

# City of London Investment Group PLC Shareholder Presentation

July 2021



CITY OF LONDON  
Investment Group PLC

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# Presentation Team



## **Thomas Griffith, Chief Executive Officer**

Tom joined City of London Investment Group in 2000, and was appointed Chief Operating Officer and an Executive Director of the Group in June 2004. In February 2018, he was appointed Deputy CEO by the Board as part of the multi-year transition plan for the Group Founder, CEO, and CIO, Barry Olliff. Tom was appointed CEO of the Group on 1st March 2019, prior to Mr. Olliff's retirement on 31st December 2019. Prior to joining City of London Investment 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, Group Director & Chief Investment Officer of CLIM**

Mark was the EM CEF CIO before becoming CLIM CIO in March 2019. He rejoined City of London in May 2012 and has over 20 years investment experience. Prior to rejoining 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.



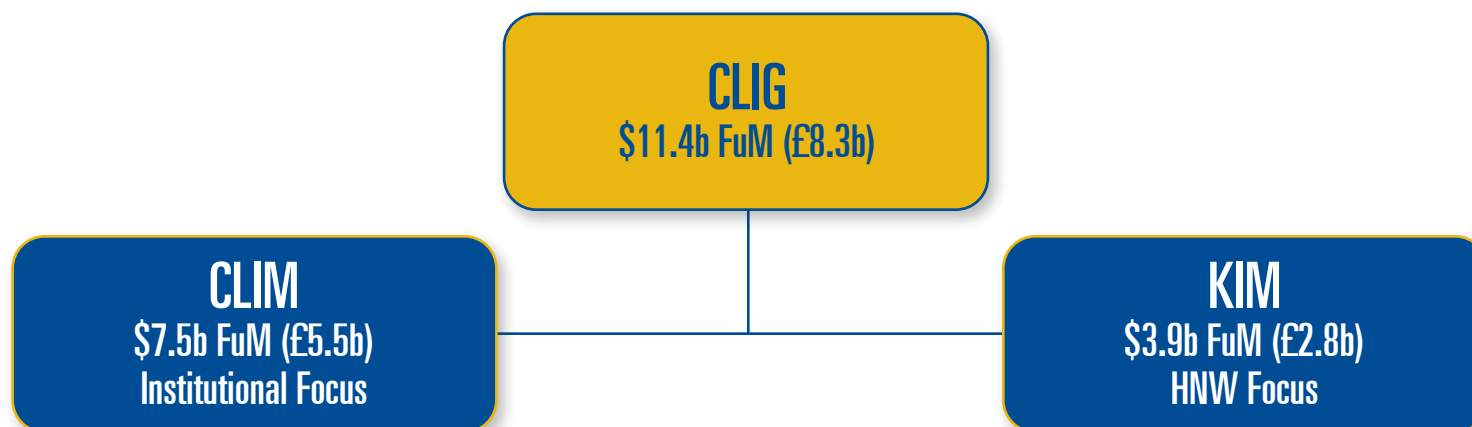
## **Deepranjan Agrawal, Chief Financial Officer**

Deep is the Chief Financial Officer based in our London office. Deep joined the firm in January 2020 after spending over sixteen years with Deloitte and 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 as of 30th June 2021

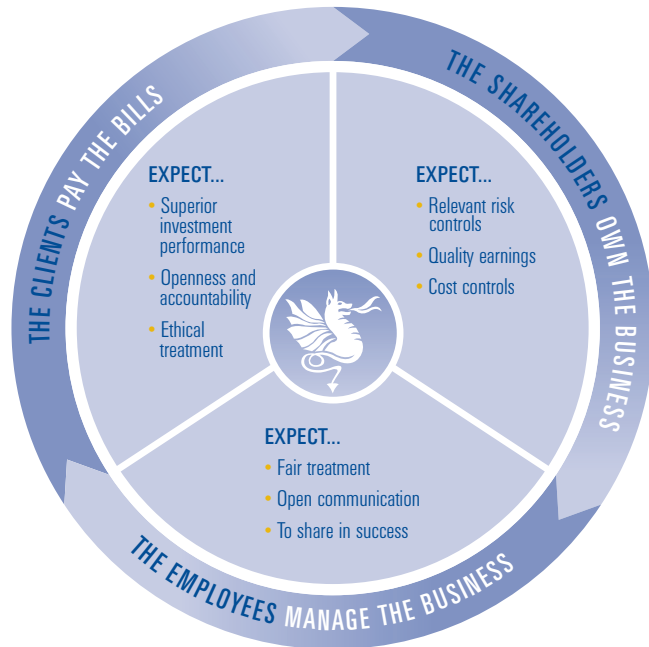
## An established and growing pure-play asset management business:

- ▶ \$11.4b (£8.3b) of Funds Under Management
  - Stable client base with a mix of Institutional and High Net Worth (“HNW”) clients
- ▶ CLIM and KIM\* focus on investing via closed-end funds (CEFs)
  - Track record of outperformance over multiple market cycles
  - Team approach to investing
  - CLIM’s client base institutional and primarily equity focused
  - KIM’s client base primarily HNW and fixed-income / balanced focused



*\*City of London Investment Management Company Limited is defined as “CLIM” and Karpus Management Inc., DBA Karpus Investment Management is defined as “KIM”*

# Our Strategy and Objectives



**Our strategy and objectives are to support the three stakeholders in our business:**

- 1) The Shareholders, who own the business*
- 2) The Employees, who manage the business*
- 3) The Clients, who pay the bills*

- ▶ **Outperform** - Add value through an investment cycle (5 years)
- ▶ **Retain Employees** - Long-term view with regard to remuneration
- ▶ **Increase FUM** - CLIM has an institutional focus, KIM has a HNW focus
- ▶ **Open Shareholder Dealings** - Remain available and accountable to our owners
- ▶ **Control Costs** - Maintain a strict cost structure
- ▶ **Business Growth & Diversification** - Enhance long-term value to shareholders
- ▶ **Corporate Citizenship** - Corporations have a responsibility for and within the community

# Dividend Policy & History

- ▶ Established policy of distributing a proportion of net profits by way of ordinary dividends
- ▶ Adoption of a 1.20 coverage ratio over a rolling five-year period

	2016-17		2017-18		2018-19		2019-20		2020-21	
	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)
Interim	8p	2,027	9p	2,295	9p	2,270	10p	2,488	11p	4,736
Final	17p	4,331	18p	4,544	18p	4,505	20p	4,980	22p**	9,473**
Total	25p	6,358	27p	6,839	27p	6,775	30p	7,468	33p**	14,209**
Profit attributable to shareholders		9,290		10,060		8,799		7,560*		16,992***
Rolling 5 year average coverage ratio		1.09		1.17		1.26		1.24		1.29**
Special Dividend					13.5p	3,405				

\*Profits attributable to shareholders are after charging exceptional costs of £1.2m in relation to KIM acquisition-related costs.

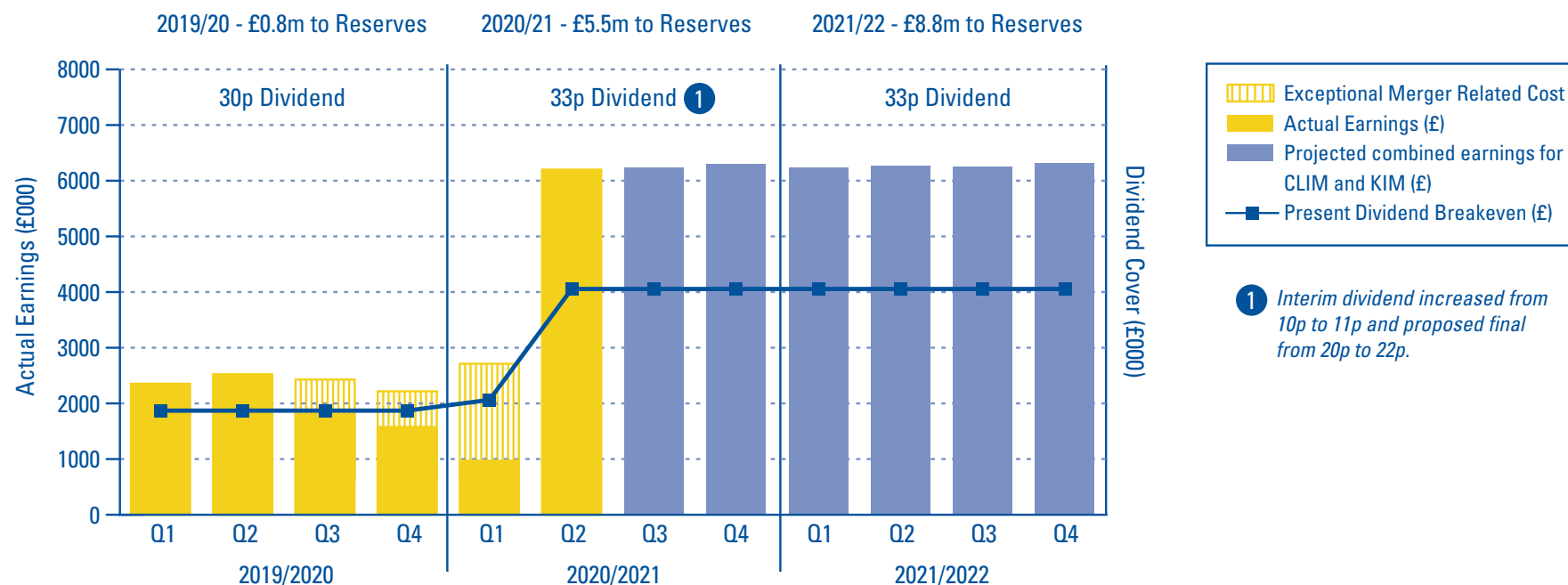
\*\*Final Dividend proposed by Board, subject to shareholder approval at Annual General Meeting on 18 October 2021, figures are unaudited.

\*\*\*Unaudited profits attributable to shareholders are after charging exceptional costs of £1.7m in relation to KIM acquisition-related costs.

# Dividend Cover

## CLIG Template – For Guidance Purposes Only\*

Dividend Cover – Actual and Assumed Over Three Financial Years



### Key Assumptions:

- Number of CLIG Shares in issue (26.6m) less those held by the Employee Benefit Trust (1.7m) as at 30 Sep 2020
- Number of CLIG Shares in issue (50.7m) less those held by the Employee Benefit Trust (1.6m) as at 30 Jun 2021
- Excludes unrealised loss/gains on seed investments
- Excludes amortisation of any intangibles arising on the merger

- Starting FuM as at:
- Net increase in FuM in 2021/2022 (straight-lined to June 2022):
- Market growth:
- Corporation tax based on an estimated average rate:
- Exchange rate assumed to be for entire period:

	CLIM	KIM
1-Jul-21	US\$250m	US\$135m
Market growth:	0%	0%
Corporation tax based on an estimated average rate:	21%	24%
Exchange rate assumed to be for entire period:	£1/\$1.38	£1/\$1.38

\*Any forward-looking statements are based on certain factors and assumptions that have not been independently verified, which may prove incorrect, and are subject to risks, uncertainties and assumptions relating to future events, the Group's operations, results of operations, growth strategy and liquidity.

# Karpus Management Inc (“KIM”) Merger

- ▶ KIM well known to CLIG management for several years
- ▶ KIM is now a 100% wholly owned subsidiary of CLIG
  - All share transaction, equated to total consideration of £102m / \$132m\*
  - KIM shareholders own 48% of CLIG via issuance of 24.1m new shares
  - George Karpus and concert party shareholders own c.38%\*\* of CLIG
  - Lock-up agreement for 12 months hard (plus 12 months soft)
- ▶ Merger completed on 1st October, 2020
- ▶ Reinforces Group’s presence in US and offers client & asset class diversification
- ▶ Group dividend policy unchanged

*\*Based on closing share price on 30th September, 2020 of £4.22, used for completion of Merger on 1st October, 2020.*

*\*\*Voting rights limited to 24.99%*



# KIM Merger - Integration Status

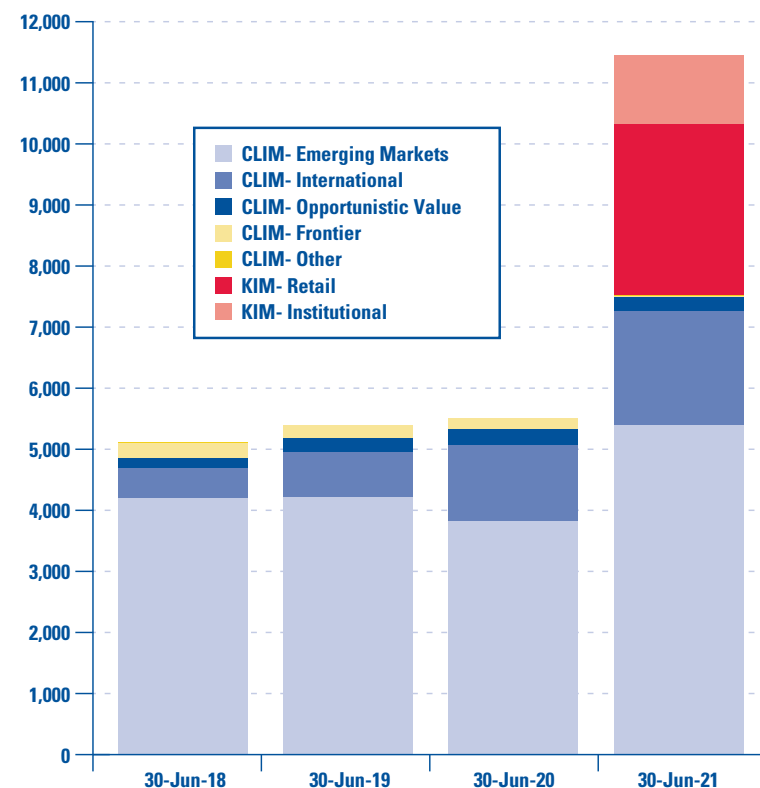
- ▶ Tom Griffith and Carlos Yuste appointed to KIM Board
- ▶ George Karpus retired as an executive at KIM on 30th September, 2020
- ▶ Management structure in place at KIM
- ▶ IT and Finance function integration in progress
- ▶ Investment Management teams remain independent and regulated separately
- ▶ CLIG Board appointed 2 Directors from KIM:
  - George Karpus - Non-Independent, Non-Executive Director
  - Dan Lippincott - Executive Director & Chief Investment Officer at KIM

# CLIG - FuM by Line of Business

CLIM (\$m)	30-Jun-18		30-Jun-19		30-Jun-20		30-Jun-21	
	% of CLIM		% of CLIM		% of CLIM		% of CLIG	
	US\$m	Total*	US\$m	Total*	US\$m	Total*	US\$m	Total
Emerging Markets	4,207	82%	4,221	78%	3,828	69%	5,393	47%
International	480	9%	729	14%	1,244	23%	1,880	16%
Opportunistic Value	174	3%	233	4%	256	5%	231	2%
Frontier	245	5%	206	4%	175	3%	14	0%
Other / REIT	1	0%	7	0%	9	0%	13	0%
<b>CLIM Total</b>	<b>5,107</b>	<b>100%</b>	<b>5,396</b>	<b>100%</b>	<b>5,512</b>	<b>100%</b>	<b>7,531</b>	<b>66%</b>

KIM (\$m)	30-Jun-18		30-Jun-19		30-Jun-20		30-Jun-21	
	% of KIM		% of KIM		% of KIM		% of CLIG	
	US\$m	Total*	US\$m	Total*	US\$m	Total*	US\$m	Total
Retail	2,098	67%	2,291	67%	2,401	69%	2,804	24%
Institutional	1,019	33%	1,105	33%	1,087	31%	1,116	10%
<b>KIM Total</b>	<b>3,117</b>	<b>100%</b>	<b>3,395</b>	<b>100%</b>	<b>3,488</b>	<b>100%</b>	<b>3,920</b>	<b>34%</b>
<b>CLIG Total</b>							<b>11,451</b>	<b>100%</b>

\*Denotes pre-merger percentages.



# Net Investment Flows

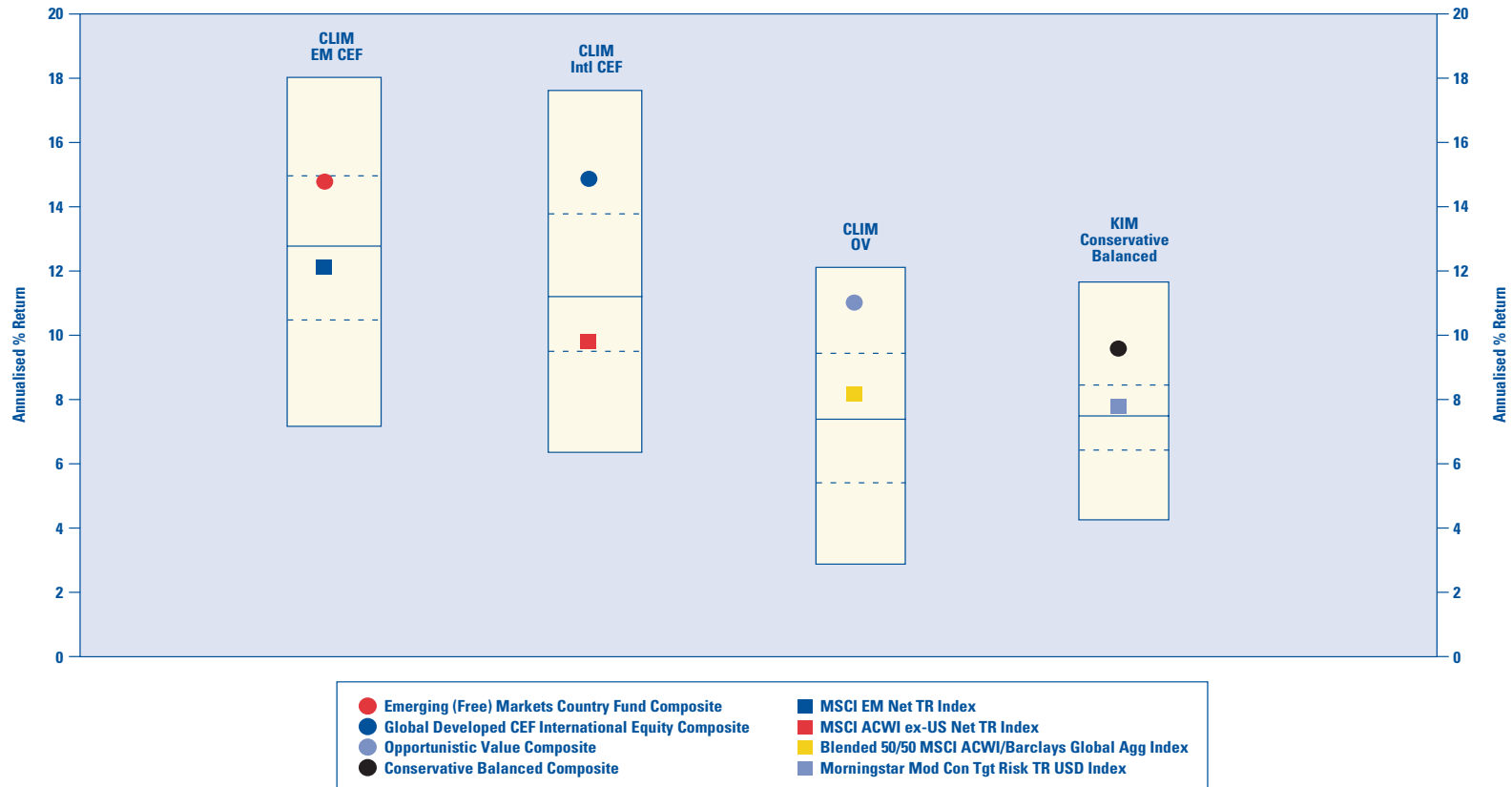
(US\$000's)	FYE June 2018	FYE June 2019	FYE June 2020	FYE June 2021
Emerging Markets	(215,083)	(183,521)	(279,459)	(275,493)
International	279,394	252,883	551,102	(14,145)
Opportunistic Value	54,251	48,236	45,914	(102,663)
Frontier	67,000	(21,336)	16,178	(168,843)
REIT	-	6,000	4,600	-
<b>CLIM Total</b>	<b>185,562</b>	<b>102,262</b>	<b>338,335</b>	<b>(561,144)</b>

(US\$000's)	FYE June 2018	FYE June 2019	FYE June 2020	FYE June 2021*
Retail	46,550	33,701	26,323	(104,222)
Institutional	(107,410)	9,050	(67,087)	(130,911)
<b>KIM Total</b>	<b>(60,860)</b>	<b>42,751</b>	<b>(40,764)</b>	<b>(235,133)</b>

*\*Includes net investment flows for Retail – (24,407) and Institutional – (20,264) pertaining to period before 1 October 2020 (pre-merger)*

# Five Year Peer Group\* Quartile Chart

► CLIG's subsidiary investment teams have produced solid long-term investment results for clients



\*CLIM and KIM returns are compared to their respective eVestment and Morningstar universes. The above returns are annualized and presented as gross of fees performance figures, which do not reflect the deduction of investment management fees. The Emerging (Free) Markets Country Fund Composite and MSCI EM Net TR Index are shown against the eVestment Global Emerging Markets Equity Universe of which 100% has been updated. The Global Developed CEF International Equity Composite and MSCI ACWI ex-US Net TR Index are shown against the eVestment All ACWI ex-US Equity Universe of which 100% has been updated. The Opportunistic Value Composite and the Blended 50/50 MSCI ACWI/Barclays Global Agg Index are shown against the eVestment All Global Balanced/TAA Universe of which 100% has been updated. The KIM Conservative Balanced Composite and Morningstar Mod Con Tgt Risk TR USD Index are shown against the Morningstar Separate Accounts - U.S. - Allocation--30% to 50% Equity Universe. Data is as of 31 March 2021. Past performance is no guarantee of future results.

Source: eVestment Analytics System, BNY Mellon, CLIM, MSCI, Barclays, Morningstar, KIM

# Growth Plans

- ▶ CLIM International and Opportunistic Value CEF Strategies ~\$2bn
  - Both strategies have achieved excellent performance
  - Growth focus in 2021
  
- ▶ Increase range of covered investment markets, building on core expertise
  - CLIM hired experienced REIT team – EM & Intl REIT strategies seeded Jan 2019
  - Marketing focus in 2021/22
  
- ▶ KIM new marketing resources focussed on HNW individuals and the RIA channel in the US
  
- ▶ Recruiting, encouraging and retaining team talent

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

# Consolidated Income for Six Months to 31st December 2020

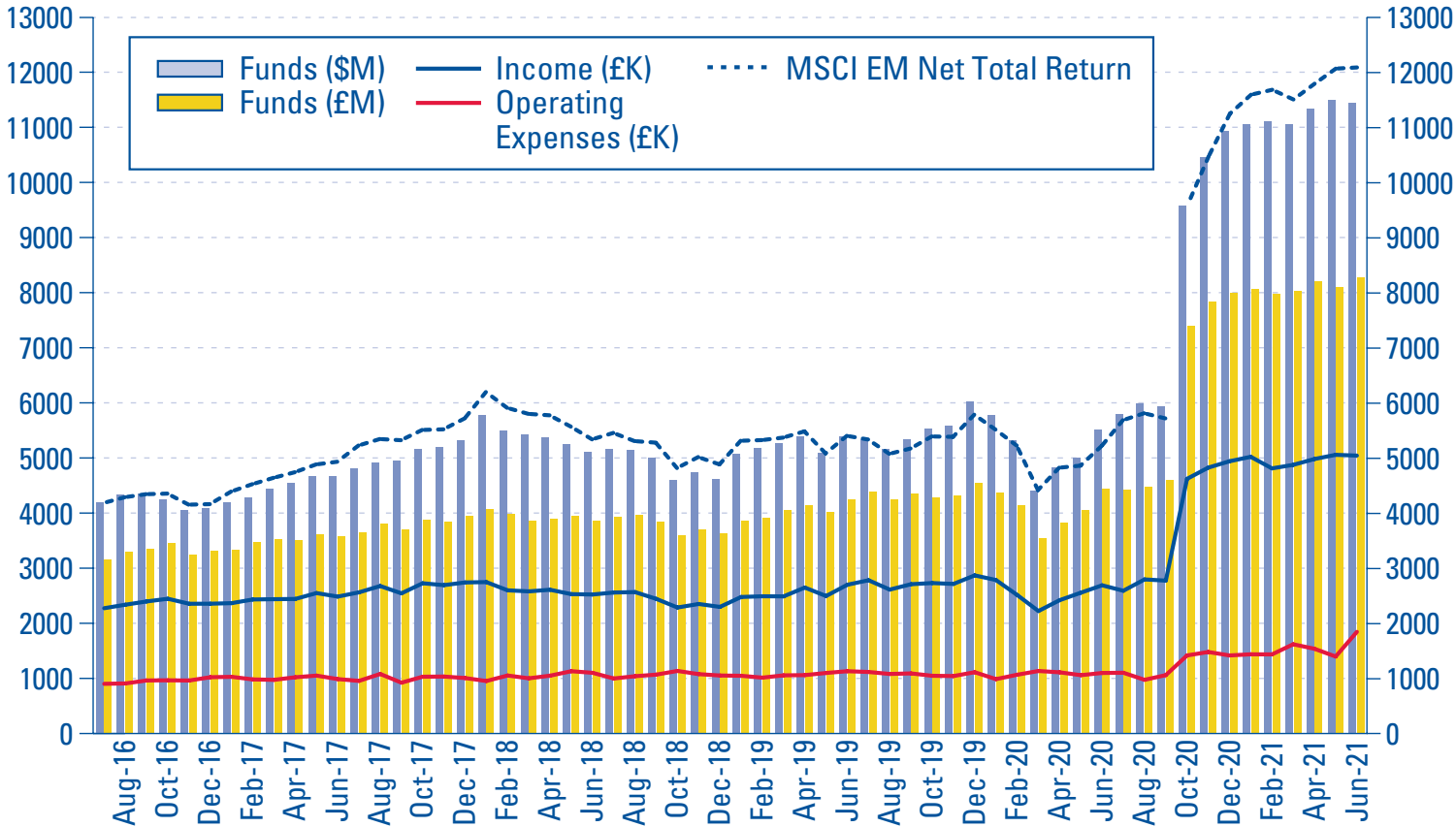
	Half Year Ending		Full Year Ending*		
	Dec-20	Dec-19*	Jun-20	Jun-19	
<b>Funds under Management (at period end)</b>	<b>\$10.9b</b>	<b>\$6.0b</b>	<b>\$5.5b</b>	<b>\$5.4b</b>	
<b>Year end exchange rate USD/GBP</b>	<b>1.367</b>	<b>1.3257</b>	<b>1.2401</b>	<b>1.2696</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Gross fee income	23,734	17,318	33,263	31,933	
Finder's commission	(359)	(153)	(167)	(752)	
Custody & administration	(775)	(723)	(1,425)	(1,327)	
<b>Net fee income</b>	<b>22,600</b>	<b>16,442</b>	<b>31,671</b>	<b>29,854</b>	
Interest	(54)	(40)	(57)	89	
<b>Total net income</b>	<b>22,546</b>	<b>16,402</b>	<b>31,614</b>	<b>29,943</b>	
Total overheads	8,510	6,514	12,967	12,919	
<b>Operating profit</b>	<b>14,036</b>	<b>9,888</b>	<b>18,647</b>	<b>17,024</b>	
Profit-share	(3,423)	(3,256)	(6,180)	(5,580)	
EIP	(507)	(496)	(925)	(851)	
<b>Pre-tax profit before Investment (loss) / gain and exceptional item</b>	<b>10,106</b>	<b>6,136</b>	<b>11,542</b>	<b>10,593</b>	
Investment (loss) / gain	454	197	(887)	804	
Exceptional item: acquisition - related costs	(1,743)	0	(1,248)	0	
<b>Pre-tax profit</b>	<b>8,817</b>	<b>6,333</b>	<b>9,407</b>	<b>11,397</b>	
Tax	(2,242)	(1,276)	(2,041)	(2,352)	
<b>Post-tax profit</b>	<b>6,575</b>	<b>5,057</b>	<b>7,366</b>	<b>9,045</b>	
<b>Profit attributable to:</b>	<b>Non- controlling interests</b>	<b>12</b>	<b>62</b>	<b>(194)</b>	<b>246</b>
	<b>Equity shareholders</b>	<b>6,563</b>	<b>4,995</b>	<b>7,560</b>	<b>8,799</b>
<b>EPS</b>	<b>Basic</b>	<b>17.7p</b>	<b>19.9p</b>	<b>30.3p</b>	<b>34.9p</b>
	<b>Diluted</b>	<b>17.4p</b>	<b>19.4p</b>	<b>29.5p</b>	<b>34.1p</b>
<b>Dividend</b>	<b>Interim</b>	<b>11.0p</b>	<b>10.0p</b>	<b>10.0p</b>	<b>9.0p</b>
	<b>Special</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13.5p</b>
	<b>Final</b>	<b>-</b>	<b>-</b>	<b>20.0p</b>	<b>18.0p</b>

\*Figures are prior to merger with KIM.

# Relationship Between CLIG's Benchmark and FUM\*

## Rolling 60 Months Funds Under Management and Operating Profitability

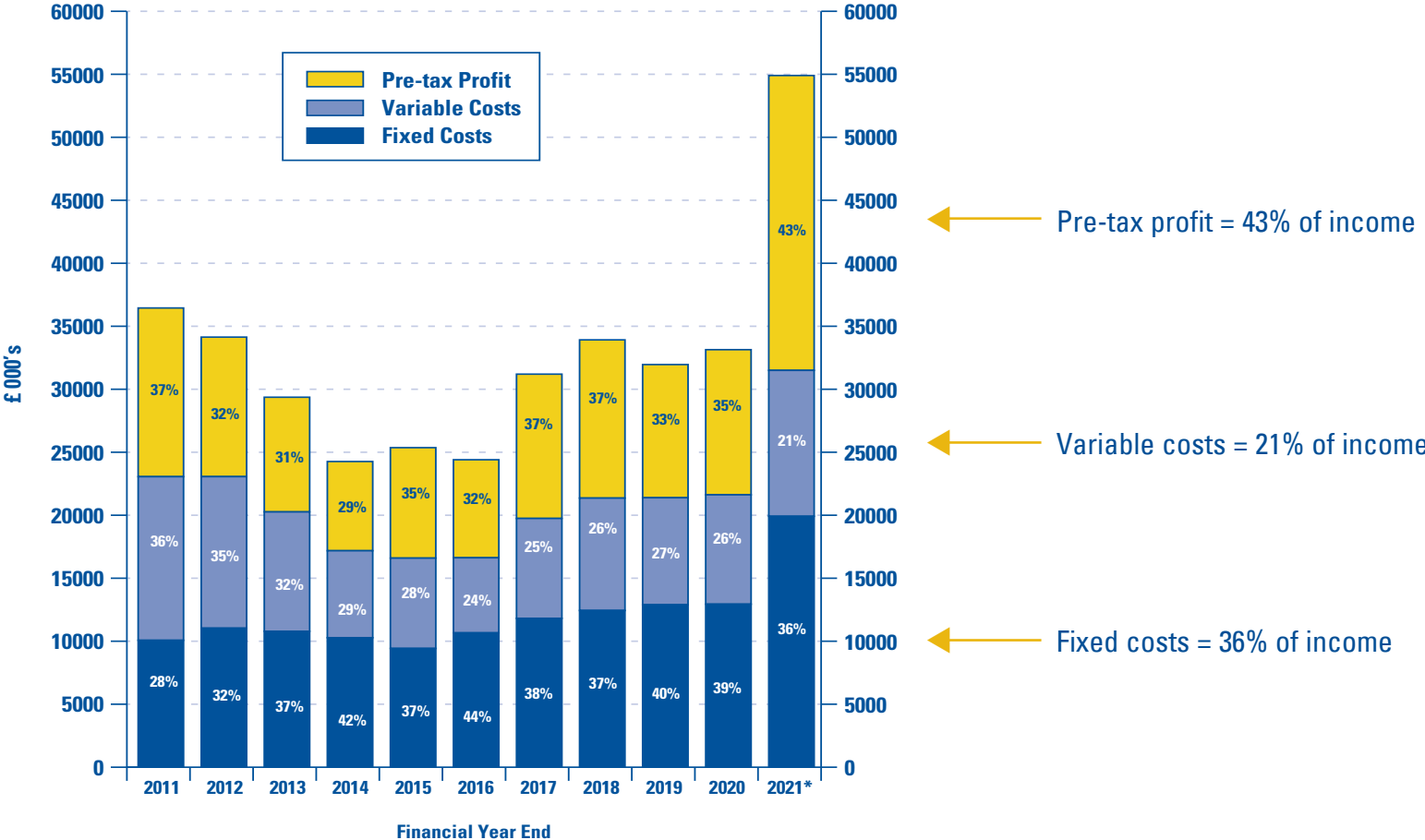
(Excludes extraordinary items of income and expense)



\*Beginning October 2020 consolidated FUM (CLIM-KIM) are shown and Index is rebased.  
 Past performance is no guarantee of future results.  
 Figures after December 2020 are unaudited

Source: CLIM, KIM, MSCI

# Fixed Versus Variable Costs



\*Includes 9 months of post-merger KIM costs, figures are unaudited.

Note: Excludes extraordinary items of income and expense (including acquisition-related costs of £1.2m in 2020 and £1.7m in 2021)



# ESG at CLIG

- ▶ 2018 UK Corporate Governance Code (“The Code”)
  - We welcome the changes in disclosures required due to The Code
  - Our 2019/2020 Annual Report & Accounts (“ARA”) reflects the increased transparency
  - CLIG may not comply with all provisions, if we believe shareholders are better served with explanations
  - Section 172 details the Board’s considerations of our primary stakeholders - Clients, Employees, and Shareholders
  
- ▶ Environmental Disclosures in the ARA
  - Environmental Policy Initiatives- to limit our carbon footprint
  - Climate Change Risks- detailed for the 3 major stakeholders
  - Mandatory Carbon Reporting- compliance with listed company requirements

# 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** – Group admitted to AIM
- ▶ **2007** – Dubai office opened
- ▶ **2009** – Launch of International CEF Strategy
- ▶ **2010** – Group admitted to Official List (Premium Segment)
- ▶ **2012 & 2013** – Granted Qualified Foreign Institutional Investors (QFII) scheme in China
- ▶ **2015** – Opened West Coast (US) office
- ▶ **2019** – Launch of EM and International REIT funds
- ▶ **2020** – Completed transaction with KIM for 100% ownership

# Shareholders

**As at 30 June 2021**

	%
George Karpus	31.5%
Aberforth Partners	7.0%
Hargreaves Lansdown	6.4%
Interactive Investor	5.0%
Rochester Area Community Foundation	2.8%
Barry Olliff	2.4%
St Lawrence University	2.0%
AJ Bell Securities	1.9%
Invesco	1.8%
Other Directors, Staff & EBT	12.2%
<b>Subtotal</b>	<b>73.0%</b>
Other	27.0%
<b>Total</b>	<b>100.0%</b>

*The total number of ordinary shares in issue is 50,679,095.*

*Source: Bloomberg for shareholder name. Shareholding % as per company's share register.*

#### **Important Notice**

City of London Investment Group plc (CLIG) (registered in England and Wales No. 2685257). City of London Investment Management Company Limited (CLIM) (registered in England and Wales No. 2851236) is a wholly owned subsidiary of CLIG. Both CLIM and CLIG have their registered office at 77 Gracechurch Street, London, EC3V 0AS, United Kingdom. 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). Karpus Management Inc. (KIM) (registered in the State of New York No. 1136419) is registered as an Investment Advisor with the SEC and is a wholly owned subsidiary of CLIG.

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. Past performance is no guarantee of future results.

# City of London Investment Group PLC

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