

City of London Investment Group PLC Shareholder Presentations

July 2020



CITY OF LONDON
Investment Group PLC

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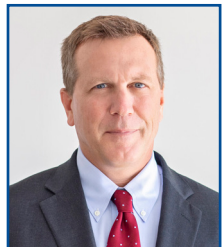
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Presentation Team



Thomas Griffith, Chief Executive Officer

Tom was the Deputy Chief Executive Officer and COO of the firm before becoming the CEO in March 2019. Prior to joining City of London Group in 2000, Tom held various positions in the institutional client division of The Vanguard Group including roles as both a Client Relationship Manager and a Marketing Executive. In 1986 he obtained a bachelor's degree in Corporate Finance and Investment Management from the University of Alabama.



Mark Dwyer, Chief Investment Officer

Mark was the EM CEF CIO of the firm before becoming Group CIO in March 2019. He re-joined City of London in May 2012 and has over twenty years investment experience. Prior to re-joining the Group, Mark spent eight years with Banco Commercial Portuguese as a Director in the Asset Management department. Mark initially joined City of London in 1995 and was a Portfolio Manager based in the UK, followed by the US office. He established City of London's Singapore Office in 2000 where he spent two years. He holds a BA in economics and is a CFA Charterholder.



Carlos Yuste, Head of Business Development

Carlos is the Head of Business Development based in the Philadelphia office. Carlos rejoined CLIM in 2018, after pursuing other interests in the asset management field. Carlos originally joined CLIM in 2000, and was responsible for Business Development until 2015. Between 1994 and 1998 he worked as a Project Officer at the International Development Research Centre, which specializes in emerging markets research. He holds an MBA (Finance) from the Schulich School of Business, York University, an MA in Political Economy from Carleton University, and a Bachelor of Social Sciences from the University of Ottawa.



Deepranjan Agrawal, Head of Finance

Deep is the Head of Finance based in our London office. Deep joined the firm in January 2020 after spending over sixteen years with Deloitte and recently three years with RSM in their audit practice within the asset management industry. Deep has a wealth of relevant knowledge having served a range of audit clients in the asset management industry including large and small investment managers, Investment Trusts and UK authorised funds. Deep completed his Master of Commerce degree from the University of Pune, India and is a Chartered Accountant.

Snapshot

An established specialist, growing fund management group with:

- ▶ \$5.5 billion (£4.4 billion) of funds under management at 30 June 2020
 - A stable institutional client base
- ▶ Offices in the US (East Coast and West Coast), London, Singapore and Dubai
 - Managing money using a team approach
- ▶ A leading CEF asset manager with a track record of outperformance over multiple market cycles
- ▶ Growth plans based on geographical/product diversification and an aversion to risk

. . . and an experienced, incentivised long-term team

Our Strategy and Objectives

- ▶ Increase FuM from long term institutional investors
 - City of London's client base is, and always has been, overwhelmingly institutional
- ▶ Outperformance
 - Our job as an active manager is to add value over and above a relevant benchmark through an investment cycle which we define as four to five years
- ▶ Keep costs down
 - We keep costs down because we believe that the assets over which we provide stewardship are, by definition, not ours but are owned by CLIG shareholders
- ▶ Retain Staff
 - As shareholders would expect, in a firm that has always used a partnership approach, there is a very long term view taken regarding remuneration
- ▶ Remain open in our dealing with shareholders, available and accountable
 - We recognise that our shareholders (as well as our clients) have trusted us with their money

Results Summary

	Full Year		Half Year*	
	30.06.18	30.06.19	31.12.18 (6 Months)	31.12.19 (6 Months)
Funds under Management (at period end)	\$5.1bn	\$5.4bn	\$4.6bn	\$6.0bn
Turnover	£33.9m	£31.9m	£15.6m	£17.3m
Commissions payable	(£1.2m)	(£0.8m)	(£0.4m)	(£0.2m)
Administrative expenses	(£13.6m)	(£14.2m)	(£7.1m)	(£7.2m)
Interest income	£0.1m	£0.1m	£0.1m	£0.0m
Investment gains	£0.2m	£0.8m	£0.0m	£0.2m
Profit-share	(£6.1m)	(£5.6m)	(£2.6m)	(£3.3m)
EIP charge	(£0.5m)	(£0.8m)	(£0.4m)	(£0.5m)
Profit before tax	£12.8m	£11.4m	£5.2m	£6.3m
Profit after tax	£10.1m	£9.0m	£4.1m	£5.1m
Profit attributable to:				
Non-controlling interests	-	£0.2m	-	£0.1m
Equity shareholders	£10.1m	£8.8m	£4.1m	£5.0m
EPS:				
Basic	39.5p	34.9p	16.3p	19.9p
Diluted	39.3p	34.1p	15.9p	19.4p
Dividend:				
Interim	9.0p	9.0p	9.0p	10.0p
Special	-	13.5p	-	-
Final	18.0p	18.0p		

**Figures are unaudited*

Dividend History

	2015-16		2016-17		2017-18		2018-19		2019-20*	
	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)
Interim	8p	1,997	8p	2,027	9p	2,295	9p	2,270	10p	2,488
Final	16p	4,021	17p	4,331	18p	4,544	18p	4,505		
Total	24p	6,018	25p	6,358	27p	6,839	27p	6,775		
Profit attributable to shareholders		5,791		9,290		10,060		8,799		
Cover Ratio		0.96		1.46		1.47		1.30		
Special Dividend							13.5p	3,405		

**Figures are unaudited.*

Philosophy - The Six Drivers

- ▶ Focus on profits, margins, costs
- ▶ Investment performance drives our business
- ▶ Technology leverages our capabilities
- ▶ Aversion to risk in the management of our business
- ▶ Diversification based upon core competencies
- ▶ Proactive client servicing increases client retention

Proposed Merger

- ▶ Karpus Management Inc (KMI) well known to CLIG* management for several years
- ▶ CLIG proposing to acquire 100% KMI
 - All share transaction, equates to total consideration of up to \$99.7m**, plus working capital adjustment
 - KMI shareholders will own 48% of enlarged group
- ▶ Reinforces Group's presence in US and offers diversification
- ▶ Potential to be earnings enhancing for first full financial year following Completion
- ▶ Group dividend policy unchanged
- ▶ COVID-19 risk: Strategic rationale remains sound after due consideration
- ▶ Expected Completion Date October [1], 2020, subject to certain regulatory approvals

**City of London Investment Group PLC (CLIG) is the parent of City of London Investment Management Company Limited (CLIM).*

***Based on closing price at 8 June 2020 of £3.25, same date as merger agreement signed.*

Transaction Details

- ▶ Issuance of up to 24.1m new shares to KMI shareholders
 - Representing c.48% of the Enlarged Group
 - Equates to total consideration of up to \$99.7m*, plus working capital adjustment
 - Consideration subject to downward adjustment if KMI FUM target lower
- ▶ KMI will become 100% owned subsidiary of CLIG
- ▶ George Karpus and concert party shareholders will own c.38%** of CLIG
- ▶ Lock-up agreement for 12 months hard (plus 12 month soft)
- ▶ KMI will nominate 2 (of 10) directors to CLIG board after completion
- ▶ Subject to regulatory approvals

**Based on closing price at 8 June 2020 of £3.25, same date as merger agreement signed*

***Voting rights limited to 24.99%*

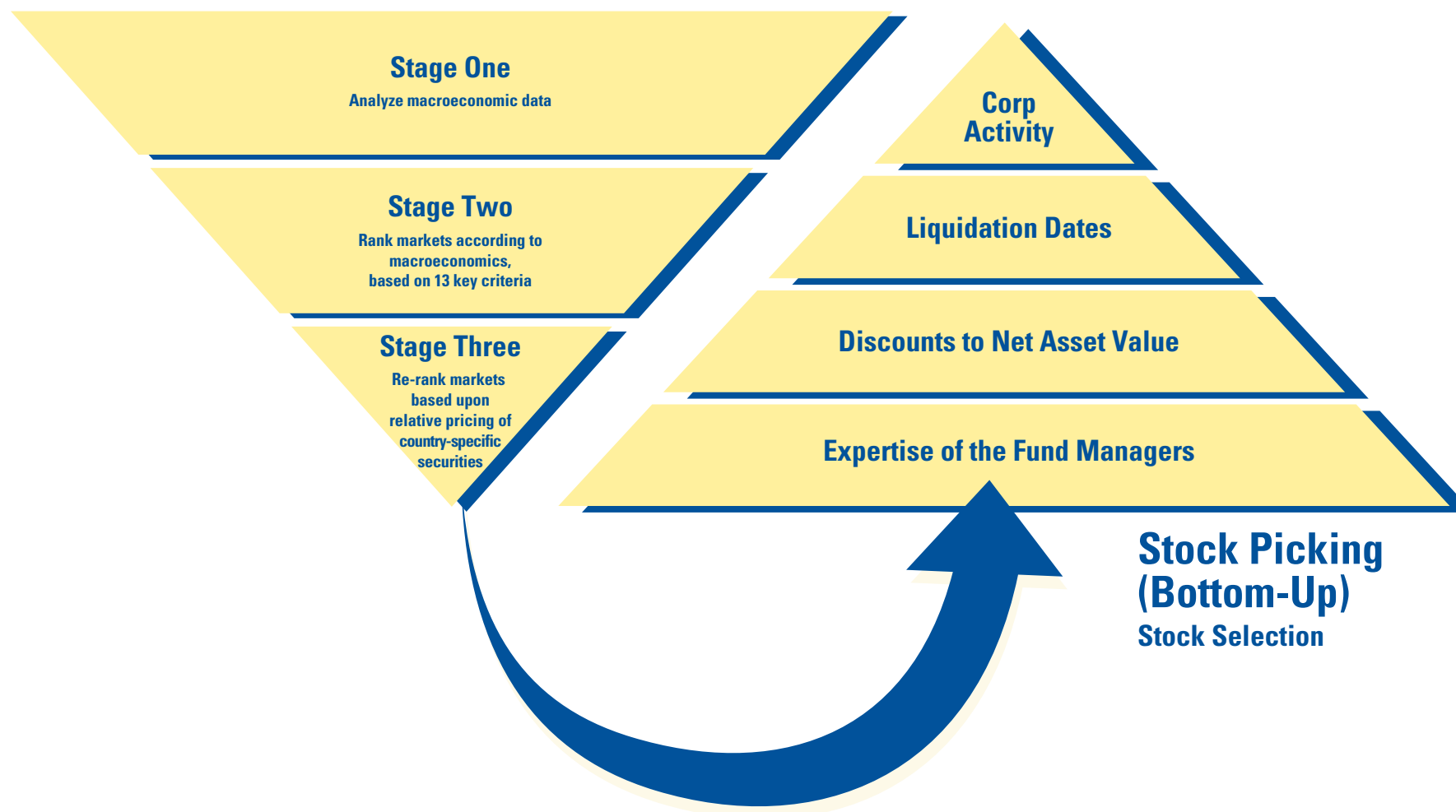
Investment Performance - Key Strengths

- ▶ Excellent investment performance over 25 years
- ▶ Specialist investment expertise in Closed-End Funds applied to 4 key strategies:
 - Emerging Markets
 - Developed Markets
 - Frontier Markets
 - Opportunistic Value
- ▶ A proven risk averse culture and prudent investment process
- ▶ International presence and expertise
- ▶ Low turnover of staff and loyal client base

Investment Process

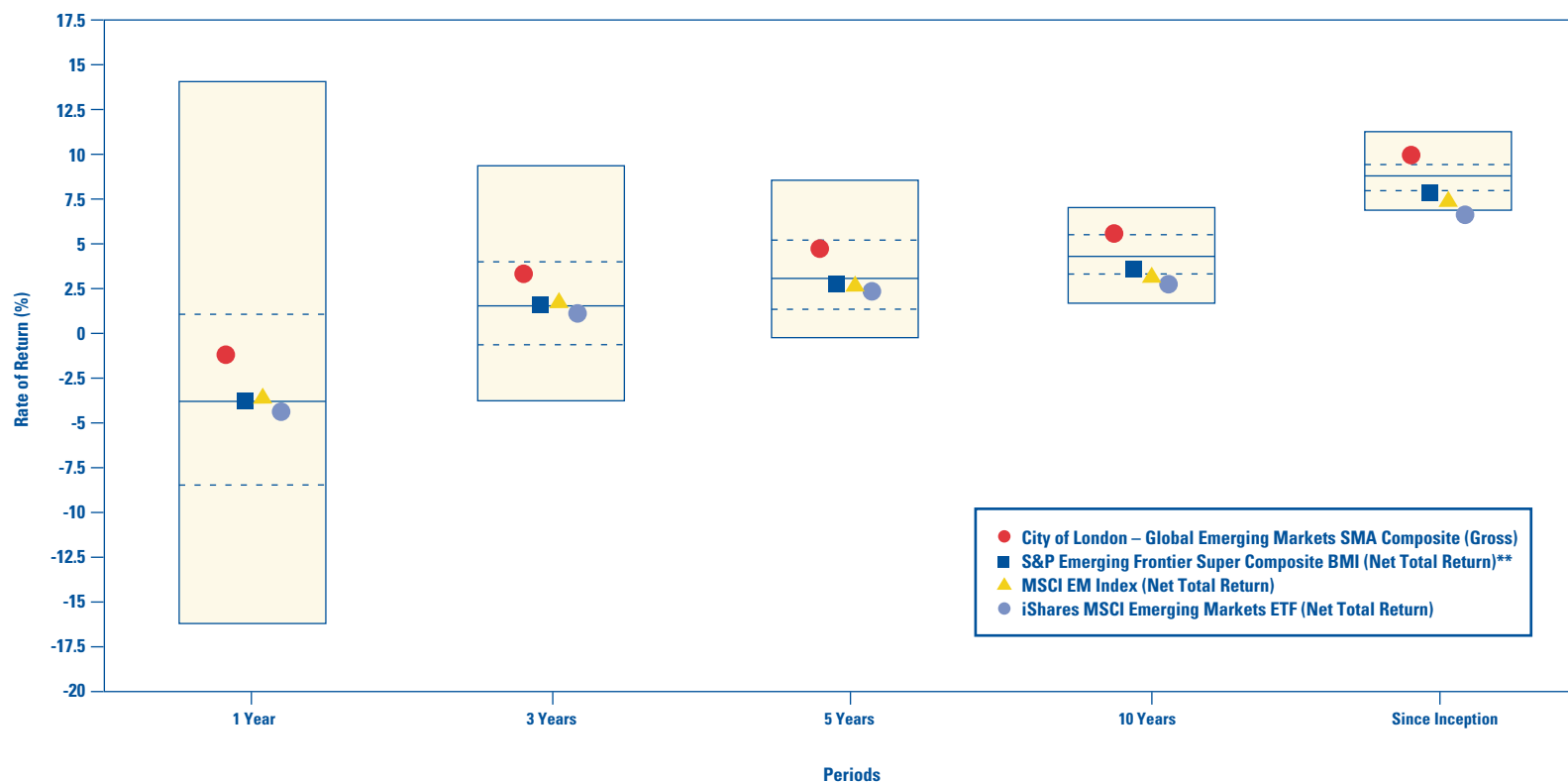
Macro Process (Top-Down)

Country Allocation



Global Emerging Markets SMA Composite Ending June 30, 2020

According to eVestment Alliance*



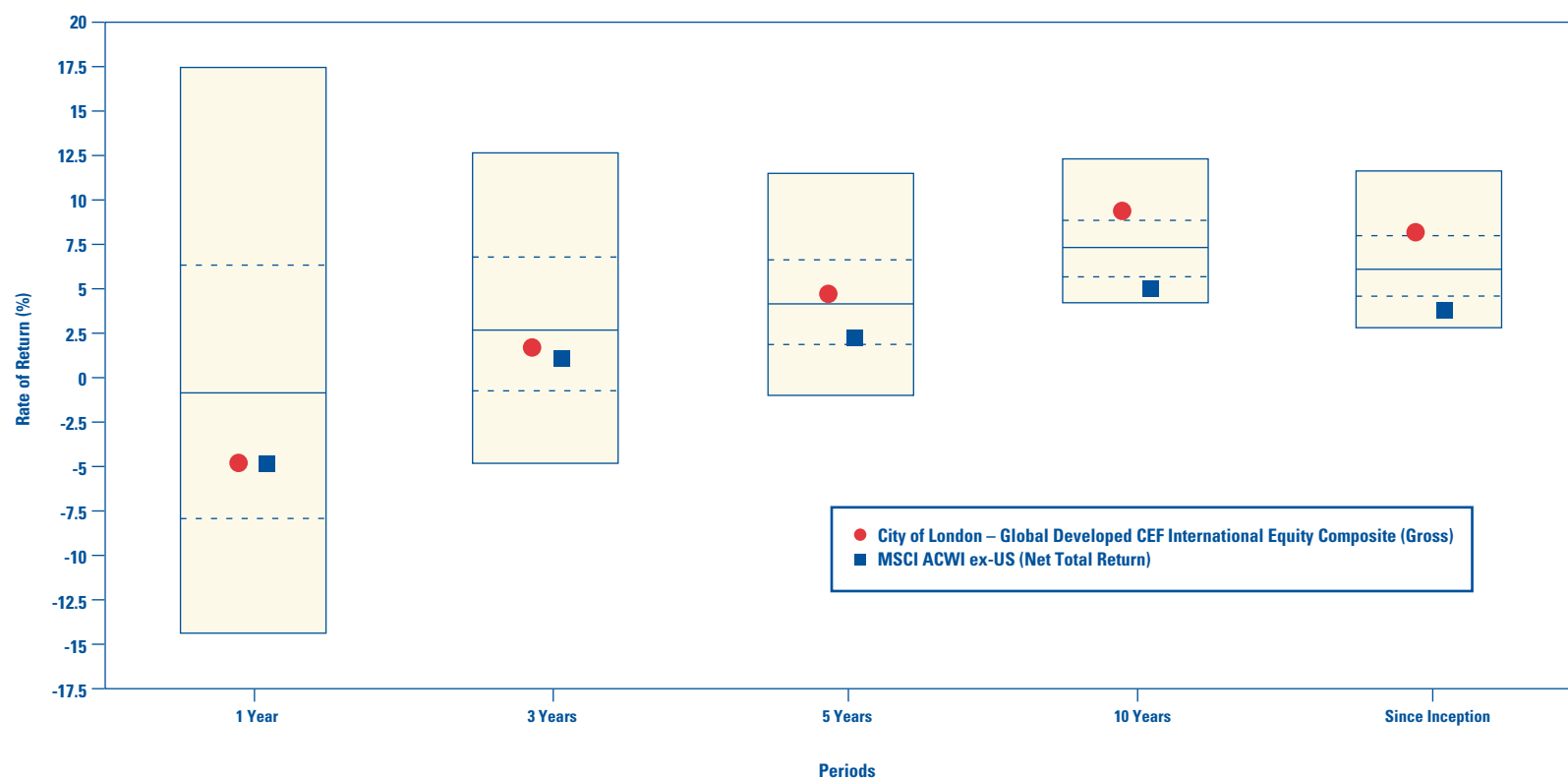
*64.7% of the universe has been updated through Quarter 2 2020. Inception February 2004.

**The benchmark was changed from the S&P Emerging BMI Plus on January 1, 2009 to better reflect the investment strategy of the Funds. The S&P Emerging BMI Plus was the successor index to the S&P/IFC Global Composite Index, the benchmark for the Funds prior to September 1, 2008, which has been discontinued. The current benchmark is the S&P Emerging Frontier Super Composite Net Total Return BMI (S&P Super BMI). The MSCI EM Net TR Index and iShares MSCI Emerging Markets ETF are shown for comparative purposes. The above returns are presented as gross of fees performance figures, which do not reflect the deduction of investment management fees. The actual return is reduced by the investment management fees and any other expenses the Fund may incur in the management of the account. Investment management fees are 1% per annum. Past performance is no guarantee of future results.

Source: eVestment Analytics System, S&P, MSCI, Bloomberg

Global Developed CEF International Equity Composite Ending June 30, 2020

According to eVestment Alliance*



*69.1% of the universe has been updated through Quarter 2 2020. Inception October 2009.

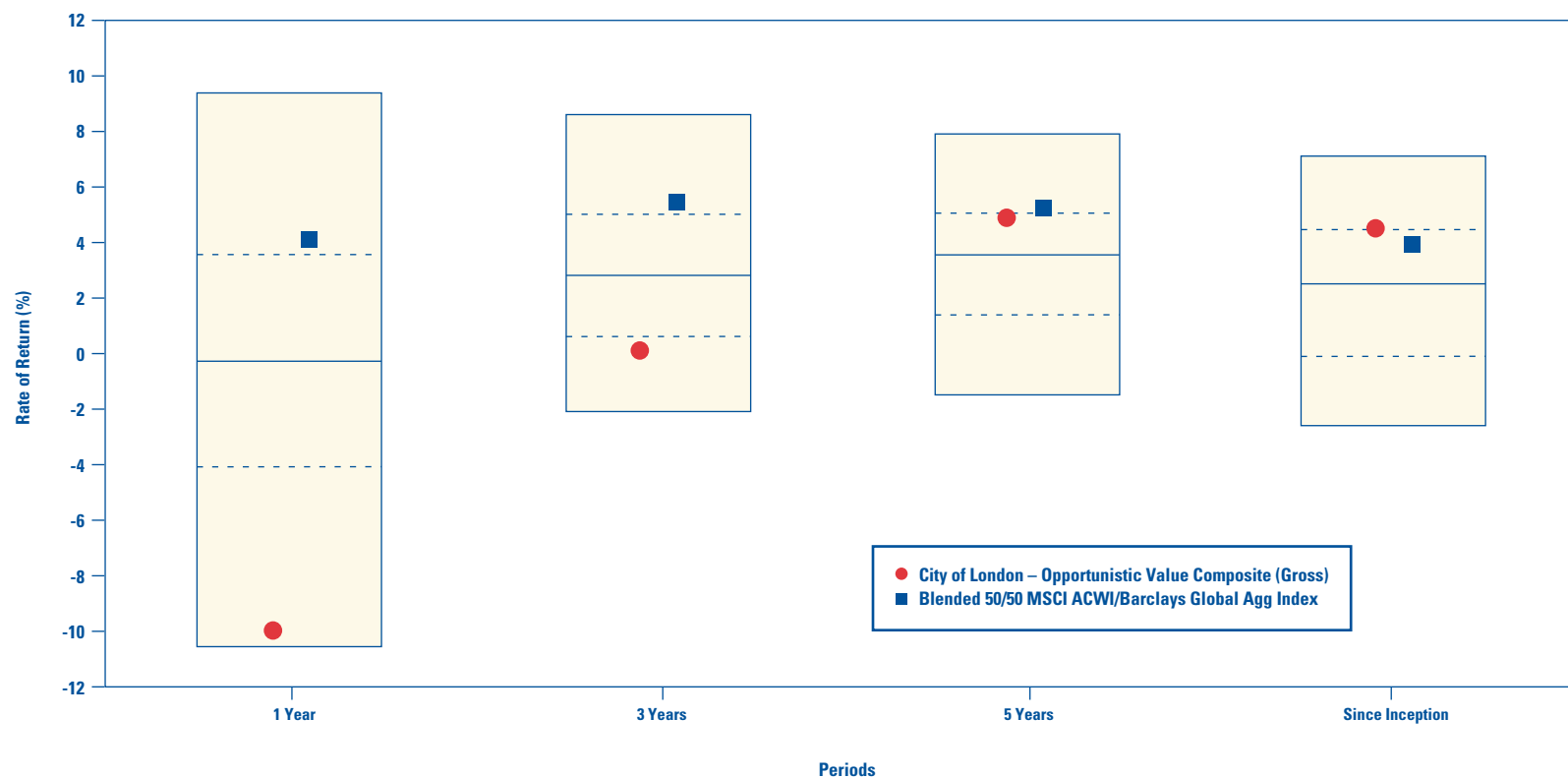
The above returns are presented as gross of fees performance figures, which do not reflect the deduction of investment management fees. The actual return is reduced by the investment management fees and any other expenses the Fund may incur in the management of the account. The investment management and custody fee is 0.7% per annum. The total expense ratio is 0.8% per annum.

Past performance is no guarantee of future results.

Source: eVestment Analytics System, MSCI

Opportunistic Value Composite Ending June 30, 2020

According to eVestment Alliance*



*61.1% of the universe has been updated through Quarter 2 2020. The universe includes all funds classified as eVestment All Global Balanced/TAA. Inception September 2014.

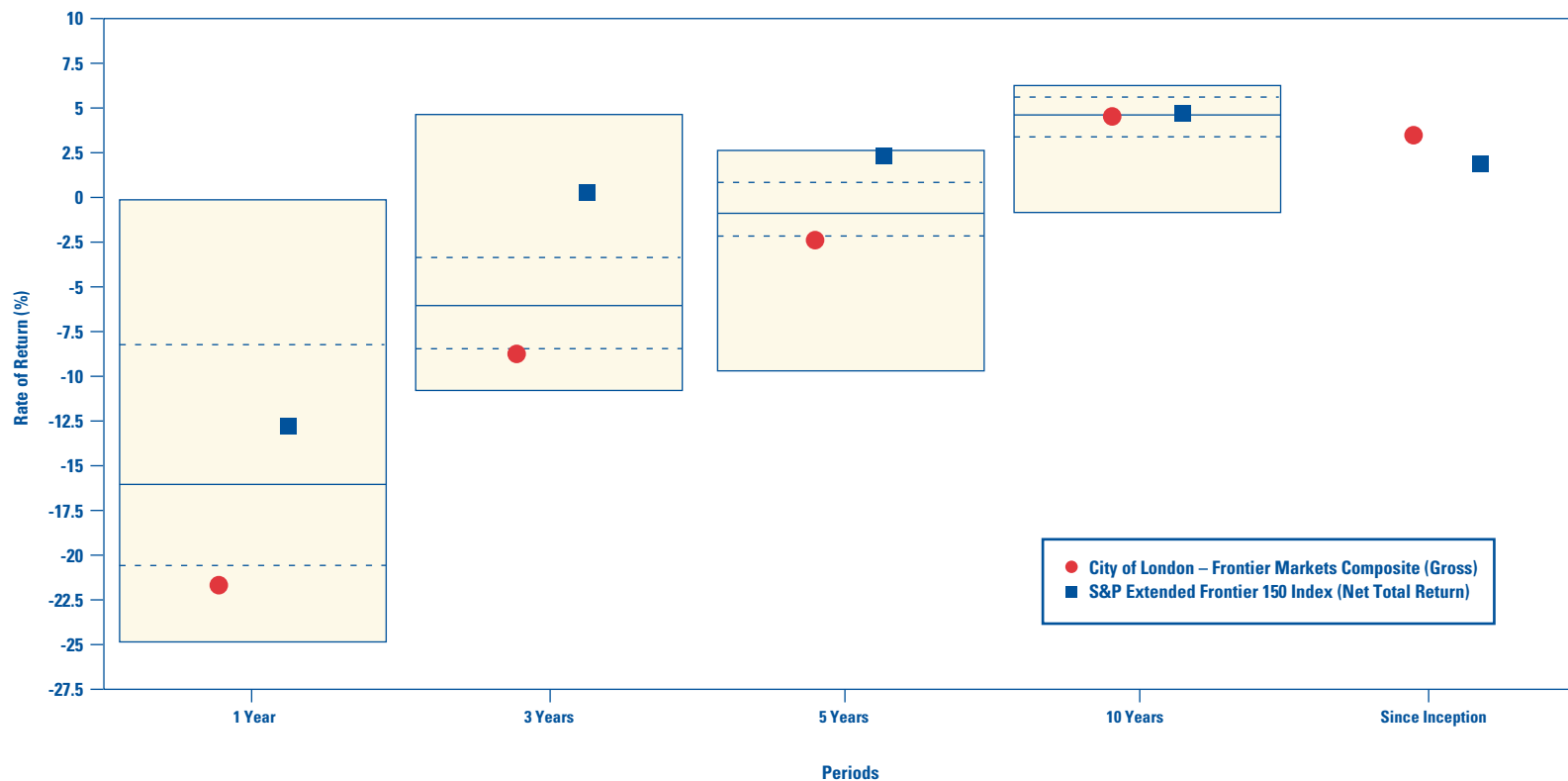
The above returns are presented as gross of fees performance figures, which do not reflect the deduction of investment management fees. The actual return is reduced by the investment management fees and any other expenses the Fund may incur in the management of the account. Investment management fees are 0.8% per annum.

Past performance is no guarantee of future results.

Source: eVestment Analytics System, MSCI, Barclays

Frontier Markets Composite Ending June 30, 2020

According to eVestment Alliance*



*64.4% of the universe has been updated through Quarter 2 2020. Inception July 2005.

The above returns are presented as gross of fees performance figures, which do not reflect the deduction of investment management fees. The actual return is reduced by the investment management fees and any other expenses the Fund may incur in the management of the account. The investment management and custody fee is 1.25% per annum.

Past performance is no guarantee of future results.

Source: eVestment Analytics System, S&P

Our ESG Approach

- ▶ PRI and UK Stewardship Code signatory
 - Applying best practice to CEF strategies
- ▶ Board engagement and Manager due diligence on ESG
 - Sustainalytics provides basis for Manager engagement
- ▶ Objective to promote disclosure and transparency
 - What gets measured gets managed
- ▶ Annual Stewardship Report and PRI reporting
 - CEF corporate governance policy and proxy voting record disclosed

EM - Valuation Drivers

- ▶ China is rebalancing
- ▶ EMs have significant Foreign Exchange Reserves
- ▶ EMs trade at low (14.1x) forward (12 months) P/Es*
- ▶ Currencies are generally not now pegged to the US\$
- ▶ Politics, Protectionism and Pandemic response remain key

**Source: MSCI, Bloomberg (30 June 2020)*

Use of Technology - Investment Management

- ▶ CLIM has consistently sought to introduce integrated technology solutions:
 - DART – A custom research database with improved performance and functionality from its predecessor
 - The use of Charles River allows for significant economies of scale
 - Development of internal programming capabilities

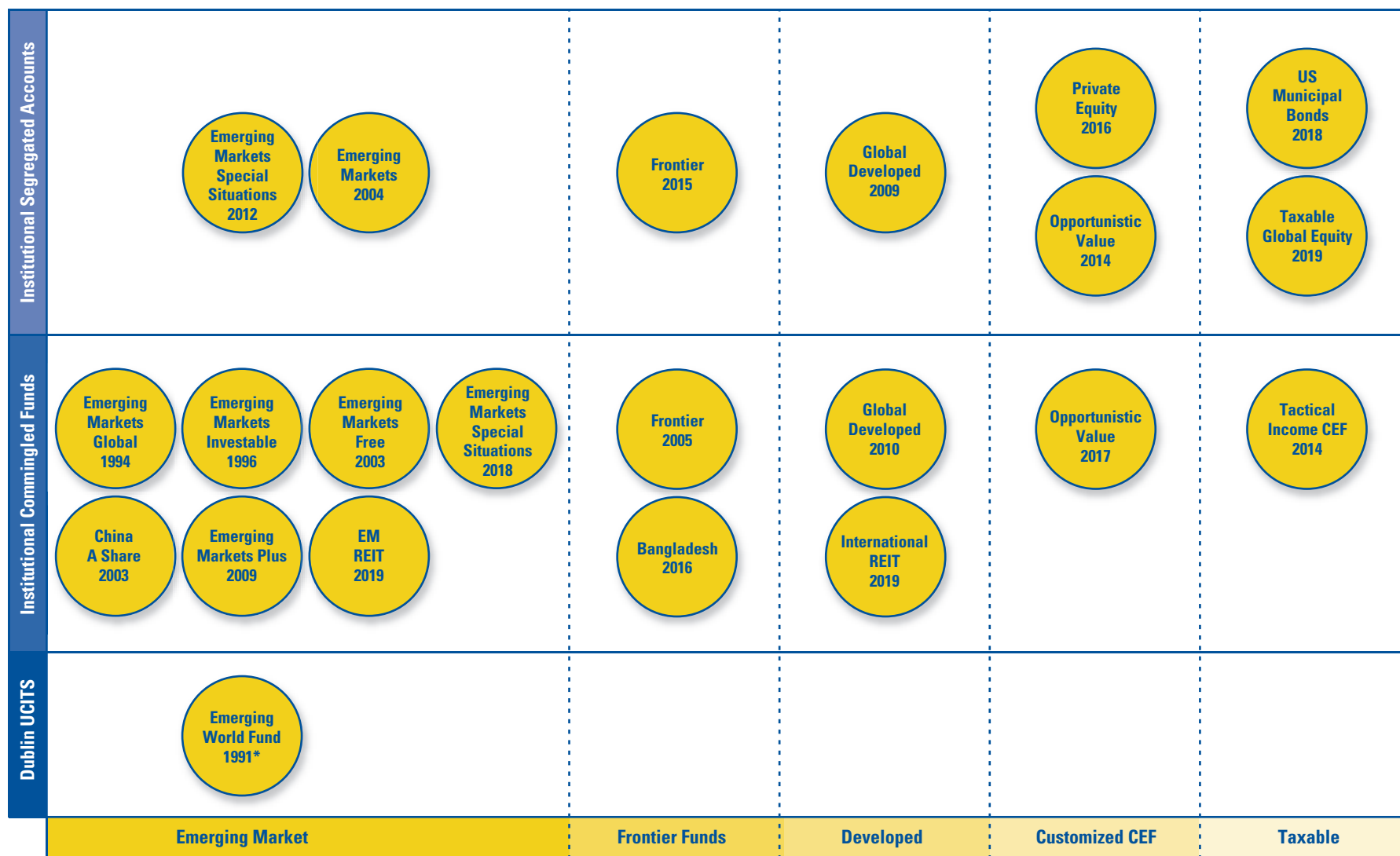
- ▶ This supports:
 - Focus on relative investment performance
 - Five centre team approach, which allows 24 hour trading, reduces risk and assists with disaster recovery
 - Consistent improvement in investment process via use of training and technology
 - Investment performance achieved with low volatility vs. benchmarks
 - Introduction of multiple dashboards used for review/analysis of data

Growth Plans

- ▶ Increase range of investment markets to be covered, building upon our core expertise
- ▶ Diversification products now approximately 30.5% of FUM
 - Developed Markets
 - Frontier Markets
 - Opportunistic Value
- ▶ Hired an experienced REIT team. EM and International REIT Funds launched January 2019.
- ▶ Recruiting, encouraging and retaining team talent

...while maintaining low risk profile and lean cost base

Business Diversification Product Map as of June 2020



*Formerly Emerging Markets Country Trust

Assets by Strategy

	30/6/2016	30/6/2017	30/6/2018	30/6/2019	30/6/2020*
	(\$m)	(\$m)	(\$m)	(\$m)	(\$m)
Emerging	3,659	4,200	4,207	4,221	3,823
Developed	71	179	480	729	1,245
Frontier	127	172	245	206	175
Opportunistic Value	148	110	174	233	257
Other	0	0	1	7	11
Total FUM	4,005	4,661	5,107	5,396	5,511

**Figures are unaudited*

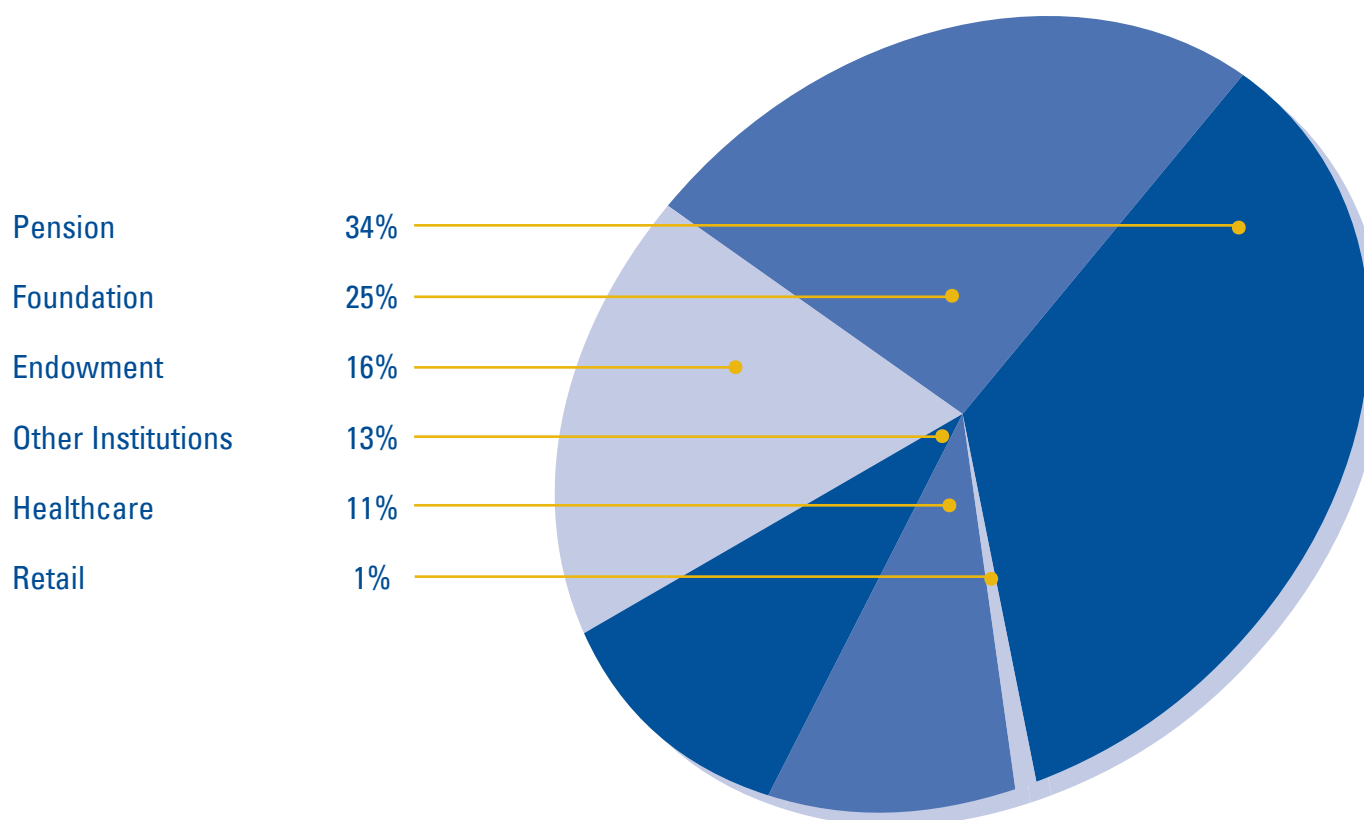
Assets by Strategy vs Index

	Funds Under Management (\$m)				Strategy Index	
	Jun-20 (estimate)	Jun-19	% inc/dec	Net Flows		% inc / dec
Emerging	3,828	4,221	-9%	(275)	MSCI EM	-3%
Developed	1,244	729	71%	551	MSCI ACWI xUS	-5%
Opportunistic Value	256	233	10%	46	ACWI/Barclays Global Agg	4%
Frontier	175	206	-15%	16	MSCI Frontier	-11%
Total FUM*	5,503	5,389		338		

*Excludes seed investments.

Client Type*

As a Percentage of Total Assets (%)



**As at 30 June 2020. Client Type is a combination of segregated client mandates and fund investors.*

Employee Incentive Plan (EIP)

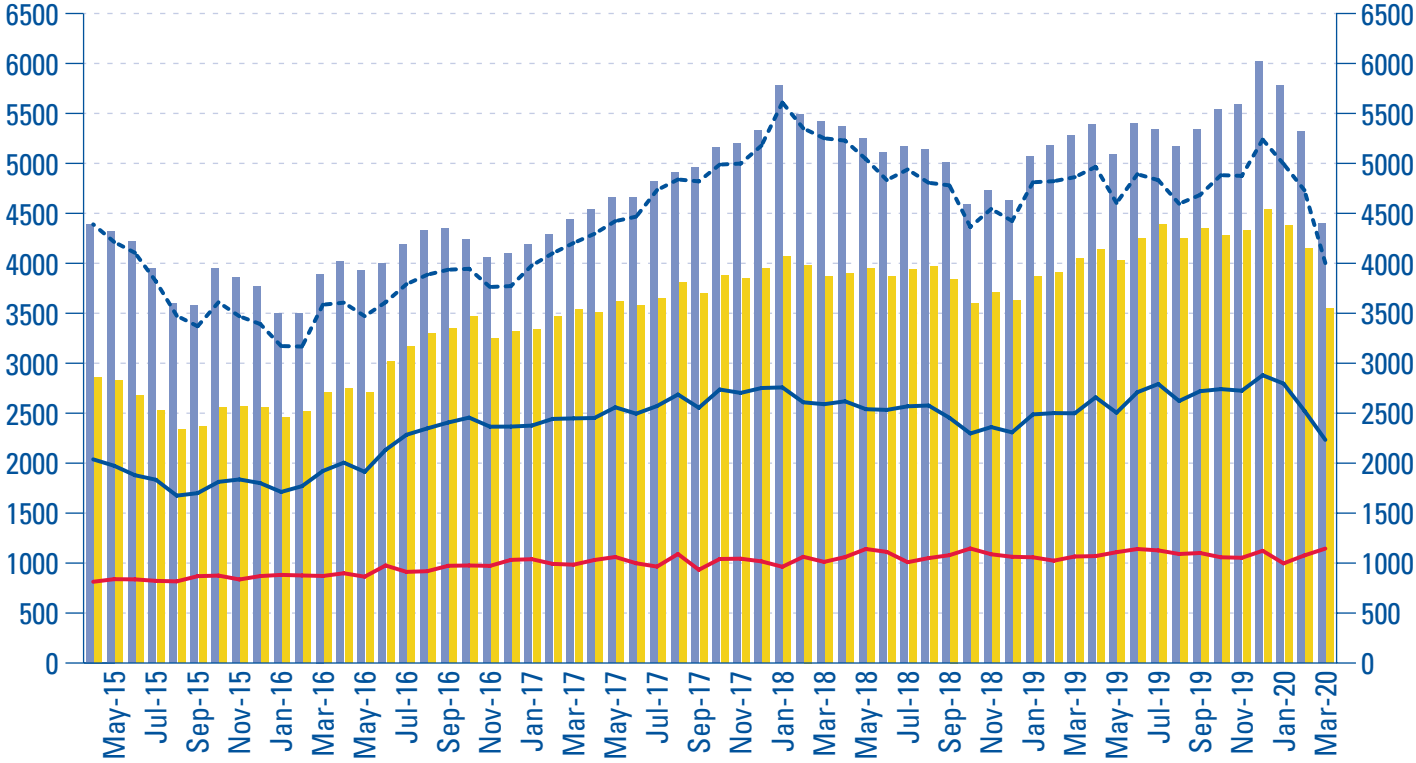
- ▶ It is an all employee plan, consistent with CLIG's team approach
- ▶ Strong employee take up, ~65%
- ▶ Shares will be purchased in the market, no dilution
- ▶ It is linked to the Group's risk adjusted profitability, hence performance related
- ▶ Will result in variable pay of cash and deferred shares
- ▶ Participation capped at 20% of individual annual bonus (may increase to 30% if headroom)
- ▶ Company will match participation
- ▶ Company contribution capped at 5% of pre-bonus, pre-tax operating profit until 2019/2020*
- ▶ Thereafter the awards will fall within the 30% profit-share limit
- ▶ Awards of Restricted Shares (RSAs) will be granted after final dividend for the year
- ▶ RSA's will vest 1/3 each year over a three year period
- ▶ RSA's will vest 1/5 each year over a five year period for Directors - effective from 2020/21
- ▶ Awards that vest attract a dividend equivalent payment related to vesting period
- ▶ Termination before normal vesting date:
 - RSAs funded by waived bonus to be repaid at the lower of: value at date of grant or date of forfeiture
 - Company funded shares are forfeited upon termination except "good leavers" receive a pro-rated amount
- ▶ Clawback the same as applicable to bonus

***Only in a year where the results support a minimum dividend payment of 24p**

Relationship Between our Benchmark and FUM

Rolling 60 Months Funds Under Management and Profitability

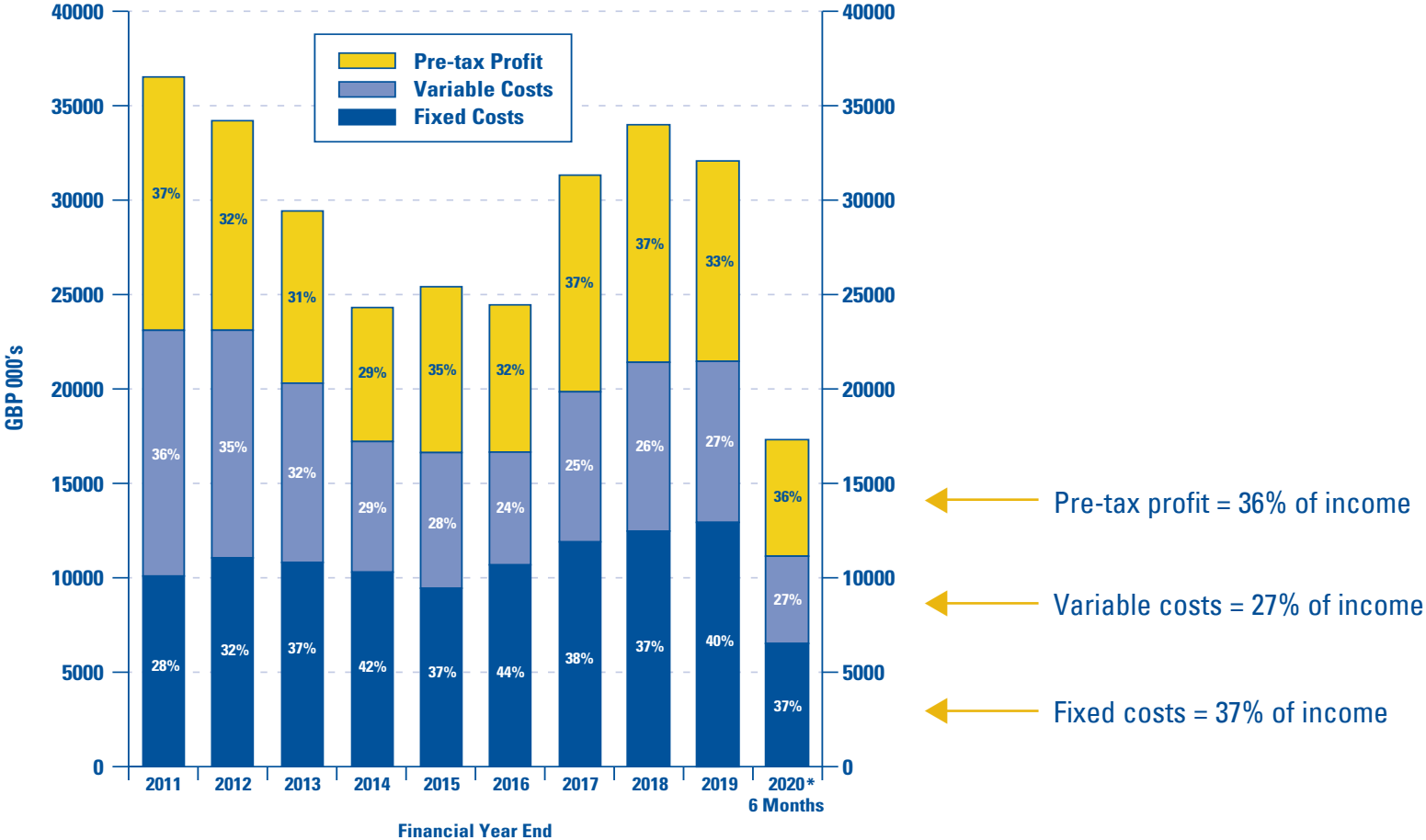
(Excludes extraordinary items of income and expense)



Past performance is no guarantee of future results.

Source: City of London Investment Management, MSCI

Fixed Versus Variable Costs



*Figures are unaudited as at 31 December 2019.

Note: Excludes extraordinary items of income and expense

History

- ▶ **1989** – Established as part of Olliff & Partners, stockbrokers
- ▶ **1991** – Launched first fund, Emerging Markets Country Trust, a UK unit trust
- ▶ **1995** – Launched first US fund – The Emerging Markets Country Fund
 - US office opened on East coast
- ▶ **1997** – Stockbroking activities discontinued
- ▶ **2000** – Singapore office opened
- ▶ **2006** – Admission to AIM
- ▶ **2007** – Dubai office opened
- ▶ **2009** – Launch of Developed CEF Strategy
- ▶ **2010** – Admission to official list (premium segment)
- ▶ **2012** – Qualified Foreign Institutional Investors (QFII) scheme in China
- ▶ **2013** – Additional quota granted to Qualified Foreign Institutional Investors (QFII) scheme in China
- ▶ **2015** – Opened West Coast (US) office and appointed an additional marketer
- ▶ **2019** – Launch of EM and International REIT funds

Shareholders

As at 30 June 2020

	%
Barry Olliff	7.1%
Other Directors, Staff & EBT	11.1%
Subtotal	18.2%
APQ Global Limited	6.2%
BlackRock	5.4%
Canaccord Genuity Group Inc	5.0%
Eschaton Opportunities Fund Management LP	4.8%
Polar Capital	3.0%
Other	57.4%
Total	100.0%

Important Notice

City of London Investment Management Company Limited (CLIM) is authorised and regulated by the Financial Conduct Authority (FCA), registered as an Investment Advisor with the Securities and Exchange Commission (SEC) and regulated by the Dubai Financial Services Authority (DFSA). CLIM (registered in England and Wales No. 2851236) is a wholly owned subsidiary of City of London Investment Group plc. (CLIG) (registered in England and Wales No. 2685257). Both CLIM and CLIG have their registered office at 77 Gracechurch Street, London, EC3V 0AS, United Kingdom. CLIM acts as Investment Manager to the World Markets Umbrella Fund plc which is authorised by the Central Bank of Ireland (CBI). All reasonable care has been taken in the preparation of this information. No responsibility can be accepted under any circumstances for errors of fact or omission. Values may fall as well as rise and you may not get back the amount invested.

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Changes in currency exchange rates will affect the value of the investment. Discounts are calculated using estimated NAVs by City of London's Research Department. Past performance is no guarantee of future results.

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