as follows:

- 30 June 2017 – 337,025
- 30 June 2018 – 339,496
- 30 June 2019 – 345,909

During the year ended 30 June 2017, KMI issued 2,340 common shares, with a nominal value of \$234, the total cash paid for the shares was, \$379,285, which created additional share premium of \$379,051. The shares were valued based on estimated market value that was approved by the Board.

During the year ended 30 June 2018, KMI issued 2,470 common shares, with a nominal value of \$247, the total cash paid for the shares was, \$439,616, which created additional share premium of

\$439,369. The shares were valued based on estimated market value that was approved by the Board.

During the year ended 30 June 2019, KMI issued 6,410 common shares, with a nominal value of \$641, the total cash paid for the shares was, \$1,193,652, which created additional share premium of \$1,193,011. The shares were valued based on estimated market value that was approved by the Board.

NOTE 17 – DEFINED CONTRIBUTION RETIREMENT PLAN

KMI sponsors a profit-sharing plan with 401(k) (the Defined Contribution Plan) features that covers substantially all employees. KMI makes 3% nonelective contributions of eligible employee compensation under the safe harbor provisions of the Defined Contribution Plan. In addition, KMI may make further discretionary safe harbor contributions and discretionary profit-sharing contributions. In the years ended 30 June 2019, 2018, and 2017, KMI made nonelective contributions of \$188,396, \$207,461, and \$194,447, respectively. In the years ended 30 June 2019, 2018, and 2017, KMI made discretionary profit sharing contributions of \$361,405, \$390,062, and \$336,522, respectively.

NOTE 18 – COMMITMENTS

KMI has license and maintenance service agreements for certain software through May 2023, with annual payments due at the beginning of each contract year. Future payments under the terms of the agreements are expected to be approximately as follows:

Year ending 30 June,	Amount
	\$
2020	397,600
2021	417,400
2022	438,300

NOTE 19 – LEASES

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

IFRS 16 was adopted on 1 July 2016. For an explanation of the transitional requirements that were applied as at 1 July 2016, see note 2. The following policies apply subsequent to the date of initial application, 1 July 2016.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case KMI's incremental borrowing rate on commencement of the lease (2017: 5.26%, for 2018 and 2019 no rate was computed as there were no new leases entered into during that period) is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. No such instances were noted. Other variable lease payments are expensed in the period to which they relate.

Right of use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for lease payments made at or before commencement of the lease, and initial direct costs incurred.

Subsequent to initial measurement lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term.

When KMI revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying

amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments is dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

Nature of leasing activities (in the capacity as lessee)

KMI leases one property in Pittsford, New York, which is KMI's main office, as well as copiers which are used in that office. Both of these leases comprise fixed payments over the lease terms.

KMI also leases certain items of plant and equipment. In some contracts for services with distributors, those contracts contain a lease of vehicles. Leases of plant, equipment and vehicles comprise only fixed payments over the lease terms.

KMI sometimes negotiates break clauses in its property leases. On a case-by-case basis, KMI will consider whether the absence of a break clause would expose KMI to excessive risk, no such clauses were exercised during the period of the historical financial information. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for KMI.

Right of use assets

	Office buildings	Office equipment	Total
	\$	\$	\$
As at 1 July 2016	866,752	—	866,752
Additions	—	87,872	87,872
Amortisation for the year	(162,516)	(9,153)	(171,669)
As at 30 June 2017	<u>704,236</u>	<u>78,719</u>	<u>782,955</u>
	\$	\$	\$
As at 1 July 2017	704,236	78,719	782,955
Amortisation for the year	(162,516)	(21,968)	(184,484)
As at 30 June 2018	<u>541,720</u>	<u>56,751</u>	<u>598,471</u>
	\$	\$	\$
As at 1 July 2018	541,720	56,751	598,471
Amortisation for the year	(162,516)	(21,968)	(184,484)
As at 30 June 2019	<u>379,204</u>	<u>34,783</u>	<u>413,987</u>

Lease liabilities

	Office buildings	Office equipment	Total
	\$	\$	\$
As at 1 July, 2016	866,752	—	866,752
Additions	—	87,872	87,872
Lease payments	(181,667)	(10,170)	(191,837)
Interest expenses	42,267	1,853	44,120
As at 30 June 2017	<u>727,352</u>	<u>79,555</u>	<u>806,907</u>

	Office buildings	Office equipment	Total
	\$	\$	\$
As at 1 July 2017	727,352	79,555	806,907
Additions	—	—	—
Lease payments	(184,167)	(24,407)	(208,574)
Interest expenses	34,696	3,689	38,385
As at 30 June 2018	<u>577,881</u>	<u>58,837</u>	<u>636,718</u>

	Office buildings	Office equipment	Total
	\$	\$	\$
As at 1 July 2018	577,881	58,837	636,718
Additions	—	—	—
Lease payments	(186,667)	(24,406)	(211,073)
Interest expenses	26,582	2,572	29,154
As at 30 June 2019	<u>417,796</u>	<u>37,003</u>	<u>454,799</u>

Maturity of lease liabilities

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	\$	\$	\$	\$	\$
As at 30 June 2017	51,727	156,847	211,074	483,645	—
As at 30 June 2018	52,352	158,722	213,574	270,071	—
As at 30 June 2019	52,977	160,597	205,905	64,167	—

NOTE 20 – FINANCIAL INSTRUMENTS – RISK MANAGEMENT

KMI is exposed through its operations to the following financial risks:

- Credit risk
- Market price risk, and
- Liquidity risk.

In common with all other businesses, KMI is exposed to risks that arise from its use of financial instruments. This note describes KMI's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout this historical financial information.

There have been no substantive changes in KMI's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by KMI, from which financial instrument risk arises, are as follows:

- Cash and cash equivalents
- Accounts receivables
- Investments income receivable
- Investments in marketable securities
- Trade and other payables
- Note payable to former shareholder
- Promissory note payable to shareholder

Financial instruments by category

	Fair value through profit or loss			Amortised cost		
	2017	2018	2019	2017	2018	2019
	\$	\$	\$	\$	\$	\$
Financial assets						
Cash and cash equivalents	—	—	—	253,194	473,570	690,516
Trade receivable	—	—	—	5,925	3,831	65,872
Investments income receivable	—	—	—	13,003	12,510	14,851
Investment in marketable securities	8,785,698	6,930,730	7,344,221	—	—	—
	<u>8,785,698</u>	<u>6,930,730</u>	<u>7,344,221</u>	<u>272,122</u>	<u>489,911</u>	<u>771,239</u>

	Amortised cost		
	2017	2018	2019
	\$	\$	\$
Financial liabilities			
Trade and other payable	20,056	87,199	44,165
Note payable to former shareholder	—	—	55,281
Promissory note payable to shareholder	870,000	2,000,000	500,000
	<u>890,056</u>	<u>2,087,199</u>	<u>599,446</u>

Financial instruments not measured at fair value

Financial instruments not measured at fair value includes cash and cash equivalents, trade receivables, investment income receivable, trade and other payables, note payable to former shareholder and promissory notes payable to former shareholder. Due to their short-term nature, the carrying value of these assets and liabilities approximates their fair value.

Financial instruments measured at fair value

As set out in note 9, investments in marketable securities comprise assets that are valued with reference to level 1 or 2 inputs in the fair value hierarchy. Note 2 includes a description of the valuation techniques used in order to measure the fair value of these assets.

General objectives, policies and processes

The Board has overall responsibility for the determination of KMI's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to KMI's finance function. The Board receives monthly reports from KMI Financial Controller through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting KMI's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

Credit risk is the risk of financial loss to KMI if a customer or counterparty to a financial instrument fails to meet its contractual obligations. KMI is mainly exposed to credit risk from the counter parties holding cash and cash equivalent balances. The balance in the cash accounts may, at times, exceed federally insured limits. KMI has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk with respect to cash and cash equivalents, this is regularly monitored by the Chief Decision Makers to mitigate any additional risk that may arise on an ongoing basis.

Market risk

Market risk arises from KMI's use of investments in marketable securities. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates, exchange rates or other market factors. To mitigate this risk, KMI invests in a diverse portfolio of assets. A 10% linear increase or decrease in the assets that KMI is invested in, with all other variables held constant, would result in a \$733,422, \$693,073 and \$878,570 increase or decrease in the investments in marketable securities balance and the gain or loss recognised in the income statement for the years ended 30 June 2019, 30 June 2018 and 30 June 2017 respectively.

KMI is exposed to market risk indirectly via its assets under management. To combat fluctuations in revenue received, employees may receive lower salaries and be compensated more highly by bonus (based on profitability). The bonus portion of compensation can increase or decrease according to revenue. KMI does not hedge against potential losses in fee income or invest in securities or derivatives that should increase in value in the event of a fall in the markets.

Liquidity risk

Liquidity risk arises from KMI's management of working capital. It is the risk that KMI will encounter difficulty in meeting its financial obligations as they fall due.

KMI's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances (or agreed facilities) to meet expected requirements for a period of at least 45 days. KMI also seeks to reduce liquidity risk by not having any external borrowings, instead carrying sufficient cash reserves to meet liabilities as they fall due.

The Board receives rolling 12-month cash flow projections on a monthly basis as well as information regarding cash balances.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities:

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	\$	\$	\$	\$	\$
<u>As at 30 June 2017</u>					
Trade and other payables	20,326	—	—	—	—
Note payable to former shareholder	—	—	—	—	—
Promissory notes payable to shareholder	872,735	—	—	—	—
	893,061	—	—	—	—

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	\$	\$	\$	\$	\$
<u>As at 30 June 2018</u>					
Trade and other payables	87,199	—	—	—	—
Note payable to former shareholder	—	—	—	—	—
Promissory notes payable to shareholder	2,010,959	—	—	—	—
	2,098,158	—	—	—	—

	Up to 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	\$	\$	\$	\$	\$
<u>As at 30 June 2019</u>					
Trade and other payables	44,165	—	—	—	—
Note payable to former shareholder	—	56,809	27,947	—	—
Promissory notes payable to shareholder	503,842	—	—	—	—
	548,007	56,809	27,947	—	—

Capital disclosures

KMI's objective when maintaining capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

KMI has no external borrowing and therefore has no externally imposed capital requirements.

NOTE 21 – SUBSEQUENT EVENTS

During December 2019, KMI paid dividends totaling approximately \$524,000 and distributed paid in capital totaling \$7,125,000 to shareholders.

Subsequent to year-end, as of 31 August 2019, the defined benefit pension plan was terminated and all assets were distributed to the participants during January 2020.

On 30 January 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve. As such, it is uncertain as to the full magnitude that the pandemic will have on KMI's future results of operations. Management is actively

monitoring the impact of the global situation on its financial condition, liquidity, operations, industry, and workforce. Total KMI funds under management decreased from US\$3.6 billion as at 31 December 2019, to US\$3.2 billion as at 31 March 2020 as a result of a substantial decline in financial markets during the three months ended 31 March 2020 attributable to the spread of COVID-19. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the effect on KMI's funds under management is uncertain in the longer term. As at 31 May 2020, total funds under management had increased to US\$3.4 billion

The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which is expected to depress or impair KMI's asset values, including the investments in marketable securities as well as reducing the revenue generated by KMI, which is linked to the market value of the assets managed.

The continued impact of the Covid-19 outbreak on market volatility and potential reduction in funds under management may have a material adverse impact on KMI's results of future operations.

Section C: Unaudited interim financial information of KMI for the six months ended 31 December 2019

KMI income statement for the six months ended 31 December 2019

	Note	6 months ended 31 December	
		2018	2019
		Unaudited	Unaudited
		\$	\$
Net fee income	3	12,762,392	13,719,464
Administrative expenses			
Staff costs	5	11,209,587	11,480,674
Other administrative expenses		1,708,742	1,518,780
Depreciation and amortisation		113,165	112,780
		(13,031,494)	(13,112,234)
Operating (loss) / profit		(269,102)	607,230
Other income / (expense)			
Interest receivable and similar gains		170,324	947,181
Interest expense and similar losses		(232,922)	(232,207)
Total other (expense) / income		(62,598)	714,974
(Loss) / profit before taxation		(331,700)	1,322,204
Income tax benefit / (expense)	9	165,277	(284,905)
(Loss) / profit for the period		(166,423)	1,037,299
Statement of comprehensive income:			
(Loss) / profit for the period		(166,423)	1,037,299
Items which may not be reclassified through the income statement			
Actuarial loss on pension assets		(37,855)	—
Tax effect on actuarial gain		10,072	—
Settlement of pension plan		—	(476,782)
Reversal of cumulative tax adjustments upon settlement of pension plan		—	126,867
Other comprehensive loss		(27,783)	(349,915)
Total comprehensive (loss) / income for the period		(194,206)	687,384

The accompanying notes are an integral part of the interim financial information.

KMI statement of financial position

	Note	As at 31 December 2018	As at 31 December 2019	As at 30 June 2019
		Unaudited	Unaudited	Audited
		\$	\$	\$
Non current assets				
Property and equipment		108,209	67,205	87,743
Right of use assets		506,229	321,745	413,987
Pension asset	8	164,527	—	52,122
Deferred tax asset		162,972	76,488	—
		<u>941,937</u>	<u>465,438</u>	<u>553,852</u>
Current assets				
Trade and other receivables		241,494	286,664	450,835
Other financial assets	6	5,870,404	1,821,513	7,344,221
Cash and cash equivalents		10,205,220	8,729,029	690,516
		<u>16,317,118</u>	<u>10,837,206</u>	<u>8,485,572</u>
Current liabilities				
Trade and other payables	7	(9,905,526)	(10,303,614)	(648,809)
Current tax payable		—	(249,773)	(12,867)
Lease liability		(189,939)	(202,733)	(196,252)
Note payable to former shareholder		(57,418)	(55,281)	(55,281)
Promissory notes payable to shareholder		—	—	(500,000)
		<u>(10,152,883)</u>	<u>(10,811,401)</u>	<u>(1,413,209)</u>
Creditors, amounts falling due within one year				
		<u>(10,152,883)</u>	<u>(10,811,401)</u>	<u>(1,413,209)</u>
Net current assets		<u>6,164,235</u>	<u>25,805</u>	<u>7,072,363</u>
Total assets less current liabilities		<u>7,106,172</u>	<u>491,243</u>	<u>7,626,215</u>
Non current liabilities				
Lease liability		(357,430)	(156,617)	(258,547)
Note payable to former shareholder		(53,144)	—	(27,640)
Deferred tax liability		—	—	(43,891)
		<u>(410,574)</u>	<u>(156,617)</u>	<u>(330,078)</u>
Net assets		<u>6,695,598</u>	<u>334,626</u>	<u>7,296,137</u>

	Note	As at 31 December 2018	As at 31 December 2019	As at 30 June 2019
		Unaudited	Unaudited	Audited
		\$	\$	\$
Capital and reserves				
Share capital		34,590	34,590	34,590
Share premium account		9,767,288	2,642,288	9,767,288
Fair value reserve	8	377,697	—	349,915
Treasury shares		(3,161,894)	(3,161,894)	(3,161,894)
Retained earnings		(322,083)	819,642	306,238
Total equity		6,695,598	334,626	7,296,137

The accompanying notes are an integral part of the interim financial information.

KMI statement of changes in equity

	Share capital	Share premium account	Retained earnings	Fair value reserve	Treasury shares	Total
	\$	\$	\$	\$	\$	\$
As at 1 July 2018	33,949	8,574,277	(155,660)	405,480	(3,051,332)	5,806,714
Total comprehensive income						
Profit for the period	—	—	(166,423)	—	—	(166,423)
Other comprehensive income	—	—	—	(27,783)	—	(27,783)
Total comprehensive income	—	—	(166,423)	(27,783)	—	(194,206)
Transactions with owners						
Issuance of share capital	641	1,193,011	—	—	—	1,193,652
Purchase of own shares	—	—	—	—	(110,562)	(110,562)
Transactions with owners	641	1,193,011	—	—	(110,562)	1,083,090
As at 31 December 2018	34,590	9,767,288	(322,083)	377,697	(3,161,894)	6,695,598
As at 1 July 2019	34,590	9,767,288	306,238	349,915	(3,161,894)	7,296,137
Total comprehensive income						
Loss for the period	—	—	1,037,299	—	—	1,037,299
Other comprehensive income	—	—	—	(349,915)	—	(349,915)
Total comprehensive income	—	—	1,037,299	(349,915)	—	687,384
Transactions with owners						
Dividends and distributions paid	—	(7,125,000)	(523,895)	—	—	(7,648,895)
Issuance of share capital	—	—	—	—	—	—
Purchase of own shares	—	—	—	—	—	—
Transactions with owners	—	(7,125,000)	(523,895)	—	—	(7,648,895)
As at 31 December 2019	34,590	2,642,288	819,642	—	(3,161,894)	334,626

The accompanying notes are an integral part of the interim financial information.

KMI cash flow statement

Note	6 months ended 31 December	
	2018	2019
	Unaudited	Unaudited
	\$	\$
Cash flow from operating activities		
(Loss) / profit for the period	(166,423)	1,037,299
Adjustments for:		
Depreciation and amortisation	113,165	112,780
Deferred income tax (benefit) / expense	(171,333)	6,487
Fair value (gains) / losses on investments	193,961	202,139
Pension plan interest income	(5,539)	—
Pension settlement gain	8	(424,660)
Lease interest expense	15,772	10,922
Realised loss / (gain) on investments	27,510	(304,694)
Pension expense	80,087	—
Changes in certain assets and liabilities affecting operations:		
Decrease in trade and other receivables	612,518	164,171
Increase in trade and other payables	9,115,041	9,654,806
Increase in current tax payable	—	236,906
Net cash generated from operating activities	9,814,759	10,696,156
Cash flow from investing activities		
Purchases of property and equipment	(10,495)	—
Purchases of other financial assets	(2,055,349)	(1,779,072)
Proceeds from the sale of other financial assets	6	7,404,335
Net cash generated from investing activities	828,360	5,625,263
Cash flow from financing activities		
Repayments of note payable to former shareholder	—	(27,640)
Repayments of promissory notes payable to shareholder	(2,000,000)	(500,000)
Payment of dividends and distributions of capital	4	(7,648,895)
Principal paid on lease liabilities	(105,121)	(106,371)
Proceeds from sale of share capital	1,193,652	—
Net cash used in financing activities	(911,469)	(8,282,906)
Net increase in cash and cash equivalents	9,731,650	8,038,513
Cash and cash equivalents at beginning of period	473,570	690,516
Cash and cash equivalents at end of period	10,205,220	8,729,029
Non cash financing activities		
Own shares acquired through the issuance of note payable to former shareholder	110,562	—

Supplemental cash flow information

Cash paid for interest in the six-month periods ended 31 December 2019 and 2018 totaled approximately \$4,800 and \$11,000, respectively.

The accompanying notes are an integral part of the interim financial information.

NOTE 1 – KMI

KMI is an investment advisor, acting in a fiduciary capacity, registered with the Securities and Exchange Commission under the provisions of the Investment Advisors Act of 1940.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

This interim financial information has been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting. It does not include all disclosures that would otherwise be required in a complete set of financial statements and should be read in conjunction with the KMI historical financial information.

This interim financial information has been prepared in accordance with the accounting policies adopted by KMI in the KMI historical financial information and the accounting policies adopted by CLIG.

There were some new and amended standards issued by the International Accounting Standards Board and Interpretations issued by the International Financial Reporting Standards Interpretations Committee (“IFRIC”) effective in the period but these are expected to impact KMI as they are either not relevant to KMI’s activities or require accounting which is consistent with KMI’s current accounting policies. KMI has adopted International Financial Reporting Standard 16 in the historical financial information, as if it were effective from the initial adoption of International Financial Reporting Standards in July 2016.

The unaudited interim financial information has been prepared on a going concern basis under the historical cost convention. The unaudited interim financial information is presented in US Dollars, which is KMI’s functional currency.

This unaudited interim financial information presents the financial results of KMI for the interim periods ended 31 December 2018 and 2019 and is not necessarily indicative of the full year results.

NOTE 3 – REVENUE FROM CONTRACTS WITH CUSTOMERS

Materially all of KMI’s revenue is derived from the provision of investment management services to its customers. These amounts are billed to customers quarterly in advance and are recognised over the period that the service is delivered evenly over time. KMI only operates in one geographical region, the United States of America. Chief Decision Makers do not review analyses of financial information at a more disaggregated level than this.

There were contract liabilities for \$383,466 and \$155,711 as at 31 December 2019 and 2018 respectively. These amounts related to quarterly asset management fees billed in advance, all of which were expected to be recognised in the first three months following the period end.

NOTE 4 – DIVIDENDS

In November 2019, a dividend of \$1.51 per share was declared. The total dividend of \$523,895 was paid in December 2019.

A \$7,125,000 return of capital / distribution of share premium reserve, was declared in November 2019 and was paid in December 2019.

NOTE 5 – STAFF COSTS

In the six months ended 31 December 2019, staff costs included \$9,308,855 of bonus costs (six months ended 31 December 2018: \$9,052,741).

NOTE 6 – OTHER FINANCIAL ASSETS

Other financial assets are comprised of investments in marketable securities, measured at fair value, as follows:

	31 December 2018	31 December 2019	30 June 2019
	Unaudited	Unaudited	Audited
	\$	\$	\$
At beginning of the period	6,930,730	7,344,221	6,930,730
Additions	2,055,349	1,779,072	3,950,157
Disposals	(2,894,204)	(7,404,335)	(3,898,959)
Realised gains / (losses) on disposals	(27,510)	304,694	16,573
Fair value gains / (losses) recognised	(193,961)	(202,139)	345,720
At the end of the period	5,870,404	1,821,513	7,344,221

Fair value measurements

The following table sets forth by level, within the fair value hierarchy, KMI's assets at fair value as of 31 December 2019:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Common stock	476,928	—	—	476,928
Non-taxable fixed income funds	1,344,585	—	—	1,344,585
	1,821,513	—	—	1,821,513

The following table sets forth by level, within the fair value hierarchy, KMI's assets at fair value as of 31 December 2018:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Non-taxable fixed income funds	5,195,404	—	—	5,195,404
Taxable fixed income funds	675,000	—	—	675,000
	5,870,404	—	—	5,870,404

NOTE 6 – OTHER FINANCIAL ASSETS, Cont'd

The following table sets forth by level, within the fair value hierarchy, KMI's assets at fair value as of 30 June 2019:

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
Common stock	1,449,152	—	—	1,449,152
Non-taxable fixed income funds	5,220,069	—	—	5,220,069
Auction rate preferred equity shares	—	675,000	—	675,000
	<u>6,669,221</u>	<u>675,000</u>	<u>—</u>	<u>7,344,221</u>

There were no transfers of assets between levels in the fair hierarchy in the periods presented.

The valuation techniques described in the KMI historical financial information, have been applied consistently to the balances above. Other than these other financial assets, the remaining financial assets and financial liabilities are measured at amortised cost, which approximates to fair value due to the short term nature of those balances.

NOTE 7 – TRADE AND OTHER PAYABLES

Trade and other payables consisted of the following, at each statement of financial position date:

	31 December 2018	31 December 2019	30 June 2019
	Unaudited	Unaudited	Audited
	\$	\$	\$
Trade payable	4,402	2,632	44,166
Accrued bonus and profit sharing	9,135,815	9,308,855	—
Accrued expenses	609,598	608,661	604,643
Contract liabilities	155,711	383,466	—
	<u>9,905,526</u>	<u>10,303,614</u>	<u>648,809</u>

NOTE 8 – DEFINED BENEFIT POST-RETIREMENT PLAN

KMI had a funded defined benefit pension plan covering substantially all employees who had completed one year of service and who are at least 21 years of age. Participants could enter the plan on the first of January or July after they meet eligibility requirements. Pension benefits were based on the employees' years of service and final average salary. KMI's funding policy was to contribute the hypothetical allocations, as defined in the plan document. The plan operated under the Employee Retirement Income Security Act (ERISA) and IRS regulatory requirements. The minimum funding requirement was determined each year under ERISA regulations. Plan assets were held in trust accounts and also governed by U.S. regulations. Responsibility for plan governance, including investment decisions and plan administration, lay with KMI and the trustees of the plan, in accordance with the plan's specifications.

In the six-month period ended 31 December 2019, the plan was terminated, all participants became fully-vested, and all assets were distributed to the participants. This gave rise to a settlement gain of \$424,660, which was recognised within the income statement as "interest receivable and other gains". As at 31 December 2019, there is therefore no pension asset recognised on the statement of financial position.

NOTE 9 – INCOME TAXES

For 2019 – The effective tax rate for the 6 months ended 31 December 2019 is 21.6%. The primary difference between this rate and the US Federal corporate income tax rate of 21% is permanent differences for tax exempt interest and state income taxes.

For 2018 – The effective tax rate for the 6 months ended 31 December 2018 is 49.83%. The primary difference between this rate and the US Federal corporate income tax rate of 21% is permanent differences for tax exempt interest and state income taxes.

NOTE 10 – SUBSEQUENT EVENTS

On 30 January 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus originating in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally.

The full impact of the COVID-19 outbreak continues to evolve. As such, it is uncertain as to the full magnitude that the pandemic will have on KMI’s future results of operations. Management is actively monitoring the impact of the global situation on its financial condition, liquidity, operations, industry, and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, its effect on KMI’s funds under management is uncertain in the longer term.

The outbreak could have a continued material adverse impact on economic and market conditions and trigger a period of global economic slowdown, which may reduce the revenue generated by KMI, which is linked to the market value of the assets managed.

The continued impact of the Covid-19 outbreak on market volatility and potential reduction in funds under management may have a material adverse impact on KMI’s results of future operations.

PART VI – UNAUDITED PRO FORMA FINANCIAL INFORMATION ON THE ENLARGED GROUP

Section A: Unaudited pro forma financial information

The unaudited *pro forma* income statement of the Enlarged Group has been prepared based on the unaudited income statement of the Group for the six months ended 31 December 2019 and the unaudited income statement of KMI for the six months ended 31 December 2019 to illustrate the effect on the income statement of the Group as if the Merger had taken place on 1 July 2019.

The unaudited *pro forma* statement of net assets of the Enlarged Group has been prepared based on the unaudited balance sheet of the Group as at 31 December 2019 and the unaudited balance sheet of KMI as at 31 December 2019 to illustrate the effect on the net assets of the Group as if the Merger had taken place on 31 December 2019.

The unaudited *pro forma* income statement of the Enlarged Group and the unaudited *pro forma* statement of net assets of the Enlarged Group together form the unaudited *pro forma* financial information.

The unaudited *pro forma* financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group's or KMI's actual financial position or results.

The unaudited *pro forma* financial information has been prepared in accordance with Annex 20 of the Prospectus Delegated Regulation and in a manner consistent with the accounting policies and presentation adopted by the Group in preparing its unaudited interim financial statements for the six month period ended 31 December 2019 and on the basis of the notes set out below.

RSM's Corporate Finance LLP's report on the unaudited *pro forma* financial information is set out in Section B of this Part VI (*Unaudited Pro Forma Financial Information on the Enlarged Group*).

Furthermore, the unaudited *pro forma* financial information set out in this Part VI does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

Unaudited pro forma income statement of the Enlarged Group for the six months ended 31 December 2019

	CLIG for the six months ended 31 December 2019 Note 1 £'000	KMI for the six months ended 31 December 2019 Note 2 £'000	Transaction costs Note 3 £'000	Pro forma income statement of the Enlarged Group for the six months ended 31 December 2019 £'000
Net fee income	16,442	10,879	—	27,321
Administration expenses	(10,266)	(10,398)	(3,300)	(23,964)
Operating profit	6,176	481	(3,300)	3,357
Net interest and other income	157	567	—	724
Profit before taxation	6,333	1,048	(3,300)	4,081
Income tax expense	(1,276)	(226)	—	(1,502)
Profit for the period	5,057	822	(3,300)	2,579

Notes to the unaudited pro forma income statement:

1. The CLIG income statement for the six months ended 31 December 2019 has been extracted, without adjustment, from the consolidated unaudited interim financial statements of CLIG which are incorporated by reference into this document, as referred to in Part X (*Documents Incorporated by Reference*).
2. The KMI income statement for the six months ended 31 December 2019 has been extracted, without adjustment, from the unaudited interim financial information of KMI set out in Part V (*Financial Information on Karpus Management, Inc.*), Section C of this document.

The income statement of KMI has been converted to pounds sterling at the average exchange rate for the six months ended 31 December 2019 of \$1.261:£1.00 as shown below.

	KMI for the six months ended 31 December 2019 \$'000	KMI for the six months ended 31 December 2019 £'000
Net fee income	13,719	10,879
Administration expenses	(13,112)	(10,398)
Operating profit	607	481
Net interest income / (expense)	715	567
Profit before taxation	1,322	1,048
Income tax expense	(285)	(226)
Profit for the period	1,037	822

3. A charge of £3,300,000 has been made to administrative expenses to reflect an estimate of the one-off costs relating to the Merger, which consist of adviser fees wholly attributable to the Merger. No tax relief is expected to be available on these expenses. This adjustment to the *pro forma* income statement is not expected to have a continuing effect on the Enlarged Group.
4. The *pro forma* income statement does not take account trading of the Group or of KMI since 31 December 2019, nor any other events save as disclosed above.

Unaudited pro forma net assets of the Enlarged Group as at 31 December 2019

	CLIG as at 31 December 2019 Note 1 £'000	KMI as at 31 December 2019 Note 2 £'000	Transaction costs Note 3 £'000	Pro forma net assets of the Enlarged Group as at 31 December 2019 £'000
Non current assets				
Property and equipment	620	51	—	671
Intangible assets	115	—	—	115
Right of use assets	1,978	246	—	2,224
Other financial assets	7,744	—	—	7,744
Deferred tax asset	369	58	—	427
Total non current assets	10,826	355	—	11,181
Current assets				
Trade and other receivables	6,339	219	—	6,558
Other financial assets	88	1,389	—	1,477
Cash and cash equivalents	12,509	6,658	(3,300)	15,867
Total current assets	18,936	8,266	(3,300)	23,902
Total assets	29,762	8,621	(3,300)	35,083
Current liabilities				
Trade and other payables	(4,998)	(7,860)	—	(12,858)
Lease liabilities	(315)	(155)	—	(470)
Note payable to former shareholder	—	(42)	—	(42)
Current tax payable	(938)	(190)	—	(1,128)
Total current liabilities	(6,251)	(8,246)	—	(14,497)
Non current liabilities				
Deferred tax liability	(167)	—	—	(167)
Lease liabilities	(1,584)	(119)	—	(1,703)
Total non current liabilities	(1,751)	(119)	—	(1,870)
Total liabilities	(8,002)	(8,365)	—	(16,367)
Net assets	21,760	256	(3,300)	18,716

Notes to the unaudited net assets statement:

1. The net assets of CLIG as at 31 December 2019 have been extracted, without adjustment, from the consolidated unaudited interim financial statements of CLIG which are incorporated by reference into this document, as referred to in Part X (*Documents Incorporated by Reference*) of this document.
2. The net assets of KMI as at 31 December 2019 have been extracted, without adjustment, from the unaudited interim financial information of KMI set out in Part V (*Financial Information on Karpus Management, Inc.*), Section C of this document.

The net assets of KMI have been converted to pounds sterling at the period end exchange rate at 31 December 2019 of \$1.311:£1.00 as shown below:

	KMI as at 31 December 2019 \$'000	KMI as at 31 December 2019 £'000
Non current assets		
Property and equipment	67	51
Intangible assets	—	—
Right of use assets	322	246
Other financial assets	—	—
Deferred tax asset	76	58
Total non current assets	465	355
Current assets		
Trade and other receivables	287	219
Other financial assets	1,821	1,389
Cash and cash equivalents	8,729	6,658
Total current assets	10,837	8,266
Total assets	11,302	8,621
Current liabilities		
Trade and other payables	(10,304)	(7,860)
Lease liabilities	(203)	(155)
Note payable to former shareholder	(55)	(42)
Current tax payable	(249)	(190)
Total current liabilities	(10,811)	(8,246)
Non current liabilities		
Deferred tax liability	—	—
Lease liabilities	(156)	(119)
Total non current liabilities	(156)	(119)
Total liabilities	(10,967)	(8,365)
Net assets	335	256

3. Costs relating to the Merger, which consist of adviser fees wholly attributable to the Merger, are expected to be up to £3,300,000. This adjustment to the pro-forma net assets is not expected to have a continuing effect on the Enlarged Group.
4. No account has been taken of the financial performance of CLIG or of KMI since 31 December 2019, nor any other events save as disclosed above.

Section B: Accountant's Report on the Unaudited Pro Forma Financial Information



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The Directors
City of London Investment Group plc
77 Gracechurch Street
London
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12 June 2020

Dear Sirs

CLIG (the “Company”) and its subsidiary undertakings (the “Group”) as enlarged by the proposed merger (the “Merger”) with KMI (the “Enlarged Group”)

We report on the *pro forma* financial information (the “**Pro Forma Financial Information**”) set out in Part VI of the combined Class 1 circular and prospectus dated 12 June 2020 (the “**Document**”) of CLIG, which has been prepared on the basis described in the notes to the *Pro Forma* Financial Information, for illustrative purposes only, to provide information about how the Merger might have affected the financial information presented on the basis of the accounting policies adopted by the Group in preparing the interim financial statements for the period ended 31 December 2019. This report is required by item 3 of Annex 20 of Commission Delegated Regulation (EU) 2019/980 (the “**Prospectus Delegated Regulation**”) as applied by Listing Rule 13.3.3 R of the Listing Rules made by the Financial Conduct Authority (the “**Listing Rules**”) and is given for the purpose of complying with that item and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company to prepare the *Pro Forma* Financial Information in accordance with items 1 and 2 of Annex 20 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3 R of the Listing Rules.

It is our responsibility to form an opinion, as required by item 3 of Annex 20 of the Prospectus Delegated Regulation as applied by Listing Rule 13.3.3 R of the Listing Rules, as to the proper compilation of the *Pro Forma* Financial Information and to report that opinion to you.

Save for any responsibility arising under of Prospectus Regulation Rule 5.3.2R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law, we do not accept or assume responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with item 1.3 of Annex 3 and item 1.3 of Annex 12 of the Prospectus Delegated Regulation and Listing Rule 13.4.1 R (6) of the Listing Rules, consenting to its inclusion in the Document.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the *Pro Forma* Financial Information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Financial Reporting Council in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the *Pro Forma* Financial Information with the directors of the Group.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the *Pro Forma* Financial Information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in any jurisdictions other than the United Kingdom and accordingly should not be relied upon as if it had been carried out in accordance with those other standards and practices.

Opinion

In our opinion:

- a) the *Pro Forma* Financial Information has been properly compiled on the basis stated; and
- b) such basis is consistent with the accounting policies of the Group.

Declaration

For the purposes of Prospectus Regulation Rule 5.3.2R(2)(f) we are responsible for this report as part of the Document and declare, to the best of our knowledge, the information contained in this report is in accordance with the facts and this report makes no omission likely to affect its import. This declaration is included in the Document in compliance with item 1.2 of Annex 3 and item 1.2 of Annex 12 of the Prospectus Delegated Regulation.

Yours faithfully

RSM Corporate Finance LLP

Regulated by the Institute of Chartered Accountants in England and Wales

RSM Corporate Finance LLP is a limited liability partnership registered in England and Wales, registered no. OC325347. A list of the names of members is open to inspection at the registered office 25 Farringdon Street London EC4A 4AB.

PART VII – TAXATION

The content of this Part VII (*Taxation*) is not to be construed as tax advice. You should consult your tax adviser for tax advice. The tax legislation of the European Union member state or other jurisdiction in which you are resident, and of the Company's country of incorporation, may have an impact on the income received from the securities.

Part A – UK Taxation

1 General

The following comments do not constitute tax advice and are intended only as a non-exhaustive and general guide to current UK law and HMRC's published practice as at the date of this document (both of which are subject to change at any time, possibly with retrospective effect). The 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 and, in the case of individuals, domiciled in the UK. 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; and
- Shareholders who have (or are deemed to have) acquired their Shares by reason of any office or employment.

Such persons may be subject to special rules.

Any Shareholders who are in any doubt as to their tax position or who are subject to tax in a jurisdiction other than the UK should consult an independent tax adviser

2 Taxation of dividends

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

Individuals

UK resident individual Shareholders will pay tax on dividends received, over the annual dividend allowance of £2,000, at the following rates:

- 7.5 per cent. on dividend income within the basic rate band;
- 32.5 per cent. on dividend income within the higher rate band; and
- 38.1 per cent. on dividend income within the additional rate band.

For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of the individual's total income.

Companies

A corporate Shareholder resident in the UK for tax purposes will be subject to UK corporation tax on dividend payments received from the Company unless the dividend falls within one of the exempt classes set out in Part 9A of the Corporation Tax Act 2009. Whilst dividends paid by the Company on Shares may qualify for exemption from corporation tax, it should be noted that the exemptions are not comprehensive and are subject to anti-avoidance rules.

If the conditions for exemption are not met, or the Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividend payments received from the Company at 19 per cent.

3. Taxation of chargeable gains

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.

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.

Individuals

Where an individual Shareholder disposes of Ordinary Shares at a gain, capital gains tax will be levied to the extent that the gain exceeds the annual exemption and after taking account of any other available reliefs, such as capital losses.

For such individuals, capital gains tax will be charged at 10 per cent. where the individual's taxable income and gains are less than the upper limit of the income tax basic rate band. To the extent that any chargeable gains, or part of any chargeable gain, aggregated with income arising in a tax year exceed the upper limit of the income tax basic rate band, capital gains tax will be charged at 20 per cent.

For trustees and personal representatives of deceased persons, capital gains tax on gains in excess of the current annual exempt amount will be charged at a flat rate of 20 per cent.

Shareholders who are individuals and who are temporarily non-resident in the UK may, under anti-avoidance legislation, still be liable to UK tax on any capital gain realised (subject to any available exemption or relief).

Companies

Where a Shareholder is within the charge to UK corporation tax, a disposal of Ordinary Shares may give rise to a chargeable gain (or allowable loss), depending on the circumstances and subject to any available exemption or relief.

Subject to certain exemptions, the corporation tax rate applicable to a UK resident corporate Shareholder on taxable profits is 19 per cent.

4. Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

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.

Issues of Shares

A Shareholder should not generally have to pay any stamp duty or SDRT on an issue of Shares by the Company.

Transfers of Shares – general

Stamp duty at the rate of 0.5 per cent. (rounded up, if necessary, 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 the instrument 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.

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. The SDRT on such transactions will generally be collected through the CREST system. Transfers of Shares into CREST will generally not be subject to SDRT or stamp duty, unless the transfer into CREST is itself for consideration.

5 Information reporting

The UK has entered into a number of international arrangements which provide for the exchange of information in order to combat tax evasion and improve tax compliance. These include (but are not limited to) FATCA, the Common Reporting Standard developed by the Organisation for Economic Co-operation and Development and the EU Directive on Administrative Cooperation in Tax Matters, as well as a number of other arrangements with particular jurisdictions. In connection agreements and arrangements of this kind, 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 the authorities in other jurisdictions.

Part B – US Taxation

For purposes of this discussion, a “US Holder” is a beneficial owner of Shares that is (i) an individual who is a citizen or resident of the United States, (ii) a corporation (or other entity taxable as a corporation for US federal income tax purposes) created or organized under the laws of the United States or any state thereof, (iii) an estate the income of which is subject to US federal income taxation regardless of the source of that income or (iv) a trust if it (A) is subject to the primary supervision of a court within the United States and one or more US persons have the authority to control all substantial decisions of the trust or (B) was in existence on August 20, 1996 and has properly elected under applicable US Treasury regulations to be treated as a US person. A “Non-US Holder” is a beneficial owner of Shares that is not a US Holder and is not an entity or arrangement treated as a partnership or other type of pass-through entity for US federal income tax purposes. If an entity or arrangement treated as a partnership or other type of pass-through entity for US federal income tax purposes holds Shares, the tax treatment of a partner or beneficial owner of such entity or arrangement may depend on the status of the partner or beneficial owner and the activities of the partnership or entity. Partners and beneficial owners in such entities or arrangements holding Shares are urged to consult their own advisers as to the particular US federal income tax consequences applicable to them.

Unless otherwise noted, this discussion is based upon the United States Internal Revenue Code of 1986, as amended (the “IRC”), applicable United States Treasury Regulations, IRS rulings and judicial decisions, all as in effect as of the date hereof. Subsequent developments in the tax laws of the United States, including changes in or differing interpretations of the foregoing authorities, which may be applied retroactively, could have a material effect on the tax consequences described below. This discussion only applies to Shareholders who hold their Shares as a “capital asset” within the meaning of IRC Section 1221(a)(1). This is not a complete description of all the tax consequences of the Merger and may not address US federal income tax considerations applicable to holders of Shares subject to special treatment under US federal income tax law. This summary does not discuss the net investment income tax or state and local tax consequences. Shareholders subject to special treatment include, for example, financial institutions, dealers in securities, traders in securities who elect to apply a mark-to-market method of accounting, insurance companies, tax-exempt entities, entities or arrangements treated as partnerships and other pass-through entities for US federal income tax purposes and holders who hold Shares as part of a “hedge,” “straddle,” “conversion” or “constructive sale” transaction. This discussion does not apply to Shareholders who or that are the beneficial owner of more than 10 per cent. of the Shares.

The following are the material US federal income tax consequences relevant to the ownership of CLIG’s Shares by a US Holder. The following discussion of US federal income tax matters is based on the IRC, judicial decisions, administrative pronouncements, and existing and proposed regulations issued by the US Department of the Treasury, all of which are subject to change, possibly with retroactive effect.

Each holder of Shares is urged to consult with its own tax advisers to determine the US federal income tax consequences to it of the Merger, as well as the effects of US state, local and non-US tax laws.

1 Distributions

Subject to the discussion of PFICs below, any distributions made by CLIG with respect to its Shares to a US Holder, will generally constitute dividends, to the extent of CLIG’s current or accumulated earnings and profits, as determined under US federal income tax principles. Distributions in excess of CLIG’s earnings and profits will be treated first as a non-taxable return of capital to the extent of the US Holder’s tax basis in its Shares on a dollar-for-dollar basis and thereafter as capital gain. Because CLIG is not a US corporation, US Holders that are corporations will not be entitled to claim a dividends received deduction with respect to any distributions they receive from CLIG. Dividends paid with respect to the Shares will generally be treated as “passive category income” or, in the case of certain types of US Holders, “general category income” for purposes of computing allowable foreign tax credits for US foreign tax credit purposes.

Dividends paid on Shares to a US holder who is an individual, trust or estate, or a “non-corporate US holder”, will generally be treated as “qualified dividend income” that is taxable to such non-corporate US holder at preferential tax rates, provided that (1) CLIG’s ordinary shares are readily tradable on an established securities market in the US (such as the LSE, on which the Shares are

traded) or CLIG is eligible for benefits of a comprehensive income tax treaty with the United States (such as the income tax treaty between the United States and the United Kingdom); (2) CLIG is not a passive foreign investment company, or a "PFIC," for the taxable year during which the dividend is paid or the immediately preceding taxable year (which CLIG does not believe it has been, are, or will be); (3) the non-corporate US holder's holding period of the Shares includes more than 60 days in the 121-day period beginning 60 days before the date on which the Shares becomes ex-dividend; and (4) the non-corporate US holder is not under an obligation to make related payments with respect to positions in substantially similar or related property. If CLIG were to be a PFIC, as discussed below, for any year, dividends paid on its Shares in such year or in the following year would not be qualified dividends. A non-corporate US holder will be able to take qualified dividend income into account in determining its deductible investment interest (which is generally limited to its net investment income) only if it elects to do so; in such case, the dividend will be taxed at ordinary income rates. Non-corporate US holders also may be required to pay a 3.8 per cent. surtax on all or part of such holder's "net investment income," which includes, among other items, dividends on the Shares, subject to certain limitations and exceptions. Prospective investors are encouraged to consult their own tax advisors regarding the effect, if any, of this surtax on their ownership of Shares.

Amounts taxable as dividends generally will be treated as passive income from sources outside the US. However, if (a) CLIG is 50 per cent. or more owned, by vote or value, by US persons and (b) at least 10 per cent. of CLIG's earnings and profits are attributable to sources within the US, then for foreign tax credit purposes, a portion of its dividends would be treated as derived from sources within the US. With respect to any dividend paid for any taxable year, the US source ratio of our dividends for foreign tax credit purposes would be equal to the portion of CLIG's earnings and profits from sources within the US for such taxable year divided by the total amount of CLIG's earnings and profits for such taxable year. The rules related to US foreign tax credits are complex and US holders should consult their tax advisers to determine whether and to what extent a credit would be available.

Special rules may apply to any "extraordinary dividend"—generally, a dividend in an amount which is equal to or in excess of 10 per cent. of a shareholder's adjusted basis (or fair market value in certain circumstances) in an ordinary share or dividends received within a one-year period that, in the aggregate, equal or exceed 20 per cent. of a shareholder's adjusted tax basis (or fair market value upon the shareholder's election) in a share of the ordinary shares—paid by CLIG. If CLIG pays an "extraordinary dividend" on its Shares that is treated as "qualified dividend income" then any loss derived by a non-corporate US holder from the sale or exchange of such Shares will be treated as long-term capital loss to the extent of such dividend.

Dividends will be generally included in the income of US Holders at the US dollar amount of the dividend (including any non-US taxes withheld therefrom), based upon the exchange rate in effect on the date of the distribution. In the case of foreign currency received as a dividend that is not converted by the recipient into US dollars on the date of receipt, a US Holder will have a tax basis in the foreign currency equal to its US dollar value on the date of receipt. Any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for US dollars, will be ordinary income or loss. However, an individual whose realised foreign exchange gain does not exceed US\$200 will not recognize that gain, to the extent that there are not expenses associated with the transaction that meet the requirement for deductibility as a trade or business expense (other than travel expenses in connection with a business trip or as an expense for the production of income).

2 Sale, exchange or other disposition of Shares

Subject to the discussion of the Company's status as a PFIC below, a US Holder generally will recognize taxable gain or loss upon a sale, exchange or other disposition of the Shares in an amount equal to the difference between the amount realised by the US Holder from such sale, exchange or other disposition and the US Holder's tax basis in such stock. Such gain or loss will be treated as long-term capital gain or loss if the US Holder's holding period is greater than one year at the time of the sale, exchange or other disposition. Such capital gain or loss will generally be treated as US-source income or loss, as applicable, for US foreign tax credit purposes. A US Holder's ability to deduct capital losses is subject to certain limitations.

In the case of any proceeds paid in foreign currency to a US Holder in connection with the sale, exchange or other taxable disposition of the Shares that is not converted by the recipient into US dollars on the settlement date (in the case of a cash method taxpayer or an accrual method taxpayer that elects to use the settlement date) or trade date (in the case of an accrual method taxpayer), a US Holder will have a tax basis in the foreign currency equal to its US dollar value on the settlement date or trade date, respectively. Any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for US dollars, will be ordinary income or loss. However, an individual whose realized foreign exchange gain does not exceed US\$200 will not recognize that gain, to the extent that there are not expenses associated with the transaction that meet the requirement for deductibility as a trade or business expense (other than travel expenses in connection with a business trip or as an expense for the production of income).

3 Passive Foreign Investment Company Status and Significant Tax Consequences

Special US federal income tax rules apply to a US Holder that holds stock in a foreign corporation classified as a PFIC for US federal income tax purposes. In general, a foreign corporation will be treated as a PFIC with respect to a US shareholder in such foreign corporation, if, for any taxable year in which such shareholder holds stock in such foreign corporation, either:

- at least 75 per cent. of the corporation's gross income for such taxable year consists of passive income (e.g., dividends, interest, capital gains and rents derived other than in the active conduct of a rental business); or
- at least 50 per cent. of the average value of the assets held by the corporation during such taxable year produce, or are held for the production of, passive income.

For purposes of determining whether a foreign corporation is a PFIC, it will be treated as earning and owning its proportionate share of the income and assets, respectively, of any of its subsidiaries that have made special US tax elections to be disregarded as separate entities as well as any of its subsidiary corporations in which it owns at least 25 per cent. of the value of the subsidiary's stock. If CLIG is treated as a PFIC, then a US person would be treated as indirectly owning shares of its foreign corporate subsidiaries for purposes of the PFIC rules.

Income earned by a foreign corporation in connection with the performance of services (including investment management services) would not constitute passive income. CLIG does not believe that it will be treated as a PFIC for its current taxable year

As discussed more fully below, if CLIG were to be treated as a PFIC for any taxable year, a US Holder would be subject to different taxation rules depending on whether the US Holder makes an election to treat CLIG as a "Qualified Electing Fund," which election CLIG refers to as a "QEF election," or makes a Market-to-Market election, both of which are described below. In addition, if CLIG were to be treated as a PFIC for any taxable year, a US Holder would be required to file an annual report with the IRS for that year with respect to such holder's Shares.

4 Taxation of US Holders making a timely QEF election

If a US Holder makes a timely QEF election, which US Holder is referred to as an "Electing Holder," the Electing Holder must report each year for US federal income tax purposes his *pro rata* share of CLIG's ordinary earnings and net capital gain, if any, for CLIG's taxable year that ends with or within the taxable year of the Electing Holder, regardless of whether or not distributions were received from CLIG by the Electing Holder. The Electing Holder's adjusted tax basis in his Shares will be increased to reflect taxed but undistributed earnings and profits. Distributions of earnings and profits that had been previously taxed will result in a corresponding reduction in the adjusted tax basis in his Shares and will not be taxed again once distributed. An Electing Holder would generally recognize capital gain or loss on the sale, exchange or other disposition of Shares. A US Holder would make a QEF election with respect to any year that CLIG is a PFIC by filing IRS Form 8621 with his US federal income tax return. CLIG is not obliged to provide the information necessary for a US Holder to make a QEF election.

5 Taxation of US Holders making a "Mark-to-Market" election

Alternatively, if CLIG were to be treated as a PFIC for any taxable year and the Shares, as anticipated, are treated as "marketable stock," a US Holder would be allowed to make a Mark-to-Market election with respect to the Shares. If that election is made, the US Holder generally would

include as ordinary income in each taxable year that CLIG is a PFIC the excess, if any, of the fair market value of the Shares at the end of each taxable year over such holder's adjusted tax basis in the Shares. The US Holder would also be permitted an ordinary loss for each such taxable year in respect of the excess, if any, of the US Holder's taxable basis in the Shares over their fair market value at the end of the taxable year, but only to the extent of the net amount previously included in income as a result of the Mark-to-Market election. A US Holder's tax basis in the Shares would be adjusted to reflect any such income or loss amount. In any taxable year that CLIG is a PFIC, gain realized on the sale, exchange or other disposition of the Shares would be treated as ordinary income, and any loss realized on the sale, exchange or other disposition of the Shares would be treated as ordinary loss to the extent that such loss does not exceed the net mark-to-market gains previously included in income of the US Holder.

6 Backup withholding and information reporting

In general, dividend payments, or other taxable distributions, made within the United States to a US Holder will be subject to information reporting requirements. Such payments will also be subject to backup withholding tax if paid to a non-corporate US Holder who:

- fails to provide an accurate taxpayer identification number;
- is notified by the IRS that he or she has failed to report all interest or dividends required to be shown on his federal income tax returns; or
- in certain circumstances, fails to comply with applicable certification requirements.

Backup withholding tax is not an additional tax. Rather, a taxpayer generally may obtain a refund of any amounts withheld under backup withholding rules that exceed the taxpayer's income tax liability by filing a refund claim with the IRS.

PART VIII – TERMS OF THE MERGER

1 Merger and consideration

Under the Merger Agreement entered into between Company, KMI, George W. Karpus (individually and as representative for the KMI Stockholders) and Merger Sub on 8 June 2020, at Completion, Merger Sub, a newly-formed, direct wholly-owned subsidiary of Company, will merge with and into KMI, with KMI as the surviving corporation and a direct wholly-owned subsidiary of Company.

The consideration due under the Merger Agreement will be satisfied through the issue of up to 24,118,400 New Shares in the capital of the Company (which, based on the closing price of the Shares on the date of the Merger Agreement of 325 pence per Share, equates to £78.4 million). In addition, each KMI Stockholder will become entitled to a cash payment (*pro rata* to their interest in KMI) of the amount by which the net working capital of KMI at Completion exceeds US\$550,000, up to a maximum aggregate amount of US\$550,000. Net working capital at Completion will be calculated as KMI's cash and cash equivalents, accounts receivable, prepaid expenses and other current assets minus the sum of KMI's accounts payable, accrued expenses and other current liabilities, all as at the date of Completion, calculated in accordance with GAAP applied consistently with the Company's past practices.

On the terms and subject to the conditions of the Merger Agreement, at Completion, each KMI Stockholder shall receive up to 79.18 New Shares for every KMI Share, with any fractional entitlement to New Shares forfeited by the KMI Stockholders. The aggregate number of New Shares to be issued to KMI Stockholders shall be reduced if, at the date which is three days prior to Completion, the aggregate assets under management (as measured at 30 April 2020 but as adjusted for new deposits or withdrawals between 30 April 2020 and such pre-Completion measurement date) of KMI's clients who have by such date, consented to the Merger is less than US\$3.0595 billion. In such circumstances, the aggregate number of New Shares to be issued to KMI Stockholders shall be reduced by a number of Shares equal to 24,118,400 multiplied by a percentage arrived at by taking (i) 95 per cent. and subtracting (ii) the quotient expressed as a percentage arrived at by dividing KMI's aggregate assets under management (as determined pursuant to the foregoing sentence) by US\$3.2205 billion.

US\$10.0 million worth of New Shares valued as at, and due to Mr. Karpus on, Completion shall be placed in escrow with a third-party escrow agent as security against any indemnification or adjustment claims made against Mr. Karpus under the terms of the Merger Agreement. The escrowed New Shares, and the distributions accruing on them, shall be released in stages up to the fifth anniversary of Completion.

The New Shares will be issued in certificated form and will rank *pari passu* with the existing issued Shares as regards voting, entitlement to income and entitlement on a return of capital. The Shares carry the right to receive notice of, attend and vote at general meetings of the Company. Shareholders are entitled to receive, and to participate in, any dividends declared in relation to the Shares, although the KMI Stockholders will agree pursuant to the Lock-up Deed to waive their entitlement to receive: (i) the final dividend declared on the Shares in respect of the financial period to 30 June 2020 in respect of their entire holding of Shares; and (ii) the interim and final dividend declared on the Shares in respect of the financial period to 30 June 2021 in respect of such percentage of their holding of Shares which represents the number of days in that financial period for which they do not hold Shares, divided by 365. In the event of insolvency, Shareholders will be entitled to a share in the capital of the Company in the same proportions as capital is attributable to them, only after the Company has settled all amounts to its creditors.

Application will be made for the New Shares to be admitted to listing on the premium segment of the Official List and admitted to trading on the premium segment of the main market of the London Stock Exchange. Admission is conditional upon Completion of the Merger, which is expected to occur on or about 1 October 2020.

There are no material conflicts of interest pertaining to the Merger or Admission.

2 Conditions to Completion

Upon the terms and subject to satisfaction or waiver of the conditions contained in the Merger Agreement, Completion will take place on 1 October 2020, or if all closing conditions have not been satisfied or waived by such date, then on the date which is two (2) Business Days after the date

that all closing conditions (other than Admission) have been satisfied or waived, but in any event, no later than the Longstop Date, or at such other place or time as the parties may agree in writing.

Completion is subject to customary conditions for a transaction of this size and type including, among other things, the following:

- (i) approval of the Merger by KMI Stockholders (which condition has been satisfied);
- (ii) approval of the Merger, of the authority to allot New Shares in connection with the Merger and of the Rule 9 Waiver by Shareholders at the General Meeting;
- (iii) receipt of customary regulatory approvals, including, among others: (a) expiration or termination of any applicable waiting period under the US Hart-Scott-Rodino Antitrust Improvements Act of 1976; (b) approval of the Merger by the FCA in respect of Mr. Karpus becoming a controller of City of London Investment Management Limited; (c) approval from the applicable governmental authority in Singapore;
- (iv) no proceeding shall be pending before any governmental entity, or threatened, which may result in the restraint or prohibition of the consummation of the Merger or which could result in damages payable by Company in connection therewith or which could materially adversely affect KMI or result in a divestiture by Company of all or a substantial part of the business, and no court of competent jurisdiction shall have issued an injunction with respect to the consummation of the Merger that shall not be stayed or dissolved at the time of Completion;
- (v) no statute, rule or regulation shall have been enacted or promulgated by any governmental entity that prohibits or restrains the consummation of Completion;
- (vi) no change, event, occurrence, state of facts or effect shall have occurred that, individually or in the aggregate, has had or would reasonably be expected to have a material adverse effect;
- (vii) KMI's FuM immediately before Completion in respect of clients who have consented to the Merger being at least US\$2.5764 billion, where for this purpose FuM is measured at 30 April 2020 but as adjusted for new deposits or withdrawals between 30 April 2020 and the date that is three business days prior to the Completion date;
- (viii) CLIG's FuM as at 1 July 2020 being at least US\$3.5 billion, where for this purpose FuM is measured as US\$4.828 billion but as adjusted for new deposits or withdrawals between 30 April 2020 and 1 July 2020;
- (ix) admission of the New Shares to listing on the Official List and to trading on the main market of the London Stock Exchange;
- (x) the absence of a material adverse change on the business, assets, financial condition, operating results, or liabilities of KMI; and
- (xi) the absence of a material breach of the representations and warranties concerning KMI contained in the Merger Agreement.

3 Representations, warranties, and pre-Completion and post-Completion covenants

The Merger Agreement contains customary representations and warranties made by (i) each of Mr. Karpus and KMI to Company and Merger Sub; and (ii) each of the Company and Merger Sub to KMI and Mr. Karpus. Such representations and warranties will survive Completion for a customary period of time and the Merger Agreement contemplates the parties, including Mr. Karpus, indemnifying each other for breaches of their representations and warranties, subject to customary limitations.

KMI shall: (i) send an affirmative consent solicitation to each sponsor of a wrap program and each of its other investment advisory clients whose investment advisory contracts require written consent to the deemed assignment of such investment advisory contracts resulting from the consummation of the Merger, and (ii) send a negative consent solicitation to each of its investment advisory clients whose investment advisory contracts do not require written consent to the deemed assignment of such investment advisory contracts resulting from the consummation of the Merger, advising them that their consent shall be deemed to have been given if they do not respond negatively within forty-five (45) days.

The Merger Agreement also contains customary pre-closing covenants, including covenants, among others:

- (i) KMI shall conduct business in the ordinary course of business consistent with past practice and in compliance with all applicable laws;
- (ii) KMI shall use commercially reasonable efforts to preserve intact its business organisation;
- (iii) KMI shall use commercially reasonable efforts to maintain its goodwill and relationships with its investment advisory clients, officers, employees, customers, suppliers, distributors, landlords, creditors and other persons having business dealings with it;
- (iv) Mr. Karpus and KMI will not: (i) solicit, encourage, initiate, or otherwise facilitate any inquiries or the making of any proposal or offer with respect to or relating to a similar transaction, (ii) conduct any discussions, enter into any negotiations, agreements, understandings or transactions, or provide any information to any person with respect to or relating to a similar transaction or (iii) provide any non-public financial or other confidential or proprietary information regarding the KMI to any person in connection with a similar transaction; and
- (v) that each of Company and KMI will use their respective reasonable best efforts to obtain governmental, regulatory and third party approvals.

In common with other US fund management businesses, KMI has historically operated a policy of offering fee discounts to employees and their families. CLIG has agreed not to amend the policy in any manner which is detrimental to the current beneficiaries of such policy without the prior written consent of Mr. Karpus.

4 Termination rights

The Merger Agreement contains certain termination rights for each of Company and Mr. Karpus including, among others, the right of a party to terminate in the event that: (i) the Merger is not completed on or before the Longstop Date, being 31 December 2020; (ii) there has been a violation or breach of any representation, warranty, covenant or agreement by a defaulting party, which violation or breach would cause any of the closing conditions not to be satisfied, and such violation or breach has not been waived by the non-defaulting party or cured by the defaulting party within twenty (20) Business Days after notice thereof is given by non-defaulting party; or (iii) any permanent injunction or other order of a governmental entity preventing Completion shall have become final and non-appealable.

PART IX – ADDITIONAL INFORMATION

1 The Company

- 1.1 The Company was incorporated and registered in England and Wales on 7 February 1992 as a public limited company with the name Scaleoption plc and with registered number 2685257. The name of the Company was changed to Olliff & Company plc on 30 April 1992 and to Olliff & Partners plc on 29 June 1992. The Company's legal and commercial name at the date of this document is City of London Investment Group plc.
- 1.2 The Company's registered office and principal place of business is located at 77 Gracechurch Street, London EC3V 0AS. The Company's telephone number is +44 (0) 20 7711 0771 and its website is at <http://www.citlon.co.uk>. The Shares were admitted to trading on AIM on 12 April 2006 and to the main market of the London Stock Exchange on 29 October 2010. The Company's ISIN is GB00B104RS51 and its LEI code is 549300BV85TFYXK2Y635.
- 1.3 The Company is domiciled in the United Kingdom. The principal legislation under which the Company operates is the Companies Act 2006 and the regulations made thereunder. The Shares are issued pursuant to the terms of the Articles and the Companies Act 2006. The Shares are denominated in pounds sterling.
- 1.4 The liability of the members of the Company is limited.

2 Share capital of the Company

- 2.1 The issued share capital of the Company as at the Latest Practicable Date is set out below. All the issued share capital of the Company is denominated in pounds sterling and has been fully paid up.

Class	Issued and fully paid £	Number
Ordinary shares of 1 penny each	265,607.07	26,560,707

- 2.2 Save as disclosed in this paragraph 2.2, no Shares are currently held in treasury by the Company or held by any other person on its behalf and no Shares are currently held by any subsidiary of the Company. As at the Latest Practicable Date, Apex Group Ltd. as trustee of the CLIG Employee Benefit Trust holds 1,670,555 Shares on behalf of the Company of which 528,375 were subject to options in issue.
- 2.3 Save for the issue of the New Shares described in Part VIII (*Terms of the Merger*) of this document and the Options granted by the Company pursuant to the Employee Share Schemes (described in paragraph 6 of this Part IX (*Additional Information*) below):
 - 2.3.1 no person has any acquisition rights and/or obligations over authorised but unissued capital;
 - 2.3.2 the Company has not given any undertaking to increase the capital of the Company; and
 - 2.3.3 the Company has not issued any convertible securities, exchangeable securities or securities with warrants which remain outstanding.
- 2.4 There are no restrictions on the free transferability of the Shares under the Articles.
- 2.5 All of the existing issued Shares are admitted to listing on the premium segment of the Official List and to trading on the premium segment of the London Stock Exchange's main market for listed securities.
- 2.6 At the date of this document, no person acting in concert with the Company held any short position (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to take delivery, in any relevant securities nor had the Company or any person acting on concert with it borrowed or lent any relevant securities.

3 Memorandum and Articles of Association

The Articles of Association, which were adopted by special resolution of the Company on 22 October 2014 and amended by special resolution on 21 October 2019, include provisions to the following effect:

3.1 Objects and purposes

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

3.1.2 The Articles of Association do not provide for any purposes for which the Company was established.

3.2 Limited liability

The liability of the Company's members is limited to any unpaid amount on the shares in the Company held by them.

3.3 Share capital

Subject to the provisions of the Companies Act 2006, the Uncertificated Securities Regulations and every other statute, enactment or regulations for the time being in force concerning companies and affecting the Company; relating to authority, pre-emption rights and otherwise, and of any resolution of the Company in general meeting passed pursuant thereto, all existing shares of the Company shall be at the disposal of the Directors and they may allot (with or without conferring a right of renunciation), grant options over, offer or otherwise deal with or dispose of such shares to such persons, at such times and generally on such terms and conditions as the Directors think proper.

3.4 Change of name

The Articles of Association allow the Company to change its name by resolution of the Directors. This is in addition to the Company's statutory ability to change its name by special resolution under the Companies Act 2006.

3.5 Voting rights

3.5.1 Subject to any special rights or restrictions as to voting attached to or by virtue of the Articles of Association to any shares or any class of shares, on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a representative duly authorised under section 323 of the Companies Act 2006 shall have one vote, provided that the proxy shall have one vote for the resolution in question and one vote against it if (a) the proxy has been duly appointed by more than one member entitled to vote on the resolution and (b) the proxy has been instructed by one or more of those members to vote for the resolution and by one or more other of those members to vote against it and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

3.5.2 No member shall be entitled to vote at any general meeting in respect of any share held by him if any call or sum then payable by him in respect of that share remains unpaid.

3.6 Transfer of Shares

3.6.1 Subject to the provisions of the Companies Act 2006 and the CREST Regulations, the Directors may determine that any class of shares may be held in uncertificated form and that title to such shares may be transferred by means of a "relevant system". Transfers of shares in certificated form may be effected by transfers in writing in any usual or common form or in any other form acceptable to the Directors and may be under hand only. The instrument of transfer shall be signed by or on behalf of the transferor and (in the case of a partly paid share) the transferee.

3.6.2 The transferor of a share is deemed to remain the holder until the transferee's name is entered in the register.

3.6.3 The Directors may, in their absolute discretion, decline to register any transfer of shares which:

- (a) are not fully paid provided that where any such shares are admitted to trading on the Official List or AIM, such discretion may not be exercised in such a way as to prevent dealings in the shares of that class from taking place on an open and proper basis; or
- (b) are in favour of more than four persons jointly.

3.6.4 The Directors may decline to recognise any instrument of transfer relating to shares in certificated form unless the instrument of transfer:

- (a) is deposited at the office where the register of members is situated for the time being;
- (b) it is in respect of one class of shares duly stamped; and
- (c) it is accompanied by (i) the relevant share certificate(s) (except where no certificate has been issued), (ii) such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer and (iii) if the instrument of transfer is executed by some other person on his behalf, evidence of the authority of that person to do so.

3.6.5 Registration of a transfer of an uncertificated share may be refused in the circumstances set out in the CREST Regulations.

3.6.6 If the Directors refuse to register a transfer they shall, within two months after the date on which the transfer was lodged by the Company (in the case of shares held in certificated form) or the operator instruction was received by the Company (in the case of shares held in uncertificated form), send to the transferee notice of the refusal together with (in the case of shares held in certificated form) the instrument of transfer.

3.7 Dividends and other distributions

3.7.1 The Company may by ordinary resolution declare dividends and fix the time for payment thereof, but no dividend shall be payable except out of the profits for the Company available for distribution in accordance with the Companies Act 2006 or in excess of the amount, or at any earlier date than, recommended by the Directors.

3.7.2 Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall be apportioned and paid *pro rata* according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No dividend or other monies payable on or in respect of a share shall bear interest as against the Company unless otherwise determined by the Directors. Any dividend unclaimed after a period of 12 years from the date of declaration of such dividend or the date on which such dividend became due for payment shall be forfeited and shall revert to the Company.

3.8 Failure to disclose interests in shares

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 793 of the Companies Act 2006 and has failed in relation to any shares (the “**default shares**”) to give the Company the information thereby required within the prescribed period as set out in the Articles of Association from the date of service of the notice, the following sanctions shall apply, (unless the Directors otherwise determine):

3.8.1 the member is not entitled in respect of the default shares and any other share held by the member to be present or to vote (in person or by proxy) at any shareholders’ meeting; and

3.8.2 where the default shares represent at least 0.25 per cent. of the nominal value of the issued shares of their class, a dividend or any other amount payable in respect of the default shares shall be retained by the Company, which shall have no obligation to pay interest on it, and the member shall not be entitled to elect to receive shares instead of that dividend. No transfer, other than an approved transfer, as specified in the Articles of Association, of any of the default shares held by the member shall be registered.

3.9 Winding-up

On a winding up of the Company, a liquidator may, with the sanction of a special resolution of the Company and any other sanction or authority required by the Companies Act 2006, divide among shareholders in specie the whole or any part of the assets of the Company, and for such purposes may value any assets and determine how such division shall be carried out as between members. With the same authority, the liquidator may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he thinks fit. No member shall be compelled by the liquidator to accept any assets in respect of which there is attached a liability or potential liability.

3.10 Redemption

Subject to any rights attached to any existing shares, any share may be issued which is to be redeemed or, at the option of the Company or the holder, is liable to be redeemed. The Board may determine the terms, conditions and manner of redemption of any redeemable shares so issued.

3.11 Variation of class rights

Subject to the provisions of the Companies Act 2006, the special rights attached to any shares in the capital of the Company for the time being in issue may (whether or not the Company is being wound up) be modified, varied or abrogated either with the consent in writing of the holders of not less than three fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of such shares. The provisions of the Articles of Association relating to general meetings shall apply *mutatis mutandis* to every such separate meeting but so that (i) the necessary quorum shall be two persons holding or representing by proxy not less than one-third in nominal value of the issued shares of the class, (ii) that every holder of the shares of the class shall be entitled on a poll to one vote for every such share held by him and (iii) that any holder of shares of the class present in person or by proxy may demand a poll.

3.12 General Meetings

3.12.1 Pursuant to the Companies Act 2006, an annual general meeting is required to be held every year at such time and place as may be determined by the Board. The Board may convene other general meetings whenever it thinks fit. General meetings may also be convened on the requisition of members pursuant to the Companies Act 2006.

3.12.2 A general meeting shall be called by at least such minimum period of notice as is prescribed or permitted under the Companies Act 2006. The accidental omission to give notice to, or the non-receipt of such notice by, any person entitled to receive notice of the meeting will not invalidate the proceedings at any such meeting.

3.12.3 No business may be transacted at any general meeting unless the requisite quorum is present when the meeting proceeds to business. Three persons entitled to attend and vote on the business to be transacted, each being a member present in person or a proxy for a member or a duly authorised representative of a corporation which is a member constitutes a quorum.

3.12.4 With the consent of any meeting at which a quorum is present the chairman may adjourn the meeting. No business may be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.

3.12.5 For the purposes of determining which persons are entitled to attend or vote at a general meeting and how many votes such person may cast, the Company may specify a time in the notice of the general meeting, not more than 48 hours (excluding non-working days) before the time fixed for the general meeting, by which a person must be entered in the Company register of members in order to have the right to attend or vote at the meeting.

3.13 Capitalisation of reserves

The Company may upon the recommendation of the Directors by ordinary resolution, resolve to capitalise any sum standing to the credit of the Company's reserve accounts or the profit and loss account and authorise the Directors to appropriate the sum resolved to be capitalised

to the members in the proportions in which such sum would have been divisible amongst them had the same been a distribution of profits by way of a dividend and apply that sum on their behalf in paying up amounts unpaid on shares held by them or paying up in full unissued shares or debentures of a nominal amount equal to that sum.

3.14 Borrowing powers

Subject to the Articles of Association, the Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge all or part of its undertaking, property and uncalled capital and to issue debentures and other securities, whether outright or as collateral security for a debt, liability or obligation of the Company or of a third party. The Directors shall restrict the borrowings of the Company and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries so as to procure (as regards subsidiaries in so far as they can) that the aggregate principal amount outstanding in respect of monies borrowed by them shall not, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to three times the adjusted total of the capital and reserves of the Company.

3.15 Directors

3.15.1 Number of Directors

Unless and until otherwise determined by an ordinary resolution of the Company, the number of Directors shall not be less than two nor more than 12.

3.15.2 Directors' shareholding qualification

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

3.15.3 Directors' appointment and retirement

- (a) Directors may be appointed by the Company by ordinary resolution or by the Board. If appointed by the Board, a Director holds office only until the next annual general meeting and shall not be taken into account in determining the number of Directors who are to retire by rotation.
- (b) At each annual general meeting of the Company, any Directors appointed by the Board since the last annual general meeting shall retire.
- (c) Any further Directors so to retire shall be those of the other Director subject to retirement by rotation who have been longest in office since their last re-election or appointment (and, as between those who have been in office an equal length of time, those to retire shall, unless they otherwise agree, be determined by lot).

3.15.4 Directors' interests

- (a) The Board may authorise any matter proposed to it in accordance with the Articles of Association which would otherwise involve a breach by a Director of his duty to avoid conflicts of interest under the Companies Act 2006, being a matter which relates to a situation in which a Director has or can have an interest which conflicts, or possibly may conflict, with the interests of the Company or the exploitation of any property, information or opportunity, whether or not the Company could take advantage of it (excluding any situation which cannot reasonably be regarded as likely to give rise to a conflict of interest). This does not apply to a conflict of interest arising in relation to a transaction or arrangement with the Company. Any authorisation will only be effective if any quorum requirement at any meeting in which the matter was considered is met without counting the Director in question or any other interested Director and the matter was agreed to without their voting or would have been agreed to if their votes had not been counted. The Board may impose limits or conditions on any such authorisation or may vary or terminate it at any time.
- (b) Subject to having, where required, obtained authorisation of the conflict from the Board, a Director shall be under no duty to the Company with respect to any information which he obtains or has obtained otherwise than as a Director of the Company and in respect of which he has a duty of confidentiality to another person and will not be in breach of the general duties he owes to the Company

under the Companies Act 2006 because he fails to disclose any such information to the Board or to use or apply any such information in performing his duties as a Director, or because he absents himself from meetings of the Board at which any matter relating to a conflict of interest, or possible conflict, of interest is discussed and/or makes arrangements not to receive documents or information relating to any matter which gives rise to a conflict of interest or possible conflict of interest and/or makes arrangements for such documents and information to be received and read by a professional adviser.

- (c) Provided that his interest is disclosed at a meeting of the Board, or in the case of a transaction or arrangement with the Company, in the manner set out in the Companies Act 2006, a Director, notwithstanding his office:
- (i) may be a party to or otherwise be interested in any transaction arrangement or proposal with the Company or in which the Company is otherwise interested;
 - (ii) may hold any other office or place of profit at the Company (except that of auditor of the Company or any of its subsidiaries) and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Board may arrange;
 - (iii) may be a Director or other officer of, or employed by, or a party to any transaction or arrangement with, or otherwise interested in, any company promoted by the Company or in which the Company is otherwise interested or as regards which the Company has powers of appointment; and
 - (iv) shall not be liable to account to the Company for any profit, remuneration or other benefit realised by any office or employment or from any transaction, arrangement or proposal or from any interest in any body corporate. No such transaction, arrangement or proposal shall be liable to be avoided on the grounds of any such interest or benefit nor shall the receipt of any such profit, remuneration or any other benefit constitute a breach of his duty not to accept benefits from third parties.

3.15.5 Restrictions on Directors' voting

- (a) A Director shall not vote on, or be counted in the quorum in relation to any resolution of the Board or of a committee of the Board concerning any arrangement, transaction or proposal which might give rise to a conflict of interest and, if he purports to do so, his vote will not be counted, but this prohibition shall not apply in respect of any resolution concerning any one or more of the following matters:
- (i) any transaction or arrangement in which he is interested by means of an interest in shares, debentures or other securities or otherwise in or through the Company;
 - (ii) the giving of any guarantee, security or indemnity in respect of money lent to, or obligations incurred by him or any other person at the request of or for the benefit of, the Company or any of its subsidiary undertakings;
 - (iii) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (iv) the giving of any other indemnity where all other Directors are also being offered indemnities on substantially the same terms;
 - (v) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any of its subsidiary undertakings in

which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;

- (vi) any proposal concerning any other body corporate in which he does not to his knowledge have an interest (as the term is used in Part 22 of the Companies Act 2006) in one per cent. or more of the issued equity share capital of any class of such body corporate nor to his knowledge hold one per cent. or more of the voting rights which he holds as shareholder or through his direct or indirect holding of financial instruments (within the meaning of the Disclosure Guidance and Transparency Rules) in such body corporate;
 - (vii) any proposal relating to an arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings which does not award him any privilege or benefit not generally awarded to the employees to whom such arrangement relates;
 - (viii) any proposal concerning insurance which the Company proposes to maintain or purchase for the benefit of Directors or for the benefit of persons who include Directors; or
 - (ix) any proposal concerning the funding of expenditure by one or more Directors on defending proceedings against him or them, or doing anything to enable such Director or Directors to avoid incurring such expenditure.
- (b) A Director shall not vote or be counted in the quorum on any resolution of the Board or committee of the Board concerning his own appointment (including fixing or varying the terms of his appointment or its termination) as the holder of any office or place of profit with the Company or any company in which the Company is interested.

3.15.6 Directors' fees

- (a) Any Director who is appointed to any executive office or who serves on any committee or who otherwise performs services which in the opinion of the Directors are outside the scope of the ordinary duties of a Director may be paid such extra remuneration by way of salary, commission, bonus or otherwise as the Directors may determine.
- (b) The Directors may be paid all reasonable travelling, hotel and other incidental expenses properly incurred by them in connection with the discharge of their duties as a Director of the Company.

3.16 Untraced Shareholders

The Company shall be entitled to sell the shares of a member or person entitled on death or bankruptcy of a member if all warrants and cheques in respect of at least three dividends sent to such a member or person have remained unclaimed and uncashed for a period of 12 years and the Company has, at the expiration of such period, given notice in a daily national newspaper and an appropriate local newspaper (having first given the London Stock Exchange notice of its intention to do so) and for a period of three months following the said advertisement no indication is received as to the whereabouts or existence of such member or person. The Company shall be obliged to account to the member or such other person for the net proceeds of sale without interest.

3.17 CREST

CREST is a paperless settlement system enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles of Association are consistent with the provisions regulating CREST and, amongst other things, allow for the holding and transfer of shares in uncertificated form.

4 Mandatory bid, squeeze out and sell-out rules relating to the Shares

Other than as provided for by the Takeover Code and Chapter 28 of the Companies Act 2006, there are no rules or provisions relating to mandatory bids and/or squeeze-out and sell-out rules relating to the Company.

4.1 Mandatory bid

The Takeover Code applies to the Company. Under the Takeover Code, if a person acquires an interest in shares which, taken together with shares in which persons acting in concert with him are interested and which carry 30 per cent. or more of the voting rights in the Company, the acquiror and, depending on the circumstances, its concert parties, would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in the Shares by the acquiror or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30 and 50 per cent. of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights of the Company.

4.2 Squeeze-out

Under the Companies Act 2006, if an offeror were to make an offer to acquire all of the shares in the Company not already owned by it and were to acquire or unconditionally contract to acquire 90 per cent. of the shares to which the offer relates and 90 per cent. of the voting rights attached to those shares, then within three months of the last day on which its offer can be accepted, it could compulsorily acquire the remaining 10 per cent. It would do so by sending a notice to outstanding Shareholders 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 outstanding shareholders. The consideration offered to the shareholders whose shares are compulsorily acquired under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer unless the shareholder can show that the offer value is unfair.

4.3 Sell-out

The Companies Act 2006 also gives minority shareholders in the Company a right to be bought out in certain circumstances by an offeror who had made a takeover offer. If the takeover offer related to all the shares in the Company not already owned by the offeror and, at any time before the end of the period within which a takeover offer could be accepted, the offeror holds or had unconditionally contracted to acquire (i) not less than 90 per cent. of the shares in the Company to which the offer relates and (ii) shares to which the offer relates which, with or without any other shares in the Company which the offeror has acquired or contracted to acquire, carry not less than 90 per cent. of the voting rights in the Company, then any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any shareholder notice of his right to be bought out within one month of that right arising. 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 shareholders notifying them of their sell-out rights. If a shareholder exercises his/her rights, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

4.4 Takeover bids affecting the Company

There have been no public takeover bids by third parties in respect of the Company's equity which have occurred during the last financial year or the current financial year.

5 Major Shareholders

- 5.1 As at the Latest Practicable Date, insofar as the Company has been notified, the following persons were directly or indirectly interested in 3 per cent. or more (or 5 per cent. in the case of investment managers) of the Company's issued share capital. Their proportionate ownership immediately following Completion (assuming 24,118,400 New Shares are issued pursuant to the Merger and that no additional Shares are issued by the Company or options granted under its Employee Share Schemes are exercised between the Latest Practicable Date and Completion) is also set out below:

Shareholder	At the Latest Practicable Date		Immediately following Admission	
	Number of Shares	Percentage of issued share capital (%)	Number of Shares	Percentage of Enlarged Share Capital (%)
George W. Karpus	—	—	15,948,202*	31.47
Hargreaves Lansdown	3,044,575	11.46	3,044,575	6.00
Barry Olliff	1,855,799	7.00	1,855,799	3.66
APQ Global Limited	1,683,001	6.34	1,683,001	3.32
City of London Employee Benefit Trust	1,670,555	6.29	1,670,555	3.30
Interactive Investor	1,376,714	5.18	1,376,714	2.72
BlackRock Inc.	1,328,019	5.00	1,328,019	2.62
William Strong Advisors, LLC	1,070,435	4.03	1,070,435	2.11
Canaccord Genuity	1,060,135	3.99	1,060,135	2.09
Invesco	900,000	3.39	900,000	1.78
AJ Bell	866,396	3.26	866,396	1.71

* Mr. Karpus is entitled to receive up to 15,948,202 New Shares on Completion. US\$10,000,000.00 worth of New Shares valued as at, and due to Mr. Karpus on, Completion shall be placed in escrow with a third party escrow agent as security against any indemnification or adjustment claims made against Mr. Karpus under the terms of the Merger Agreement. The escrowed New Shares, and the distributions accruing on them, shall be released in stages up to the fifth anniversary of Completion.

- 5.2 Save as set out in this Part IX (*Additional Information*), the Company is not aware of any person who holds, or who will immediately following Admission hold, as shareholder (within the meaning of the Disclosure Guidance and Transparency Rules), directly or indirectly, three per cent. or more of the voting rights of the Company.
- 5.3 As a result of the Merger, Mr. Karpus's, together with his Concert Party's, holding of Shares will represent up to approximately 37.8 per cent. of the issued share capital of the Company. Pursuant to the Relationship Agreement, Mr. Karpus and his Concert Party will agree to limit their voting rights at any Shareholder meeting to the lower of: (i) of the number of Shares held by them; and (ii) 24.99 per cent. of the votes cast on any resolution by all Shareholders. Further details of the Relationship Agreement which will regulate the Concert Party's ongoing relationship with the Company are set out in paragraph 12.1.2 of this Part IX (*Additional Information*) of this document. No other major Shareholder has any different voting rights to the other holders of Shares.
- 5.4 Save as disclosed in the paragraph entitled "10. Dispensation from Rule 9 of the Takeover Code" in Part I (*Letter from the Chairman of City of London Investment Group plc*) of this document, at the Latest Practicable Date, the Company was not aware of any arrangements, the operation of which may at a subsequent date, result in a change of control of the Company.

6 Awards of Shares and Options

- 6.1 At the Latest Practicable Date, the trustee of the EBT held Shares awarded to Directors pursuant to the Employee Incentive Plan which shall vest as follows:

Director	Date of award	No. of Shares	Market price per Share at date of award (£)	Vesting period from	Vesting period to
Tom Griffith	26.10.2017	14,518	4.0731	26.10.2017	26.10.2020
Tom Griffith	26.10.2018	50,995	3.873	26.10.1018	26.10.2021
Tom Griffith	26.10.2019	27,786	4.258	26.20.2019	26.10.2022
Mark Dwyer	26.10.2017	14,446	4.0731	26.10.2017	26.10.2020
Mark Dwyer	26.10.2018	46,612	3.873	26.10.1018	26.10.2021
Mark Dwyer	26.10.2019	24,034	4.258	26.10.2019	26.10.2022
Carlos Yuste	26.10.2019	27,274	4.258	26.10.2019	26.10.2022

6.2 The material terms of the CLIG Employee Incentive Plan (the “EIP”) are as follows:

6.2.1 Eligibility

Any person who is an employee of any member of the Group at the date of the award and who is eligible to receive a bonus may waive a percentage of their bonus in any financial year subject to the maximum permitted by the grantor in its discretion.

6.2.2 Grant of awards

The grantor may resolve to grant a deferred share award to any person eligible over such number of Shares as is determined by the grantor. The grantor shall grant a corresponding bonus share award to a participant who has been granted a deferred share award over an equal number of Shares the subject of that deferred share award. Awards are not subject to performance conditions.

Unless specified by the grantor on the date of grant, an award will be satisfied by the transfer of Shares. Where the grantor is the trustee, it may retain the legal title to the Shares until vesting. Where the grantor is not the trustee, the grantor may procure that legal title in the Shares is retained by a trustee until vesting. A participant may not call for legal title for the Shares from the trustee until the award has vested.

An award granted to any person shall not be transferred, assigned, charged or otherwise disposed of by him except on his death to his personal representatives and shall lapse immediately if he is declared bankrupt unless the grantor determines otherwise.

Dividends paid on the Shares the subject of an award where the record date occurs before vesting shall be waived by the trustee on behalf of the participant but the grantor shall pay to the participant an amount equivalent to the dividends waived for distribution in respect of such vested Shares. Dividends paid on the Shares the subject of an award where the record date occurs on or after vesting shall be paid to the participant.

The participant may not require the trustee to exercise the voting rights on Shares the subject of an award until vesting.

6.2.3 Limits

The number of Shares which may be allocated under the EIP on any day shall not, when added to the aggregate number of Shares which have been allocated in the previous 10 years under the EIP and any other employees' share scheme adopted by the Company, exceed that number of Shares that represents 10 per cent. of the Shares in issue immediately prior to that day.

6.2.4 Vesting of awards

Any award shall vest as to: (i) one third on the first anniversary of the date of grant; (ii) one third on the second anniversary of the date of grant; and (iii) one third on the third anniversary of the date of grant subject, in each case, to any provision which permits earlier vesting on cessation of employment or as a result of a takeover or other corporate event. The vesting of any award is subject to certain conditions being satisfied including compliance with laws (including as to taxation) in relevant jurisdictions.

6.2.5 Lapse and forfeiture of awards

Subject to certain customary exceptions, on cessation of employment by a participant with a member of the Group prior to the vesting date, the awards (to the extent unvested) shall lapse and be forfeited at the relevant forfeiture price.

6.2.6 US Sub-plan

The Company has adopted a US Sub-plan to enable US employees to participate in the EIP. Awards under the US Sub-plan are exempt from or comply with Section 409A of the IRC.

- 6.3 At the Latest Practicable Date, the following Directors held options to subscribe for Shares as follows:

Director	Exercise price per share (£)	Date of Grant	Date first exercisable	Date of expiry	Number of shares under option
Tom Griffith	3.6250	13.10.2010	13.10.2013	13.10.2020	7,500
Tom Griffith	4.0300	05.04.2011	05.04.2014	05.04.2021	5,000
Tom Griffith	3.4875	04.11.2011	04.11.2014	04.11.2121	6,000
Tom Griffith	2.5500	30.01.2014	30.01.2017	30.01.2024	17,000
Tom Griffith	3.5200	19.06.2015	19.06.2018	19.06.2025	23,500
Mark Dwyer	3.6000	03.05.2012	03.05.2015	03.05.2022	50,000
Mark Dwyer	2.5500	30.01.2014	30.01.2017	30.01.2024	5,500
Mark Dwyer	3.5200	19.06.2015	19.06.2018	19.06.2025	17,500

- 6.4 At the Latest Practicable Date, options exercisable over 16,750 Shares at prices varying between £2.55 to £4.03 per Share were held by two former employees of the Group. These options may be exercised in whole or in part at any time until 2 July 2020 in respect of the first former employee and 9 July 2020 and 10 October 2020 in respect of the second. To the extent not exercised by that date they will lapse and cease to be capable of exercise thereafter.

- 6.5 The terms of the CLIG Approved Company Share Option Scheme (the “**Approved Scheme**”) are as follows:

6.5.1 Adoption

Options granted to UK employees under the Approved Scheme that are designated as A options can be exercised free of income tax and national insurance contribution charges provided certain qualifying conditions are met. Options granted as B options are liable for income tax and national insurance contributions and all overseas employee options are designated as B options.

6.5.2 Participation

Any person who is (a) an employee (but not a director) of the Company or any group company or (b) a director of the Company or any group company who is required to work not less than 25 hours per week is eligible to receive options under the Approved Scheme, provided they do not have a “material interest” in the Company (broadly, the ability to control more than 25 per cent. of the ordinary share capital).

6.5.3 Grant of options

Option grants to any participant in any financial year must not exceed 100 per cent. of basic annual salary (measured by reference to the market value of the underlying Shares at the date of grant), unless the Remuneration Committee decides that there are exceptional circumstances (in which case the market value of the underlying shares should not exceed 300 per cent. of basic annual salary). Additionally, participants may not be granted options under the Approved Scheme if the market value of the underlying shares, when aggregated with all other options granted under an approved share option scheme, would exceed £30,000 (or any other limit as may from time to time be specified). Options are not assignable or otherwise transferable, except in the case of the death of a participant, in which case the personal representatives of the participant may exercise the option within 12 months of the date of death. The

Remuneration Committee can in its absolute discretion specify any performance targets which must be met before the option can be exercised. Such performance targets can be waived or amended if the Remuneration Committee reasonably considers that a different performance target would be a fairer measure of performance and the new performance target is not more difficult to achieve than the old performance target.

6.5.4 Exercise and lapse of options

Options can be exercised in whole or in part (but only in multiples of 100 Shares, subject to the discretion of the Remuneration Committee) at any time between the third anniversary of the date of grant and the tenth anniversary (subject to any performance targets being met). The Remuneration Committee can specify at the time of grant that any option is exercisable for a period of less than ten years. However, if a participant ceases to be an employee or director by reason of injury, disability, retirement after 55, redundancy or a sale of a subsidiary company, the participant may exercise the option within a 6 month period following cessation of employment, even if that is earlier than 3 years after the date that the option was granted. If the option has not been exercised, it lapses on the earliest of (i) the tenth anniversary of the date of grant (or an earlier date if determined by the Remuneration Committee), or (ii) the expiry of the exercise period set out above following cessation of employment for the “good leaver” reasons stated above or death or (iii) when the participant ceases to be an employee or director for any other reason, or (iv) on the expiry of any period set for a performance target if the performance target has not been met, or (v) on bankruptcy of the participant or the winding-up of the Company.

6.5.5 Takeovers, reconstructions, and liquidation, variation of share capital

If there is a takeover offer, options are exercisable for 6 months after the change in control of the Company. If there is a scheme of arrangement under section 899 of the Companies Act 2006, options are exercisable for 6 months after the court sanctions the scheme. If the Company passes a resolution for voluntary winding-up, options are exercisable for 6 months after the passing of the resolution. If any person becomes bound or entitled to acquire the Shares under sections 974 to 991 of the Companies Act 2006, options are exercisable during any period when that person remains so bound or entitled. In each case, option exercise is subject to the achievement of any relevant performance target. If another company obtains control of the Company, optionholders may agree with the acquiring company within 6 months of the change in control that the options will be exchanged for equivalent options over the shares of the acquiring company, provided that the market value of the old options and new options are equivalent and the terms of the old options and the new option are otherwise the same. If there is any variation in the share capital of the Company, the number of Shares subject to the options and/or the exercise price of the options shall be adjusted in such manner as the auditors of the Company confirm to be fair and reasonable. The option exercise price may not be reduced below the nominal value of a Share and any adjustment must be approved by HM Revenue & Customs.

6.5.6 Alterations

The Remuneration Committee may alter the Approved Scheme as it considers appropriate, save that no alteration to the material advantage of optionholders can be made without shareholder approval except for a minor alteration to benefit the administration of the Approved Scheme, to take account of legislative changes or to obtain or maintain more favourable tax, exchange control or regulatory treatment. Any amendment to a “key feature” of the Approved Scheme must be approved by HM Revenue & Customs before it can take effect.

7 Concert Party

- 7.1 The members of the Concert Party are George W. Karpus and the individuals whose names (in each case together with their relationship to Mr. Karpus) are stated below:

Name	Relationship to Mr. Karpus
Karin Popham Anello	Step-daughter
Katie Popham McCormick	Step-daughter
William Popham	Step-son
Alana Haehl	Niece
Nicholas Kuszlyk	Nephew
Douglas Kuszlyk	Brother-in-law
Barbara Kuszlyk	Sister-in-law
Donald Haehl	Brother-in-law
Deborah Haehl	Sister-in-law
Alexandria Haehl	Niece
Dianna Kuszlyk	Niece
Rodd Riesenberger	Step-son

- 7.2 Mr. Karpus founded KMI in 1986, growing the business to approximately US\$3.2 billion in funds under management as at 31 March 2020. Mr. Karpus is currently chairman of the board and Chief Investment Strategist of KMI. Prior to founding KMI, Mr. Karpus held key positions at two brokerage firms, a regional bank and another investment advisory firm. Mr. Karpus is resident in, and a citizen of, the United States.
- 7.3 Other than Mr. Karpus, and Karin Popham Anello (who is employed in the Accounting/Human Resources function of KMI), none of the members of the Concert Party is employed or engaged by KMI or otherwise has an involvement in KMI other than through his or her shareholding.
- 7.4 In the event that the waiver by the Takeover Panel is approved by Independent Shareholders passing the Whitewash Resolution at the General Meeting, on Completion of the Merger, the members of the Concert Party will hold up to a maximum of the following interests in the Shares:

Member of Concert Party	Number of Shares	Percentage of Enlarged Share Capital* (%)
George W. Karpus	15,948,202	31.47
Karin Popham Anello	807,668	1.59
Katie Popham McCormick	807,668	1.59
William Popham	807,668	1.59
Alana Haehl	95,020	0.19
Nicholas Kuszlyk	95,020	0.19
Douglas Kuszlyk	95,020	0.19
Barbara Kuszlyk	95,020	0.19
Donald Haehl	95,020	0.19
Deborah Haehl	95,020	0.19
Alexandria Haehl	79,183	0.16
Dianna Kuszlyk	79,183	0.16
Rodd Riesenberger	45,530	0.09
Total	19,145,222	37.78

* Pursuant to the terms of the Relationship Agreement described in paragraph 12.1.2 of this Part IX (*Additional Information*) (which shall continue in force for so long as: (a) the Shares are listed on the premium segment of the Official List and traded on the London Stock Exchange's main market for listed securities; and (b) the Concert Party together with its associates are entitled to exercise or to control the exercise of 20 per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of the Company), Mr. Karpus and the other persons constituting the Concert Party will agree to limit their voting rights at any Shareholder meeting to the lower of: (i) the number of Shares held by Mr. Karpus and the other persons constituting the Concert Party; and (ii) 24.99 per cent. of the votes cast on any resolution by all Shareholders.

- 7.5 At the date of this document, no member of the Concert Party nor any person acting in concert with them has, nor has any such person acquired during the 12 months prior to the publication of this document, any interest (as defined in the Takeover Code) in or a right to subscribe for any Shares. Pursuant to the Merger Agreement, each member of the Concert Party has undertaken not to acquire any interest (as defined in the Takeover Code) in the Shares prior to Completion.
- 7.6 At the date of this document, no member of the Concert Party held any short position (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to take delivery, in any relevant securities nor had any member of the Concert Party borrowed, lent or entered into any financial collateral arrangements in respect of any relevant securities or dealt in any relevant securities during the 12 months prior to the date of this document.
- 7.7 The Concert Party believes that, in terms of culture, objectives, background, and investment approach, the Merger represents a significant opportunity to operate in a cohesive group. The two investment firms benefit each other with complementary brands, products and US client bases. The Concert Party has no intention of making any changes in relation to:
- 7.7.1 the future business of the Company including research and development functions (if any);
 - 7.7.2 the continued employment of the Company's employees and management, including any material change in the conditions of employment or in the balance of the skills and functions of the employees and management;
 - 7.7.3 the strategic plans for the Company including the Company's places of business, headquarters and headquarters functions;
 - 7.7.4 employer contributions into the Company's pension schemes, the accrual of benefits for existing members and the admission of new members;
 - 7.7.5 the redeployment of any fixed assets of the Company; or
 - 7.7.6 the maintenance of any trading facilities for the Shares.
- 7.8 At the date of this document, there were no agreements, arrangements or understandings between the Concert Party and any of the Directors, recent directors of the Company, Shareholders or recent shareholders of the Company, or any person interested or recently interested in Shares, having any connection with or dependence upon the Merger.
- 7.9 Other than in the case of George W. Karpus, pursuant to the terms of the Merger Agreement (whereby Mr. Karpus may require the sale of Shares which are held by the third party escrow agent, as referred to in Part VIII (*Terms of the Merger*) of this document, in order to meet any indemnification or adjustment claims) and, in the case of other members of the Concert Party, pursuant to the terms of a contribution agreement which has been entered into between Mr. Karpus and certain of the other KMI Stockholders in connection with the Merger Agreement (whereby such members may be required in the event of any indemnification or adjustment claims either to transfer Shares to Mr. Karpus or to sell Shares in order to realise cash) (the "**Contribution Agreement**"), no member of the Concert Party has entered into any agreement, arrangement or understanding to transfer any Shares in the Company acquired as a result of the Merger.

8 Directors' interests

- 8.1 As at the Latest Practicable Date, the interests (all of which are or will be beneficial unless otherwise stated) of the Directors, their immediate families and persons connected with the Directors (within the meaning section 252 of the Companies Act 2006) in the share capital of the Company were as follows:

Director	Number of Shares	Number of Shares awarded but not vested*	Percentage of issued share capital (%)	Percentage of Enlarged Share Capital (%)
Barry Aling	94,300	—	0.36	0.19
Barry Olliff	1,855,799	—	6.99	3.66
Tom Griffith	359,458	93,299	1.7	0.90
Mark Dwyer	87,660	86,092	0.65	0.34
Carlos Yuste	67,500	27,274	0.36	0.19
Susannah Nicklin	4,309	—	0.02	0.01
Peter Roth	—	—	—	—
Jane Stabile	—	—	—	—

* Represents the number of Shares awarded under the EIP but are yet to vest as more particularly described in paragraph 6.1 of this Part IX (*Additional Information*) of this document.

- 8.2 In addition, the Directors between them hold options to subscribe for a total of 132,000 further Shares as more particularly described in paragraph 6.3 of this Part IX (*Additional Information*).
- 8.3 Save as disclosed in this paragraph 8:
- 8.3.1 none of the Directors, nor any member of their respective immediate families, nor any person connected with them within section 252 of the Companies Act 2006, is or, immediately following Admission, will be interested in any share capital of the Company; and
- 8.3.2 none of the Directors held any short position (whether conditional or absolute and whether in the money or otherwise), including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to take delivery, in any relevant securities nor had any Director borrowed or lent any relevant securities.
- 8.4 There are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Directors.

9 Directors' Service Agreements/Letters of Appointment

- 9.1 Tom Griffith is engaged pursuant to a service agreement with City of London US Services Ltd, a subsidiary of the Company dated in 2013 and a letter of appointment with the Company dated 31 March 2020.

The service agreement provides for a salary of US\$243,000 per annum (which has since been increased to US\$326,000). Mr. Griffith is also entitled to participate in the profit share scheme and all employee benefit plans operated by the Company. The service agreement is terminable on 12 months' notice or immediately by the Company on payment of an amount equal to 12 months' salary or summarily by the Company if Mr. Griffith is, among other things, guilty of gross negligence or breach of fiduciary duty under the service agreement. The service agreement is also terminable on 12 months' notice by Mr. Griffith. Mr. Griffith is entitled to 30 days holiday per annum. Mr. Griffith is subject to certain restrictive covenants for a period of three months following termination of his employment. The service agreement is subject to the laws of the state of Pennsylvania, USA.

The letter of appointment appoints Mr. Griffith as a director of the Company and outlines his roles and duties in such role. In respect of that appointment, Mr Griffith is entitled to an annual Director's fee of £35,000 gross (which is included as part of Mr Griffith's increased annual salary of US\$326,000 per annum). Mr. Griffith's appointment as a Director is terminable in

accordance with the Articles or otherwise in the event of certain cause events, including a material breach of his obligations under the letter of appointment. The letter of appointment is subject to English law.

- 9.2 Mark Dwyer is engaged pursuant to a service agreement with the Company dated 19 October 2015. The agreement provides for a salary of £195,000 per annum (which has since been increased to £238,000 per annum (including a Director's fee of £35,000 per annum)). Mr. Dwyer is also entitled to participate in the profit share scheme operated by the Company. Any payments under such scheme are entirely at the discretion of the Company. The agreement is terminable on 12 months' notice by either party or summarily by the Company if Mr. Dwyer is, among other things, guilty of gross misconduct under the agreement. Mr. Dwyer is entitled to private medical insurance, employer's pension contributions at a rate of 12.5 per cent. of salary, 30 days' holiday per annum in addition to public holidays in the United Kingdom and up to 10 days' sick pay in any 12 month period at full rate. Mr. Dwyer is subject to certain restrictive covenants for a period of six months following termination of his employment. The agreement is subject to the laws of England.

- 9.3 Carlos Yuste is engaged pursuant to a contract of employment with City of London US Services Ltd, a subsidiary of the Company, dated 30 May 2018 (effective from 2 July 2018), as amended on 30 March 2020, and a letter of appointment with the Company dated 30 March 2020.

The contract of employment provides for a salary of US\$220,000 per annum (which has since been increased to US\$275,000 per annum). Mr. Yuste is also entitled to participate in the profit share scheme and all employee benefit plans operated by the Company. The service agreement is terminable by either the Company or Mr. Yuste upon the provision of twelve months' written notice of termination or similarly by the Company if, among other things, Mr. Yuste is guilty of gross negligence or dishonesty. Mr. Yuste is entitled to private medical insurance, employer's retirement plan contributions at a rate of 12.5 per cent. of salary, 25 days' holiday per annum in addition to public holidays in the United States and up to 10 days' sick pay in any 12 month period at full rate. Mr. Yuste is subject to certain restrictive covenants for a period of up to one year following termination of his employment.

The letter of appointment appoints Mr. Yuste as a Director of the Company and outlines his roles and duties in such role. In respect of that appointment, Mr. Yuste is entitled to an annual Director's fee of £35,000 gross (which is included as part of Mr Yuste's increased annual salary of US\$275,000 per annum). Mr. Yuste's appointment as a Director is terminable in accordance with the Articles or otherwise in the event of certain events, including a material breach of his obligations under the letter of appointment. The letter of appointment is subject to English law.

- 9.4 Barry Olliff is engaged pursuant to a corporate advisory agreement with City of London US Services Ltd, a subsidiary of the Company, dated 30 December 2019 and a Non-Executive Director letter of appointment with the Company dated 30 March 2020.

The corporate advisory agreement provides for a salary of US\$100,000 per annum (in addition to an annual Directors' fee of £35,000 per annum). In addition, Mr. Olliff shall be entitled to participate in all of the Company's employee benefit plans. The corporate advisory agreement is terminable on 30 days' notice and automatically on 31 December 2021. The agreement is subject to the laws of the state of Pennsylvania, USA.

- 9.5 Save as disclosed in paragraphs 9.1 to 9.4 of this Part IX (*Additional Information*) above, there are no existing or proposed service agreements between any of the Directors and the Company nor have any of the existing service agreements between any Director and the Company been amended within the six months prior to the date of this document. Save as disclosed above, none of the service agreements relating to the Executive Directors referred to above, contains a right to benefits (other than those due during the notice period under the contract) upon termination.
- 9.6 There are no arrangements under which any Director has agreed to waive or vary future emoluments nor have there been any waivers or variations of such emoluments during the financial year immediately preceding the date of this document.

- 9.7 In the last full financial year of the Company, the year ended 30 June 2019, the Directors were granted the following remuneration (including contingent or deferred compensation) and benefits in kind by the Company and its Subsidiaries for services in all capacities to the Company and its Subsidiaries:

	Fees/ salary (£)	Profit- share (£)	Waived profit- share (£)	*EIP share awards (£)	**Dividend equivalent EIP vesting (£)	Pension (£)	Taxable benefits (£)	Total (£)
Executive								
B Olliff†	278,257	625,983	—	—	—	34,782	2,809	941,831
T Griffith	228,790	372,499	(56,652)	113,304	3,920	28,599	4,945	695,405
M Dwyer	209,000	341,100	(51,165)	102,330	3,900	26,125	3,594	634,884
T Rodrigues††	180,000	259,000	(38,850)	77,700	2,266	22,500	1,664	504,280
Sub-total	896,047	1,598,582	(146,667)	293,334	10,086	112,006	13,012	2,776,400
Non-executive								
B Aling	53,487	—	—	—	—	—	—	53,487
S Nicklin	45,987	—	—	—	—	—	—	45,987
P Roth	2,917	—	—	—	—	—	844	3,761
J Stabile	39,474	—	—	—	—	—	3,597	43,071
D Cardale†††	17,702	—	—	—	—	—	—	17,702
M Driver††††	42,500	—	—	—	—	—	—	42,500
Sub-total	202,067	—	—	—	—	—	4,441	206,508
Total	1,098,114	1,598,582	(146,667)	293,334	10,086	112,006	17,453	2,982,908

* The EIP share awards relate to the current year's waived bonus which is matched by the Company. The combined amount is the value of the awards which will be awarded in October following the year end. For non-UK Directors, the value is subject to movement as a result of currency translation.

** Uninvested EIP awards accrue a cash equivalent of the dividends declared during the vesting period and are paid when the Shares vest.

† Resigned as an Executive Director and appointed as a Non-Executive Director on 31 December 2019.

†† Resigned as an Executive Director on 31 March 2020 in order to take a leave of absence.

††† Resigned with effect from 22 October 2018.

†††† Resigned with effect from 30 June 2019.

- 9.8 At the Latest Practicable Date, there were no sums which had been set aside or accrued by the Company or its Subsidiaries to provide pension, retirement or similar benefits to Directors.

10 Additional information on the Board

- 10.1 None of the Directors has any business interests nor performs any activities outside the Group which are significant with respect to the Group.

- 10.2 The table below states the names of all companies and partnerships of which the Directors are or have been directors or partners in the period of five years immediately preceding the date of this document (aside from directorships held within the Group):

Name of Director	Current directorships and partnerships	Past directorships and partnerships
Barry Aling	—	RES-Q Outsourcing Solutions Ltd
Barry Olliff	Ventura Investments Limited (<i>in members' voluntary liquidation</i>)	The World Markets Umbrella Fund plc
Tom Griffith	—	—
Mark Dwyer	The World Markets Umbrella Fund plc	—
Carlos Yuste	—	Kingsmere Partners LLC
Susannah Nicklin	Amati AIM VCT plc Baronsmead Venture Trust Pantheon International plc The North American Income Trust plc	Apprecie Limited Baronsmead VCT plc Curateur Limited
Peter Roth	Guggenheim Credit Income Fund	JP Charter Oak Advisers LLC

Name of Director	Current directorships and partnerships	Past directorships and partnerships
	Guggenheim Credit Income Fund 2016 Guggenheim Credit Income Fund 2017 Rothpoint Group LLC	
Jane Stabile	IMP Partners LLC	—

10.3 Save as disclosed above, none of the Directors has been a director or member of any administrative, management or supervisory body of any companies or partner in any partnerships at any time in the period of five years immediately preceding the date of this document.

10.4 None of the Directors has had any convictions in relation to fraudulent offences in the five years preceding the date of this document.

10.5 Save as disclosed below, none of the Directors has been associated with any bankruptcies, receiverships, liquidations or companies put into administration through acting in the capacity of a member of the administrative, management or supervisory bodies or as a partner, founder or senior manager of any partnership or company in the five years preceding the date of this document:

10.5.1 Susannah Nicklin was a director of Apprecie Limited which was placed in members' voluntary liquidation in 2016.

10.6 None of the Directors has been subject to any official public incrimination and/or sanctions by any statutory or regulatory authority (including designated professional bodies) or has ever been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company in the five years preceding the date of this document.

10.7 There are no potential or actual conflicts of interest between any duties to the Company of the Directors and their private interests or their other duties.

11 Related party transactions

11.1 Since 31 December 2019 (being the date of the Company's last financial statements), the Company has not entered into any related party transactions.

12 Material contracts

12.1 The following section contains summaries of the principal terms of each material contract (other than contracts entered into in the ordinary course of business) to which any member of the Group is a party, for the two years immediately preceding the date of this document and any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Group which contains any provision under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

12.1.1 Merger Agreement

Please see the summary of the Merger Agreement in Part VIII (*Terms of the Merger*) of this document.

12.1.2 Relationship Agreement

Immediately following Admission, the Company considers that the Concert Party and its associates will together exercise or control, 30 per cent. or more of the votes to be cast on all or substantially all matters at general meetings of the Company. The Company will enter into the Relationship Agreement with Mr. Karpus and the other members of the Concert Party prior to Completion which will, conditional upon Admission, regulate the ongoing relationship between the Company and the Concert Party.

The principal purpose of the Relationship Agreement is to ensure that the Company can carry on an independent business as its main activity. The Relationship Agreement contains, among other things, undertakings from the Concert Party to, and to procure that its associates shall:

- (a) not take any action which precludes or inhibits any Group company from operating on a basis that is independent from the Concert Party and its Associates and, save for their normal operational roles within KMI, neither the Concert Party nor its associates shall seek to exercise improper influence over the day-to-day running of the Company or any Group company at an operational level outside of normal governance structures;
- (b) not exercise any of its voting rights in such a manner as to preclude or inhibit any Group company from carrying on its business independently of the Concert Party and its associates;
- (c) conduct all transactions and arrangements with any Group company in accordance with the Listing Rules, at arm's length and on normal commercial terms;
- (d) not take any action that would have the effect of preventing or that might reasonably be expected to prevent any Group company from complying with its obligations under the Companies Act 2006, the Disclosure Guidance and Transparency Rules, FSMA, MAR, the Listing Rules, the Takeover Code and the US Investment Advisors Act of 1940;
- (e) not exercise any of its voting rights or any other powers of control in such a manner so as to procure the proposal or passing of any shareholder resolution which would be inconsistent with, undermine or breach any of the provisions of the Relationship Agreement or the Listing Rules; and
- (f) abstain from voting on any resolution required by paragraph 11.1.7R(4) of the Listing Rules to approve a "related party transaction" involving any member of the Concert Party or its associates.

For so long as the Relationship Agreement is in force, CLIG will propose all resolutions on a poll. Mr. Karpus and the other persons constituting the Concert Party have agreed, pursuant to the terms of the Relationship Agreement, to limit their voting rights at any Shareholder meeting to the lower of: (i) of the number of Shares held by them; and (ii) 24.99 per cent. of the votes cast on any resolution by all Shareholders.

From Completion, Mr. Karpus will have the right to nominate one Non-Executive Director (the "**Nominated NED**") and, for so long as Relevant Shareholders (being Mr. Karpus, the other members of the Concert Party and any charities or family trusts to whom Mr. Karpus has transferred Shares) hold 20 per cent. or more of the issued share capital of the Company, one Executive Director (the "**Nominated Executive**"), provided always that such nominated directors shall constitute no more than 24.99 per cent. of the total number of Directors of the Company. The appointment of the nominated Directors shall be subject to the approval of the Board, not to be unreasonably withheld or delayed and those Directors shall be subject to retirement by rotation in accordance with the Articles.

Mr. Karpus shall not be entitled to nominate himself as the Nominated Executive. In the event that Mr. Karpus nominates himself as the Nominated NED, his appointment will terminate at the Company's annual general meeting to be held in 2021. Prior to the Company's annual general meeting in 2021, Mr. Karpus may request the Board and its nomination committee to consider the continuation of Mr. Karpus's appointment as a Non-Executive Director beyond the Company's annual general meeting in 2021. If the Board resolves to approve such continuation, Mr. Karpus's re-election shall be subject to the approval of the Company's Shareholders at the Company's annual general meeting in 2021. If Mr. Karpus is to step down as a Director at the Company's annual general meeting in 2021 (a) he shall have the opportunity to participate in the selection of an additional independent Non-Executive Director, whether or not he is at the time a member of the Board's nomination committee; and (b) he shall also be appointed as

“chairman emeritus” following the end of his appointment as a Director and, in such role, shall be entitled to receive, notice of, and attend and speak at, all Board meetings and to receive copies of all Board papers but shall not be entitled to vote on any resolutions proposed.

The Relationship Agreement will continue for so long as (a) the Shares are listed on the premium listing segment of the Official List and traded on the London Stock Exchange’s main market for listed securities and (b) the Concert Party together with its associates are entitled to exercise or to control the exercise of 20 per cent. or more of the votes able to be cast on all or substantially all matters at general meetings of the Company.

The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of the Concert Party.

The Relationship Agreement will be governed by the laws of England and Wales.

12.1.3 Lock-up Deed

By way of a deed between each of the KMI Stockholders, the Company and Zeus Capital to be entered into on or prior to Completion, the KMI Stockholders will agree that they will not without the prior written consent of the Company and Zeus Capital sell, grant options over or otherwise dispose of any interest in any New Shares acquired by them pursuant to the Merger Agreement (save in certain circumstances, including: (i) in acceptance of a general offer to all the Shareholders for the whole or part of the entire issued share capital of the Company; or (ii) pursuant to, or in order to implement, a court order; (iii) any disposal to their personal representatives; or (iv) any disposal to generate funds sufficient to discharge any liability under the Merger Agreement), for a period of 12 months from the date of Admission. In addition, for a further period of 12 months, without the prior written consent of the Company and Zeus Capital, the KMI Stockholders will agree not to dispose of any interest in the New Shares other than through the Zeus Capital, subject to the terms relating to price and execution offered by Zeus Capital being no less favourable than other brokers at that time and on a “best execution” basis.

The KMI Stockholders will further agree to waive their entitlement to receive: (i) the final dividend declared on the Shares in respect of the financial period to 30 June 2020 in respect of their entire holding of Shares; and (ii) the interim and final dividend declared on the Shares for the financial period to 30 June 2021 in respect of such percentage of their holding of Shares which represents the number of days in that financial period for which they do not hold Shares, divided by 365.

The Lock-up Deed will be governed by the laws of England and Wales.

12.1.4 Sponsor and Financial Adviser Agreement

On 12 June 2020, Beaumont Cornish, Zeus Capital and the Company entered into the Sponsor and Financial Adviser Agreement under the terms of which the Company has appointed: (i) Beaumont Cornish to act as sponsor as required by the Listing Rules in connection with, *inter alia*, the issue of the Prospectus and Admission; and (ii) Zeus to act as financial adviser in connection with, *inter alia*, the Whitewash.

The Sponsor and Financial Adviser Agreement contains certain warranties and indemnities from the Company, together with provisions which enable Beaumont Cornish and/or Zeus Capital to terminate the Sponsor and Financial Adviser Agreement in certain circumstances prior to Admission, including circumstances where any warranties are found to be untrue or inaccurate in any material respect. The liability of the Company under the Sponsor and Financial Adviser Agreement is unlimited.

Under the Sponsor and Financial Adviser Agreement, on Admission the Company has agreed to pay each of Beaumont Cornish and Zeus Capital customary fees for their services under the Agreement.

12.1.5 Financial Advisory Services Agreement

Pursuant to an agreement dated 13 June 2018, as amended on 6 July 2018 and as further amended on 5 September 2019, the Company appointed Pakenham Partners to

provide financial advisory and investment banking services to it in relation to a potential transaction to acquire KMI.

Under the Financial Advisory Services Agreement, the Company has agreed to pay Pakenham Partners certain fees which are customary for an agreement of this nature including a success fee on Completion and an incentive fee based on any increase in the price at which the Shares are issued pursuant to the Merger and the price at which the Shares trade during the three months following Completion.

The Company has given an indemnity to Pakenham Partners for any liability of Pakenham Partners in connection with its appointment under the Financial Advisory Services Agreement, except to the extent that such liability results from the gross negligence, wilful default, wilful misconduct of Pakenham Partners or as a result of a material breach of the rules of the FCA.

The Financial Advisory Services Agreement is governed by English law.

- 12.2 Save for the Merger Agreement, which is summarised in Part VIII (*Terms of the Merger*) of this document, there are no material contracts (other than contracts entered into in the ordinary course of business) to which KMI is a party for the two years immediately preceding the date of this document and no other contract (not being a contract entered into in the ordinary course of business) which has been entered into by KMI which contains any provision under which KMI has any obligation or entitlement which is material to KMI as at the date of this document.

13 Legal and arbitration proceedings

- 13.1 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company and/or the Group.
- 13.2 There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of KMI.

14 Working capital

- 14.1 The Company is of the opinion that the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.
- 14.2 The Company is of the opinion that the Enlarged Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

15 Significant change

15.1 CLIG

Save as set out below, there has been no significant change in the financial position or the financial performance of the Group since 31 December 2019 (being the date to which the last interim financial information of the Group has been published).

- Total funds under management decreased from US\$6.0 billion as at 31 December 2019, to US\$4.4 billion as at 31 March 2020 as a result of a substantial decline in financial markets during the three months ended 31 March 2020 attributable to the spread of COVID-19. As at 31 May 2020, the Directors estimate that CLIG's total funds under management had increased to US\$5.0 billion.
- The Group's results are also impacted by any change in the valuation of other financial assets, reflected in the Consolidated Income Statement under "Interest Receivable and Similar Gains". As at 31 December 2019, unaudited other financial assets, net of corresponding non-controlling interest amounted to £4.6 million. As at 30 April 2020, unaudited other financial assets net of corresponding non-controlling interest amounted to £3.7 million.

The financial information in this paragraph has been extracted without material adjustment from CLIG's unaudited interim accounts for the six months ended 31 December 2019 (incorporated by reference in this document as set out in Part X (*Documents Incorporated by Reference*)), and the unaudited internal CLIG management accounts as at 30 April 2020, prepared in a manner consistent with the accounting policies and presentation adopted by the Group in preparing its unaudited interim financial statements for the six month period ended 31 December 2019.

15.2 KMI

Save as set out below, there has been no significant change in the financial position or the financial performance of KMI since 31 December 2019 (being the date to which the last interim financial information of KMI has been published).

- Total funds under management decreased from US\$3.6 billion as at 31 December 2019, to US\$3.2 billion as at 31 March 2020 as a result of a substantial decline in financial markets during the three months ended 31 March 2020 attributable to the spread of COVID-19. As at 31 May 2020, KMI estimates that its total funds under management had increased to US\$3.4 billion.

16 Investments

Since 31 December 2019 (being the date to which the Group's last published financial statements have been prepared), the Company has not made any material investments, nor are there any investments in progress or for which firm commitments have been made.

17 Regulatory disclosures

The table below sets out a summary of the information disclosed by the Company under the Market Abuse Regulation over the last 12 months:

Date	Title of Announcement	Disclosure
9 June 2020	Proposed All Share Merger of CLIG with KMI	CLIG announces that it has entered into a Merger Agreement to acquire the entire issued share capital of Karpus Management, Inc.
21 April 2020	Funds under Management – Trading Update	CLIG announces that as at 31 March 2020, FuM were US\$4.4 billion (£3.6 billion).
26 February 2020	Director/PDMR Shareholding	Stable View III LP, a partnership set up by Barry Olliff, has sold 58,858 Shares at a weighted average price of £4.5152 per Share.
21 February 2020	Director/PDMR Shareholding	Stable View III LP, a partnership set up by Barry Olliff, has sold 110,529 Shares at a weighted average price of £4.5224 per Share.
17 February 2020	Half-year results	CLIG announces half year results for the six months to 31 December 2019.
14 January 2020	Trading update	CLIG, a leading specialist asset management group offering a range of institutional products investing in closed-end funds, announces that as at 31 December 2019, FuM were US\$6 billion (£4.5 billion). This compares with US\$5.4 billion (£4.3 billion) at the Company's year-end on 30 June 2019
9 December 2019	Director/PDMR Shareholding	Thomas Griffith has acquired 12,500 Shares at a price of £3.14 per Share pursuant to the exercise of share options
31 October 2019	Director/PDMR Shareholding	Thomas Griffith has been awarded 27,786 Restricted Share Awards comprising 27,786 Shares from the Employee Benefit Trust under the Company's Employee Incentive Plan
31 October 2019	Director/PDMR Shareholding	Tracy Rodrigues has been awarded 18,250 Restricted Share Awards comprising 18,250 Shares from the Employee Benefit Trust under the Company's Employee Incentive Plan
31 October 2019	Director/PDMR Shareholding	Mark Dwyer has been awarded 24,034 Restricted Share Awards comprising 24,034 Shares from the Employee Benefit Trust under the Company's Employee Incentive Plan

Date	Title of Announcement	Disclosure
18 October 2019	Director/PDMR Shareholding	For estate planning purposes, Barry Olliff has established a partnership, Stable View III into which he has transferred 2 million of his Shares.
19 September 2019	Director/PDMR Shareholding	Susannah Nicklin has acquired 1,175 Shares at a price of £4.22 per Share
18 September 2019	Director/PDMR Shareholding	Susannah Nicklin has acquired 1,183 Shares at a price of £4.19 per Share
16 September 2019	Final results	CLIG announces final results for the year to 30 June 2019

18 Middle market quotations

The following table sets out the middle market quotations for the first Business Day in each of the six months immediately prior to the date of this document and for the Latest Practicable Date as derived from Bloomberg:

Date	Middle market quotation (pence)
10 June 2020	361.00
1 June 2020	319.00
1 May 2020	310.00
1 April 2020	316.00
2 March 2020	389.10
3 February 2020	433.53
2 January 2020	430.60

19 Responsibility and consents

- 19.1 Each of CLIG and the Directors, whose names appear on page 30 of this document in the section entitled “*Directors, Company Secretary and Advisers*”, accept responsibility for the information contained in this document. To the best of the knowledge of CLIG and the Directors, the information contained in this document is in accordance with the facts and this document makes no omission likely to affect its import.
- 19.2 Each member of the Concert Party, whose names appear in paragraph 7 of this Part IX (*Additional Information*) of this document, accepts responsibility for the information contained in this document relating to him or her in his or her capacity as a member of the Concert Party. To the best of the knowledge of each member of the Concert Party, the information contained in this document for which he or she is responsible is in accordance with the facts and the information contained in this document relating to him or her in his or her capacity as a member of the Concert Party makes no omission likely to affect its import.
- 19.3 RSM Corporate Finance LLP, whose registered address is at 25 Farringdon Street, London EC4A 4AB, has given and not withdrawn its consent to the issue of this document with the inclusion of its Accountants’ Report on the Historical Financial Information of KMI set out in Part V, Section A of this document and its Accountant’s Report on the Unaudited *Pro Forma* Financial Information set out in Part VI, Section B of this document and has authorised the contents of those parts of this document for the purposes of Rule 5.3.2R(2)(f) of the Prospectus Rules.
- 19.4 Zeus Capital Limited, whose registered office is situated at 82 King Street, Manchester M2 4WQ, has given and not withdrawn its consent to the issue of this document with inclusion herein of references to its opinion and name.

20 Documents available

Copies of the following documents will be available for inspection on the website of the Company at <http://www.citlon.co.uk/> and during normal business hours on any weekday (Saturday, Sundays and public holidays excepted) at the registered office of the Company from the date of this document until 31 December 2020:

- 20.1 the Company's memorandum of association and the Articles;
- 20.2 the accountants' report on the audited historical financial information on KMI for the three years ended 30 June 2019 set out in Part V (*Financial Information on Karpus Management, Inc.*) of this document;
- 20.3 the accountants' report on the unaudited *pro forma* financial information set out in Part VI (*Unaudited Pro Forma Financial Information on the Enlarged Group*) of this document;
- 20.4 the letter of consent from Zeus Capital Limited referred to in paragraph 19.4 of this Part IX (*Additional Information*) of this document;
- 20.5 the Merger Agreement;
- 20.6 the Relationship Agreement;
- 20.7 the Lock-up Deed;
- 20.8 the Contribution Agreement; and
- 20.9 this document.

Dated: 12 June 2020

PART X – DOCUMENTS INCORPORATED BY REFERENCE

This document should be read and construed in conjunction with certain information which has been previously approved by, filed with or notified to the FCA and which shall be deemed to be incorporated in, and form part of, this document.

Part IV (*Financial Information on City of London Investment Group plc*) and the paragraph below list the various sections of certain documents which are incorporated by reference into this document in compliance with Prospectus Regulation Rule 2.7 and Rule 24.15 of the Takeover Code. It should be noted that other sections of such documents that are not incorporated by reference are either not relevant to Shareholders and others or are covered elsewhere in this document.

To the extent that any document or information incorporated by reference or attached to this document itself incorporates any information by reference, either expressly or impliedly, such information will not form part of this document for the purposes of the Prospectus Regulation Rules, except where such information or documents are stated within this document as specifically being incorporated by reference or where this document is specifically defined as including such information.

Any statement contained in a document which is deemed to be incorporated by reference into this document shall be deemed to be modified or superseded for the purpose of this document to the extent that a statement contained in this document (or in a later document which is incorporated by reference into this document) modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this document.

These documents are available for inspection as set forth in paragraph 20 of Part IX (*Additional Information*) of this document and are also available on the Company's website using the following hyperlinks:

- (a) annual report and consolidated financial statements for the year ended 30 June 2018: <https://www.citlon.com/investor-relations/investor-reports/CoL2018AR.pdf>;
- (b) annual report and consolidated financial statements for the year ended 30 June 2019: <https://www.citlon.com/investor-relations/investor-reports/CoL2019AR.pdf>;
- (c) interim results for the six months ended 31 December 2018: https://www.citlon.com/investor-relations/investor-reports/CoL_Interim11_18.pdf; and
- (d) interim results for the six months ended 31 December 2019: https://www.citlon.com/investor-relations/investor-reports/CoL_Interim11_19.pdf.

	Audited annual report and accounts for the year ended 30 June 2018	Audited annual report and accounts for the year ended 30 June 2019
<i>Nature of information</i>	Page No. (s)	Page No. (s)
Summary	1	1
Chairman's statement	2-3	2-3
Chief Executive Officer's statement	4-7	4-7
What we do	8	8
How we do it	9	9
The management of (at) CLIM	10	10
Our strategy and objectives	11-17	11-17
Business development review	18-19	18-19
Key performance indicators	20-24	20-24
Risk management	25-27	25-27
Financial review	28-30	28-30
Corporate and social responsibility policy	31-35	31-35
Board of Directors	36-37	36-37
Directors' report	38-39	38-39
Corporate governance report	40-42	40-42

	Audited annual report and accounts for the year ended 30 June 2018	Audited annual report and accounts for the year ended 30 June 2019
<i>Nature of information</i>	Page No. (s)	Page No. (s)
Nomination Committee report	43-44	43-44
Audit Committee report	45-47	45-47
Directors' remuneration report	48-58	48-58
Statement of Directors' responsibilities	59	63
Independent Auditor's report	60-63	64-67
Financial statements		
<i>Consolidated income statement</i>	64	68
<i>Consolidated and Company statement of comprehensive income</i>	64	68
<i>Consolidated and Company statement of financial position</i>	65	69
<i>Consolidated statement of changes in equity</i>	66	70
<i>Company statement of changes in equity</i>	67	71
<i>Consolidated and Company cash flow statement</i>	68	72
<i>Notes to the financial statements</i>	69-90	73-98

	Unaudited interim results for the six months ended 31 December 2018	Unaudited interim results for the six months ended 31 December 2019
<i>Nature of information</i>	Page No. (s)	Page No. (s)
Half year summary	1	1
Chairman's statement	2	2
Chief Executive Officer's review	5	5
Consolidated income statement	10	10
Consolidated statement of comprehensive income	10	10
Consolidated statement of financial position	11	11
Consolidated statement of changes in equity	12	12
Consolidated cash flow statement	14	14
Notes	15-24	15-24
Statement of directors' responsibilities	25	25
Independent review report	26-27	26-27
Shareholder information	28	28

The Template referred to in paragraph 8 of Part II (*Business Overview of City of London Investment Group plc*) of this document has been incorporated by reference into this document and is included in the Chief Executive Officer's review on page 8 of the Company's interim results for the six months ended 31 December 2019.

Any Shareholder or other person to whom this document is sent may request, in writing or verbally, a hard copy of each of the documents above incorporated by reference in this document. Hard copies will only be provided where valid requests are received from such persons. Requests for hard copies of any such documents should be directed to Link Asset Services at 34 Beckenham Road, Beckenham, Kent BR3 4TU or on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The Registrar is open between 09:00 – 17:30, Monday to Friday excluding public holidays in England and Wales. Please note that the Registrar cannot provide advice on the merits of the Merger nor give any financial, legal or tax advice.

PART XI – DEFINITIONS

In this document, the following expressions have the following meanings, unless the context requires otherwise:

“2018 Annual Financial Statements”	the audited consolidated annual financial statements for the Company for the 12 months ended 30 June 2018
“2019 Annual Financial Statements”	the audited consolidated annual financial statements for the Company for the 12 months ended 30 June 2019
“2019 Interim Financial Statements”	the unaudited consolidated interim financial statements for the Company for the 6 months ended 31 December 2018
“2020 Interim Financial Statements”	the unaudited consolidated interim financial statements for the Company for the 6 months ended 31 December 2019
“acting in concert”	has the meaning attributed to it in the Takeover Code
“Admission”	admission of the New Shares to listing on the premium segment of the Official List and to trading on the premium segment of the London Stock Exchange’s main market for listed securities becoming effective, and a reference to Admission becoming “effective” is to be construed in accordance with the Listing Rules or the Standards (as applicable)
“AIM”	the AIM market operated by the London Stock Exchange
“Approved Scheme”	the CLIG Approved Company Share Option Scheme, details of which are set out in paragraph 6 of Part IX (<i>Additional Information</i>) of this document
“Articles of Association” or “Articles”	the articles of association of the Company
“Audit Committee”	the audit committee of the Board
“Auditors”	RSM UK Audit LLP
“Australia”	Australia, its territories and possessions
“Beaumont Cornish”	Beaumont Cornish Limited, the Company’s sponsor and financial adviser for the purposes of the Merger and Admission
“Board”	the board of directors of the Company
“Brexit”	the United Kingdom’s withdrawal from the European Union
“Business Day”	a day (being a non-working day) on which banks in the UK and the United States are open for business
“Canada”	Canada, its territories, provinces and possessions and all areas subject to its jurisdiction or any political sub-division thereof
“CEF”	closed-end fund
“certificated” or “in certificated form”	in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security as being held in certificated form (that is, not in CREST)
“Chairman”	the chairman of the Board
“Change in Control Approval”	the approval of the FCA to the change in control of CLIM by the FCA under section 178 FSMA
“Class 1 Transaction”	a transaction classified as a class 1 transaction under Listing Rule 10
“CLIG” or “Group”	the Company and its subsidiaries, from time to time, or where applicable the relevant regulated entity

“City of London Investment Management” or “CLIM”	City of London Investment Management Company Limited, the principal operating subsidiary of the Group in the United Kingdom
“City of London Investment Management Singapore” or “CLIM Singapore”	City of London Investment Management (Singapore) PTE Ltd, a wholly-owned subsidiary of CLIM
“Companies Act 2006”	the UK Companies Act 2006, as amended
“Company”	City of London Investment Group plc
“Company Secretary”	the company secretary of the Company from time to time
“Completion”	completion of the Merger in accordance with the Merger Agreement
“Concert Party”	George W. Karpus and persons acting in concert with him as described in paragraph 7 of Part IX (<i>Additional Information</i>) of this document
“Contribution Agreement”	the agreement entered into between Mr. Karpus and certain of the other KMI Stockholders in connection with the Merger Agreement as described in paragraph 7.9 of Part IX (<i>Additional Information</i>) of this document;
“CREST”	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and the holding of shares in uncertificated form which is operated by Euroclear UK & Ireland Limited
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
“DFSA”	the Dubai Financial Services Authority
“Directors”	the Executive Directors and the Non-Executive Directors
“Disclosure Guidance and Transparency Rules” or “DGTRs”	the disclosure guidance and transparency rules made under Part VI of the FSMA, as amended
“EBITDA”	earnings before interest, taxation, depreciation and amortisation
“EBT”	employee benefit trust
“EEA”	the European Economic Area
“Employee Incentive Plan” or “EIP”	the CLIG Employee Incentive Plan, details of which are set out in paragraph 6 of Part IX (<i>Additional Information</i>) of this document
“Employee Share Schemes”	the EIP and the Approved Scheme, details of which are set out in paragraph 6 of Part IX (<i>Additional Information</i>) of this document
“Enlarged Group”	the Group following Completion of the Merger which, for the avoidance of doubt, includes KMI
“Enlarged Share Capital”	the issued share capital of the Company following Completion of the Merger
“ESG”	environmental, social and governance
“ETF”	exchange-traded fund
“Euroclear”	Euroclear UK & Ireland Limited
“Excluded Territories”	Australia, Canada, Japan, the Republic of South Africa and any other jurisdiction where the distribution of this document (or any transaction contemplated thereby and any activities carried out in connection therewith) would breach applicable law
“Executive Directors”	the executive directors of the Company from time to time
“Existing Shares”	the existing Shares in issue immediately prior to Completion

“FCA”	Financial Conduct Authority
“Financial Advisers”	Beaumont Cornish and Zeus Capital
“Financial Advisory Services Agreement”	the financial advisory services agreement originally dated 13 June 2018 entered into the Company and Pakenham Partners, further details of which are set out in paragraph 12.1.5 of Part IX (<i>Additional Information</i>) of this document
“financial collateral arrangements”	has the meaning attributed to it in the Takeover Code
“Form of Proxy”	the form of proxy for use by Shareholders at the General Meeting
“FSMA”	the UK Financial Services and Markets Act 2000, as amended
“FuM”	funds under management
“GAAP”	generally accepted accounting principles
“General Meeting”	the general meeting of the Company convened for 2.00 p.m. on 13 July 2020, or any adjournment thereof
“Group”	the Company and its subsidiaries from time to time
“HMRC”	HM Revenue & Customs
“IAS”	international accounting standards
“IFRS”	the International Financial Reporting Standards as adopted by the European Union
“Independent Shareholders”	all Shareholders other than members of the Concert Party
“interest in shares”	has the meaning attributed to it in the Takeover Code
“IRA”	individual retirement account
“IT”	information technology
“Japan”	Japan, its cities, prefectures, territories and possessions
“KMI”	Karpus Management, Inc.
“KMI Client Consents”	the consent of those clients of KMI for which consent is required pursuant to the terms of the Merger
“KMI Share”	stock in the capital of KMI
“KMI Stockholders”	holders of stock in the capital of KMI
“Latest Practicable Date”	the latest practicable date for ascertaining information for the purposes of publishing it in this document, being close of business on 10 June 2020
“LEI”	legal entity identifier
“Listing Rules”	the rules and regulations made by the FCA under Part VI of the FSMA
“Lock-up Deed”	the lock-up deed in the agreed form to be entered into between the Company, the Broker and KMI Stockholders on or prior to Completion, further details of which are set out in paragraph 12.1.3 of Part IX (<i>Additional Information</i>) of this document
“London Stock Exchange” or “LSE”	London Stock Exchange plc
“Longstop Date”	31 December 2020
“MAR” or “Market Abuse Regulation”	Regulation (EU) No. 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse
“MAS”	the Monetary Authority of Singapore

“Merger”	the merger by a subsidiary of the Company with KMI to be effected by a reverse triangular merger pursuant to the Merger Agreement as more particularly described in Part VIII (<i>Terms of the Merger</i>) of this document
“Merger Agreement”	the agreement entered into on 8 June 2020 between the Company, the Merger Sub, KMI, George W. Karpus individually and as the Stockholder Representative to effect the Merger, as more particularly described in Part VIII (<i>Terms of the Merger</i>) of this document
“Merger Sub”	Snowball Merger Sub Inc., a corporation organised under the laws of the State of New York
“NAV”	the net asset value of a fund
“New Shares”	the Shares to be issued by the Company to KMI Stockholders pursuant to the Merger
“Nominated Executive”	an individual who Mr. Karpus has nominated for appointment as an Executive Director pursuant to the Relationship Agreement
“Nominated NED”	an individual Mr. Karpus has nominated for appointment as a Non-Executive Director pursuant to the Relationship Agreement
“Nomination Committee”	the nomination committee of the Board
“Non-Executive Directors”	the non-executive directors of the Company from time to time
“Notice of General Meeting”	the notice convening the General Meeting, set out on pages 152 to 154 of this document
“O&P”	Olliff & Partners plc
“Official List”	the Official List of the FCA
“Pakenham Partners”	Pakenham Partners Limited
“Prospectus Delegated Regulation”	Delegated Regulation (EU) No. 2019/980 of the European Commission of 14 March 2019 supplementing the Prospectus Regulation as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market
“Prospectus Regulation”	Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market
“Prospectus Regulation Rules”	the Prospectus Regulation Rules of the FCA made under Part VI of FSMA relating to offers of securities to the public and admission of securities to trading on a regulated market
“Registrar”	Link Asset Services
“Regulatory Information Service” or “RIS”	a regulatory information service authorised by the FCA to release regulatory announcements to the London Stock Exchange
“REIT”	real estate investment trust
“Relationship Agreement”	the relationship agreement in the agreed form to be entered into between the Company and the members of the Concert Party on or prior to Completion, further details of which are set out in paragraph 12.1.2 of Part IX (<i>Additional Information</i>) of this document
“relevant securities”	has the meaning attributed to it in the Takeover Code

“Relevant Shareholders”	George W. Karpus, the other members of the Concert Party and any charities or family trusts to whom Mr. Karpus has transferred Shares
“Remuneration Committee”	the remuneration committee of the Board
“Resolutions”	the resolutions to be proposed to Shareholders as set out in the Notice of General Meeting
“Risk and Compliance Committee”	the risk and compliance committee of the Board
“Rule 9 Waiver”	the waiver by the Takeover Panel of the requirement for the Concert Party to make a general offer to all Shareholders where such obligation would arise as a result of the members of the Concert Party acquiring the New Shares
“SEC”	the US Securities and Exchange Commission
“Shareholder”	a holder of Shares
“Shareholder Approval”	approval of the Resolutions at the General Meeting
“Shares”	ordinary shares of 1 penny each in the share capital of the Company
“Singapore”	the Republic of Singapore
“Sponsor”	Beaumont Cornish
“Sponsor and Financial Adviser Agreement”	the sponsor and financial adviser agreement dated 12 June 2020 entered into between Beaumont Cornish, Zeus Capital and the Company in connection with the publication of this document, Admission and the Whitewash, further details of which are set out in paragraph 12.1.4 of Part IX (<i>Additional Information</i>) of this document
“Standards”	the “Admission and Disclosure Standards” of the London Stock Exchange
“Stockholder Representative”	George W. Karpus
“Takeover Code”	the City Code on Takeovers and Mergers in the UK
“Takeover Panel”	the Panel on Takeovers and Mergers in the UK
“T-Bill”	a short-term US government debt obligation with a maturity of one year or less
“Template”	has the meaning set out in paragraph 8 of Part II (<i>Business Overview of City of London Investment Group plc</i>) of this document
“UCITS”	undertakings for the collective investment in transferable securities
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council, as may be amended from time to time
“uncertificated” or “in uncertificated form”	a share or other security title to which it is recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST, and title to which may be transferred by means of CREST
“Uncertificated Securities Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) including any modification thereof or any regulations in substitution therefor for the time being in force
“US Securities Act”	the United States Securities Act of 1933 (as amended)

"US" or "United States"	United States of America, its territories and possessions, any state of the United States and the District of Columbia
"US Sub-plan"	a sub-plan of the EIP available to US employees
"Whitewash Resolution"	Resolution 3 to be proposed at the General Meeting to approve the Rule 9 Waiver
"Zeus Capital"	Zeus Capital Limited

NOTICE OF GENERAL MEETING

City of London Investment Group plc

(a public limited company incorporated in England and Wales with company number 2685257)

(the “**Company**”)

Notice is hereby given that a general meeting of the Company will be held at 77 Gracechurch Street, London, EC3V 0AS at 2.00 p.m. on 13 July 2020 to consider and, if thought fit, pass the following resolutions as ordinary resolutions:

1 THAT:

1.1 the proposed merger by a subsidiary of the Company with Karpus Management, Inc. (“**KMI**”) as described in the combined circular and prospectus to the shareholders of the Company (“**Shareholders**”) dated 12 June 2020, substantially on the terms and subject to the conditions set out in the merger agreement between the Company, Snowball Merger Sub Inc., KMI and Mr. Karpus dated 8 June 2020 (as amended, modified restated or supplemented from time to time) (the “**Merger**”) be and is hereby approved; and

1.2 the directors of the Company (the “**Directors**”) be and are hereby authorised to take all necessary or appropriate steps and to do all necessary or appropriate things to implement, complete or to procure the implementation or completion of the Merger and give effect thereto with such modifications, variations, revisions, waivers or amendments (not being modifications variations, revisions, waivers or amendments of a material nature in the context of the Merger taken as a whole) as the Directors may deem necessary, expedient or appropriate in connection with the Merger.

2 Subject to and conditional on the passing of Resolution 1 above, **THAT** the Directors be generally and unconditionally authorised to allot and issue “equity securities” (as defined in section 560 of the UK Companies Act 2006, as amended) in connection with the Merger, provided that such authority to allot and issue equity securities:

2.1 shall be for a period up to and including 31 December 2020;

2.2 shall be up to a nominal amount of £241,184.00 (representing 24,118,400 ordinary shares with a nominal value of £0.01 each in the share capital of the Company (each, a “**Share**”));

2.3 unless previously renewed, revoked or varied by the Company, shall extend to the making before the expiry of such authority of an offer or an agreement that would or might require equity securities to be allotted after such expiry and the Board of Directors may allot and issue equity securities in pursuance of that offer or agreement as if the authority conferred hereby had not expired; and

2.4 shall apply in addition to the existing authority granted by ordinary resolution 15 passed by the Shareholders at the Company’s annual general meeting held on 21 October 2019.

3 THAT the waiver granted by the UK Panel on Takeovers and Mergers pursuant to Note 1 on the dispensations from Rule 9 of the City Code on Takeovers and Mergers (the “**Takeover Code**”) of the obligations that would otherwise arise on George W. Karpus (and any person acting in concert with him as defined in the Takeover Code) to make a general offer to the shareholders of the Company pursuant to Rule 9 of the Takeover Code as a result of the issue of Shares in the Company to members of the Concert Party pursuant to the Merger be and is hereby approved.

Dated 12 June 2020

By Order of the Board

77 Gracechurch Street
London
EC3V 0AS

NOTES TO THE NOTICE OF GENERAL MEETING

- 1 In order to comply with the Takeover Code, Resolution 3 will be taken on a poll and only the Independent Shareholders shall be entitled to vote.
- 2 Due to mandatory measures imposed by the UK Government as a result of the spread of the COVID-19 virus in the United Kingdom, the General Meeting will be convened with the minimum quorum of Shareholders present in order to conduct the business of the meeting. Physical attendance at the General Meeting will be unlawful and those persons wishing to gain entry will be refused.
- 3 Members entitled to attend and vote at this Meeting may appoint one or more proxies to attend, speak and vote in their stead by completion of a personalised form of proxy or by submitting votes electronically. Full details on how to complete the form of proxy are set out on the form of proxy. The proxy need not be a member of the Company but must attend the General Meeting to represent you. In order for your proxy to be counted, we recommend that you appoint the Chairman of the Meeting as your proxy as attendance by other persons will be refused. A proxy must vote in accordance with any instructions given by the member by whom the proxy is appointed. A proxy for a Shareholder has one vote on a show of hands in all cases (including where one member has appointed multiple proxies) except when he is appointed by multiple members who instruct him to vote in different ways, in which case a Shareholder's proxy has one vote for and one vote against the resolution.
- 4 A personalised form of proxy is provided with this document. Any replacement forms must be requested direct from the Registrar.
- 5 Duly completed forms of proxy must reach the office of the Registrar no later than 2.00 p.m. on 9 July 2020.
- 6 Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual on the Euroclear website (www.euroclear.com). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf. In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (EUI) specifications and must contain the information required for such instructions, as described in the CREST Manual. The message regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID number – RA10) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.
- 7 The results of the votes cast at the General Meeting will be announced as soon as possible, once known, through a Regulatory Information Service, and on CLIG's website at www.citlon.com.
- 8 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("**nominated persons**"). Nominated persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

- 9 Corporate representatives are entitled to attend and vote on behalf of the corporate member in accordance with Section 323 of the Companies Act 2006. In accordance with the provisions of the Companies Act 2006, each such representative may exercise (on behalf of the corporate member) the same powers as the corporate member could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares. It is no longer necessary to nominate a designated corporate representative.
- 10 To be entitled to attend and vote at the General Meeting (and for the purpose of determination by the Company of the number of votes they may cast), Members must be entered on the Register by close of business on 9 July 2020 (the “record date”).
- 11 If the General Meeting is adjourned to a time not more than 48 hours after the record date applicable to the original General Meeting, that time will also apply for the purpose of determining the entitlement of Members to attend and vote (and for the purpose of determining the number of votes they may cast) at the adjourned General Meeting. If, however, the General Meeting is adjourned for a longer period then, to be so entitled, Members must be entered on the Register at the time which is 48 hours before the time fixed for the adjourned General Meeting or, if the Company gives new notice of the adjourned General Meeting, at the record date specified in that notice.
- 12 Members have a right under Section 319A of the Companies Act 2006 to require the Company to answer any question raised by a member at the General Meeting, which relates to the business being dealt with at the meeting, although no answer need be given: (a) if to do so would interfere unduly with the preparation of the meeting or involve disclosure of confidential information; (b) if the answer has already been given on the Company's website; or (c) it is undesirable in the best interests of the Company or the good order of the meeting.
- 13 Further information regarding the meeting which the Company is required by Section 311A of the Companies Act 2006 to publish on a website in advance of the meeting (including this Notice), can be accessed at www.citlon.com.
- 14 You may not use any electronic address provided in the notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company for any purpose other than those expressly stated.
- 15 As at 10 June 2020, the latest practicable date before this Notice is given, the total number of shares in the Company (excluding treasury shares) in respect of which members are entitled to exercise voting rights was 26,560,707 ordinary shares of 1p each. The total number of voting rights in relation to the shares in the Company on 10 June 2020 is 26,560,707.

