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A copy of this document, which comprises a prospectus relating to River and Mercantile UK Micro Cap Investment Company Limited (the “Company”) in connection with the issue of Shares in the Company, prepared in accordance with the Prospectus Rules of the UK Listing Authority made pursuant to section 73A of the FSMA, has been filed with the Financial Conduct Authority in accordance with Rule 3.2 of the Prospectus Rules.

The Shares are only suitable for investors: (i) who understand, or who have been advised of, the potential risk of capital loss from an investment in the Shares and the limited liquidity both in the Shares and in the underlying investments of the Company; (ii) for whom an investment in the Shares is part of a diversified investment programme; and (iii) who fully understand and are willing to assume the risks involved in such an investment.

Application will be made to the UK Listing Authority and the London Stock Exchange for all of the Shares now being offered to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities. It is expected that Admission will become effective and that dealings for normal settlement in the Shares will commence on a number of dates during the period from 2 December 2014 to 3 November 2015.

The Company and the Directors, whose names appear on page 31 of this Prospectus, accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

The Portfolio Manager accepts responsibility for the information in Part II and Part III of this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information in Part II and Part III of this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Capitalised terms contained in this Prospectus shall have the meanings set out in Part XI of this Prospectus, save where the context indicates otherwise.

You should read the whole of this document. In particular, your attention is drawn to the “Risk Factors” section of this document for a description of certain important factors, risks and uncertainties that may affect the Company’s business and the Shares and which should be taken into account when considering whether to invest in Shares.

The latest time and date for applications under the Offer is 1.00 p.m. on 25 November 2014. Further details of the Issue are set out in Part V of this Prospectus.

River and Mercantile UK Micro Cap Investment Company Limited

(a non-cellular investment company limited by shares incorporated under the laws of Guernsey with registered number 59106 and registered as a registered closed-ended collective investment scheme with the Guernsey Financial Services Commission)

Initial Placing and Offer for Subscription for a target issue of up to £100 million at an issue price of 100 pence per Share

and

Placing Programme

Portfolio Manager

River and Mercantile Asset Management LLP

Sponsor and Placing Agent

Winterflood Securities Limited

These Shares will be offered only outside of the United States, pursuant to the provisions of Regulation S of the U.S. Securities Act of 1933, as amended (the “**Securities Act**”). These Shares will not be registered under the Securities Act, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements.

This Prospectus does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Shares in any jurisdiction where such an offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company or the Portfolio Manager. The offer and sale of Shares have not been and will not be registered under the applicable securities laws of the United States, Australia,

Canada, South Africa, Japan or any member state of the EEA (other than the United Kingdom). The Shares may not be offered or sold within the United States, Australia, Canada, South Africa, Japan or any member state of the EEA (other than the United Kingdom) or to any national, resident or citizen of Australia, Canada, South Africa, Japan or any member state of the EEA (other than the United Kingdom).

Winterflood Securities Limited (“**Winterflood Securities**”), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting through its division, Winterflood Investment Trusts, exclusively for the Company and for no one else in connection with the Issue and the Placing Programme, and will not regard any other person (whether or not a recipient of this document) as its client in relation to the Issue or the Placing Programme, and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in relation to the Issue, or the Placing Programme, the contents of this Prospectus or any matters referred to herein.

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

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

This Prospectus is dated 4 November 2014.

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SUMMARY

Summaries are made up of disclosure requirements known as ‘Elements’. These elements are numbered in Sections A – E (A1 – E7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘not applicable’.

Section A – Introduction and Warnings		
Element	Disclosure requirement	Disclosure
A1	Warning	This summary should be read as an introduction to the Prospectus. Any decision to invest in the Shares should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the Prospectus before legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Shares.
A2	Use of prospectus by financial intermediaries	Not applicable. The Company has not given consent to the use of this prospectus for subsequent resale or final placement of the Shares by financial intermediaries.

Section B – Issuer		
Element	Disclosure requirement	Disclosure
B1	Legal and commercial name	River and Mercantile UK Micro Cap Investment Company Limited
B2	Domicile and legal form	The Company was incorporated as a non-cellular company with liability limited by shares in Guernsey under the Companies Law on 2 October 2014 with registered number 59106. The Company has been registered by the GFSC as a registered closed-ended collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the RCIS Rules 2008.
B5	Group description	Not applicable.
B6	Major Shareholders	As at the date of this Prospectus, insofar as is known to the Company, there are no parties known to have a notifiable interest in the Company’s capital or voting rights. All Shareholders have the same voting rights in respect of the share capital of the Company.

B7	Key financial information	Not applicable. The Company is newly incorporated and has no historical financial information.
B8	Key pro forma financial information	Not applicable. No pro forma financial information is included in the Prospectus.
B9	Profit forecast	Not applicable. The Company has not published any profit forecasts or estimates. No profit forecast or estimate is included in this Prospectus.
B10	Description of the nature of any qualifications in the audit report on the historical financial information	Not applicable. The Company is newly incorporated and has no historical financial information.
B11	Qualified working capital	Not applicable. The Company is of the opinion that, on the basis that the Minimum Net Issue Proceeds are raised, being £49 million, the working capital available to it is sufficient for its present requirements, that is for at least the next 12 months from the date of this Prospectus.
B34	Investment objective and policy	<p>Investment objective</p> <p>The Company will aim to achieve long term capital growth from investment in a diversified portfolio of UK Micro Cap Companies, typically comprising companies with a free float market capitalisation of less than £100 million at the time of purchase.</p> <p>Investment policy</p> <p>The Company will invest in a diversified portfolio of UK Micro Cap Companies. It is expected that the majority of the Company's investible universe will comprise companies whose securities are admitted to trading on AIM.</p> <p>While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of high quality debt securities and cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position instead of being fully or near fully invested.</p> <p>The Company will not be benchmark-driven in its asset allocation.</p> <p><i>Diversification</i></p> <p>The number of holdings in the Portfolio will usually range between 30 and 50 once the Company's assets are fully invested in accordance with its investment policy.</p> <p>The Portfolio is expected to be broadly diversified across sectors and, while there are no specific limits placed on exposure to any sector, the Company will at all times invest and manage the Portfolio in a manner consistent with spreading investment risk.</p> <p><i>Investment restrictions</i></p> <p>No exposure to any investee company will exceed 10 per cent. of Net Asset Value at the time of investment.</p>

		<p>The Company may from time to time take sizeable positions in Portfolio companies. However, in such circumstances, the Company would not normally intend to hold more than 25 per cent. of the capital of a single investee company at the time of investment.</p> <p>Although the Company would not normally expect to hold investments in securities that are unquoted it may do so from time to time but such investments will be limited in aggregate to 10 per cent. of Net Asset Value.</p> <p>The Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure to UK Micro Cap Companies but such exposure will be limited, in aggregate, to 10 per cent. of Net Asset Value at the time of investment.</p> <p><i>Borrowing and gearing policy</i></p> <p>The Company does not normally intend to employ gearing but at certain times it may be opportune to do so, for both investment and working capital purposes. Accordingly, the Company may employ gearing up to a maximum of 20 per cent. of Net Asset Value at the time of borrowing.</p> <p><i>Derivatives</i></p> <p>The Company may use derivatives (both long and short) for the purposes of efficient portfolio management only. The Company will not enter into uncovered short positions.</p>
B35	Borrowing limits	The Company does not normally intend to employ gearing but at certain times it may be opportune to do so, for both investment and working capital purposes. Accordingly, the Company may employ gearing up to a maximum of 20 per cent. of Net Asset Value at the time of borrowing.
B36	Regulatory status	The Company has been registered by the GFSC as a registered closed-ended investment collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the RCIS Rules 2008.
B37	Typical investors	Typical investors in the Company are expected to be institutional, professional and high net worth investors, private client fund managers and brokers and other investors who understand the risks involved in investing in the Company and/or who have received advice from their fund manager, broker or tax adviser regarding investment in the Company.
B38	Investment of 20 per cent. or more in single underlying asset or investment company	Not applicable.
B39	Investment of 40 per cent. or more in another collective investment undertaking	Not applicable.

B40	Applicant's service providers	<p>Portfolio Manager</p> <p>The Company, through the Manager, has appointed River and Mercantile Asset Management LLP to manage the Portfolio as a delegate of the Manager.</p> <p>The Portfolio Manager will be entitled to receive out of the assets of the Company a portfolio management fee payable monthly in arrears at a rate of one-twelfth (1/12) of 0.75 per cent. of NAV. A performance fee equal to 15 per cent. of the amount by which the Company's NAV outperforms the total return on the Benchmark will be payable to the Portfolio Manager. Any performance fees due will only be paid when the Company implements the Redemption Mechanism and will only be payable if the Company's NAV has outperformed the Benchmark since the last time a performance fee was paid. For the avoidance of doubt, this means that if the Company has underperformed the Benchmark at the point of any exercise of the Redemption Mechanism, no performance fee would be payable and any underperformance must be made good before a performance fee can be paid to the Portfolio Manager on any future exercise of the Redemption Mechanism.</p> <p>Manager</p> <p>The Company has appointed Carne Global AIFM Solutions (C.I.) Limited to act as the Company's AIFM. The Manager will delegate portfolio management to the Portfolio Manager. However, the Board will actively and continuously supervise both the Manager and the Portfolio Manager in the performance of their respective functions. Neither the Company, the Manager nor the Portfolio Manager will be required to seek authorisation under the AIFM Directive.</p> <p>The fees payable to the Manager are expected to be approximately £54,000 in aggregate per annum.</p> <p>Administrator</p> <p>The Company has appointed BNP Paribas Securities Services S.C.A., Guernsey Branch, to provide administrative services to the Company, including but not limited to the calculation and publication of the daily Net Asset Value.</p> <p>The fees payable to the Administrator are expected to be approximately £150,000 in aggregate per annum.</p> <p>Custodian</p> <p>The Company has appointed BNP Paribas Securities Services S.C.A., Guernsey Branch, to act as custodian of the Company's investments, cash and other assets.</p> <p>The fees payable to the Custodian are expected to be approximately £40,000 in aggregate per annum.</p> <p>Placing Agent</p> <p>The Company has appointed Winterflood Securities Limited to act as placing agent and to procure subscribers for the Shares to be issued under the Initial Placing and the Placing Programme.</p>
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		<p>A commission of 1.5 per cent. of the Gross Issue Proceeds and 1 per cent. of the gross proceeds of the Shares issued pursuant to the Placing Programme will be payable to Winterflood Securities.</p> <p>Registrar</p> <p>The Company has appointed Capita Registrars (Guernsey) Limited to act as registrar to the Company.</p> <p>The Registrar is entitled to receive a minimum agreed fee of £7,500 per annum in respect of basic registration.</p>
B41	Regulatory status of Portfolio Manager, Manager and Custodian	<p>The Portfolio Manager was incorporated as a limited liability partnership in England under the Limited Liability Partnerships Act 2000 on 4 February 2006 with registered number OC317647.</p> <p>The Portfolio Manager is authorised and regulated by the FCA and, as such, is subject to its rules in the conduct of its investment business. The Portfolio Manager is also registered as an investment adviser with the SEC in the United States.</p> <p>The Manager was incorporated in Jersey as a limited company on 21 July 2014 with registered number 116252. The Manager was licensed to conduct the relevant class of fund services business under the Financial Services (Jersey) Law 1998, as amended (the “FSJL”), on 6 October 2014. The Jersey Financial Services Commission is protected by the FSJL against liability arising from the discharge of its functions under that Law.</p> <p>The Custodian was incorporated as a Société en Commandite par Actions in France with registered number 552 108 011.</p>
B42	Calculation of Net Asset Value	<p>The unaudited Net Asset Value per Share will be calculated in Sterling by the Administrator on a daily basis. Such calculations will be notified daily, on a cum-income basis, through a regulatory information service and are expected to be available through the Company’s website.</p>
B43	Cross liability	<p>Not applicable. The Company is not an umbrella collective investment undertaking and, as such, there is no cross liability between classes or investments in any other collective investment undertaking.</p>
B44	No financial statements have been made up	<p>The Company has not commenced operations and no financial statements have been made up.</p>
B45	Portfolio	<p>Not applicable. The Company is newly incorporated and has not commenced operations.</p>
B46	Net Asset Value	<p>Not applicable. The Company is newly incorporated and has not commenced operations.</p>

Section C – Securities

Element	Disclosure requirement	Disclosure
C1	Type and class of securities	<p>The Company is proposing to offer up to 100 million Shares at 100 pence each in the capital of the Company pursuant to the Initial Placing and Offer. The Company is also proposing to issue up to 50 million Shares under the Placing Programme. However, issues under the Placing Programme will not be made to the extent that they would increase the Net Asset Value to over £100 million immediately following completion of the relevant allotment.</p>

C2	Currency	The Shares will be denominated in Sterling.
C3	Number of securities in issue	As at the date of incorporation and as at the date of this Prospectus, the Company's issued share capital comprises one Share of no par value.
C4	Description of the rights attaching to the securities	<p>Dividends</p> <p>Subject to the rights of any Shares which may be issued with special rights or privileges, the Shares carry the right to receive all income of the Company attributable to the Shares, and to participate in any distribution of such income made by the Company, and such income shall be divided <i>pari passu</i> among the Shareholders in proportion to the number of Shares held by them.</p> <p>Voting</p> <p>The holders of Shares shall have the right to receive notice of and to attend and vote at general meetings of the Company.</p> <p>Capital</p> <p>With respect to a winding-up of the Company or other return of capital (other than by way of a repurchase or redemption of Shares in accordance with the provisions of the Articles and the Companies Law), the surplus assets of the Company attributable to the Shares remaining after payment of all creditors shall, subject to the rights of any Shares that may be issued with special rights or privileges, be divided <i>pari passu</i> among the Shareholders in proportion to the number of Shares held by them.</p> <p>Variation of rights</p> <p>The rights attached to any class of shares in the Company may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated:</p> <ul style="list-style-type: none"> • with the consent in writing of the holders of more than 75 per cent. in number of the issued shares of that class; or • with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class. <p>Redemption of Shares</p> <p>At the sole option of the Board, in the manner and subject to the provisions of the Articles, the Directors may redeem any number of Shares at the prevailing Net Asset Value per Share as at the Calculation Date less the costs of redemption.</p> <p>Winding-up</p> <p>If, in any financial year, the average Net Asset Value over a period of 90 consecutive days is less than the "Critical Value" (that is, the lower of the amount that is equal to 60 per cent. of the Gross Issue Proceeds and £40 million), the Directors will be required to put proposals to Shareholders at the next annual general meeting of the Company for the reconstruction, reorganisation or winding-up of the Company. In the event that the Critical Value is initially set at a level below £40 million i.e. because the Gross Issue Proceeds are less than £66.7 million, it will automatically be increased to £40 million at such point as the Net Asset Value first attains or exceeds £100 million and shall be fixed at £40 million thereafter.</p>

		<p>Continuation Resolution</p> <p>The Directors shall, at the annual general meeting of the Company to be held in 2019, propose an ordinary resolution that the Company continues its business as a closed-ended investment company. If the Continuation Resolution is passed at such annual general meeting then the Directors shall be required to propose a further Continuation Resolution at every fifth annual general meeting thereafter. If the Continuation Resolution is not passed, then the Directors shall, within six months of such Continuation Resolution not being passed, put proposals to Shareholders for the reconstruction, reorganisation or winding-up of the Company.</p>
C5	Restrictions on the free transferability of the securities	There are no restrictions on the free transferability of the Shares, subject to applicable securities laws.
C6	Admission	<p>First Admission</p> <p>Application will be made to the UK Listing Authority and the London Stock Exchange for all of the Shares being offered pursuant to the Initial Placing and Offer to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that the results of the Initial Placing and Offer will be announced through an RIS announcement on 27 November 2014 and it is expected that First Admission will become effective and that dealings for normal settlement in the Shares will commence at 8.00 a.m. on 2 December 2014.</p> <p>Subsequent Admission</p> <p>Application will be made to the UK Listing Authority and the London Stock Exchange for all of the Shares being offered pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that Admission will become effective and that dealings for normal settlement in the Shares will commence on a number of dates during the period from 2 December 2014 to 3 November 2015. All Shares issued pursuant to the Placing Programme will be allotted conditionally on such Admission occurring.</p>
C7	Dividend policy	The Board does not expect income from the Portfolio to significantly exceed the anticipated annual running costs of the Company and therefore does not expect that the Company will pay significant, or any, dividends, although it reserves the right to do so.

Section D – Risks		
Element	Disclosure requirement	Disclosure
D1	Key information on the key risks that are specific to the Company	<p>The key risks relating to the Company are as follows:</p> <ul style="list-style-type: none"> The Company has not commenced operations and has no operating history. It currently holds no investments and will not do so until after Admission. An investment in the Company is, therefore, subject to all the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of an

		<p>investment in the Company could decline substantially as a consequence.</p> <ul style="list-style-type: none"> • The Company depends on the diligence, skill, judgement and business contacts of the Portfolio Manager’s investment professionals, in particular Philip Rodrigs, and the information and deal flow they generate during the normal course of their activities. The Company’s future success depends on the continuing ability of these individuals to provide services and the Portfolio Manager’s ability to strategically recruit, retain and motivate new talented personnel. However, the Portfolio Manager may not be successful in its efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive. • The Company has no employees and is reliant on the performance of third party service providers. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company. The termination of the Company’s relationship with any third party service provider, or any delay in appointing a replacement for such service provider, could materially disrupt the business of the Company and could have a material adverse effect on the performance of the Company and returns to the Company.
D3	Key information on the key risks specific to the Shares	<p>The key risks relating to the Shares are as follows:</p> <ul style="list-style-type: none"> • The value of an investment in the Company, and the income derived from it, if any, may go down as well as up and an investor may not get back the amount originally invested. • Sales of Shares or interests in Shares by key individuals of the Portfolio Manager could cause the market price of the Shares to decline. This may make it more difficult for Shareholders to sell the Shares at a time and price that they deem appropriate. • The market price of the Shares may fluctuate independently of their underlying net asset value and may trade at a discount or premium at different times, depending on factors such as supply and demand for the Shares, market conditions and general investor sentiment. There can be no guarantee that any discount or premium control policy will be successful or capable of being implemented. In addition, the issue of new Shares, and the purchase of Shares, by the Company pursuant to the Company’s stated discount management policy is entirely discretionary and no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions. The market value of a Share may therefore vary considerably from its NAV. • It may be difficult for Shareholders to realise their investment and there may not be a liquid market in the Shares. • The operation of the Redemption Mechanism may lead to a more concentrated and less liquid Portfolio, which may adversely affect the Company’s performance and value.

		<p>Redemptions may also adversely affect the secondary market liquidity of the Shares.</p> <ul style="list-style-type: none"> • The Company will invest in the securities of UK Micro Cap Companies. The relatively small market capitalisation of Micro Cap Companies can make the market in their shares illiquid. Therefore, prices of Micro Cap Securities are often more volatile than prices of larger capitalisation stocks, and even small cap companies. The Company may invest in securities that are not readily tradable, which may make it difficult for the Company to sell its investments and may lead to volatility in the market price of Shares in the Company. • Investors should not expect that the Company will necessarily be able to realise, within a period which they would otherwise regard as reasonable, its investments and any such realisations that may be achieved may be at a considerably lower price than prevailing indicative market prices. There can therefore be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the valuation of that investment.
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Section E – Offer		
Element	Disclosure requirement	Disclosure
E1	Net proceeds and costs of the Offer and the Placing Programme	<p>On the assumption that the Company achieves an issue size of £100 million, the Net Issue Proceeds and the NAV of the Company immediately following Admission will be not less than £98 million (that is, 98.0 per cent. of the Gross Issue Proceeds) and 98 pence per Share, respectively.</p> <p>The expenses of the Placing Programme will depend on subscriptions received but it is expected that these costs will be covered by issuing such Shares at a premium to the prevailing cum-income Net Asset Value per Share.</p> <p>No expenses will be charged to investors by the Company.</p>
E2a	Reasons for the Offer and the Placing Programme and use of proceeds	<p>The Company will aim to achieve long term capital growth from investment in a diversified portfolio of UK Micro Cap Companies, typically comprising companies with a free float market capitalisation of less than £100 million. The Company will, therefore, employ the Net Issue Proceeds in implementing this investment policy. On the assumption that the Company achieves an issue size of £100 million, the Net Issue Proceeds immediately following Admission will be not less than £98 million.</p>
E3	Terms and conditions of the Offer and the Placing Programme	<p>The Offer is conditional on:</p> <ul style="list-style-type: none"> • First Admission occurring by 8.00 a.m. on 2 December 2014 (or such later time or date, not being later than 31 January 2015, as the Company, the Portfolio Manager and Winterflood Securities may agree); • the Placing Agreement becoming otherwise unconditional in all respects, and not being terminated in accordance with its terms before First Admission occurs; and • the Minimum Net Issue Proceeds having been raised.

		<p>The Initial Placing and Placing Programme are conditional on:</p> <ul style="list-style-type: none"> • First Admission of the Shares occurring and becoming effective by 8.00 a.m. (London time) on or prior to 2 December 2014 (or such later time and/or date, not being later than 8.00 a.m. on 31 January 2015, as the Company and Winterflood Securities may agree) and any Subsequent Admission under the Placing Programme occurring not later than 8.00 a.m. on such other dates as may be agreed between the Company and Winterflood Securities prior to the closing of each placing under the Placing Programme, not being later than 3 November 2015; • the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated on or before the date of such Admission; and • Winterflood Securities confirming to the Placees their allocation of Shares.
E4	A description of any interest that is material to the Offer or the Placing Programme, including conflicting interests	<p>The Portfolio Manager may be involved in other financial, investment or professional activities that may give rise to conflicts of interest with the Company. In particular, it currently provides, and expects to continue to provide, investment management, investment advice or other services in relation to a number of other companies, funds or accounts that may have similar investment objectives and/or policies to that of the Company and may receive <i>ad valorem</i> and/or performance-related fees for doing so.</p> <p>As a result, the Portfolio Manager may have conflicts of interest in allocating investments among the Company and its other clients and in effecting transactions between the Company and its other clients. The Portfolio Manager may give advice or take action with respect to its other clients that differs from the advice given or actions taken with respect to the Company. The Portfolio Manager will ensure that transactions effected by it or an associate in which it or an associate has, directly or indirectly, a material interest or relationship of any description with another party, are effected on terms which are not materially less favourable to the Company than if the potential conflict had not existed.</p> <p>The Directors have noted that the Portfolio Manager has other clients and have satisfied themselves that the Portfolio Manager has procedures in place to address potential conflicts of interest. The Directors and the Portfolio Manager have also agreed that the Portfolio Manager will report internal crosses (that is, transactions between the Company and the Portfolio Manager's other clients) to the Manager.</p> <p>In order to address potential conflicts of interest arising out of the link between the operation of the Redemption Mechanism and the calculation and payment of performance fees, the Board will retain the final decision as to when and whether to operate the Redemption Mechanism.</p>
E5	Name of person or entity offering to sell the Shares	Not applicable. No person/entity is offering to sell Shares as part of the Initial Placing and Offer or the Placing Programme.

E6	Dilution	<p>If 10 million Shares are issued pursuant to the Placing Programme, assuming the Initial Placing and Offer has been subscribed as to 90 million Shares, there would be a dilution of approximately 11 per cent. in Shareholders' voting control of the Company immediately after the Initial Placing and Offer.</p>
E7	Expenses charged to the investor	<p>On the assumption that the Company achieves an issue size of £100 million, the Net Issue Proceeds and the NAV of the Company immediately following Admission will be not less than £98 million (that is, 98.0 per cent. of the Gross Issue Proceeds) and 98 pence per Share, respectively.</p> <p>The expenses of the Placing Programme will depend on subscriptions received but it is expected that these costs will be covered by issuing such Shares at a premium to the prevailing cum-income Net Asset Value per Share.</p> <p>No expenses will be charged to investors by the Company.</p>

RISK FACTORS

Investment in the Company should not be regarded as short-term in nature and involves a high degree of risk. Accordingly, investors should consider carefully all of the information set out in the Prospectus and the risks attaching to an investment in the Company, including, in particular, the risks described below. If any of the risks described below were to occur, it could have a material effect on the Company's business or financial condition or the results of its operations.

The Directors believe that the risks described below are the principal risks relating to the Shares at the date of this Prospectus. Additional risks and uncertainties not currently known to the Directors, or that the Directors deem immaterial at the date of this Prospectus, may also have an adverse effect on the performance of the Company and the value of Shares. Investors should review the Prospectus carefully and in its entirety and consult with their professional advisers before making an application to participate in the Issue and/or the Placing Programme.

Risks relating to the Company

The Company has no operating history

The Company was incorporated on 2 October 2014. The Company has not commenced operations and has no operating history. It currently holds no investments and will not do so until after Admission. No historical financial statements or other meaningful operating or financial data upon which prospective investors may base an evaluation of the likely performance of the Company have been made up. An investment in the Company is, therefore, subject to all the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of an investment in the Company could decline substantially as a consequence.

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

The Company has no employees and the Directors have all been appointed on a non-executive basis. Whilst the Company has taken all reasonable steps to establish and maintain adequate procedures, systems and controls to enable it to comply with its obligations, the Company is reliant upon the performance of third party service providers for its executive function. In particular, the Portfolio Manager, the Manager, the Administrator and the Registrar will be performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company. The termination of the Company's relationship with any third party service provider, or any delay in appointing a replacement for such service provider, could materially disrupt the business of the Company and could have a material adverse effect on the performance of the Company and returns to the Company.

Risks relating to the Shares

The value and price of the Shares may be volatile

The value of an investment in the Company, and the income derived from it, if any, may go down as well as up and an investor may not get back the amount originally invested.

The market price of the Shares, like shares in all investment companies, may fluctuate independently of their underlying net asset value and may trade at a discount or premium at different times, depending on factors such as supply and demand for the Shares, market conditions and general investor sentiment. There can be no guarantee that any discount or premium control policy will be successful or capable of being implemented. In addition, the issue of new Shares, and the purchase of Shares, by the Company pursuant to the Company's stated discount management policy is entirely discretionary and no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions. The market value of a Share may therefore vary considerably from its NAV.

In addition, stock markets have, from time to time, experienced significant price and volume fluctuations that have affected the market price of securities for reasons unrelated to their operating performance and

prospects. A number of factors outside the control of the Company may have an impact on its performance and the price of the Shares, which may rise or fall rapidly. The factors which may affect the share price include (but are not limited to): (i) the Company's expected and actual performance; (ii) other secondary issues in the market; and (iii) general economic and market conditions.

Sales of Shares by key individuals of the Portfolio Manager or the possibility of such sales, may affect the market price of the Shares

Sales of Shares or interests in Shares by key individuals of the Portfolio Manager could cause the market price of the Shares to decline. Whilst such individuals may sell their Shares in the market, a substantial amount of Shares being sold, or the perception that sales of this type could occur, could cause the market price of the Shares to decline. This may make it more difficult for Shareholders to sell the Shares at a time and price that they deem appropriate.

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

The Company will apply for the Shares to be admitted to the Official List and to trading on the Main Market. However, there can be no guarantee that an active secondary market in the Shares will develop or be sustained or that the Shares will trade at prices close to their underlying Net Asset Value per Share. The number of Shares to be issued pursuant to the Issue and the Placing Programme is not yet known and there may be a limited number of holders of Shares. Limited numbers and/or holders of Shares may mean that there is limited liquidity in such Shares which may affect: (i) a Shareholder's ability to realise some or all of their investment; (ii) the price at which a Shareholder can effect such realisation; and/or (iii) the price at which such Shares trade in the secondary market.

While the Directors retain the right to effect redemptions and repurchases of Shares in the manner described in this Prospectus, this right will only be exercised in specific circumstances and for the purpose of returning capital growth. Shareholders wishing to realise their investment in the Company will normally therefore be required to dispose of their Shares through the secondary market. Accordingly, Shareholders' ability to realise their investment at NAV per Share or at all is dependent on the existence of a liquid market for the Shares. Similarly, notwithstanding the existence of the Redemption Mechanism and share buy-back powers, there is no guarantee that the market price of the Shares will reflect their underlying Net Asset Value.

Redemption Mechanism

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

The price at which any Shares are redeemed under the Redemption Mechanism will be calculated by reference to unaudited Net Asset Value calculations. To the extent that any redemption takes place at a time where the Shares are trading at a significant premium to the prevailing unaudited Net Asset Value, Shareholders may receive an amount in respect of their redeemed Shares that is materially below the market value of those shares prior to redemption.

In order to facilitate any redemptions, the Company may be required to dispose of assets within the Portfolio. There is no certainty of the price that can be achieved on such sales and any sale price could be materially different from the carrying value of those assets. Consequently, the value received in respect of redeemed Shares may be adversely affected where the Company is not able to realise assets at their carrying values. In addition, during any period when the Company is undertaking Portfolio realisations, it may hold the sale proceeds (which could, in aggregate, be a material amount) in cash, which could impact the Company's returns, until the redemption is implemented and the cash is distributed to Shareholders.

Investors should note that the Redemption Mechanism has a specific and limited purpose, and no expectation or reliance should be placed on the Redemption Mechanism being operated on any one or more occasions or as to the proportion of Shares that may be redeemed or as to the price at which they will be redeemed.

Risks relating to the Company's investment strategy and Portfolio

Micro Cap Companies

The Company will invest in the securities of UK Micro Cap Companies.

Micro Cap Companies can be expected, in comparison to larger companies (even those that may fall within the small cap universe), to have less mature businesses, a more restricted depth of management and a higher risk profile. As Micro Cap Companies do not generally have the financial strength, diversity and resources of larger companies, they may find it more difficult to overcome periods of economic slowdown or recession. The risk of bankruptcy of many Micro Cap Companies (with the attendant losses to investors) is also higher and it can be more challenging to access publicly available information in respect of Micro Cap Companies. In addition, Micro Cap Companies are more likely to depend on the management talents of a founder or small group of persons and, if any such persons were to cease to be involved in the management or support of the relevant company, this could have a material adverse impact on their business and prospects and the value of the investment in them made by the Company.

The relatively small market capitalisation of Micro Cap Companies can make the market in their shares illiquid. Therefore, prices of Micro Cap Securities are often more volatile than prices of larger capitalisation stocks, and even small cap companies.

The Company may invest in securities that are not readily tradable, which may make it difficult for the Company to sell its investments and may lead to volatility in the market price of Shares in the Company. Investors should not expect that the Company will necessarily be able to realise, within a period which they would otherwise regard as reasonable, its investments and any such realisations that may be achieved may be at a considerably lower price than prevailing indicative market prices. There can therefore be no guarantee that any realisation of an investment will be on a basis which necessarily reflects the valuation of that investment.

Sectoral diversification

The Company has no specific limits placed on its exposure to any sector. This may from time to time lead to the Company having significant exposure to portfolio companies from certain business sectors. Greater concentration of investments in any one sector may result in greater volatility in the value of the Company's investments, and consequently its NAV, and may materially and adversely affect the performance of the Company and returns to Shareholders.

The Portfolio Manager's due diligence may not identify all risks and liabilities in respect of an investment

Prior to investing in a company, the Portfolio Manager will perform due diligence on the proposed investment. In doing so, it would typically rely in part on information from third parties as a part of this due diligence. To the extent that the Portfolio Manager or other third parties underestimate or fail to identify risks and liabilities associated with the investment in question, this may impact on the profitability or valuation of the investment. For example, the Company may acquire an investment with unknown or undiscovered liabilities or investments may be acquired that are not consistent with the Company's strategy and which fail to perform in accordance with projections.

Securities traded on AIM

It is expected that the majority of the Company's investible universe will comprise companies whose securities are admitted to trading on AIM. AIM securities are not admitted to the Official List. An investment by the Company in securities quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the securities in which the Company is looking to invest cannot be guaranteed.

Unquoted companies

The Company may hold investments in unquoted companies from time to time, which are smaller, more vulnerable to changes in markets and technology, and dependent on the skills of a small management team. Operating results in such companies will be difficult to predict. Such investments, by their nature, involve a

higher degree of valuation and performance uncertainties and liquidity risks than investments in listed and quoted securities and they may be more difficult to realise. There can therefore be no guarantee of the ability to realise an unquoted investment or that any such realisation will be on a basis which necessarily reflects the Company's valuation of that investment.

Economic conditions

Changes in economic conditions in the UK, where the Company will predominantly invest, (for example, interest rates and rates of inflation, industry conditions, competition, political and diplomatic events and other factors) could substantially and adversely affect the Company's prospects. Similarly, changes in economic conditions in other jurisdictions could also have an indirect adverse effect on the Company's prospects.

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

The Company may use borrowings to seek to enhance investment returns and may have to provide security over a portion of the Company's assets or deliver a portion of the Company's assets as collateral. While the use of borrowings should enhance the total return on the Shares where the return on the Company's underlying assets is rising and exceeds the cost of borrowing, it will have the opposite effect where the return on the Company's underlying assets is rising at a lower rate than the cost of borrowing or falling, further reducing the total return on the Shares. As a result, the use of borrowings by the Company may increase the volatility of the Net Asset Value per Share. The use of borrowings also exposes the Company to capital risk and interest costs.

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

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

General

The Company may hold cash on deposit or invest on a temporary basis in a range of high quality debt securities and cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position. Any amounts held in cash will not be invested in Micro Cap Companies and will not, therefore, benefit from positive price movements of these companies.

Risks relating to the Portfolio Manager

Past performance cannot be relied upon as an indicator of the future performance of the Company

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

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

The identification and selection of investment opportunities and the management of the day-to-day activities of the Company depends on the diligence, skill, judgement and business contacts of the Portfolio Manager's investment professionals, in particular Philip Rodrigs, and the information and deal flow they generate during the normal course of their activities. The Company's future success depends on the continuing ability of these individuals to provide services and the Portfolio Manager's ability to strategically recruit, retain and motivate new talented personnel. However, the Portfolio Manager may not be successful in its efforts to recruit, retain and motivate the required personnel as the market for qualified investment professionals is extremely competitive. This could give rise to a significant public perception risk regarding the potential performance of the Company and such perception could in turn lead to volatile trading and a fall in the Company's share price. Although the Directors will have broad discretion to monitor the performance of the Portfolio Manager and to appoint a replacement, the performance of the Portfolio Manager or that of any replacement cannot be guaranteed.

There can be no assurance that the Directors will be able to find a replacement manager if the Portfolio Manager resigns

The Portfolio Management Agreement is terminable on six months' notice, such notice not to expire prior to the first anniversary of Admission. The Portfolio Manager would, from the date such notice takes effect, cease to make investment decisions on behalf of the Company. The Directors would, in these circumstances, have to find a replacement portfolio manager for the Company and there can be no assurance that a replacement with the necessary skills and experience could be appointed on terms acceptable to the Company.

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

The Portfolio Manager and its affiliates are involved in other financial, investment or professional activities which may on occasion give rise to conflicts of interest with the Company and may affect the amount of time allocated by such persons to the Company's business. In particular, the Portfolio Manager manages funds other than the Company and may provide investment management, investment advisory or other services in relation to these funds or future funds which may have similar investment policies to that of the Company but will not in any such circumstances be liable to account for any profit earned from any such services.

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

It is the policy of the Portfolio Manager to allocate investment opportunities fairly and equitably among the Company and its other clients in accordance with established allocation procedures and protocol, where applicable, to the extent possible over a period of time. The Portfolio Manager will have no obligation to purchase, sell or exchange any investment for the Company which the Portfolio Manager may purchase, sell or exchange for one or more of its other clients if the Portfolio Manager believes in good faith at the time the investment decision is made that such transaction or investment would be unsuitable, impractical or undesirable for the Company.

Access to material non-public information may restrict the ability of the Portfolio Manager to take action with respect to some investments

The Portfolio Manager has established policies and procedures reasonably designed to prevent the misuse by the Portfolio Manager and its personnel of material information regarding particular issuers that has not been publicly disseminated ("**material non-public information**") in accordance with applicable legal and

regulatory requirements. In general, under such policies and procedures and applicable law, when the Portfolio Manager is in possession of material non-public information related to a publicly traded security or the issuer of such security, whether acquired unintentionally or otherwise, neither the Portfolio Manager nor its personnel are permitted to render investment advice as to, or otherwise trade or recommend a trade in, the securities of such issuer until such time as the information that the Portfolio Manager has is no longer deemed to be material non-public information.

The Portfolio Manager has procedures that outline the process by which it will determine whether to elect to receive material non-public information, or whether it will determine not to receive material non-public information, in any given case. This determination will be made on an issuer-by-issuer basis using objective criteria established by the Portfolio Manager. It should be noted that the Portfolio Manager's determination regarding whether or not to receive material non-public information regarding a specific issuer may have implications for the services the Portfolio Manager is able to provide to certain clients in certain situations, including the Company. For example, if the Portfolio Manager were prohibited from dealing in an investee company's shares as a result of being an "insider", this could have an adverse effect on the ability of the Company to pursue its investment policy, and may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the Shares. In such event, the investment returns of the Company may be materially affected.

Risks relating to regulation and taxation

Changes in law or regulations, or a failure to comply with any laws or regulations, may adversely affect the business, investments and performance of the Company, the Portfolio Manager and the Manager

The Company is subject to, and will be required to comply with, certain laws and regulatory requirements that are applicable to closed-ended investment companies which are domiciled in Guernsey. These include compliance with any decision of the GFSC. In addition, the Company is subject to the continuing obligations imposed by the UK Listing Authority and the London Stock Exchange on all investment companies whose shares are respectively admitted to the Official List and to trading on the Main Market.

The Manager is subject to, and will be required to comply with, the Financial Services (Jersey) Law 1998, as amended, and rules made under it. The Portfolio Manager is subject to, and will be required to comply with, certain regulatory requirements of the FCA.

The laws and regulations affecting the Company, the Portfolio Manager and the Manager are evolving, most notably as a result of the AIFM Directive, which came into force on 21 July 2011 and which, from 22 July 2013, subject to a transitional period in certain EEA Member States, requires certain AIFMs, being managers of almost all types of investment fund other than those regulated by the UCITS Directive, to comply with the new operational and structural requirements set out in the AIFM Directive.

The Company (which is a non-EU AIF for the purposes of the AIFM Directive and related regimes in EEA member states) has appointed Carne Global AIFM Solutions (C.I.) Limited, an entity incorporated in Jersey, to act as its AIFM. Neither the Company, the Manager nor the Portfolio Manager will be required to seek authorisation under the AIFM Directive. However, following national transposition of the AIFM Directive in a given EEA Member State, the marketing of shares in AIFs (as defined in the AIFM Directive) that are established outside the EU (such as the Company) to investors in that EEA Member State may be prohibited entirely or may, as a minimum, be prohibited unless certain conditions are met. In the UK, this includes the obligation of the AIFM to notify the FCA that it is the person responsible for complying with the implementing provisions relating to the marketing of the relevant company's shares and that the AIFM will comply with the relevant requirements of the AIFM Directive. The Manager made such notification on 3 November 2014 and the Company's shares are therefore permitted to be marketed in the United Kingdom under the AIFM Directive. The FCA may suspend, or revoke, an AIFM's entitlement to market the AIF if it appears to the FCA that, amongst other things, one or more conditions confirmed in the FCA notification as being met is no longer satisfied. Suspension or revocation of the Manager's entitlement to market the Company's shares could materially disrupt the business of the Company and could have a material adverse effect on the performance of the Company and returns to the Company.

Compliance with, and monitoring of, applicable laws and regulations may be difficult, time consuming and costly. Any changes in the laws and regulations affecting the Company, the Portfolio Manager and/or the Manager may have an adverse effect on the ability of the Company, the Portfolio Manager and/or the Manager to carry on their respective businesses. Any such changes may also have an adverse effect on the ability of the Company to pursue its investment policy, and may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the Shares. They may also impact the ability of the Company to operate the Redemption Mechanism as currently proposed. In such event, the investment returns of the Company may be materially affected.

Financial advisers may be prohibited from promoting the Shares to retail investors in the event that the Company is unable to rely on any of the exemptions relating to the promotion of non-mainstream pooled investments

On 1 January 2014, the Unregulated Collective Investment Schemes and Close Substitutes Instrument 2013 (the "NMPI Regulations") came into force in the UK. The NMPI Regulations extend the application of the UK regime restricting the promotion of unregulated collective investment schemes to other "non-mainstream pooled investments" ("NMPIS"). As a result of the NMPI Regulations, FCA-authorized independent financial advisers and other financial advisers will be restricted from promoting NMPIS to retail investors who do not meet certain high net worth tests or who cannot be treated as sophisticated investors. Although previous consultations on the subject by the FCA had suggested the Company and entities like it would be excluded from the scope of the NMPI Regulations (and thereby be capable of promotion to all retail investors), the NMPI Regulations and the Company's analysis of general published guidance from the FCA mean that in order for the Company to be outside of the scope of the NMPI Regulations, the Company will need to rely on the exemption available to non-UK resident companies that are equivalent to investment trusts. This exemption provides that a non-UK resident company that would qualify for approval by HMRC as an investment trust were it resident in the UK will be excluded from the scope of the NMPI Regulations. The principal relevant requirements to qualify as an investment trust are that: (i) the Company's business must consist of investing its funds in shares, land or other assets with the aim of spreading investment risk and giving members of the Company the benefit of the results of the management of its funds; (ii) the whole of its ordinary share capital must be admitted to trading on a regulated market; (iii) the Company must not be a close company (as defined in Chapter 2 of Part 10 of the Corporation Tax Act 2010); and (iv) the Company must not retain in respect of any accounting period an amount which is greater than 15 per cent. of its income.

The Company intends to conduct its affairs in such a manner that it should, in principle, be eligible to qualify for approval by HMRC as an investment trust if it was resident in the UK. As such, for such time as the Company satisfies the conditions to qualify as an investment trust, the Company is and will continue to be outside of the scope of the NMPI Regulations.

Any changes in the NMPI Regulations, or the application of the NMPI Regulations, affecting the Company may have an adverse effect on the ability of the Company to raise capital from retail investors. Any such changes may also have an adverse effect on the ability of the Company to pursue its investment policy, and may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the Shares. In such event, the investment returns of the Company may be materially affected.

If the Company becomes subject to tax on a net income basis in any tax jurisdiction, including Guernsey and the United Kingdom, the Company's financial condition and prospects could be materially and adversely affected

The Company intends to conduct its affairs so that it will not be treated under English law and practice as UK resident for taxation purposes, or as having a permanent establishment or otherwise being engaged in a trade or business, in the UK. The Company intends that it will not be subject to tax on a net income basis in any country. There can be no assurance, however, that the net income of the Company will not become subject to income tax in one or more countries, including Guernsey and the United Kingdom, as a result of unanticipated activities performed by the Company, adverse developments or changes in law with possible retrospective effect, contrary conclusions by the relevant tax authorities, changes in the Directors' personal circumstances or management errors, or other causes. The imposition of any such unanticipated net income

taxes could materially reduce the post-tax returns available for distributions on the Shares, and consequently may adversely affect the Company's business, financial condition, results of operations, NAV and/or the market price of the Shares.

Changes in the Company's tax status or tax treatment may adversely affect the Company. If the Company becomes subject to the UK offshore fund rules there may be adverse tax consequences for certain UK resident Shareholders

Any change in the Company's tax status, or in taxation legislation or practice in any relevant jurisdiction or in the Company's tax treatment (for example, due to the disposition of equity accepted in settlement for debt), may affect the value of the investments held by the Company or the Company's ability to pursue its investment policy successfully or achieve its investment objective, or may alter the after-tax returns to Shareholders. Statements in this Prospectus concerning the taxation of Shareholders are based upon current UK and Guernsey tax and published practice, any aspect of which law and practice is, in principle, subject to change (potentially with retrospective effect), which change may adversely affect the ability of the Company to pursue its investment policy successfully or achieve its investment objective, and which may adversely affect the taxation of Shareholders.

Statements in this Prospectus take into account, in particular, the UK offshore fund rules contained in Part 8 of the Taxation (International and Other Provisions) Act 2010. Should the Shares of the Company be regarded as being subject to the offshore fund rules this may have adverse tax consequences for certain UK resident Shareholders.

Potential investors are urged to consult their tax advisers with respect to their particular tax situations and the tax effect of an investment in the Company.

FATCA

TO ENSURE COMPLIANCE WITH UNITED STATES TREASURY DEPARTMENT CIRCULAR 230, EACH PROSPECTIVE INVESTOR IS HEREBY NOTIFIED THAT: (A) ANY DISCUSSION OF US TAX ISSUES HEREIN IS NOT INTENDED TO BE RELIED UPON AND CANNOT BE RELIED UPON, BY A PROSPECTIVE INVESTOR FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED ON SUCH PROSPECTIVE INVESTOR UNDER APPLICABLE TAX LAW; (B) SUCH DISCUSSION IS INCLUDED HEREIN IN CONNECTION WITH THE PROMOTION OR MARKETING (WITHIN THE MEANING OF TREASURY DEPARTMENT CIRCULAR 230) OF THE OFFER TO SELL ORDINARY SHARES BY THE COMPANY; AND (C) A PROSPECTIVE INVESTOR IN ORDINARY SHARES SHOULD SEEK ADVICE BASED ON ITS PARTICULAR CIRCUMSTANCES FROM AN INDEPENDENT ADVISOR.

The Foreign Account Tax Compliance provisions (commonly known as "FATCA") are US provisions contained in the US Hiring Incentives to Restore Employment Act 2010. FATCA is aimed at reducing tax evasion by US citizens.

FATCA generally imposes a new reporting regime and potentially a 30 per cent. withholding tax with respect to certain U.S. source income (including dividends and interest) and gross proceeds from the sale or other disposal of property that can produce U.S. source interest or dividends ("**Withholdable Payments**"). As a general matter, the new rules are designed to require U.S. persons' direct and indirect ownership of non-U.S. accounts and non-U.S. entities to be reported to the IRS. The 30 per cent. withholding tax regime applies if there is a failure to provide required information regarding U.S. ownership.

Generally, the new rules will subject all Withholdable Payments received by the Company to 30 per cent. withholding tax (including the share that can be allocated to non-U.S. persons) unless compliance with the new rules by the Company is pursuant to an intergovernmental agreement between the jurisdiction in which the Company is based and the U.S. (an "**IGA**") or (as is currently contemplated) the Company enters into an agreement (an "**FFI Agreement**") with the IRS to provide information, representations and waivers of non-U.S. law as may be required to comply with the provisions of the new rules, including, information regarding its direct and indirect U.S. accountholders.

The U.S. and Guernsey signed an IGA relating to FATCA on 13 December 2013. Guernsey is listed on the U.S. Treasury website as a jurisdiction that is treated as having an IGA in effect. The IGA between the U.S. and Guernsey will be implemented in Guernsey in accordance with guidance which is currently published in draft form.

In the event that the Company did not comply with the relevant provisions of the IGA between the U.S. and Guernsey and the related legislation, payments received by the Company may be subject to the 30 per cent. withholding tax which would have a material adverse effect on the returns to all Shareholders.

FATCA and the IGA. The above description is based in part on regulations, official guidance and the IGA, all of which are subject to change. All prospective investors and Shareholders should consult with their own tax advisors regarding the possible implications of FATCA or FATCA-style legislation on their investment in the Company.

IMPORTANT NOTICES

Prospective investors should rely only on the information contained in this Prospectus. No person has been authorised to give any information or to make any representations other than those contained in this Prospectus in connection with the Issue and/or the Placing Programme and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Portfolio Manager, the Manager or Winterflood Securities or any of their respective affiliates, officers, directors, employees or agents. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G(1) of FSMA, neither the delivery of this Prospectus nor any subscription or sale made under this Prospectus shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company since the date of this Prospectus or that the information contained in this Prospectus is correct as of any time subsequent to its date.

The contents of this Prospectus are not to be construed as legal, financial, business, investment or tax advice. This Prospectus is for information only and nothing in this Prospectus is intended to endorse or recommend a particular course of action. Each prospective investor should consult their own legal adviser, financial adviser or tax adviser for legal, financial or tax advice in relation to the purchase of Shares.

Investment in the Company is only suitable for institutional, professional and high net worth investors, private client fund managers and brokers and other investors who understand the risks involved in investing in the Company and/or who have received advice from their fund manager, broker or tax adviser regarding an investment in the Company. Furthermore, an investment in the Shares is suitable only for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear losses (which may equal the whole amount invested) that may result from such an investment. An investment in the Shares should constitute part of a diversified investment portfolio and Shareholders may need to hold the Shares on a long term basis since the Shares are not suitable for short term investment. Accordingly, typical investors in the Company are expected to be institutional, professional and high net worth investors, private client fund managers and brokers and other investors who understand the risks involved in investing in the Company and/or who have received advice from their fund manager, broker or tax adviser regarding investment in the Company.

If you are in any doubt about the contents of this Prospectus you should consult your stock broker, bank manager, solicitor accountant, legal or professional adviser or other financial adviser.

General

Prospective investors should not treat the contents of this Prospectus as advice relating to legal, taxation, investment or any other matters. Prospective investors should inform themselves as to: (a) the legal requirements within their own countries for the purchase, holding, transfer, redemption or other disposal of Shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer, redemption or other disposal of Shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer, redemption or other disposal of Shares. Prospective investors must rely on their own representatives, including their own legal advisers, financial advisers, tax advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein.

Statements made in this Prospectus are based on the law and practice currently in force and are subject to changes therein. This Prospectus should be read in its entirety before making any application for Shares.

All times and dates referred to in this Prospectus are, unless otherwise stated, references to London times and dates and are subject to change without further notice.

An investment in the Company should be regarded as a long-term investment. There can be no assurance that the Company's investment objectives will be achieved.

It should be remembered that the price of the Shares, and the income from such Shares (if any), can go down as well as up.

This Prospectus should be read in its entirety before making any investment in the Shares. All Shareholders are entitled to the benefit of, are bound by, and are deemed to have notice of, the provisions of the Memorandum and the Articles which investors should review. A summary of the Articles is contained in Part VIII of this Prospectus under the section headed “Memorandum and Articles”.

Restrictions on distribution and sale

The distribution of this Prospectus and the offering and sale of securities offered hereby in certain jurisdictions may be restricted by law. Persons in possession of this Prospectus are required to inform themselves about and observe any such restrictions. This Prospectus may not be used for, or in connection with, and does not constitute, any offer to sell, or solicitation to purchase, any such securities in any jurisdiction in which solicitation would be unlawful.

No incorporation of website

The contents of the Company’s website at <http://microcap.riverandmercantile.com/> do not form part of this Prospectus. Investors should base their decision to invest on the contents of this Prospectus alone and should consult their professional advisers prior to making an application to subscribe for Shares.

Data protection

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

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

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

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

If the Company (or any third party, functionary or agent appointed by the Company) and/or the Administrator discloses personal data to such a third party, agent or functionary and/or makes such a transfer of personal data it will use reasonable endeavours to ensure that any third party, agent or functionary to

whom the relevant personal data is disclosed or transferred is contractually bound to provide an adequate level of protection in respect of such personal data.

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

Forward-looking statements

This Prospectus includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company and/or the Portfolio Manager concerning, amongst other things, the investment objective and investment policy, financing strategies, investment performance, results of operations, financial condition, prospects, and dividend policy of the Company and the markets in which it, and its portfolio of investments, invest and/or operate. By their nature, forward-looking statements involve 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. The Company’s actual investment performance, results of operations, financial condition, dividend policy and the development of its financing strategies may differ materially from the impression created by the forward-looking statements contained in this Prospectus.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. Prospective investors should carefully review the “Risk Factors” section of this Prospectus before making an investment decision. Forward-looking statements speak only as at the date of this Prospectus. Although the Company and the Portfolio Manager undertake no obligation to revise or update any forward-looking statements contained herein (save where required by the Listing Rules, Prospectus Rules or Disclosure and Transparency Rules), whether as a result of new information, future events, conditions or circumstances, any change in the Company’s or the Portfolio Manager’s expectations with regard thereto or otherwise, Shareholders are advised to consult any communications made directly to them by the Company and/or any additional disclosures through announcements that the Company may make through an RIS announcement.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 11 of Part VIII of this Prospectus.

Currency presentation

Unless otherwise indicated, all references in this Prospectus to “GBP”, “pounds sterling”, “£”, “pence” or “p” are to the lawful currency of the UK.

Selling restrictions

This Prospectus does not constitute, and may not be used for the purposes of, an offer or an invitation to apply for any Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation. The distribution of this Prospectus and the offering of Shares in certain jurisdictions may be restricted. Accordingly, persons into whose possession this Prospectus comes are required to inform themselves about and observe any restrictions as to the offer or sale of Shares and the distribution of this Prospectus under the laws and regulations of any jurisdiction in connection with any applications for Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such jurisdiction. Save for the United Kingdom, no action has been taken or will be taken in any jurisdiction by the Company that would permit a public offering of Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect

to the possession or distribution of this Prospectus in any other jurisdiction where action for that purpose is required.

European Economic Area

In relation to each member state of the EEA which has implemented the Prospectus Directive (each, a “**Relevant Member State**”), no Shares have been offered or will be offered to the public pursuant to the Issue or the Placing Programme in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State, or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State; or
- (c) in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Shares or to whom any offer is made under the Issue or the Placing Programme will be deemed to have represented, acknowledged and agreed that it is a “qualified investor” within the meaning of Article 2(1)(e) of the Prospectus Directive.

For the purposes of this provision, the expression an “offer to the public” in relation to any offer of Shares in any Relevant Member State means a communication in any form and by any means presenting sufficient information on the terms of the Issue and/or the Placing Programme and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “**Prospectus Directive**” means Directive 2003/71/EC (and the amendments thereto, including Directive 2010/73/EU (the 2010 PD Amending Directive), to the extent implemented in the Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

No steps have been taken to enable the Shares to be marketed under the AIFM Directive in any EEA Member State other than the United Kingdom.

The distribution of this Prospectus in other jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions.

United States

The Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and the Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any person within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction in the United States. There will be no public offer of the Shares in the United States.

The Company has not been and will not be registered under the U.S. Investment Company Act and investors will not be entitled to the benefits of the U.S. Investment Company Act.

The Shares are being offered and sold only outside the United States in reliance on Regulation S under the U.S. Securities Act.

For a description of restrictions on offers, sales and transfers of Shares, see also paragraph 5 (“United States purchase and transfer restrictions”) of Part IX of this Prospectus.

Bailiwick of Guernsey

The Company is a registered closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the RCIS Rules 2008 issued by the GFSC. The GFSC, in granting registration, has not reviewed this Prospectus but has relied upon specific warranties provided by the Administrator, the Company’s designated manager.

Neither the GFSC nor the States of Guernsey Policy Council take any responsibility for the financial soundness of the Company or for the correctness of any of the statements made or opinions expressed with regard to it.

A registered collective investment scheme is not permitted to be directly offered to the public in Guernsey but may be offered to regulated entities in Guernsey or offered to the public by entities appropriately licensed under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended.

If potential investors are in any doubt about the contents of this Prospectus they should consult their accountant, legal, or professional adviser, or financial adviser.

EXPECTED TIMETABLE

Initial Placing and Offer open	4 November 2014
Latest time and date for receipt of Application Forms under the Offer	1.00 p.m. on 25 November 2014
Latest time and date for placing commitments under the Initial Placing	*1.00 p.m. on 26 November 2014
Result of the Initial Placing and Offer announced	7.00 a.m. on 27 November 2014
Admission and dealing in Shares commences	8.00 a.m. on 2 December 2014
Crediting of CREST stock accounts in respect of the Shares	2 December 2014
Share certificates despatched	Week commencing 8 December 2014
Placing Programme ends	3 November 2015

The dates and times specified are subject to change without further notice. References to times are London times unless otherwise stated.

* Or such later time as may be notified by the Company to a particular Placee.

ISSUE STATISTICS

Issue Price*	100 pence
Total number of Shares to be issued pursuant to the Issue	Up to 100 million Shares
Share capital immediately following completion of the Issue (assuming full take up under the Issue)	100 million Shares
Target Gross Issue Proceeds**	£100 million
Minimum Expected Initial Net Asset Value per Share***	98 pence

* Subscriptions under the Offer are to be in multiples of £1,000. Multiple applications are permitted.

** The target size of the Issue is up to £100 million with the actual size of the Issue being subject to investor demand. The number of Shares to be issued pursuant to the Issue, and therefore the Gross Issue Proceeds, is not known as at the date of this Prospectus but will be notified by the Company via an RIS announcement prior to Admission. The Issue will not proceed if the Net Issue Proceeds would be less than £49 million (or such lesser amount as the Company, the Portfolio Manager and Winterflood Securities may determine and notify to investors via a supplementary prospectus). If the Issue does not proceed, subscription monies received will be returned without interest at the risk of the applicant.

*** NAV per Share immediately following Admission after deduction of the costs of the Issue borne by the Company. The costs of the Issue borne by the Company will be no more than 2.0 per cent. of the Gross Issue Proceeds. To the extent that the costs of the Issue would otherwise exceed an amount equal to 2.0 per cent. of the Gross Issue Proceeds, the Portfolio Manager will bear the excess. To the extent that the costs are less than 2.0 per cent., the difference will be retained for the benefit of the Company.

DEALING CODES

ISIN for the Shares*	GG00BRGCGK06
SEDOL code for the Shares*	BRGCGK0
Ticker for the Shares	RMMC

* Subject to change as a result of the operation of the Redemption Mechanism

DIRECTORS, PORTFOLIO MANAGER AND ADVISERS

Directors (all non-executive)	Andrew Chapman (<i>Chairman</i>) Ian Burns Trudi Clark Mark Hodgson <i>All c/o the Company's registered office</i>
Registered Office	BNP Paribas House St Julian's Avenue St Peter Port Guernsey GY1 1WA
Portfolio Manager	River and Mercantile Asset Management LLP 30 Coleman Street London EC2R 5AL
Manager	Carne Global AIFM Solutions (C.I.) Limited 8th Floor Union House Union Street St Helier Jersey JE2 3RF
Administrator, Custodian and Principal Banker	BNP Paribas Securities Services S.C.A., Guernsey Branch <i>Registered office:</i> 3 rue d'Antin 75002 Paris France <i>Place of business:</i> BNP Paribas House St Julian's Avenue St Peter Port Guernsey GY1 1WA
Solicitors to the Company <i>(as to English law)</i>	CMS Cameron McKenna LLP Mitre House 160 Aldersgate Street London EC1A 4DD
Solicitors to the Sponsor <i>(as to English law)</i>	Travers Smith LLP 10 Snow Hill London EC1A 2AL

Sponsor and Placing Agent	Winterflood Securities Limited The Atrium Building Cannon Bridge House 25 Dowgate Hill London EC4R 2GA
Advocates to the Company <i>(as to Guernsey law)</i>	Carey Olsen P.O. Box 98 Carey House Les Banques St Peter Port Guernsey GY1 4BZ
Reporting Accountant and Auditor	PricewaterhouseCoopers CI LLP PO Box 321 Royal Bank Place 1 Glatigny Esplanade St Peter Port Guernsey GY1 4ND
Registrar	Capita Registrars (Guernsey) Limited Longue Hogue House St Sampson Guernsey GY2 4JN
Receiving Agent	Capita Registrars Limited (trading as Capita Asset Services) The Registry 34 Beckenham Road Beckenham Kent BR3 4TU

PART I

INTRODUCTION TO THE COMPANY

Introduction

River and Mercantile UK Micro Cap Investment Company Limited is a closed-ended investment company limited by shares, registered and incorporated in Guernsey under the Companies Law on 2 October 2014, with registered number 59106. The Company will be listed on the premium segment of the Official List and the Shares will be traded on the Main Market of the London Stock Exchange.

The Company is a non-cellular company and has been registered by the GFSC as a registered closed-ended collective investment scheme. The manager of the Company will be Carne Global AIFM Solutions (C.I.) Limited (the “**Manager**”), which will delegate portfolio management to River and Mercantile Asset Management LLP (the “**Portfolio Manager**”). However, the Board will actively and continuously supervise both the Manager and the Portfolio Manager in the performance of their respective functions.

The Company is seeking to raise Gross Issue Proceeds of up to £100 million by way of the Issue, subject to minimum Gross Issue Proceeds of £50 million (or such lesser amount as the Company, the Portfolio Manager and Winterflood Securities may determine and notify to investors via publication of a supplementary prospectus). The Company’s share capital will be denominated in Sterling and, depending on the amount raised pursuant to the Issue, will upon Admission consist of up to 100 million Shares.

Investment objective

The Company will aim to achieve long term capital growth from investment in a diversified portfolio of UK Micro Cap Companies, typically comprising companies with a free float market capitalisation of less than £100 million at the time of purchase.

Investment policy

The Company will invest in a diversified portfolio of UK Micro Cap Companies. It is expected that the majority of the Company’s investible universe will comprise companies whose securities are admitted to trading on AIM.

While it is intended that the Company will be fully invested in normal market conditions, the Company may hold cash on deposit or invest on a temporary basis in a range of high quality debt securities and cash equivalent instruments. There is no restriction on the amount of cash or cash equivalent instruments that the Company may hold and there may be times when it is appropriate for the Company to have a significant cash position instead of being fully or near fully invested.

The Company will not be benchmark-driven in its asset allocation.

Diversification

The number of holdings in the Portfolio will usually range between 30 and 50 once the Company’s assets are fully invested in accordance with its investment policy.

The Portfolio is expected to be broadly diversified across sectors and, while there are no specific limits placed on exposure to any sector, the Company will at all times invest and manage the Portfolio in a manner consistent with spreading investment risk.

Investment restrictions

No exposure to any investee company will exceed 10 per cent. of Net Asset Value at the time of investment.

The Company may from time to time take sizeable positions in Portfolio companies. However, in such circumstances, the Company would not normally intend to hold more than 25 per cent. of the capital of a single investee company at the time of investment.

Although the Company would not normally expect to hold investments in securities that are unquoted it may do so from time to time but such investments will be limited in aggregate to 10 per cent. of Net Asset Value.

The Company may invest in other investment funds, including listed closed-ended investment funds, to gain investment exposure to UK Micro Cap Companies but such exposure will be limited, in aggregate, to 10 per cent. of Net Asset Value at the time of investment.

Borrowing and gearing policy

The Company does not normally intend to employ gearing but at certain times it may be opportune to do so, for both investment and working capital purposes. Accordingly, the Company may employ gearing up to a maximum of 20 per cent. of Net Asset Value at the time of borrowing.

Derivatives

The Company may use derivatives (both long and short) for the purposes of efficient portfolio management only. The Company will not enter into uncovered short positions.

Material changes to the investment policy

The Directors do not currently intend to propose any material changes to the investment policy of the Company. However, as required by the Listing Rules, any material changes to the investment policy will be made only with the approval of Shareholders.

Dividend policy

The Board does not expect income from the Portfolio to significantly exceed the anticipated annual running costs of the Company and therefore does not expect that the Company will pay significant, or any, dividends, although it reserves the right to do so.

Returns to Shareholders

The Board is committed to achieving long term capital growth and, where possible, returning such growth to Shareholders throughout the life of the Company. Furthermore, the Portfolio Manager has advised the Board that it believes that a Net Asset Value in normal circumstances in the region of £100 million (at current market levels although this may change over time) would best position the Company to take advantage of a portfolio of Micro Cap Companies. Were the Net Asset Value to grow, unchecked, significantly beyond that size, this could present capacity constraints, particularly in relation to the number of companies that would then likely be held in the Portfolio and the ability of those companies to contribute effectively to the Company's performance. In addition, significant Net Asset Value growth may indicate that one or more companies in the Portfolio has grown to a size that makes it no longer suitable for the Company's investment policy (i.e. if the relevant company is no longer classified as a Micro Cap Company) and that such investment should be realised and the proceeds of such realisation (and others) returned to Shareholders.

Accordingly, assuming that the Net Asset Value grows, the Directors intend to operate the Redemption Mechanism pursuant to which a portion of Shareholders' shareholdings may be redeemed compulsorily so as to return the Net Asset Value back to around £100 million in order to:

- enable the Company to exploit fully the underlying investment opportunity and to deliver high and sustainable returns to shareholders, principally in the form of capital gains;
- enable portfolio holdings to have a meaningful impact on the Company's performance, which might otherwise be marginal within the context of a larger fund; and
- ensure that the Company can continually take advantage of the illiquidity risk premium inherent in Micro Cap Companies.

Redemptions will, subject to compliance with all applicable law and regulation, take place on a *pro rata* basis but all redemptions will normally be subject to a *de minimis* value to be returned of approximately £10 million (before costs).

In the Board's opinion, the Portfolio Manager will be best placed to determine:

- if and, more importantly, when a redemption should be implemented (whilst there is no fixed constraint on the size of the Company, nor a particular level of Net Asset Value that would trigger the exercise of the Redemption Mechanism, the Board does not currently expect the Net Asset Value of the Company to exceed £125 million for any prolonged period of time); and
- the requirements for Portfolio realisations to fund any such redemption, taking into account both the Company's cash position and the desire to minimise any adverse impact on Shareholders from the realisation process.

Therefore, the Portfolio Manager will make recommendations to the Board regarding the operation of the Redemption Mechanism. In considering the Portfolio Manager's recommendation, the Board will take into account factors such as the Company's financial position and the effect of redemption on such financial position.

Shareholders and prospective Shareholders should note that the operation of the Redemption Mechanism is entirely discretionary and no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

If the Board decides to operate the Redemption Mechanism, the Directors will promptly announce their intentions and such announcement will include the following details:

- the Redemption Date (on which the redemption will become effective);
- the size of the proposed redemption; and
- any additional information that the Board deems necessary to include in connection with the redemption.

On or shortly after the Redemption Date, Shareholders will receive the proceeds of redemption, being the prevailing Net Asset Value per Share as at the Calculation Date less the costs of redemption.

The costs incurred in relation to a redemption will include any realisation costs as well as fees incurred by advisers and the Registrar in connection with the redemption. The Directors do not currently anticipate implementing the Redemption Mechanism more than twice per financial year and, in any event, the Directors are not obliged to operate the Redemption Mechanism and will not do so if: (i) calculation and publication of the NAV has been suspended; or (ii) the Directors are unable to make the solvency statement required by Guernsey law or other circumstances exist that the Board believes make the operation of the Redemption Mechanism undesirable or impracticable. The Company will not redeem fractions of Shares. Shares that are redeemed pursuant to the Redemption Mechanism will be cancelled with effect from the Redemption Date and will not be held in treasury. Therefore, once redeemed, Shares will be incapable of transfer.

Settlement

In the case of Shares held in uncertificated form (that is, in CREST) redemptions will take effect automatically on each Redemption Date. The existing ISIN will be disabled and a new ISIN will be applied to the remaining Shares that have not been compulsorily redeemed. The Company will announce the new ISIN through an RIS. It is expected that the redemption moneys payable in respect of the redemption of any Shares will be paid to the holder (or, in the case of joint holders, to the holder whose name stands first in the register in respect of the Shares) through CREST within ten Business Days of the relevant Redemption Date.

In the case of Shares held in certificated form (that is, not in CREST), redemptions will take effect automatically on each Redemption Date. It is expected that the redemption moneys payable in respect of the redemption of any Shares will be paid to the holder (or, in the case of joint holders, to the holder whose name stands first in the register in respect of the shares) at his own risk within ten Business Days of the relevant Redemption Date. The Company will cancel share certificates on the Redemption Date. If a certificate includes Shares not redeemable on that occasion, a new certificate for the balance of the certificated Shares

will be issued to the Shareholder by the Company without charge. No person shall have a claim against the Company for interest on retained redemption moneys.

Further details of the Redemption Mechanism are set out in paragraph 4.8 of Part VIII of this Prospectus.

Further issues of Shares

The Company has authority to allot up to 100 million Shares pursuant to the Issue and a further 50 million Shares pursuant to the Placing Programme, but issues under the Placing Programme will not be made to the extent that they would increase the Net Asset Value to over £100 million immediately following completion of the relevant allotment.

The Placing Programme is flexible and may have a number of closing dates in order to provide the Company with the ability to issue Shares over a period of time. Further issues of Shares will only be made if the Directors determine such issues to be in the best interests of Shareholders and the Company as a whole. Relevant factors in making such determination include the Company's performance and Net Asset Value, the premium at which the Shares trade and perceived investor demand.

The Placing Programme will open on 2 December 2014 and will close on 3 November 2015 (or any earlier date on which it is fully subscribed, or otherwise at the discretion of the Directors).

Shares will, subject to the Company's decision to proceed with an allotment at any given time, be made available at the Placing Programme Price to investors. No Shares will be issued at a discount to the Net Asset Value per Share at the time of the relevant allotment. The Company will not issue any Shares at a discount of 10 per cent. or more to the middle market price of the Shares at the relevant time without Shareholder approval.

The allotment of Shares under the Placing Programme is at the discretion of the Directors. Allotments may take place at any time prior to the final closing date of 3 November 2015 (or any earlier date on which it is fully subscribed or otherwise suspended). An announcement of each allotment will be released through an RIS, including details of the number of Shares allotted and the Placing Programme Price for the allotment.

There are no provisions of Guernsey law which confer rights of pre-emption in respect of the allotment of Shares. The Articles do, however, contain pre-emption rights in relation to allotments of Shares for cash, although such pre-emption rights have been disapplied in relation to up to 50 million Shares following Admission for a period concluding immediately prior to the annual general meeting of the Company to be held in 2016 so as to assist the Company in managing market demand for Shares by the issue of further Shares. The Directors intend to request at the annual general meeting of the Company to be held in 2016 the authority to allot Shares on a non-pre-emptive basis and for such authority to be renewed at each subsequent annual general meeting of the Company.

Further information in relation to the Placing Programme is set out in Part VI and Part IX of this Prospectus.

Discount management

The Directors have been granted general authority to purchase in the market up to 14.99 per cent. of the Shares in issue immediately following Admission at a price not exceeding the last reported Net Asset Value per Share as at the time of purchase. The Directors intend to seek annual renewal of this authority from the Shareholders at the Company's annual general meeting.

Pursuant to this authority, and subject to compliance with the solvency test and any other relevant provisions of the Companies Law and the discretion of the Directors, the Company may purchase Shares in the market on an ongoing basis with a view to addressing any imbalance between the supply of and demand for Shares and thereby assisting in controlling the discount to Net Asset Value per Share at which the Shares may be trading.

Shares purchased by the Company may be cancelled or may alternatively be held in treasury. Shares may be re-issued from treasury but, unless previously approved by Shareholders, not at a price which, taking account of issue expenses would be less than the last reported Net Asset Value per Share.

Shareholders and prospective Shareholders should note that the issue of new Shares, and the purchase of Shares, by the Company is entirely discretionary and no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.

Life of the Company

Continuation Resolution

The Articles require the Directors to propose an ordinary resolution that the Company continues its business as a closed-ended investment company (the “**Continuation Resolution**”) at the annual general meeting of the Company to be held in 2019. If the Continuation Resolution is passed, the Directors are required to put a further Continuation Resolution to Shareholders at the annual general meeting of the Company every fifth year thereafter.

If any Continuation Resolution is not passed, the Directors are required to put forward proposals for the reconstruction, reorganisation or winding up of the Company to the Shareholders for their approval within six months following the date on which the Continuation Resolution is not passed. These proposals may or may not involve winding-up the Company and, accordingly, failure to pass the Continuation Resolution will not necessarily result in the winding-up of the Company.

Liquidity opportunity

If, in any financial year, the average Net Asset Value over a period of 90 consecutive days is less than the Critical Value, the Directors will be required to put proposals to Shareholders at the next annual general meeting of the Company for the reconstruction, reorganisation or winding-up of the Company. In the event that the Critical Value is initially set at a level below £40 million i.e. because the Gross Issue Proceeds are less than £66.7 million, it will automatically be increased to £40 million at such point as the Net Asset Value first attains or exceeds £100 million and shall be fixed at £40 million thereafter.

The Portfolio Manager

Subject to the overall supervision of the Board, the Portfolio will be managed by River and Mercantile Asset Management LLP, as a delegate of the Manager. The Portfolio Manager will be responsible for the discretionary management of the assets of the Company (including uninvested cash) and will not be required to, nor will it generally, submit individual investment decisions for approval by the Board.

The Portfolio Manager will be entitled to receive out of the assets of the Company a portfolio management fee payable monthly in arrears at a rate of one-twelfth (1/12) of 0.75 per cent. of NAV. A performance fee equal to 15 per cent. of the amount by which the Company’s NAV outperforms the total return on the Benchmark will be payable to the Portfolio Manager. Any performance fees due will only be paid when the Company implements the Redemption Mechanism and will only be payable if the Company’s NAV has outperformed the Benchmark since the last time a performance fee was paid. For the avoidance of doubt, this means that if the Company has underperformed the Benchmark at the point of any exercise of the Redemption Mechanism, no performance fee would be payable and any underperformance must be made good before a performance fee can be paid to the Portfolio Manager on any future exercise of the Redemption Mechanism.

Further information in respect of the Portfolio Manager is set out in Part III of this Prospectus. Further details in relation to the portfolio management fee and other terms of the Portfolio Management Agreement are set out in paragraph 5.2 of Part VIII of this Prospectus.

Net Asset Value

The unaudited Net Asset Value per Share will be calculated in Sterling by the Administrator on a daily basis, as described below. Such calculations will be notified daily, on a cum-income basis, through an RIS and are expected to be available through the Company’s website.

The Net Asset Value will be the value of all assets of the Company less liabilities to creditors (including provisions for such liabilities) determined in accordance with the Association of Investment Companies’ valuation guidelines and in accordance with applicable accounting standards. Publicly traded securities will

be valued by reference to their bid prices on the relevant exchange. Where trading in the securities of an investee company is suspended, the investment will be valued at an estimate of its net realisable value. Unquoted investments will be valued by taking into account the latest dealing prices, valuations from reliable sources, asset values and other relevant factors.

If the Directors consider that any of the above bases of valuation are inappropriate in any particular case, or generally, they may adopt such other valuation procedures as they consider reasonable in the circumstances.

The Directors may temporarily suspend the calculation, and publication, of the Net Asset Value during a period, when in the opinion of the Directors:

- there are political, economic, military or monetary events or any circumstances outside the control, responsibility or power of the Board, and disposal or valuation of investments of the Company or other transactions in the ordinary course of the Company's business is not reasonably practicable without this being materially detrimental to the interests of Shareholders or if, in the opinion of the Board, the Net Asset Value cannot be fairly calculated;
- there is a breakdown of the means of communication normally employed in determining the calculation of the Net Asset Value; or
- it is not reasonably practicable to determine the Net Asset Value on an accurate and timely basis.

Any suspension in the calculation of the Net Asset Value, to the extent required under the Articles or by the Listing Rules, will be notified through an RIS as soon as practicable after any such suspension occurs.

Reports and accounts

The first accounting period of the Company will run from the date of the Company's incorporation on 2 October 2014 to 30 September 2015 and, thereafter, accounting periods will end on 30 September in each year. The audited annual accounts will be provided to Shareholders within four months of the year end to which they relate. Unaudited half yearly reports, made up to 31 March in each year, will be provided to Shareholders within two months of that date. The Company will also produce interim management statements in accordance with, and whilst required by, the Disclosure and Transparency Rules. The Company will report its results of operations and financial position in Sterling.

The audited annual accounts and half yearly reports will also be available at the registered office of the Administrator and the Company and from the Company's website, <http://microcap.riverandmercantile.com/>.

The financial statements of the Company will be prepared in accordance with IFRS, and the annual accounts will be audited by the Auditor in accordance with International Standards on Auditing.

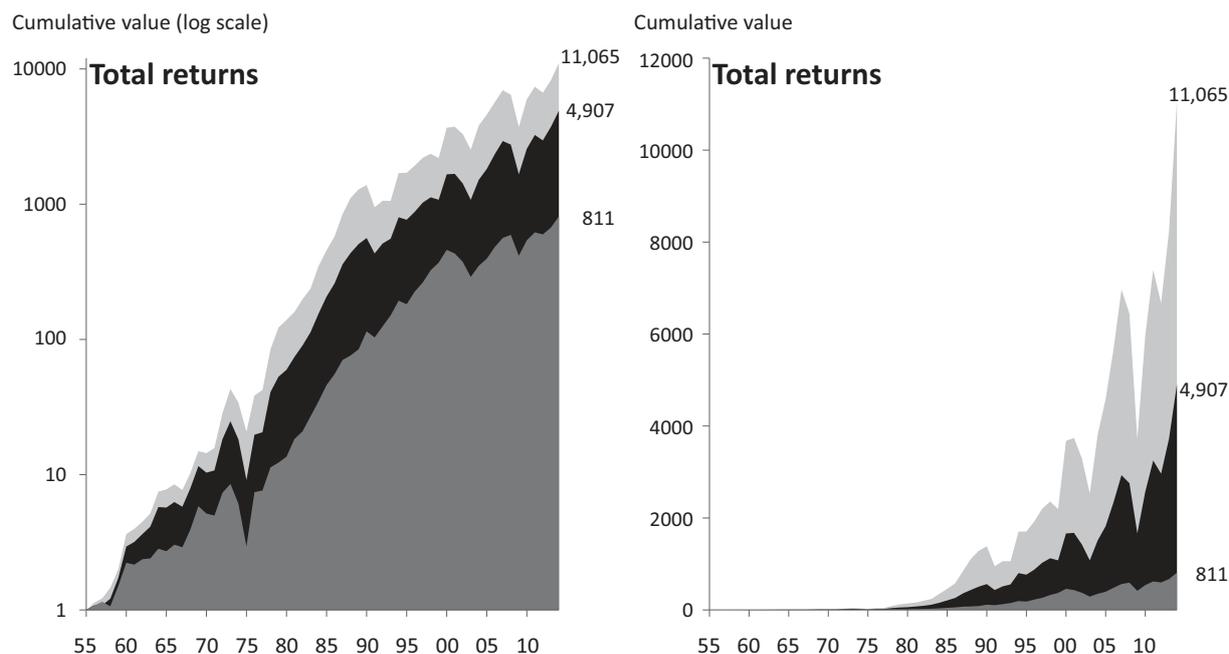
The preparation of financial statements in conformity with IFRS requires that the Directors make estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Such estimates and associated assumptions are generally based on historical experience and various other factors that are believed to be reasonable under the circumstances, and form the basis of making the judgements about attributing values to assets and liabilities that are not readily apparent from other sources. Actual results may vary from such accounting estimates and the amount of such variance could be material.

PART II

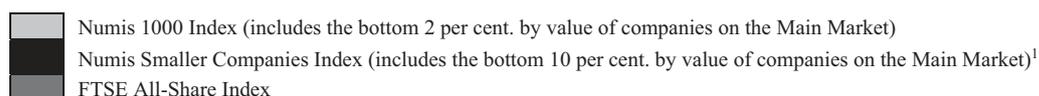
BACKGROUND AND INVESTMENT PROPOSITION

Background

The premise for investing in Micro Cap Companies is that the smaller the size of the company at the point of investment, the greater the scope, in general, for growth. The graphs below (Figures 1 and 2) demonstrate that, collectively, Micro Cap Securities have significantly outperformed their larger counterparts over the longer term (13.6x superior returns from an investment in Micro Cap Companies as represented by the constituent companies in the Numis 1000 Index compared to the FTSE All-Share Index over the period since 1955).



Figures 1 and 2



A successful Micro Cap Company may generate superior returns, not only through the firm's own performance, but also because the growth in market capitalisation consequent on its success breaks through other market participants' minimum market cap size and liquidity thresholds. This exposes the investee company to a wider pool of potential investors and therefore increased scrutiny, which could reduce the potential for significant valuation anomalies compared to the firm's intrinsic value to persist.

The scale of the return superiority illustrated above raises the question of whether such superior returns are sustainable or whether historic returns have already attracted increased investor demand for Micro Cap Companies that could in turn raise prices and result in depressed returns. In the opinion of the Portfolio Manager, there are a number of reasons why it is unlikely that Micro Cap Companies will have attracted peak investor demand or will do so in the future.

Firstly, it can be observed that there is more limited investment broking community coverage of companies in the micro cap sector, resulting in more limited analytical research being produced. As a result, there is less

¹ Constituents of the Numis Smaller Companies Index are not representative of the Company's potential investment portfolio, rather, they have been selected on the basis that they have historically represented a reasonable level of performance from smaller companies.

awareness of the opportunities for investing in Micro Cap Securities and increased potential for under-appreciated value to exist.

Secondly, it is challenging for professional and institutional investors, in aggregate, to apply the same level of scrutiny to Micro Cap Companies as to larger cap companies. The majority of fund managers are remunerated on the basis of the size of assets under management which incentivises fund managers to pursue larger scale portfolios. The smaller the market capitalisation of the selected company, the greater the percentage holding in that company that is required for a fund to achieve a given absolute position size. This concentration of ownership can result in large percentage holdings of an individual firm, which are relatively illiquid and therefore more risky than an equivalent liquid investment due to the increased difficulty of entering and exiting the investment. This represents a significant barrier for professional investor participation in the micro cap sector.

Finally, in £100 million range increments, the further down the market cap scale, the greater the number of investment opportunities. This, combined with the risks associated with investing in Micro Cap Securities means that each position requires considerable research. Equity investors may be dissuaded by excess choice, with an excess variance of outcomes compared to their preferred risk profile, and therefore choose to overlook Micro Cap Securities completely, perhaps by implementing minimum investment thresholds.

Why now?

The health of the local economy is an important factor when considering investments in firms listed on the local domestic stock exchange including micro cap investments. Typically, smaller businesses have a greater exposure to the local economy whereas larger businesses, typified by the components of the FTSE 100 Index, become more geographically diversified due to their greater scale. Recent economic data for the UK has been improving, with GDP growth accelerating compared to two years ago and observers such as the International Monetary Fund upgrading their expectations for future growth as recently as July 2014. This provides a relatively improved economic operating environment for domestic firms compared to two years ago, and commensurately improved entrepreneur confidence. However, this recent improvement comes after several difficult years, which leaves the UK economy trailing behind its long-term trend as the chart below shows (Figure 3).

UK Real GDP

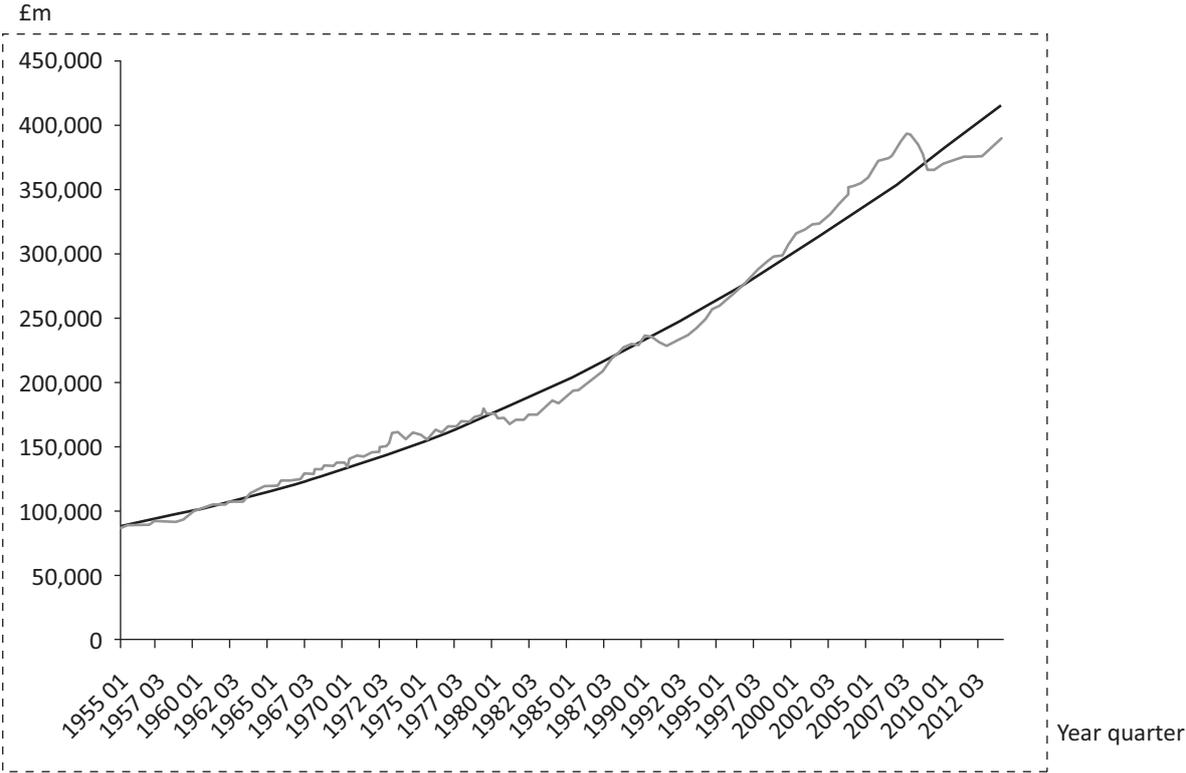


Figure 3
Source: The Office for National Statistics

In the Board’s view, as advised by the Portfolio Manager, improved entrepreneur confidence leads to greater risk appetite, which in turn increases entrepreneurs’ willingness to invest in order to accelerate growth, to take risks with new product or service ideas and to seek significant growth opportunities, such as acquisition activity and the launch of new businesses. Improved confidence following a long period of low activity allows pent-up demand to be released. Early evidence for this can be seen in the rise in IPO and M&A activity in the first half of 2014. This increased activity results in an increased variety of micro cap investment opportunities to consider.

Proposition

The Board believes that an investment company dedicated to Micro Cap Securities would be well-placed to take advantage of the opportunities outlined above. In particular, the Board believes that the Portfolio Manager has the expertise and experience necessary to exploit the inefficiencies present when investing in Micro Cap Companies and has particular strength and depth in its UK Equities team.

The Board is also of the opinion that the Company’s closed-ended structure provides a number of advantages for the management of a Micro Cap Securities portfolio, principal among these being the relative stability of the Company’s asset base when compared to open-ended funds. The Company will not be subject to the in- and out-flows of capital resulting from investor subscriptions and redemptions typically available in an open-ended fund, and the potentially detrimental effect this has on portfolio investment and realisations. As a consequence, the Portfolio Manager will have the flexibility to keep the Company’s capital fully invested when it decides that is desirable and to make investments in more illiquid portfolio companies (illiquidity being a typical characteristic of Micro Cap Companies).

PART III

PORTFOLIO MANAGER, STRATEGY AND PROCESS

The Portfolio Manager

The Company, through the Manager, has appointed River and Mercantile Asset Management LLP to manage the Portfolio, pursuant to the Portfolio Management Agreement, which is summarised at paragraph 5.2 of Part VIII of this Prospectus.

The Portfolio Manager is a UK-based investment management firm, which was established by James Barham and his team, with the backing of Sir John Beckwith and his Pacific Investments business. The Portfolio Manager specialises in managing UK and global equities for institutional clients and other professional investors.

The Portfolio Manager, which is a 100 per cent. subsidiary of River and Mercantile Group plc, was incorporated as a limited liability partnership in England under the Limited Liability Partnerships Act 2000 on 4 February 2006 with registered number OC317647. The registered office and principal place of business of the Portfolio Manager is 30 Coleman Street, London, EC2R 5AL and the telephone number is +44 (0) 20 7601 6262.

The Portfolio Manager is authorised and regulated by the FCA and, as such, is subject to its rules in the conduct of its investment business. The Portfolio Manager is also registered as an investment adviser with the SEC in the United States.

River and Mercantile Group plc

River and Mercantile Group plc, which was admitted to the premium segment of the Official List and to trading on the Main Market of the London Stock Exchange in June 2014, is an advisory and investment solutions business offering a broad range of services, from consulting and advisory to fully-delegated fiduciary and fund management. River and Mercantile Group plc serves a large client base, predominantly in the UK, which comprises institutional pension schemes, retail financial intermediaries, insurance companies, state funds and charitable institutions.

River and Mercantile Group plc was formed on by the merger of the Portfolio Manager and P-Solve Limited, an institutional adviser, in early 2014. As at 30 September 2014, the Portfolio Manager had approximately £2.4 billion of assets under management.

The management team

Management of the Portfolio will be the responsibility of the Portfolio Manager's UK equity team and, specifically, Philip Rodriqs. Further information on Philip Rodriqs is set out below.

As at 30 September 2014, the UK equity team manages approximately £1.8 billion in assets. A number of the Portfolio Manager's funds are highly rated by a broad range of UK and international investment consultants. All five of the Portfolio Manager's UK funds, which have a three year track record to 30 September 2014, have top quartile rankings in their peer group (by reference to fund performance) over the three year period.

The UK equity team was established in November 2006 with the recruitment of Hugh Sergeant from SG Asset Management and the recruitment of Daniel Hanbury from Investec Asset Management.

Hugh Sergeant graduated from the London School of Economics with a degree in economics. He joined Gartmore in 1987 as a UK Equities graduate trainee and moved to Phillips & Drew in 1990, managing UK equities throughout his twelve years there. Hugh became head of Smaller Companies in 1997, establishing a new team and launching the UBS Smaller Companies Fund.

In March 2000, Hugh was promoted to head of UK Equities at UBS Global Asset Management and chairman of the UK Equities Committee. He joined SG Asset Management in 2002, where he was head of UK Equities, manager of the growth strategy and co-manager of the Special Opportunities Fund. Hugh joined the Portfolio Manager in August 2006.

Hugh is head of the UK equity team at the Portfolio Manager, with overall responsibility for managing and developing the team. He is also manager of the UK High Alpha, UK Long Term Recovery strategy and World Recovery strategy.

Daniel Hanbury graduated from Loughborough University with a first class honours degree in mechanical engineering. He began his career at Schroder Investment Management on the UK Fund Management desk before joining the research department for two years as an analyst in the UK Research Team.

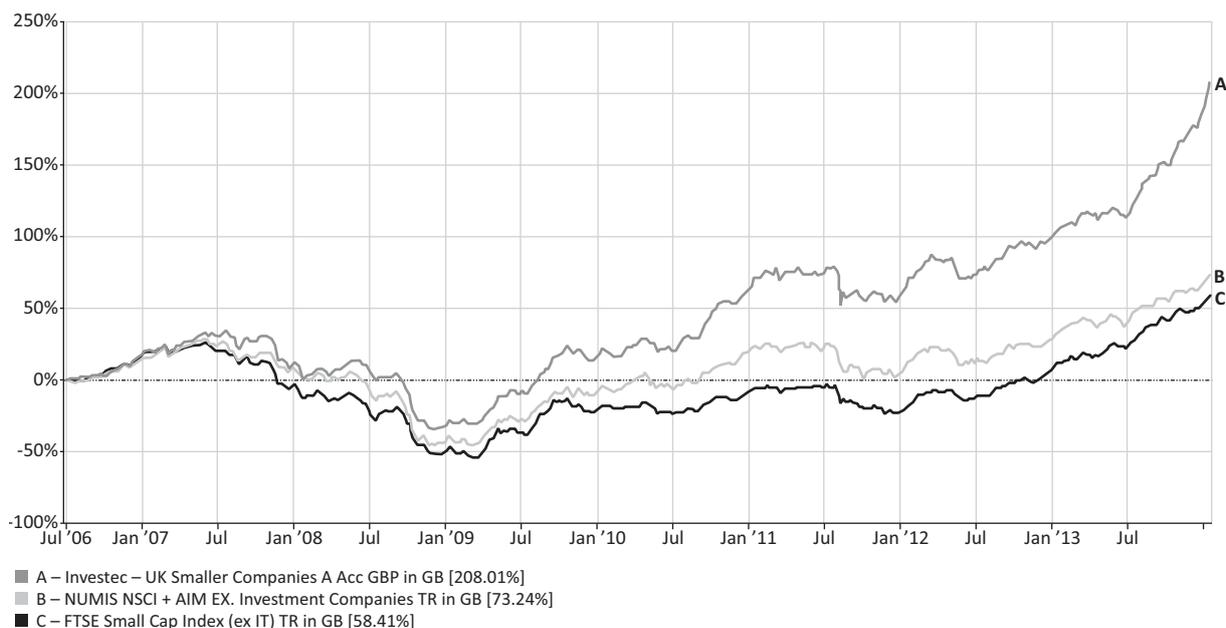
Daniel joined Investec Asset Management in 2000 and was responsible for the UK Small Companies Fund and The UK Aggressive/Unconstrained Portfolios. He was also the alternate manager on the core portfolios and had specific analyst responsibilities for industrials and resources stocks.

At the Portfolio Manager, Daniel is primarily focused on managing the UK Equities (Core) strategy and the UK Unconstrained strategy. He also has responsibility for co-ordinating quantitative analysis.

In March 2014, Philip Rodrigs joined the UK equity team at the Portfolio Manager from Investec Asset Management and assumed responsibility for the management of the “UK Equity Smaller Companies Fund” in September 2014. As at 30 September 2014, the UK Equity Smaller Companies Fund had approximately £415 million in assets under management.

Philip began his career in asset management in 2002 at Invesco Asset Management as a graduate trainee fund manager, later specialising as a Pan-European Equity Analyst in the transport sector. After leaving Invesco Asset Management in 2003, he joined T Rowe Price International Asset Management as a Generalist Pan-European Associate Analyst with primary responsibility for covering all sectors across Europe and directly supporting the head of the six-person strong “International Small & Mid Cap Investment Team”. Philip joined Investec Asset Management in 2005 as a Specialist Multi-Sector Analyst. Following the departure of Daniel Hanbury from Investec to co-found the Portfolio Manager, Philip was appointed the investment manager of the Investec UK Smaller Companies Fund. From an initial position of approximately £100 million, the fund grew to a peak of nearly £650 million at the point of Philip’s resignation from Investec. In addition, whilst at Investec, Philip was appointed manager of the Investec UK Alpha Fund (from April 2012) and co-manager of the Investec UK Blue Chip Fund (from November 2013). Philip has been consistently highly rated by Citywire throughout his career and received many awards for his performance, culminating with the award of the title of Investment Week UK Smaller Companies Fund Manager of the Year in both 2010 and 2011 for his consistent, class-leading risk adjusted returns with the Investec UK Smaller Companies Fund. In 2012, he was also awarded the cross-market Outstanding Rising Talent Award by Morningstar OBSR.

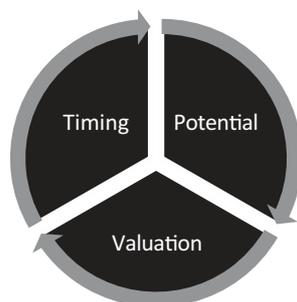
Philip Rodrigs – Investec UK Smaller Companies Fund



30/06/2006 – 16/01/2014 Data from FE 2014

Investment philosophy

The UK team's investment philosophy is called PVT: Potential (growth potential, quality potential, recovery potential or asset backed potential), Valuation and Timing. The team targets these three factors when assessing a stock's potential to generate absolute and relative returns.



Investment process

The Portfolio Manager's process comprises two key elements: (i) idea generation (the search for PVT ideas) and (ii) verification (fundamental analysis). From these two elements the final stage of the process is the construction of portfolios to meet clients' investment objectives.

- **Idea Generation:** Investment ideas are generated from either MoneyPenny, a proprietary stockscreening system or by the fund managers themselves. Once identified, the ideas are subject to fundamental research and risk analysis.
- **Verification:** Verification is the fundamental research process by which the fund managers and analysts check the validity of the initial PVT thesis on a stock. This is the focus of the fundamental research effort, combining financial analysis, business analysis and management interrogation.

PART IV

DIRECTORS, MANAGEMENT AND ADMINISTRATION

Directors

The Directors are responsible for managing the business affairs of the Company in accordance with the Articles and have overall responsibility for the Company's activities, including the review of investment activity and performance and the overall control and supervision of the Company's service providers. The Directors may delegate certain functions to other parties, such as the Portfolio Manager, the Manager, the Administrator and the Registrar. In particular, responsibility for managing the assets comprised in the Portfolio has been delegated to the Portfolio Manager who is not required to, and generally will not, submit individual investment decisions for the approval of either the Manager or the Board.

The Board comprises four Directors, all of whom are independent of the Portfolio Manager. Andrew Chapman, Ian Burns and Trudi Clark are all independent of the Manager; Mark Hodgson is Managing Director of the Manager and is therefore not regarded as independent. The address of the Directors, all of whom are non-executive, is the registered office of the Company. Details of each of the Directors are set out below.

Directors' biographies

Andrew Chapman, Independent non-executive Chairman

Andrew holds both a BA and an MPhil in Economic & Social History. He began his career in 1978 as a UK equity fund manager.

In 1984, Andrew was appointed to the in-house investment management team at the British Aerospace Pension Fund, where he had responsibility for directly investing in a number of listed markets. In 1991, Andrew took the position of Investment Manager at United Assurance plc, where he was responsible for asset allocation and leading a team of in-house fund managers managing approximately £12 billion in assets. Andrew was subsequently a director of Teather & Greenwood Investment Management Limited, before joining Hewitt Associates as a Senior Consultant. From 1994 until 2003, Andrew was also a non-executive director of the Hambros Smaller Asian Companies Investment Trust plc (which subsequently became The Asian Technology Trust plc).

In 2003, Andrew was appointed as the first in-house Pension Investment Manager for the John Lewis Partnership, with responsibility for John Lewis' overall investment strategy as well as the performance of 27 external fund managers across all asset classes. He retired from that role in 2012.

Although Andrew's main focus now is working part-time as the Chief Investment Officer for The Health Foundation, he has developed a portfolio of roles, including being a member of the investment committees of: The Pensions Trust; Homerton College, University of Cambridge; Collier Capital; and the Property Charities Fund. He is also a non-executive director of Steadfast International Limited.

Andrew served for several years on the Investment Council of the National Association of Pension Funds and was Chair of the Advisory Board for the Pension Fund Investment Forum. He is currently Chair of the BUNAC Educational Scholarship Trust.

Ian Burns, Independent non-executive Director

Ian is a fellow of both the Institute of Chartered Accountants in England and Wales and the Chartered Institute for Securities & Investment.

He is the founder and an executive director of Via Executive Limited, a specialist management consulting company, and the Managing Director of Regent Mercantile Holdings Limited, a privately owned investment company.

Ian is currently a non-executive director and audit committee chairman of two UK listed companies, Phaunos Timber Fund Limited and Twenty Four Income Fund Limited. He is also a non-executive director of Azincourt Uranium Inc and Montreux Capital Corp, both of which are listed on the Toronto Stock Exchange, Darwin Property Investment Management (Guernsey) Limited, Curlew Capital Guernsey Limited, and Premier Asset Management (Guernsey) Limited. Until recently, Ian was the Finance Director of the AIM listed company, Polo Resources Limited.

Trudi Clark, Independent non-executive Director

Trudi graduated with a first class honours degree in business studies and is a qualified Chartered Accountant.

Trudi spent 10 years working in chartered accountancy practices in the UK and Guernsey. In 1991, she joined the Bank of Bermuda to head their European internal audit function before moving into private banking in 1993.

Between 1995 and 2005, Trudi worked for Schrodgers (C.I.) Limited, an offshore private bank and investment manager. She was appointed to the position of Banking Director in 2000 and Managing Director in 2003. In 2006, Trudi left Schrodgers to establish and run a private family office.

In July 2009, Trudi established the Guernsey practice of David Rubin & Partners LLP, an internationally known insolvency and liquidation specialist.

Trudi holds several non-executive directorships in private equity funds and, in February 2014, she was also appointed to the board of F & C Commercial Property Trust Limited, which is a UK listed fund.

Mark Hodgson, Non-executive Director

Mark has over 25 years' financial services experience, with an extensive banking background having spent over 20 years with HSBC where he gained an in-depth knowledge of credit, financial markets and complex lending structures.

Prior to 2006, Mark was Regional Director for HSBC Invoice Finance (UK) Limited, where he was responsible for running the receivables finance business. In 2006, Mark moved to Jersey to head up HSBC's Commercial Centre, having full operational responsibility for credit and lending within the jurisdiction.

In 2008, Mark moved to Capita Fiduciary Group as Managing Director of Offshore Registration, a regulated role in which he had responsibility for Jersey, Guernsey and the Isle of Man. Mark also took on the regulated role of Managing Director of Capita Financial Administrators (Jersey) Limited, together with directorships of regulated and unregulated funds.

In April 2014, Mark joined Carne Global Financial Services (C.I.) Limited as Managing Director.

Manager

Carne Global AIFM Solutions (C.I.) Limited has been appointed as the Manager of the Company, pursuant to the AIFM Agreement (further details of which are set out in paragraph 5.3 of Part VIII of this Prospectus). The Manager will act as the Company's AIFM. Pursuant to the Portfolio Management Agreement (further details of which are set out in paragraph 5.2 of Part VIII of this Prospectus), the Manager has delegated portfolio management to the Portfolio Manager.

The Manager is incorporated as a private company in Jersey with registered number 116252. The registered office and principal place of business of the Manager is 8th Floor, Union House, Union Street, St Helier, Jersey, JE2 3RF. The telephone number is +44 (0) 1534 511786.

Portfolio Manager

River and Mercantile Asset Management LLP has been appointed as Portfolio Manager of the Company. Further details relating to the Portfolio Manager are set out in Part III of this Prospectus.

Administrator

BNP Paribas Securities Services S.C.A., Guernsey Branch, has been appointed as the Administrator of the Company pursuant to the Administration Agreement (further details of which are set out in paragraph 5.4 of Part VIII of this Prospectus). In such capacity, the Administrator is responsible for the day to day administration of the Company (including but not limited to the calculation and publication of the daily Net Asset Value). For the purposes of the RCIS Rules 2008, the Administrator is the designated manager of the Company.

BNP Paribas Securities Services S.C.A. was incorporated as a Société en Commandite par Actions in France with registered number 552 108 011. The registered office of BNP Paribas Securities Services S.C.A. is 3 rue d'Antin, 75002 Paris, France and the principal place of business of the Guernsey branch is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA. The telephone number of the Guernsey branch is +44 (0) 1534 813800.

Investors should note that it is not possible for the Administrator to provide any investment advice to investors.

Custodian and Principal Banker

BNP Paribas Securities Services S.C.A., Guernsey Branch, has been appointed as the Custodian of the Company, pursuant to the Custody Agreement (further details of which are set out in paragraph 5.5 of Part VIII of this Prospectus), to act as principal custodian of the Company's investments, cash and other assets and to accept responsibility for the safe custody of the property of the Company which is delivered to and accepted by the Custodian or any of its sub-custodians as and when such custody services may be required. The Custodian has agreed to hold the investments of the Company on a segregated basis from its own assets and, accordingly, the Company's assets should not be available to the creditors of the Custodian in the event of its insolvency.

BNP Paribas Securities Services S.C.A., Guernsey Branch, has also been appointed as the Principal Banker of the Company.

Auditor

PricewaterhouseCoopers CI LLP will provide audit services to the Company. The annual accounts will be prepared according to accounting standards laid out under IFRS.

Registrar

Capita Registrars (Guernsey) Limited has been appointed as Registrar of the Company pursuant to the Registrar Agreement (further details of which are set out in paragraph 5.6 of Part VIII of this Prospectus).

Fees and expenses

Initial expenses related to the Issue and the Placing Programme

The initial expenses of the Company are those which are necessary for the Issue. The Company will bear such expenses up to a maximum of 2.0 per cent. of the Gross Issue Proceeds (and expenses to be borne by the Company will not therefore exceed £2 million assuming Gross Issue Proceeds are £100 million). To the extent that such expenses exceed an amount equal to 2.0 per cent. of the Gross Issue Proceeds, the Portfolio Manager will bear the excess. To the extent that the costs are less than 2.0 per cent., the difference will be retained for the benefit of the Company.

These expenses will be paid on or around Admission and will include, without limitation, placing fees and commissions; registration, listing and admission fees; the cost of settlement and escrow arrangements; printing, advertising and distribution costs; legal and other professional fees, and any other applicable expenses. All such expenses will be charged to the Company's share capital account as at Admission and will not be amortised. They will therefore be indirectly borne by the investors.

On the assumption that the Company achieves an issue size of £100 million, the Net Issue Proceeds and the NAV of the Company immediately following Admission will be not less than £98 million (that is, 98.0 per cent. of the Gross Issue Proceeds) and 98 pence per Share, respectively.

The expenses of the Placing Programme will depend on subscriptions received but it is expected that these costs will be covered by issuing such Shares at a premium to the prevailing cum-income Net Asset Value per Share.

Ongoing annual expenses

Portfolio management fee

The Portfolio Manager will be entitled to receive out of the assets of the Company a portfolio management fee payable monthly in arrears at a rate of one-twelfth (1/12) of 0.75 per cent. of NAV. A performance fee equal to 15 per cent. of the amount by which the Company's NAV outperforms the total return on the Benchmark will be payable to the Portfolio Manager. For the avoidance of doubt, this means that if the Company has underperformed the Benchmark at the point of any exercise of the Redemption Mechanism, no performance fee would be payable and any underperformance must be made good before a performance fee can be paid to the Portfolio Manager on any future exercise of the Redemption Mechanism.

The Portfolio Management Agreement is terminable on six months' notice, such notice not to expire prior to the first anniversary of Admission.

Further details of the terms of the Portfolio Management Agreement are set out in paragraph 5.2 of Part VIII of this Prospectus.

Other fees and expenses

The Company will also incur ongoing annual fees and expenses other than the portfolio management fee which, based on the Company having a Net Asset Value of £98 million, are currently estimated to be approximately 0.49 per cent. of Net Asset Value per annum.

These expenses will include the following:

- (i) **Manager**
Under the terms of the AIFM Agreement, the Manager is entitled to an annual fee of £54,000.
- (ii) **Administrator**
Under the terms of the Administration Agreement, the Administrator is entitled to various fees, which are expected to be approximately £150,000 in aggregate per annum.
- (iii) **Custodian**
Under the terms of the Custody Agreement, the Custodian is entitled to a custody fee. It is currently expected that this fee will be approximately £40,000 in aggregate per annum.
- (iv) **Registrar**
Under the Registrar Agreement, the Registrar is entitled to receive a minimum agreed fee of £7,500 per annum in respect of basic registration.
- (v) **Directors**
The Directors will be remunerated for their services at an initial fee of £20,000 per annum (£30,000 for the Chairman and £25,000 for the chairman of the Audit Committee). Further information in relation to the remuneration of the Directors is set out in paragraph 3 of Part VIII of this Prospectus.
- (vi) **Other operational expenses**
All other ongoing operational expenses of the Company (excluding fees paid to service providers as detailed above) will be borne by the Company including, without limitation, the incidental costs of

making its investments and the implementation of its investment objective and policy; travel, accommodation and printing costs; the cost of directors' and officers' liability insurance and website maintenance; audit and legal fees; and annual Main Market fees. Out of pocket expenses of the Portfolio Manager, the Manager, the Administrator, the Registrar, the CREST agent and the Directors relating to the Company will be borne by the Company.

Taxation

Information concerning the tax status of the Company and the tax treatment of Shareholders is contained in Part VII of this Prospectus. A potential investor should seek advice from his or her own independent professional adviser as to the taxation consequences of acquiring, holding or disposing of Shares.

Conflicts of interest

Directors

In relation to transactions in which a Director is interested, the Articles provide that as long as the Director, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company, discloses to the Board: (i) if the monetary value of the Director's interest is quantifiable, the nature and monetary value of that interest, or (ii) if the monetary value of the Director's interest is not quantifiable, the nature and extent of that interest (in each case unless the transaction or proposed transaction is between the Director and the Company, and is to be entered into in the ordinary course of the Company's business and on usual terms and conditions), then such Director shall not by reason of his office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit. For further details see paragraph 4.15 of Part VIII of this Prospectus. The Directors are also required by the RCIS Rules 2008 to take all reasonable steps to ensure that there is no breach by any "relevant person", including the Directors themselves, the Portfolio Manager, the Manager, the Administrator, and the Custodian, of any of the conflict of interest requirements in the RCIS Rules 2008.

Portfolio Manager

The Portfolio Manager may be involved in other financial, investment or professional activities that may give rise to conflicts of interest with the Company. In particular, it currently provides, and expects to continue to provide, investment management, investment advice or other services in relation to a number of other companies, funds or accounts that may have similar investment objectives and/or policies to that of the Company and may receive *ad valorem* and/or performance-related fees for doing so.

As a result, the Portfolio Manager may have conflicts of interest in allocating investments among the Company and its other clients and in effecting transactions between the Company and its other clients. The Portfolio Manager may give advice or take action with respect to its other clients that differs from the advice given or actions taken with respect to the Company. The Portfolio Manager will ensure that transactions effected by it or an associate in which it or an associate has, directly or indirectly, a material interest or relationship of any description with another party, are effected on terms which are not materially less favourable to the Company than if the potential conflict had not existed.

The Directors have noted that the Portfolio Manager has other clients and have satisfied themselves that the Portfolio Manager has procedures in place to address potential conflicts of interest. The Directors and the Portfolio Manager have also agreed that the Portfolio Manager will report internal crosses (that is, transactions between the Company and the Portfolio Manager's other clients) to the Manager on a quarterly basis.

In order to address potential conflicts of interest arising out of the link between the operation of the Redemption Mechanism and the calculation and payment of performance fees, the Board will retain the final decision as to when and whether to operate the Redemption Mechanism.

All potential investors should read carefully the Risk Factors set out on pages 15 to 23 of this Prospectus and, in particular, the risks set out under the section entitled “Risks relating to the Portfolio Manager” commencing on page 18 of this Prospectus.

Takeover Code

The Takeover Code will apply to the Company as at Admission.

Corporate governance

The Board is committed to complying with the corporate governance obligations which apply to Guernsey registered companies admitted to listing on the Official List of the UK Listing Authority and to trading on the Main Market of the London Stock Exchange.

UK Corporate Governance Code

The Listing Rules require that the Company must “comply or explain” against the UK Corporate Governance Code. In addition, the Disclosure and Transparency Rules require the Company to: (i) make a corporate governance statement in its annual report and accounts based on the code to which it is subject, or with which it voluntarily complies; and (ii) describe its internal control and risk management arrangements.

The Directors recognise the value of the UK Corporate Governance Code and have taken appropriate measures to ensure that the Company complies, so far as is possible given the Company’s size and nature of business, with the UK Corporate Governance Code. The Company does not comply with the UK Corporate Governance Code to the extent that there is no chief executive position within the Company, which is not in accordance with provision A.2.1 of the UK Corporate Governance Code. However, as an investment company, all the Directors are non-executive and the Company has no employees and there is therefore no requirement for a chief executive; accordingly, provision A.2.1 of the UK Corporate Governance Code is not relevant to the Company. The Company does not have a senior independent director and therefore cannot comply with provision A.4.1 of the UK Corporate Governance Code. The Company does not have a senior independent director because all of its Directors are non-executive and the Company has a Chairman. There are no other instances of non-compliance with the UK Corporate Governance Code as at the date of this Prospectus.

AIC Code

The Board has agreed to report on a “comply or explain” basis against the AIC Code produced by the AIC. The Company will be a member of the AIC on Admission.

As noted above, the Company does not currently have a senior independent director. The Company otherwise currently complies, and will comply from Admission, with the AIC Code, and in accordance with such Code will be meeting its obligations in relation to the UK Corporate Governance Code and associated disclosure requirements of the Listing Rules.

Guernsey Code

Companies which report against the UK Corporate Governance Code or the AIC Code are deemed to meet the requirements of the GFSC’s Finance Sector Code of Corporate Governance, as amended from time to time.

Directors’ Share dealings

The Directors have adopted a code of directors’ dealings in Shares, which is based on the Model Code. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the Model Code by the Directors.

Audit Committee

The Company's Audit Committee, which comprises all the Directors except Mark Hodgson (who is not independent), will meet formally at least twice a year for the purpose, amongst other things, of considering the appointment, independence and remuneration of the auditor and to review the annual accounts, interim reports and interim management statements. Where non-audit services are to be provided by the auditor, full consideration of the financial and other implications on the independence of the auditor arising from any such engagement will be considered before proceeding. Ian Burns will act as chairman of the Audit Committee. The principal duties of the Audit Committee will be to consider the appointment of external auditors, to discuss and agree with the external auditors the nature and scope of the audit, to keep under review the scope, results and cost effectiveness of the audit and the independence and objectivity of the auditor, to review the external auditor's letter of engagement and management letter and to analyse the key procedures adopted by the Company's service providers.

Remuneration and Nomination Committee

The Company has established a Remuneration and Nomination Committee, which comprises all the Directors except Mark Hodgson (who is not independent). Trudi Clark will act as chairman of the Remuneration and Nomination Committee. The Remuneration and Nomination Committee will meet not less than once a year and will have responsibility for considering the remuneration of the Directors. It will also: (i) identify individuals qualified to become Board members and select the director nominees for election at general meetings of the Shareholders or for appointment to fill vacancies; (ii) determine director nominees for each committee of the Board; and (iii) consider the appropriate composition of the Board and its committees.

In addition, the chairmanship of the Audit Committee, Remuneration and Nominations Committee and Management Engagement Committee and each Director's performance will be reviewed annually by the Chairman and the performance of the Chairman will be assessed by the remaining Directors.

Management Engagement Committee

The Company has established a Management Engagement Committee which comprises all of the Directors except Mark Hodgson (who is not independent). Trudi Clark will act as chairman of the Management Engagement Committee. The Management Engagement Committee will meet not less than once a year. The Management Engagement Committee's main function is to review and make recommendations on any proposed amendment to the Portfolio Management Agreement and keep under review the performance of the Portfolio Manager in its role as Portfolio Manager of the Company.

AIFM Directive

The Company has appointed Carne Global AIFM Solutions (C.I.) Limited, an entity incorporated in Jersey, to act as its AIFM. Neither the Company, the Manager nor the Portfolio Manager will be required to seek authorisation under the AIFM Directive.

Portfolio management will be delegated by the Manager to the Portfolio Manager but the Board will actively and continuously supervise both the Manager and the Portfolio Manager in the performance of their respective functions.

The information required under paragraph 4(c) of Article 23 of the AIFM Directive will be disclosed to Shareholders in the Company's annual report and accounts.

PART V

THE ISSUE

The Issue

The Company has authority to allot up to 100 million Shares pursuant to the Issue to raise target Gross Issue Proceeds of up to £100 million. The target Issue size should not be taken as an indication of the number of Shares to be issued. The actual number of Shares to be issued pursuant to the Issue, and therefore the Gross Issue Proceeds, are not known as at the date of this Prospectus but will be notified by the Company via a RIS announcement prior to Admission.

The Issue will not proceed if the Net Issue Proceeds would be less than £49 million (or such lesser amount as the Company, the Portfolio Manager and Winterflood Securities may determine and notify to investors via a supplementary prospectus).

The Directors have determined that the Shares will be issued at a price of 100 pence per Share under the Issue. The Issue is not being underwritten.

Proceeds of the Issue

The Company will employ the Net Issue Proceeds in implementing its investment policy as well as to fund the Company's operational expenses. Such expenses include (i) the Management Fee; (ii) Directors' fees; and (iii) other dealing and operational costs and expenses.

The Initial Placing

The Company, the Portfolio Manager and Winterflood Securities have entered into the Placing Agreement (which includes certain representations, warranties, acknowledgements and agreements) pursuant to which Winterflood Securities has agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for the Shares, *inter alia*, under the Initial Placing at the Issue Price.

The terms and conditions which shall apply to any application for Shares procured by Winterflood Securities pursuant to the Initial Placing are set out in Part IX of this Prospectus.

A summary of the terms of the Placing Agreement is set out in paragraph 5.1 of Part VIII of this Prospectus.

The Offer

The Company is also offering the Shares for subscription to the public in the United Kingdom pursuant to the Offer.

The Terms and Conditions of Application (which include certain representations, warranties, acknowledgements and agreements) are set out in Part X of this Prospectus and an Application Form and notes on how to complete such Application Form are set out in Appendix I to this Prospectus. The Terms and Conditions of Application should be read carefully before an application is made. Application Forms must be posted or delivered by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive by no later than 1.00 p.m. on 25 November 2014. Unless extended, the Offer will be closed at that time.

Applications for Shares under the Offer must be in multiples of £1,000. Multiple applications are permitted.

First Admission

Application will be made to the UK Listing Authority and the London Stock Exchange for all of the Shares being offered pursuant to the Initial Placing and Offer to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that the results of the Initial Placing and Offer will be announced through an RIS announcement on 27 November 2014 and it is expected

that First Admission will become effective and that dealings for normal settlement in the Shares will commence at 8.00 a.m. on 2 December 2014.

The ISIN number of the Shares is GG00BRGCGK06, the SEDOL code of the Shares is BRGCGK0 and the ticker code of the Shares is RMMC. The ISIN and SEDOL may change following First Admission as a consequence of the operation of the Redemption Mechanism.

General

The Company, the Portfolio Manager, Winterflood Securities, and their respective directors, officers, members, agents, employees, advisers and others will rely upon the truth and accuracy of the representations, warranties, acknowledgements and agreements given by placees and applicants for Shares.

If any of the representations, warranties, acknowledgments or agreements made by the investor are no longer accurate or have not been complied with, the investor will immediately notify the Company.

Pursuant to anti-money laundering laws and regulations with which the Company must comply in the UK and/or Guernsey, the Company or the Portfolio Manager (and their agents) may require evidence in connection with any application for Shares, including further identification of the applicant(s), before any Shares are issued.

In the event that there are any significant changes affecting any of the matters described in this Prospectus or where any significant new matters have arisen after the publication of this Prospectus and prior to Admission, the Company will publish a supplementary prospectus. The supplementary prospectus will give details of the significant change(s) or the significant new matter(s). If, on receipt of a supplementary prospectus prior to First Admission, an applicant under the Offer wishes to exercise his statutory withdrawal right, he must do so before the end of the second working day after the date on which the supplementary prospectus was published. In the event that an applicant does withdraw, or if the Issue does not proceed, subscription monies received will be returned without interest at the risk of the applicant, either to the bank account from which the money was received or by cheque. Subscribers under the Initial Placing will not have a right of withdrawal in the event that a supplementary prospectus is established prior to First Admission.

Payment for Shares pursuant to the Offer may be made by cheque, banker's draft or building society cheque and must accompany the Application Form. The Directors reserve the right to refuse applications for any reason and to extend the closing date for receipt of applications under the Initial Placing and/or the Offer.

Scaling back and allocation

Were aggregate applications for Shares under the Initial Placing and the Offer to exceed the maximum size of the Issue (being 100 million Shares), it would be necessary to scale back applications under the Issue. Winterflood Securities reserves the right, at its sole discretion but after consultation with the Company, to scale back applications in such amounts as it considers appropriate. The Company reserves the right to decline in whole or in part any application for Shares pursuant to the Issue. Accordingly, applicants for Shares may, in certain circumstances, not be allotted the number of Shares for which they have applied.

The Company will notify investors of the number of Shares in respect of which their application has been successful and the results of the Issue will be announced by the Company on or around 27 November 2014 via an RIS announcement.

Subscription monies received in respect of unsuccessful applications (or to the extent scaled back) will be returned without interest at the risk of the applicant by cheque that will be sent to the address provided on the Application Form.

Definitive certificates in respect of Shares in certificated form will be dispatched by post in the week commencing 8 December 2014. Temporary documents of title will not be issued.

Conditionality

The Initial Placing and Offer is conditional, *inter alia*, upon the following:

- (a) First Admission occurring and becoming effective by 8.00 a.m. (London time) on or prior to 2 December 2014 (or such later time and/or date, not being later than 8.00 a.m. on 31 January 2015 as the Company and Winterflood Securities may agree);
- (b) the Placing Agreement becoming otherwise unconditional in all respects and not being terminated on or before 8.00 a.m. on 31 January 2015; and
- (c) the Minimum Net Proceeds being raised.

In the event that the Company, in consultation with the Portfolio Manager and Winterflood Securities, wishes to waive condition (c) referred to above, the Company will be required to publish a supplementary prospectus.

If the above conditions are not met on or before 31 January 2015, the Initial Placing and Offer will lapse and any subscriptions received will be returned to investors without interest.

The Placing Agreement

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

The Placing Agreement provides for Winterflood Securities to be paid commission by the Company in respect of the Shares to be allotted pursuant to the Initial Placing and Offer. Any commissions received by Winterflood Securities may be retained, and any Shares subscribed for by Winterflood Securities may be retained or dealt in by it for its own benefit. Further details of the terms of the Placing Agreement are set out in paragraph 5.1 of Part VIII of this Prospectus.

Clearing and settlement relating to the Initial Placing and Offer

In the case of the Initial Placing, payment for the Shares should be made in accordance with settlement instructions to be provided to Placees by (or on behalf of) the Company or Winterflood Securities. In the case of the Offer, payment for the Shares should be made in accordance with the Terms and Conditions of Application in Part X of this Prospectus and in the Application Form. To the extent that any application for Shares is rejected in whole or in part (whether by scaling back or otherwise), monies received will be returned without interest at the risk of the applicant.

Shares will be issued in registered form and may be held in either certificated or uncertificated form and settled through CREST from Admission. In the case of Shares to be issued in uncertificated form pursuant to the Issue, these will be transferred to successful applicants through the CREST system. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any Shareholder so wishes.

Shares issued under the Offer will be issued to successful applicants in accordance with the Terms and Conditions of Application set out in Part X of this Prospectus.

CREST is a paperless book-entry settlement system operated by Euroclear which enables securities to be evidenced otherwise than by certificates and transferred otherwise than by written instrument. The Articles permit the holding of the Shares under the CREST system. The Directors intend to apply for the Shares to be admitted to CREST with effect from Admission. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so upon request from the Registrars.

It is expected that the Company will arrange for Euroclear to be instructed on 2 December 2014 to credit the appropriate CREST accounts of the subscribers concerned or their nominees with their respective entitlements to Shares. The names of subscribers or their nominees investing through their CREST accounts will be entered directly onto the share register of the Company.

The transfer of Shares out of the CREST system following the Issue should be arranged directly through CREST. However, an investor's beneficial holding held through the CREST system may be exchanged, in whole or in part, only upon the specific request of the registered holder to CREST for share certificates or an uncertificated holding in definitive registered form. If a Shareholder or transferee requests Shares to be issued in certificated form and is holding such Shares outside CREST, a share certificate will be despatched either to him or his nominated agent (at his risk) within 21 days of completion of the registration process or transfer, as the case may be, of the Shares. Shareholders (other than U.S. Persons) holding definitive certificates may elect at a later date to hold such Shares through CREST or in uncertificated form provided they surrender their definitive certificates.

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

Overseas persons

No action has been taken to permit the distribution of this Prospectus in any jurisdiction outside the United Kingdom where such action is required to be taken. This Prospectus may not therefore be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. Accordingly, no person receiving a copy of this Prospectus in any territory other than the United Kingdom, may treat the same as constituting an offer or invitation to him to acquire, subscribe for or purchase Shares nor should he in any event acquire, subscribe for or purchase Shares unless such an invitation, acquisition, subscription or purchase complies with any registration or other legal requirements in the relevant territory. Any person outside the United Kingdom wishing to acquire, subscribe for or purchase Shares should satisfy himself that, in doing so, he complies with the laws of any relevant territory, and that he obtains any requisite governmental or other consents and observes any other applicable formalities.

Persons (including, without limitation, nominees and trustees) receiving this document may not distribute or send it in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. In particular, investors should note that the Company has not, and will not be, registered under the U.S. Investment Company Act and the offer, issue and sale of the Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States or in any Restricted Jurisdiction. The Shares are only being offered and only sold outside the United States in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S thereunder. The Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any person within the United States. Investors should additionally consider the provisions set out under the heading "Important Information" at the beginning of this Prospectus.

The Company reserves the right to treat as invalid any agreement to subscribe for Shares under the Initial Placing and Offer if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

PART VI

THE PLACING PROGRAMME

The Placing Programme

The Company has authority to allot up to 100 million Shares pursuant to the Issue and a further 50 million Shares pursuant to the Placing Programme. Issues under the Placing Programme will not be made to the extent that they would increase the Net Asset Value to over £100 million immediately following completion of the relevant allotment. The maximum number of Shares available under the Placing Programme is intended to be flexible and should not be taken as an indication of the number of Shares finally to be issued. The Placing Programme is intended to satisfy market demand for the Shares and to raise further money for investment in accordance with the Company's investment policy.

The Placing Programme is flexible and may have a number of closing dates in order to provide the Company with the ability to issue Shares over a period of time. Further issues of Shares will only be made if the Directors determine such issues to be in the best interests of Shareholders and the Company as a whole. Relevant factors in making such determination include the Company's performance and Net Asset Value, the premium at which the Shares trade and perceived investor demand. Shares will only be issued at prices which, taking account of issue expenses, are not less than the last reported Net Asset Value per Share.

The Placing Programme will open on 2 December 2014 and will close on 3 November 2015 (or any earlier date on which it is fully subscribed, or otherwise at the discretion of the Directors). The terms and conditions which shall apply to any application for Shares procured by Winterflood Securities pursuant to the Placing Programme are set out in Part IX of this Prospectus.

Shares will, subject to the Company's decision to proceed with an allotment at any given time, be made available at the Placing Programme Price to investors. No Shares will be issued at a discount to the Net Asset Value per Share at the time of the relevant allotment. The Company will not issue any Shares at a discount of 10 per cent. or more to the middle market price of the Shares at the relevant time without Shareholder approval.

The allotment of Shares under the Placing Programme is at the discretion of the Directors. Allotments may take place at any time prior to the final closing date of 3 November 2015 (or any earlier date on which it is fully subscribed). An announcement of each allotment will be released through an RIS, including details of the number of Shares allotted and the Placing Programme Price for the allotment.

There are no provisions of Guernsey law which confer rights of pre-emption in respect of the allotment of Shares. The Articles do, however, contain pre-emption rights in relation to allotments of Shares for cash, although such pre-emption rights have been disapplied in relation to up to 50 million Shares following Admission for a period concluding immediately prior to the annual general meeting of the Company to be held in 2016 so as to assist the Company in managing market demand for Shares by the issue of further Shares. The Directors intend to request at the annual general meeting of the Company to be held in 2016 the authority to allot Shares on a non-pre-emptive basis and for such authority to be renewed at each subsequent annual general meeting of the Company.

So far as the Directors are aware as at the date of this document, no members of the Company's management, supervisory or administrative bodies intend to make a commitment for Shares under the Placing Programme. In the event that a related party (as defined in the Listing Rules) wished to take a commitment for Shares under the Placing Programme, the Company would comply with its obligations under Chapter 11 of the Listing Rules including, if required, seeking Shareholder approval for the allotment and issue of Shares to that related party.

There is no minimum subscription. The Placing Programme is not being underwritten and, as at the date of this document, the actual number of Shares to be issued under the Placing Programme is not known.

The conditions

Each allotment and issue of Shares pursuant to the Placing Programme is conditional on, amongst other things:

- (a) the Placing Agreement not having been terminated in accordance with its terms; and
- (b) the Admission of those Shares.

In circumstances in which these conditions are not fully met, the relevant issue of Shares pursuant to the Placing Programme will not take place.

Voting dilution

If 10 million Shares are issued pursuant to the Placing Programme, assuming the Initial Placing and Offer has been subscribed as to 90 million Shares, there would be a dilution of approximately 11 per cent. in Shareholders' voting control of the Company immediately after the Initial Placing and Offer.

The Placing Programme Price

Subject to the requirements of the Listing Rules, the minimum price at which the Shares will be issued pursuant to the Placing Programme, which will be in Sterling, will be calculated by reference to the estimated prevailing Net Asset Value of the existing Shares cum-income together with a premium sufficient to cover the costs and expenses of issuing such Shares (including, without limitation, any placing commissions). Fractions of Shares will not be issued.

Where Shares are issued, the total assets of the Company will increase by that number of Shares multiplied by the relevant Placing Programme Price less brokers' commission and any other incidental expenses. It is not expected that there will be any material impact on the earnings and Net Asset Value per Share, as the net proceeds of the Placing Programme, after providing for the Company's operational expenses, will be invested in accordance with the Company's investment policy.

Costs of the Placing Programme

The costs of the Placing Programme, including the commissions payable to Winterflood Securities on the Shares issued pursuant to the Placing Programme, are expected to be recouped through the cumulative premium at which the relevant Shares are issued pursuant to the Placing Programme. Assuming that 50 million Shares are issued under the Placing Programme and an average Placing Programme Price of £1.00 per Share, the gross proceeds of the Placing Programme would be £50 million, the costs of the Placing Programme are estimated to be not more than 2.0 per cent. of the gross proceeds and the net proceeds of the Placing Programme would therefore be not less than £49 million.

Use of Proceeds

The total net proceeds of the Placing Programme will depend on the number of Shares issued pursuant to the Placing Programme and the relevant Placing Programme Prices. The Directors intend to use the net proceeds of each placing under the Placing Programme, after costs, to acquire investments in accordance with the Company's investment policy as well as to fund the Company's operational expenses.

Placing Agreement

The Company, the Directors, the Portfolio Manager and Winterflood Securities have entered into the Placing Agreement pursuant to which Winterflood Securities has agreed, subject to certain conditions and as agent for the Company, to use reasonable endeavours to procure places in the Placing Programme in return for the payment by the Company of placing commissions to Winterflood Securities. Further details of the Placing Agreement are set out in paragraph 5.1 of Part VIII of this Prospectus.

Subsequent Admission

Application will be made to the UK Listing Authority and the London Stock Exchange for all of the Shares being offered pursuant to the Placing Programme to be admitted to the premium segment of the Official List and to trading on the London Stock Exchange's Main Market. It is expected that Admission will become effective and that dealings for normal settlement in the Shares will commence on a number of dates during the period from 2 December 2014 to 3 November 2015. All Shares issued pursuant to the Placing Programme will be allotted conditionally on such Admission occurring. This document has been published in order to obtain Admission to the premium segment of the Official List of any Shares issued pursuant to the Placing Programme.

The Shares issued pursuant to the Placing Programme will rank *pari passu* with the Shares then in issue. The Shares will be issued in registered form. It is anticipated that dealings in the Shares will commence approximately three Business Days after their allotment. Dealing in advance of the crediting of the relevant stock account shall be at the risk of the person concerned. Whilst it is expected that all Shares allotted pursuant to the Placing Programme will be issued in uncertificated form, if any Shares are issued in certificated form it is expected that share certificates will be despatched within ten Business Days of the relevant allotment date.

Settlement

Payment for Shares issued under the Placing Programme will be made through CREST or through Winterflood Securities, in any such case in accordance with settlement instructions to be notified to Placees by Winterflood Securities. In the case of those subscribers not using CREST, monies received by Winterflood Securities will be held in a segregated client account pending settlement.

To the extent that any placing commitment is rejected in whole or in part, any monies received will be returned without interest at the risk of the Placee.

CREST

CREST is a paperless settlement procedure operated by Euroclear enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument.

Upon Admission, the Articles will permit the holding of Shares under the CREST system. The Company will apply for the Shares to be admitted to CREST with effect from Admission in respect of Shares issued under the Placing Programme and it is expected that the Shares will be admitted with effect from that time. Accordingly, settlement for transactions in Shares following Admission may take place within the CREST system if any Shareholder so wishes.

It is expected that the Company will arrange for Euroclear to be instructed to credit the appropriate CREST accounts of the subscribers concerned or their nominees with their respective entitlements to Shares. The names of subscribers or their nominees investing through their CREST accounts will be entered directly on to the share register of the Company.

Non-United Kingdom investors

The attention of potential investors in any territory other than the UK is drawn to the paragraphs below.

The offer of Shares under the Placing Programme to potential investors in any territory other than the UK may be affected by the laws of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any applicable legal requirements to enable them to obtain Shares pursuant to the Placing Programme. It is the responsibility of all persons in any territory other than the UK receiving this document and/or wishing to subscribe for Shares under the Placing Programme to satisfy themselves as to full observance of the laws of the relevant territory in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

No action has been taken to permit the distribution of this Prospectus in any jurisdiction outside the United Kingdom where such is required to be taken. This Prospectus may not therefore be used for the purpose of, and does not constitute, an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him/her, unless in the relevant territory such an offer can lawfully be made to him/her without compliance with any further registration or other legal requirements.

Persons (including, without limitation, nominees and trustees) receiving this document may not distribute or send it in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations. In particular, investors should note that the Company has not, and will not be, registered under the U.S. Investment Company Act and the offer, issue and sale of the Shares have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States or in any Restricted Jurisdiction. The Shares are only being offered and only sold outside the United States in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S thereunder. The Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any person within the United States. Investors should additionally consider the provisions set out under the heading “Important Information” at the beginning of this document.

The Company reserves the right to treat as invalid any agreement to subscribe for Shares under the Placing Programme if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

PART VII

TAXATION

General

The information below, which relates only to Guernsey and the UK, summarises the advice received by the Board and is applicable to the Company and (except in so far as express reference is made to the treatment of other persons) to persons who are resident or ordinarily resident in Guernsey or the United Kingdom for taxation purposes and who hold Shares as an investment. It is based on current Guernsey and UK tax law and published practice, respectively, which law or practice is, in principle, subject to any subsequent changes therein (potentially with retrospective effect). Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Shares in connection with their employment may be taxed differently and are not considered. The tax consequences for each Shareholder of investing in the Company may depend upon the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject.

If you are in any doubt about your tax position, you should consult your professional adviser.

United Kingdom

The Company

The Directors intend to conduct the affairs of the Company in such a way that it should not be resident in the United Kingdom for UK tax purposes. Accordingly, and provided that the Company does not carry on a trade in the United Kingdom (whether or not through a branch, agency or permanent establishment situated therein), the Company will not be subject to UK income tax or corporation tax other than on any UK source income.

Shareholders

UK Offshore Fund Rules

The Directors have been advised that, under current law, the Company should not be an "offshore fund" for the purposes of UK taxation and that the legislation, contained in Part 8 of the Taxation (International and Other Provisions) Act 2010 ("TIOPA"), should not apply.

Accordingly, Shareholders (other than those holding Shares as dealing stock, who are subject to separate rules) who are resident in the United Kingdom, or who carry on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected, may, depending on their circumstances and subject as mentioned below, be liable to UK tax on chargeable gains realised on the disposal of their Shares (which will include a redemption and on final liquidation of the Company).

Tax on Chargeable Gains

A disposal of Shares (which will include a redemption) by a Shareholder who is resident in the United Kingdom for tax purposes or who is not so resident but carries on business in the United Kingdom through a branch, agency or permanent establishment with which their investment in the Company is connected may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains or capital gains, depending on the Shareholder's circumstances and subject to any available exemption or relief. For such individual Shareholders capital gains tax at the rate of tax of 18 per cent. (for basic rate taxpayers) or 28 per cent. (for higher or additional rate taxpayers) will be payable on any gain and for such Shareholders that are bodies corporate any gain will be within the charge to corporation tax. Individuals may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which currently exempts the first £11,000 of gains from tax) depending on their circumstances. Shareholders which are bodies corporate resident in the United Kingdom for tax purposes will benefit from indexation allowance which, in

general terms, increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index.

Dividends

Individual Shareholders resident in the United Kingdom for tax purposes will be liable to UK income tax in respect of dividends or other income distributions of the Company. An individual Shareholder resident in the UK for tax purposes and in receipt of a dividend from the Company will, provided they own less than 10 per cent. of the Shares, be entitled to claim a non-repayable dividend tax credit equal to one-ninth of the dividend received.

The effect of the dividend tax credit would be to extinguish any further tax liability for eligible basic rate taxpayers (who currently pay tax at the dividend ordinary rate of 10 per cent.). The effect for current eligible higher rate taxpayers (who pay tax at the current dividend upper rate of 32.5 per cent.) would be to reduce their effective tax rate to 25 per cent. of the cash dividend received.

An additional rate of income tax applies for United Kingdom resident individuals with income in excess of £150,000. Such individuals will pay 37.5 per cent. tax on dividends received (reduced to 30.6 per cent. for eligible taxpayers as a result of applying the tax credit).

UK Shareholders within the charge to UK corporation tax may be liable for UK corporation tax (the main rate of UK corporation tax is currently 21 per cent., reducing to 20 per cent. by 2015) on the receipt of the dividend. There is, however, an exemption from corporation tax on foreign dividends received by UK resident companies, which may exempt such UK Shareholders from UK taxation on dividends paid by the Company, depending on their circumstances and subject to certain conditions being satisfied.

Stamp duty and SDRT

No UK stamp duty or SDRT will arise on the issue of Shares. No UK stamp duty will be payable on a transfer of Shares, provided that all instruments effecting or evidencing the transfer (or all matters or things done in relation to the transfer) are not executed in the United Kingdom and no matters or actions relating to the transfer are performed in the United Kingdom.

Provided that the Shares are not registered in any register kept in the United Kingdom by or on behalf of the Company and that the Shares are not paired with shares issued by a Company incorporated in the United Kingdom, any agreement to transfer the Shares will not be subject to UK SDRT.

NISAs and SSAS/SIPPs

With effect from 1 July 2014, all existing ISAs and all new accounts opened on or after 1 July 2014 became known as NISAs. The Government changed the name to reflect the significantly increased limits and flexibility available to account holders.

Investors resident in the United Kingdom who are considering acquiring Shares are recommended to consult their own tax and/or investment adviser in relation to the eligibility of the Shares for ISAs and SSAS/SIPPs.

Shares acquired pursuant to the Offer (but not the Initial Placing) should be eligible for inclusion in a stocks and shares NISA. On Admission, Shares acquired in the market should be eligible for inclusion in a stocks and shares NISA, subject to applicable subscription limits.

The annual NISA investment allowance is £15,000 for the tax year 2014 to 2015, all of which can be invested in a stocks and shares NISA.

The Shares should be eligible for inclusion in a SSAS or SIPP, subject to the discretion of the trustees of the SSAS or SIPP, as the case may be.

Other UK Tax Considerations

Controlled Foreign Companies (CFCs)

UK resident companies having an interest in the Company, such that 25 per cent. or more of the Company's profits for an accounting period could be apportioned to them, may be liable to UK corporation tax in respect

of their share of the Company's undistributed profits in accordance with the provisions of Part 9A of TIOPA relating to CFCs. These provisions only apply if the Company is controlled by United Kingdom residents. "Control" for this purpose is established by reference to control of a company's affairs, economic control over a company's income and assets and, in certain cases, where a company is regarded as a parent of a CFC for accounting purposes.

Transfer of Assets Abroad

Individuals resident in the United Kingdom should note that Chapter 2 of Part 13 of the Income Tax Act 2007, which contains provisions for preventing avoidance of income tax by transactions resulting in the transfer of income to persons (including companies) abroad, may render them liable to taxation in respect of any undistributed income and profits of the Company.

Close Company Provisions

The attention of Shareholders resident in the United Kingdom is drawn to the provisions of section 13 of the Taxation of Chargeable Gains Act 1992 under which, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 25 per cent. of the Shares.

Transactions in Securities

The attention of Shareholders is drawn to anti-avoidance legislation in Chapter 1, Part 13 of the Income Tax Act 2007 and Part 15 of the Corporation Tax Act 2010 that could apply if Shareholders are seeking to obtain tax advantages in prescribed conditions.

Guernsey

The Company

The Company has applied for and been granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as amended ("**Exempt Bodies Ordinance**") by the Director of Income Tax in Guernsey for the current year. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee, which is currently fixed at £600 per applicant, provided the applicant qualifies under the applicable legislation for exemption. It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify for exempt company status for the purposes of Guernsey taxation.

As an exempt company, the Company is and will be treated as if it were not resident in Guernsey for the purposes of liability to Guernsey income tax. Under current law and practice in Guernsey, the Company will only be liable to tax in Guernsey in respect of income arising or accruing in Guernsey, other than from a relevant bank deposit.

Taxation of Shareholders

Provided the Company maintains its exempt status, Shareholders who are resident for tax purposes in Guernsey (which includes Alderney and Herm for these purposes) will suffer no deduction of tax by the Company from any dividends payable by the Company but the Administrator will provide details of distributions made to Guernsey resident Shareholders to the Director of Income Tax in Guernsey, including the names and addresses of the Guernsey resident Shareholders, the gross amount of any distribution paid and the date of the payment. The Director of Income Tax can require the Company to provide the name and address of every Guernsey resident who, on a specified date, has a beneficial interest in Shares, with details of the interest. Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of distributions paid in relation to any Shares owned by them or on the disposal of their holding of shares in the Company.

Capital Taxes and Stamp Duty

Guernsey currently does not levy taxes upon capital inheritances, capital gains (with the exception of a dwellings profit tax, which is currently suspended) gifts, sales or turnover, nor are there any estate duties, save for registration fees and *ad valorem* duty for a Guernsey Grant of Representation where the deceased

dies leaving assets in Guernsey (which required presentation of such a grant). No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of shares in the Company.

EU Savings Tax Directive

Guernsey has introduced measures that are the same as the EC Directive 2003/48) (the “**EU Savings Tax Directive**”). The Company will not, under the existing regime, be regarded as an undertaking for collective investment established in Guernsey that is equivalent to an undertaking for collective investment in transferable securities authorised in accordance with the UCITS Directive for the purposes of the application in Guernsey of the bilateral agreements on the taxation of savings income entered into by Guernsey with EU Member States. Consequently, in accordance with current States of Guernsey guidance on the application of the bilateral agreements, where the Company’s paying agent (as defined for these purposes) is located in Guernsey, the paying agent would not be required to exchange information regarding, distributions made by the Company and/or the proceeds of the sale, refund, or redemption of shares in the Company. Amendments to the EU Savings Tax Directive could potentially lead to Guernsey introducing equivalent amending measures. This could lead to changes that may affect the Company.

FATCA: US-Guernsey Intergovernmental agreement

On 13 December 2013 the Chief Minister of Guernsey signed an intergovernmental agreement with the U.S. (the “**U.S.-Guernsey IGA**”) regarding the implementation of FATCA, under which certain disclosure requirements will be imposed in respect of certain investors in the Company who are, or being entities are controlled by one or more, residents or citizens of the US. The U.S.-Guernsey IGA will be implemented through Guernsey’s domestic legislation, in accordance with guidance which is currently published in draft form. Accordingly, the full impact of the U.S.-Guernsey IGA on the Company and the Company’s reporting responsibilities pursuant to the U.S.-Guernsey IGA as implemented in Guernsey is currently uncertain.

UK-Guernsey Intergovernmental Agreement

On 22 October 2013, the Chief Minister of Guernsey signed an intergovernmental agreement with the UK (“**UK-Guernsey IGA**”) under which certain disclosure requirements will be imposed in respect of certain investors in the Company who are residents of the UK or in the case of entities, are controlled by one or more residents of the UK. The UK-Guernsey IGA is implemented through Guernsey’s domestic legislation, in accordance with guidance which is currently published in draft form. Accordingly, the full impact of the UK-Guernsey IGA on the Company and its reporting responsibilities pursuant to the UK-Guernsey IGA is currently uncertain.

Other Guernsey Tax Considerations

Multilateral Competent Authority Agreement For Automatic Exchange Of Taxpayer Information

On 13 February 2014, the Organization for Economic Co-operation and Development released a Common Reporting Standard (“**CRS**”) designed to create a global standard for the automatic exchange of financial account information, similar to the information to be reported under FATCA. On 29 October 2014, fifty-one jurisdictions signed a multilateral competent authority agreement (the “**Multilateral Agreement**”) that activates this automatic exchange of FATCA-like information in line with the CRS. Pursuant to the Multilateral Agreement, certain disclosure requirements will be imposed in respect of certain investors in the Company who are, or are entities that are controlled by one or more, residents of any of the signatory jurisdictions. Both Guernsey and the UK have signed up to the Multilateral Agreement, but the US has not signed the Multilateral Agreement. Early adopters who signed the Multilateral Agreement (including Guernsey) have pledged to work towards the first information exchanges taking place by September 2017. Others are expected to follow with information exchange starting in 2018. Guidance regarding the implementation of the CRS and the Multilateral Agreement in Guernsey is yet to be published in finalised form. Accordingly, the full impact of the CRS and the Multilateral Agreement on the Company and the Company’s reporting responsibilities pursuant to the Multilateral Agreement as it will be implemented in Guernsey is currently uncertain.

PART VIII

ADDITIONAL INFORMATION

1. Incorporation and administration

- 1.1 River and Mercantile UK Micro Cap Investment Company Limited was incorporated as a non-cellular company with liability limited by shares in Guernsey under the Companies Law on 2 October 2014 with registered number 59106. The Company has been registered by the GFSC as a registered closed-ended investment collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended, and the RCIS Rules 2008. The registered office and principal place of business of the Company is BNP Paribas House, St Julian's Avenue, St Peter Port, Guernsey, GY1 1WA and the telephone number is +44 (0) 1534 813800. The statutory records of the Company will be kept at this address. The Company operates under the Companies Law and ordinances and regulations made thereunder. The Company is not regulated by the FCA or any other non-Guernsey regulator.
- 1.2 The Company has no fixed life but, pursuant to the Articles, the Directors shall at the annual general meeting of the Company to be held in 2019 propose a Continuation Resolution. If the Continuation Resolution is passed at such annual general meeting then the Directors shall be required to propose a further Continuation Resolution at every fifth annual general meeting thereafter. If the Continuation Resolution is not passed, then the Directors shall, within six months of such Continuation Resolution not being passed, put proposals to Shareholders for the reconstruction, reorganisation or winding-up of the Company.
- 1.3 The Directors confirm that the Company has not traded or commenced operations and that, as at the date of this Prospectus, no accounts of the Company have been made up since its incorporation on 2 October 2014.
- 1.4 PricewaterhouseCoopers CI LLP has been the only auditor of the Company since its incorporation. The Auditor is a member of the Institute of Chartered Accountants of England & Wales.
- 1.5 Save for its entry into the material contracts summarised in paragraph 5 of this Part VIII of the Prospectus and certain non-material contracts, since its incorporation the Company has not carried on business, incurred borrowings, issued any debt securities, incurred any contingent liabilities or made any guarantees, nor granted any charges or mortgages.
- 1.6 The Company does not own any premises and does not lease any premises. The Company has no employees.
- 1.7 As at the date of this Prospectus, there have been no changes to the issued share capital of the Company since incorporation.
- 1.8 As at the date of this Prospectus, there has been no significant change in the financial or trading position of the Company since its incorporation.

2. Share capital

- 2.1 The share capital of the Company consists of an unlimited number of redeemable ordinary shares of no par value which upon issue the Directors may classify as Shares or shares of such other classes denominated in such currencies as the Directors may determine.

Notwithstanding this, a maximum number of 150 million Shares will be issued pursuant to the Issue and the Placing Programme. All holders of the same class of Shares shall have the same voting rights in respect of the share capital of the Company.

- 2.2 As at the date of incorporation and as at the date of this Prospectus, the Company's issued share capital comprises one Share issued at a price of 100 pence. If Admission had taken place on the date of incorporation (and assuming that 100 million Shares had been issued pursuant to the Issue), the Issue would have increased the net assets of the Company by at least £98 million².
- 2.3 As at the date of this Prospectus, the entire issued share capital of the Company, comprising one Share, is held by the subscriber to the Memorandum of the Company, CO 1 Limited.
- 2.4 The Directors have absolute authority to allot the Shares under the Articles and are expected to resolve to allot Shares shortly prior to Admission in respect of the Shares to be issued pursuant to the Issue. The Directors have been granted general authority to purchase in the market up to 14.99 per cent. of the Shares in issue immediately following Admission. The Directors intend to seek annual renewal of this authority from the Shareholders at the Company's annual general meetings. In addition, the Articles contain pre-emption rights in relation to allotments of Shares for cash, although such pre-emption rights have been disapplied in relation to up to 50 million Shares following Admission for a period concluding immediately prior to the annual general meeting of the Company to be held in 2016 so as to assist the Company in managing market demand for Shares by the issue of further Shares. The Directors intend to request at the annual general meeting of the Company to be held in 2016 the authority to allot Shares on a non-pre-emptive basis and for such authority to be renewed at each subsequent annual general meeting of the Company.
- 2.5 In the event that the Board decides to repurchase Shares, purchases will only be made in accordance with: (a) the Listing Rules, which currently provide that the maximum price to be paid per Share must not be more than the higher of (i) 5 per cent. above the average of the mid-market values of the relevant Shares for the five Business Days before the purchase is made, or (ii) the higher of the last independent trade or the highest current independent bid for the relevant Shares; and (b) the Companies Law, which provides among other things that any such purchase is subject to the Company passing the solvency test contained in the Companies Law at the relevant time.
- 2.6 The Shares will be issued and created in accordance with the Articles and the Companies Law.
- 2.7 The Shares are in registered form and, from Admission, will be capable of being held in uncertificated form and title to such Shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where the Shares are held in certificated form, share certificates will be sent to the registered members or their nominated agent (at their own risk) within 10 days of the completion of the registration process or transfer, as the case may be, of the Shares. Where Shares are held in CREST, the relevant CREST stock account of the registered members will be credited. The Registrar, whose registered address is set out on page 32 of this Prospectus, maintains a register of Shareholders holding their Shares in CREST.
- 2.8 No share or loan capital of the Company is under option or has been agreed conditionally or unconditionally, to be put under option.
- 3. Directors' and other interests**
- 3.1 As at the date of this Prospectus, none of the Directors or any person connected with any of the Directors has a shareholding or any other interest in the share capital of the Company. The Directors and their connected persons may, however, subscribe for Shares pursuant to the Initial Placing and/or Offer.
- 3.2 As at the date hereof, insofar as is known to the Company, no person is or will, immediately following the Issue and/or the Placing Programme, be directly or indirectly interested in 5 per cent. or more of the Company's issued share capital. If, at any time, any person is directly or indirectly interested in 5 per cent. or more of the Company's issued share capital, such person shall have the same voting rights as all other Shareholders.

2 Assuming Issue expenses of £2 million.

- 3.3 There are no outstanding loans from the Company to any of the Directors or any outstanding guarantees provided by the Company in respect of any obligation of any of the Directors.
- 3.4 The aggregate remuneration and benefits in kind of the Directors in respect of the Company's accounting period ending on 30 September 2015 which will be payable out of the assets of the Company are not expected to exceed £95,000. Each of the Directors will be entitled to receive £20,000 per annum, other than the Chairman who will be entitled to receive £30,000 per annum and the chairman of the Audit Committee who will be entitled to receive £25,000 per annum. No amount has been set aside or accrued by the Company to provide pension, retirement or other similar benefits.
- 3.5 Prior to Admission, the Company will not pay any amount of remuneration (including any contingent or deferred compensation) or grant any benefits in kind to any persons for any services provided to the Company.
- 3.6 No Director has a service contract with the Company, nor are any such contracts proposed. The Directors were appointed by the subscriber to the Memorandum on the incorporation of the Company.
- 3.7 Andrew Chapman was appointed as a non-executive Director and Chairman of the Company pursuant to a letter of appointment dated 21 October 2014. His appointment is terminable on one month's notice. The fee payable for his services as a non-executive Director and Chairman is £30,000 per annum and is subject to annual review by the Nomination and Remuneration Committee.
- 3.8 Ian Burns was appointed as a non-executive Director and Chairman of the Audit Committee of the Company pursuant to a letter of appointment dated 21 October 2014. His appointment is terminable on one month's notice. The fee payable for his services as a non-executive Director and Chairman is £25,000 per annum and is subject to annual review by the Nomination and Remuneration Committee.
- 3.9 Each of Trudi Clark and Mark Hodgson were appointed as non-executive Directors of the Company pursuant to letters of appointment dated 21 October 2014. Their appointments are terminable on one month's notice. The fees payable for their services as a non-executive Directors are £20,000 per annum (each) and is subject to annual review by the Nomination and Remuneration Committee.
- 3.10 The Directors' appointments are subject to the Articles and can be terminated in accordance with the Articles and without compensation. There is no notice period specified in the Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from board meetings a consecutive period of 12 months; (iii) written request of the other Directors; and (iv) a resolution of the Shareholders, as summarised in more detail in paragraph 4.12.9 of this Part VIII of the Prospectus.
- 3.11 No loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 3.12 None of the Directors (except Mark Hodgson) has, or has had, an interest in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which has been effected by the Company since its incorporation. Mark Hodgson is the Managing Director of Carne Global Financial Services (C.I.) Limited therefore he:
- 3.12.1 was interested in the appointment of Carne Global Financial Services (C.I.) Limited as the Company's AIFM; and
- 3.12.2 will be interested in all transactions between the Company and the Manager going forward.
- 3.13 Pursuant to an instrument of indemnity entered into between the Company and each Director, the Company has undertaken, subject to certain limitations, to indemnify each Director out of the assets and profits of the Company against all costs, charges, losses, damages, expenses and liabilities

arising out of any claims made against each of them in connection with the performance of their duties as a Director of the Company.

3.14 In addition to their directorships of the Company, the Directors hold or have held the directorships, and are or were members of the partnerships, listed in the table below within the past five years.

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Andrew Chapman	ABC Advisors Limited (UK) Steadfast International Limited (Cayman Islands) The Health Foundation (UK)	Royal London Unit Trust Managers Limited Teather & Greenwood Investment Managers (liquidated) The Asian Technology Trust plc (dissolved) United Friendly Asset Management Limited (dissolved) QCE Corporation
Ian Burns	Azincourt Uranium Inc (Canada) Curlew Capital Guernsey Limited (Guernsey) Curlew Property Finance Company Limited (Guernsey) Curlew Property GP1 Limited (Guernsey) Curlew Property GP2 Limited (Guernsey) Curlew Second Property GP1 Limited (Guernsey) Curlew Second Property GP2 Limited (Guernsey) Danakil Holdings Limited (British Virgin Islands) Danakil Potash Corp (British Virgin Islands) Darwin (West Country) Limited (Guernsey) Darwin Finance Limited (Guernsey) Darwin Property Investment Management Limited (Guernsey) E-Can Petroleum Limited (British Virgin Islands) Ecentrix International Limited (British Virgin Islands) G and B Central African Resources Limited (British Virgin Islands) HevMet Resources Limited (British Virgin Islands) Milroy Capital Limited (Guernsey) Minex Consultants Limited (British Virgin Islands) Montreux Capital Corp (Canada) N2 Petroleum (British Virgin Islands) NewGen Asset Management Limited (Cayman Islands)	Via Administration (UK) Limited (active) (UK) Nimini Mining (UK) Limited (UK) Mandalore Development Limited (British Virgin Islands) Polo Direction Limited (British Virgin Islands) Polo Resources Limited (British Virgin Islands) Nimini Holdings Limited (British Virgin Islands) Actium Oil Corporation (British Virgin Islands) Laurite Limited (Malta) Loshed Resources Limited (British Virgin Islands) Global Tin Corporation (British Virgin Islands) Gtin Brazil Holdings Limited (British Virgin Islands) GTin Edem Holdings Limited (British Virgin Islands) GTin San Lourenco Holdings Limited (British Virgin Islands) Seven Dials Guernsey Limited (Guernsey) Guernsey Citizens Advice Bureau LBG (Guernsey) Polo Investments Limited (Guernsey) Polo Arrieros Limited (British Virgin Islands) Polo Australasia Limited (British Virgin Islands) Polo Coal Limited (British Virgin Islands) Polo Copper Corporation (British Virgin Islands)

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Ian Burns (<i>continued</i>)	NewGen Trading Master Fund Limited (<i>Cayman Islands</i>)	Polo Cuprita Limited (<i>British Virgin Islands</i>)
	NewGen Trading Fund 2 SPC (<i>Cayman Islands</i>)	Polo Gold Limited (<i>British Virgin Islands</i>)
	One Hyde Park Limited (<i>UK</i>)	Polo Iron Limited (<i>British Virgin Islands</i>)
	Phaunos Boston Inc (<i>Delaware</i>)	Minfer Holdings Limited (<i>British Virgin Islands</i>)
	Phaunos Timber Fund Limited (<i>Guernsey</i>)	Centurion Drilling (<i>British Virgin Islands</i>)
	Premier Asset Management (<i>Guernsey</i>) Limited (<i>Guernsey</i>)	Indo Phoenix Coal Limited (<i>British Virgin Islands</i>)
	Regalis Petroleum Limited (<i>British Virgin Islands</i>)	REE International Inc (<i>British Virgin Islands</i>)
	Regalis Petroleum (Tchad) Limited (<i>British Virgin Islands</i>)	Polo Bagladesh Limited (<i>British Virgin Islands</i>)
	Regency Consulting Limited (<i>British Virgin Islands</i>)	Copper Ex Corporation (<i>British Virgin Islands</i>)
	Regent Aviation Inc (<i>Canada</i>)	H-Gold Corporation (<i>British Virgin Islands</i>)
	Regent Mercantile Bancorp Inc (<i>Canada</i>)	T-Gold Resources Limited (<i>British Virgin Islands</i>)
	Regent Mercantile Holdings Limited (<i>Bermuda</i>)	Global Nickel Corporation (<i>British Virgin Islands</i>)
	Regent Mercantile Trustcorp (Pvt) Limited (<i>Bermuda</i>)	Ferrous Africa Limited (<i>British Virgin Islands</i>)
	Regent Resources Capital Corporation (<i>British Virgin Islands</i>)	Ferrous Benin Limited (<i>British Virgin Islands</i>)
	Seven Dial European Property Limited (<i>Guernsey</i>)	Ferrum Mauritania Limited (<i>Bermuda</i>)
	Signet (Albertine) Petroleum Limited (<i>British Virgin Islands</i>)	Ferrum Resources Limited (<i>British Virgin Islands</i>)
	Signet (Rift) Petroleum (<i>British Virgin Islands</i>)	Ingwe investments Limited (<i>Guernsey</i>)
	Signet Petroleum Limited (<i>British Virgin Islands</i>)	Tanziron Resources Limited (<i>British Virgin Islands</i>)
	Signet Petroleum Nigeria Limited (<i>British Virgin Islands</i>)	Kilo Gold Corporation (<i>British Virgin Islands</i>)
	Smoke Rise Holdings Limited (<i>British Virgin Islands</i>)	Hex Resources Limited (<i>British Virgin Islands</i>)
	Twenty Four Income Fund Limited (<i>Guernsey</i>)	Hex Ventures Limited (<i>British Virgin Islands</i>)
	Via Executive Limited (<i>Guernsey</i>)	BBD Minerals Limited (<i>British Virgin Islands</i>)
		Hinoba Holdings Limited (<i>Bahamas</i>)
		Regent Brazil Holdings Limited (<i>British Virgin Islands</i>)
		The Matterley Enhanced Alpha Investment Company Limited (<i>Guernsey</i>)
		Continental Indemnity Limited (<i>Guernsey</i>)

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Ian Burns (<i>continued</i>)		Osivis Private Capital Limited (<i>Isle of Man</i>) Mapex Minerals (BVI) Limited (<i>British Virgin Islands</i>) Radicl Investment Management Limited (<i>Guernsey</i>) The Matterley 130/30 Investment Company Limited (<i>Guernsey</i>) Anson Custody Limited (<i>Guernsey</i>) Anson Fund Managers Limited (<i>Guernsey</i>) Anson Registrars Limited (<i>Guernsey</i>) German Aktiv Co-op Limited (<i>Guernsey</i>) German Aktiv GP Limited (<i>Guernsey</i>) Granite Fund Management Limited (<i>Guernsey</i>) HVGPE Holdings Limited (<i>Guernsey</i>) Nordic Aktiv Co Op Limited (<i>Guernsey</i>) Nordic Aktiv GP 2 Limited (<i>Guernsey</i>) Nordic Aktiv GP Limited (<i>Guernsey</i>) Property Acquisition & Management Limited (<i>Guernsey</i>) Property Joint Ventures Limited (<i>Guernsey</i>) Anson Group Limited (<i>Guernsey</i>) Guernsey Summer Holidays Limited (<i>Guernsey</i>) Synergy Perth Trustee Limited (<i>Guernsey</i>) Enhanced Global Growth Basket Limited (<i>Guernsey</i>) The Global Investment Basket Limited (<i>Guernsey</i>) Accelerated Global Growth Basket Limited (<i>Guernsey</i>) East Asian Growth Basket Limited (<i>Guernsey</i>) Investec Recovery Partners I Limited (<i>Guernsey</i>) Optimal Investment Growth Basket Limited (<i>Guernsey</i>) Glanmore Property Fund Limited (<i>Guernsey</i>) The British Real Estate Fund Limited (<i>Guernsey</i>)

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Ian Burns (<i>continued</i>)		Finistere Directors Limited (<i>Guernsey</i>) GFT Directors Limited (<i>Guernsey</i>) Investec Administration Services Limited (<i>Guernsey</i>) Investec Trust (<i>Guernsey</i>) Limited (<i>Guernsey</i>) Select Industries Management Co Limited (<i>Guernsey</i>) Hero Nominees Limited (<i>Guernsey</i>) Matrix Property Fund Management (<i>Guernsey</i>) Limited (<i>Guernsey</i>) MP Trustees Limited (<i>Guernsey</i>) Pont Street Trustees (<i>Guernsey</i>) Limited (<i>Guernsey</i>)
Trudi Clark	Mentone Trustees Limited (<i>British Virgin Islands</i>) Mentone Advisors Limited (<i>Bahamas</i>) David Rubin & Partners (C.I.) Limited (<i>Guernsey</i>) P1234 Limited (<i>Guernsey</i>) P123 (C.I.) Limited (<i>Guernsey</i>) P123 Limited (<i>Guernsey</i>) Sapphire PCC Limited (<i>Guernsey</i>) Sapphire IV (Investments) Limited (<i>Guernsey</i>) SVG Sapphire IV Limited (<i>Guernsey</i>) Sapphire (Investments) II Limited (<i>Guernsey</i>) P123 (Investments) Limited (<i>Guernsey</i>) P123 (C.I.) Investments Limited (<i>Guernsey</i>) P1234 Investments Limited (<i>Guernsey</i>) Guernsey Women's Refuge Limited (<i>Guernsey</i>) ADPII GP Limited (<i>Guernsey</i>) BVS Centre Management Limited (<i>Guernsey</i>) BVS Outlet Villages SPV1 Limited (<i>Guernsey</i>) Goldbridge Fund Management Company (<i>Guernsey</i>) Limited (<i>Guernsey</i>) F & C Commercial Property Trust Limited (F&CCPT) (<i>Guernsey</i>) FCPT Holdings Limited (<i>Guernsey</i>) F & Com Prop Holdings (<i>Guernsey</i>)	Balmoral Partners Limited (<i>Guernsey</i>) Prosperity Quest II Unlisted Limited (<i>Guernsey</i>)

<i>Name</i>	<i>Current directorships/partnerships</i>	<i>Past directorships/partnerships</i>
Trudi Clark (continued)	SCP Estate Holdings Limited (Guernsey) SCP Estate Limited (Guernsey) Prime Four Limited (Guernsey) Winchester Burma Limited (Guernsey) F & C Commercial Property Finance Limited (Guernsey)	
Mark Hodgson	Ruffer International Funds Limited Purissima Investment Fund (C.I.) Limited Resilient Select Opportunities Fund Limited ETF Holdings Limited CASO Asset Management S.A. Carne Global AIFM Solutions (C.I.) Limited Carne Global Financial Services (C.I.) Limited	Capita Registrars (Jersey) Limited Capita Registrars (Guernsey) Limited Capita Registrars (IOM) Limited Capita Financial Administrators (Jersey) Limited

- 3.15 As at the date of this Prospectus, there are no potential conflicts of interest between any duties to the Company of any of the Directors and their private interests and/or other duties. There are no lock-up provisions regarding the disposal by any of the Directors of any Shares.
- 3.16 At the date of this Prospectus:
- 3.16.1 none of the Directors has had any convictions in relation to fraudulent offences for at least the previous five years;
- 3.16.2 save as detailed above, none of the Directors was a director of a company, a member of an administrative, management or supervisory body or a senior manager of a company within the previous five years which has entered into any bankruptcy, receivership or liquidation proceedings;
- 3.16.3 none of the Directors has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or has been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer for at least the previous five years; and
- 3.16.4 none of the Directors are aware of any contract or arrangement subsisting in which they are materially interested and which is significant to the business of the Company which is not otherwise disclosed in this Prospectus.
- 3.17 The Company intends to maintain directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.
- 3.18 No members of staff of the Administrator, the Portfolio Manager or the Manager have any service contracts with the Company.

4. Memorandum and Articles

4.1 *Objects*

The Memorandum of the Company provides that the objects of the Company are unrestricted.

4.2 *Dividends*

Subject to the rights of any Shares which may be issued with special rights or privileges, the Shares carry the right to receive all income of the Company attributable to the Shares, and to participate in any distribution of such income made by the Company, and such income shall be divided *pari passu* among the Shareholders in proportion to the number of Shares held by them.

4.3 *Voting*

4.3.1 Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Shares, holders of Shares shall have the right to receive notice of and to attend and vote at general meetings of the Company.

4.3.2 Each Shareholder being present in person or by proxy or by a duly authorised representative (if a corporation) at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall have one vote in respect of each Share held by him.

4.4 *Capital*

On a winding-up of the Company or other return of capital (other than by way of a repurchase or redemption of Shares in accordance with the provisions of the Articles and the Companies Law), the surplus assets of the Company attributable to the Shares remaining after payment of all creditors shall, subject to the rights of any Shares that may be issued with special rights or privileges, be divided *pari passu* among the Shareholders in proportion to the number of Shares held by them.

4.5 *Pre-emption rights*

There are no provisions of Guernsey law which confer rights of pre-emption in respect of the allotment of the Shares. However, the Articles provide that the Company is not permitted to allot (for cash) equity securities (being Shares or rights to subscribe for, or convert securities into, Shares) or sell (for cash) any Shares held in treasury, unless it shall first have offered to allot to each existing Shareholder on the same or more favourable terms a proportion of those Shares the aggregate value of which (at the proposed issue price) is as nearly as practicable equal to the proportion of the total Net Asset Value of the Company represented by the Shares held by such shareholder. These pre-emption rights may be excluded and disappplied or modified by special resolution of the Shareholders.

4.6 *Variation of rights*

4.6.1 Whenever the capital of the Company is divided into different classes of shares, the rights attached to any class of shares may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated:

- (a) with the consent in writing of the holders of more than 75 per cent. in number of the issued shares of that class; or
- (b) with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.

4.6.2 The necessary quorum at any separate class meeting shall be two persons present holding or representing by proxy at least one-third of the voting rights of the issued shares of that class (provided that if any such meeting is adjourned for lack of a quorum, the quorum at the reconvened meeting shall be one person present holding shares of that class or his proxy) provided always that where the class has only one member, that member shall constitute the necessary quorum and any holder of shares of the class in question may demand a poll.

4.6.3 The special rights conferred upon the holders of any shares or class of shares issued with preferred, deferred or other rights shall (unless otherwise expressly provided by the conditions of issue of such shares) be deemed not to be varied by (a) the creation or issue of further shares ranking *pari passu* therewith or (b) the purchase or redemption by the Company of any of its shares (or the holding of such shares as treasury shares).

4.7 *Disclosure of interests in Shares*

4.7.1 The Directors shall have power by notice in writing (a “**Disclosure Notice**”) to a Shareholder to disclose to the Company the identity of any person other than the Shareholder (an “**interested party**”) who has any interest (whether direct or indirect) in the Shares held by the Shareholder (or has been so interested at any time during the three years immediately preceding the date on which the Disclosure Notice is issued) and the nature of such interest. Any such Disclosure Notice shall require any information in response to such Disclosure Notice to be given in writing to the Company within 28 days of the date of service (or 14 days if the Shares concerned represent 0.25 per cent. or more of the number of Shares in issue).

4.7.2 If any member is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the Shares concerned represent 0.25 per cent. or more in number of the issued Shares), or such other reasonable period as the Directors may determine, the Directors in their absolute discretion may serve a direction notice on the member (a “**Direction Notice**”). The Direction Notice may direct that in respect of the Shares in respect of which the default has occurred (the “**Default Shares**”) and any other Shares held by the member shall not be entitled to vote in general meetings or class meetings. Where the Default Shares represent at least 0.25 per cent. in number of the Shares concerned, the Direction Notice may additionally direct that dividends and distributions on such Shares will be returned by the Company (without liability to pay interest thereon) and that no transfer of the Default Shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

4.7.3 The Directors shall be required to exercise their power to require disclosure of interested parties on a requisition of Shareholders holding not less than 10 per cent. of the total voting rights attaching to the shares in issue at the relevant time.

4.7.4 In addition to the right of the Directors to serve notice on any member as summarised in paragraph 4.7.1, the Directors may serve notice on any member requiring that member to promptly provide the Company with any information, representations, certificates or forms relating to such member (or its direct or indirect owners or account holders) that the Directors determine from time to time are necessary or appropriate for the Company to:

- (a) satisfy any account or payee identification, documentation or other diligence requirements and any reporting requirements imposed under FATCA or the requirements of any Similar Laws; or
- (b) avoid or reduce any tax otherwise imposed by FATCA or Similar Laws (including any withholding upon any payments to such member by the Company); or
- (c) permit the Company to enter into, comply with, or prevent a default under or termination of, an agreement of the type described in section 1471(b) of the US Internal Revenue Code of 1986 or under Similar Laws.

If any member is in default of supplying to the Company the information required by the Company within the prescribed period (which shall not be less than 28 days after the service of the notice), the continued holding of shares in the Company by that member shall be deemed to cause the Company and/or its members a pecuniary or tax disadvantage the member shall be deemed be a Non-Qualified Holder and the Directors may take the action outlined in paragraph 4.9.7 in respect of such Shares.

4.8 ***Redemption of Shares***

- 4.8.1 At the sole option of the Board, in the manner and subject to the provisions of the Articles, the Directors may redeem any number of Shares at the prevailing Net Asset Value per Share as at the Calculation Date less the costs of redemption.
- 4.8.2 Redemptions will be carried out *pro rata* to a Shareholder's holding of Shares.
- 4.8.3 The Directors are not obliged to operate the Redemption Mechanism and will not do so if:
- (a) calculation and publication of the NAV has been suspended; or
 - (b) the Directors are unable to make the solvency statement required by Guernsey law; or
 - (c) other circumstances exist that the Board believes make the operation of the Redemption Mechanism undesirable or impracticable.
- 4.8.4 The Company will not redeem fractions of shares.
- 4.8.5 Redemption will become effective on the Redemption Date. The redemption moneys payable in respect of the redemption of any Shares will be paid to the holder (or, in the case of joint holders, to the holder whose name stands first in the register in respect of the shares) at his own risk within 10 Business Days of the relevant Redemption Date. No person has a claim against the Company for interest on retained redemption moneys.
- 4.8.6 In the case of certificated Shares, the Company shall cancel the share certificates on the Redemption Date. If a certificate includes Shares not redeemable on that occasion, a new certificate for the balance of the certificated Shares shall be issued to the Shareholder by the Company without charge.
- 4.8.7 The Company shall not be liable for any loss or damage suffered or incurred by any holder of Shares or any other person as a result of or arising out of late settlement, howsoever such loss or damage may arise.
- 4.8.8 Where any Shareholder's entitlement to a portion of the redemption moneys amounts to less than £5, that Shareholder's portion may be retained for the benefit of the Company.

4.9 ***Transfer of Shares***

- 4.9.1 Subject to the Articles (and the restrictions on transfer contained therein), a Shareholder may transfer all or any of his Shares in any manner which is permitted by the Companies Law or in any other manner which is from time to time approved by the Board.
- 4.9.2 A transfer of a certificated Share shall be in the usual common form or in any other form approved by the Board. An instrument of transfer of a certificated Share shall be signed by or on behalf of the transferor and, unless the Share is fully paid, by or on behalf of the transferee.
- 4.9.3 The Articles provide that the Board has power to implement such arrangements as it may, in its absolute discretion, think fit in order for Shares to be admitted to settlement by means of the CREST system. If the Board implements any such arrangements, no provision of the Articles will apply or have effect to the extent that it is in any respect inconsistent with:
- (a) the holding of Shares in uncertificated form;
 - (b) the transfer of title to Shares by means of the CREST system; or
 - (c) the Guernsey USRs.
- 4.9.4 Where the Shares are, for the time being, admitted to settlement by means of the CREST system such securities may be issued in uncertificated form in accordance with and subject to the Guernsey USRs. Unless the Board otherwise determines, Shares held by the same holder or joint holders in certificated form and uncertificated form will be treated as separate

holdings. Shares may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject to the Guernsey USRs. Title to such of the Shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the CREST system.

- 4.9.5 The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any Share in certificated form or uncertificated form subject to the Articles which is not fully paid or on which the Company has a lien provided that, in the case of a Share, this would not prevent dealings in the Shares from taking place on an open and proper basis on the London Stock Exchange.
- 4.9.6 In addition, the Board may decline to transfer, convert or register a transfer of any Share in certificated form or (to the extent permitted by the Guernsey USRs) uncertificated form: (a) if it is in respect of more than one class of shares; (b) if it is in favour of more than four joint transferees, (c) if applicable, if it is delivered for registration to the registered office of the Company or such other place as the Board may decide, not accompanied by the certificate for the Shares to which it relates and such other evidence of title as the Board may reasonably require, or (d) the transfer is in favour of any Non-Qualified Holder.
- 4.9.7 If any Shares are owned directly, indirectly or beneficially by a person believed by the Board to be a Non-Qualified Holder, the Board may give notice to such person requiring him either;
- (a) to provide the Board within 30 days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Board that such person is not a Non-Qualified Holder; or
 - (b) to sell or transfer his Shares to a person who is not a Non-Qualified Holder within 30 days and within such 30 days to provide the Board with satisfactory evidence of such sale or transfer. Pending such sale or transfer, the Board may suspend the exercise of any voting or consent rights and rights to receive notice of or attend any meeting of the Company and the rights to receive dividends or distributions with respect to such Shares.

Where condition (a) or (b) is not satisfied within 30 days after the serving of the notice, the person will be deemed, upon the expiration of such 30 days, to have forfeited his Shares. If the Board in its absolute discretion so determines, the Company may dispose of the Shares at the best price reasonably obtainable and pay the net proceeds of such disposal to the former holder.

4.10 **General meetings**

- 4.10.1 The first general meeting (being an annual general meeting) of the Company shall be held within such time as may be required by the Companies Law and thereafter general meetings (which are annual general meetings) shall be held at least once in each calendar year and in any event, no more than 15 months since the last annual general meeting. All general meetings (other than annual general meetings) shall be called extraordinary general meetings. Extraordinary general meetings and annual general meetings shall be held in Guernsey or such other place outside the United Kingdom as may be determined by the Board from time to time.
- 4.10.2 The notice must specify the date, time and place of any general meeting and the text of any proposed special, extraordinary or ordinary resolution. Any general meeting shall be called by at least ten clear days' notice. A general meeting may be deemed to have been duly called by shorter notice if it is so agreed by all the members entitled to attend and vote thereat. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive such notice shall not invalidate the proceedings at the meeting.

4.10.3 The Shareholders may require the Board to call an extraordinary general meeting in accordance with the Companies Law.

4.11 ***Restrictions on voting***

No member shall be entitled to vote at any general meeting or at any separate meeting of the Shareholders in the Company, either in person or by proxy, in respect of any Share held by him unless all calls and other sums presently payable by him in respect of that Share have been paid. No member of the Company shall, if the Directors so determine, be entitled in respect of any Share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting if he or any other person appearing to be interested in such Shares has failed to comply with a Disclosure Notice within 14 days, in a case where the Shares in question represent at least 0.25 per cent. of the Shares in issue at that time, or within 28 days, in any other case, from the date of such Disclosure Notice. These restrictions will continue until the information required by the notice is supplied to the Company or until the Shares in question are transferred or sold in circumstances specified for this purpose in the Articles.

4.12 ***Appointment, retirement and disqualification of Directors***

4.12.1 Unless otherwise determined by the Shareholders by ordinary resolution, the number of Directors shall not be less than two and there shall be no maximum number. At no time shall a majority of the Board be resident in the United Kingdom for UK tax purposes.

4.12.2 A Director need not be a Shareholder. A Director who is not a Shareholder shall nevertheless be entitled to attend and speak at Shareholders' meetings.

4.12.3 Subject to the Articles, Directors may be appointed by the Board (either to fill a vacancy or as an additional Director). No person other than a Director retiring at a general meeting shall, unless recommended by the Directors, be eligible for election by the Company to the office of Director unless not less than seven and not more than 42 clear days before the date appointed for the meeting there shall have been left at the Company's registered office (or, if an electronic address has been specified by the Company for such purposes, sent to the Company's electronic address) notice in writing signed by a Shareholder who is duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election together with notice in writing signed by that person of his willingness to be elected, specifying his tax residency status and containing a declaration that he is not ineligible to be a Director in accordance with the Companies Law.

4.12.4 No person shall be or become incapable of being appointed a Director, and no Director shall be required to vacate that office, by reason only of the fact that he has attained the age of 70 years or any other age.

4.12.5 Any Director not otherwise required to retire from office at an annual general meeting shall do so unless he was appointed or re-appointed as a Director at either of the last two annual general meetings before that meeting.

4.12.6 At every annual general meeting, one-third of the Directors (not counting any to be omitted in accordance with the Articles) shall retire from office, having been determined (both as to number and identity) by the composition of the Board at start of business on the date of the notice convening the annual general meeting. If the number of Directors from which the determination is to be made is not three or a multiple of three, the number to retire shall be that which is nearest to but not greater than one-third (unless their number is fewer than three, in which case one of them shall retire). Those to retire shall comprise: first, any Director who wishes to retire and not to offer himself for re-election; and secondly, those who have been longest in office since their last appointment or reappointment (but as between persons who became or were last reappointed Directors on the same day, those to retire shall be determined by lot or as the Directors concerned may agree among

themselves). No Director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the Directors after that time on the date of the notice but before the close of the meeting.

- 4.12.7 Any Director who is required by applicable law or regulation to retire more frequently than specified by paragraph 4.12.5 will retire at the intervals required by such law or regulation and such retirement will not count towards the one-third retiring by rotation under paragraph 4.12.5.
- 4.12.8 A Director who retires at an annual general meeting may, if willing to continue to act, be elected or re-elected at that meeting. If he is elected or re-elected he is treated as continuing in office throughout. If he is not elected or re-elected, he shall remain in office until the end of the meeting or (if earlier) when a resolution is passed to appoint someone in his place or when a resolution to elect or re-elect the Director is put to the meeting and lost.
- 4.12.9 The office of a Director shall be vacated: (i) if he (not being a person holding for a fixed term an executive office subject to termination if he ceases from any cause to be a Director) resigns his office by one month's written notice signed by him sent to or deposited at the Company's registered office; (ii) if he dies; (iii) if he shall have absented himself (such absence not being absence with leave or by arrangement with the Board on the affairs of the Company) from meetings of the Board for a consecutive period of 12 months and the Board resolves that his office shall be vacated; (iv) if he becomes bankrupt or makes any arrangements or composition with his creditors generally; (v) if he ceases to be a Director by virtue of, or becomes prohibited from being a Director by reason of, an order made under the provisions of any law or enactment; (vi) if he is requested to resign by written notice signed by all of his co-Directors (being not less than two in number); (vii) if the Company by ordinary resolution shall declare that he shall cease to be a Director; (viii) if he becomes resident in the United Kingdom for tax purposes and, as a result thereof, a majority of the Directors would, if he were to remain a Director, be resident in the United Kingdom for tax purposes; or (ix) if he becomes ineligible to be a Director in accordance with the Companies Law.
- 4.12.10 Any Director may by notice in writing under his hand and deposited at the registered office of the Company or delivered at a meeting of the Board, appoint any person (subject to the provisions in paragraph 4.12.11 below), who is willing to act, provided that the alternate director in question has provided notice in writing of his willingness and eligibility to act, as his alternate and may remove his alternate from that office.
- 4.12.11 Each alternate Director shall either (i) be resident for tax purposes in the same jurisdiction as his appointor, or (ii) not be resident for United Kingdom tax purposes in the United Kingdom, in each case for the duration of the appointment of that alternate Director and in either case shall also be eligible to be a Director under the Companies Law and sign a written consent to act.
- 4.13 ***Proceedings of the Board***
- 4.13.1 The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and unless so fixed shall be two. Subject to the Articles, a meeting of the Board at which a quorum is present shall be competent to exercise all the powers and discretions exercisable by the Board.
- 4.13.2 All meetings of the Board are to take place outside the United Kingdom and any decision reached or resolution passed by the Directors at any meeting of the Board held within the United Kingdom or at which no majority of Directors resident outside the United Kingdom (and not within the United Kingdom) for UK tax purposes is present shall be invalid and of no effect.

4.13.3 The Board may elect one of their number as chairman. If no chairman is elected or if at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of the meeting.

4.13.4 Questions arising at any meeting shall be determined by a majority of votes.

4.13.5 The Board may delegate any of its powers to committees consisting of one or more Directors as they think fit with a majority of such Directors being resident outside of the United Kingdom for UK tax purposes. Committees shall only meet outside the United Kingdom. Any committee so formed shall be governed by any regulations that may be imposed on it by the Board and (subject to such regulations) by the provisions of the Articles that apply to meetings of the Board.

4.14 ***Remuneration of Directors***

The Directors shall be entitled to receive fees for their services, such sums not to exceed £150,000 in aggregate in any financial year (or such sum as the Company in general meeting shall from time to time determine). The Directors may be paid reasonable travelling, hotel and other out of pocket expenses properly incurred by them in attending board or committee meetings or general meetings, and all reasonable expenses properly incurred by them seeking independent professional advice on any matter that concerns them in the furtherance of their duties as a Director. If, by arrangement with the Board, any Director shall perform or render any special duties or services outside his ordinary duties as a Director, he may be paid such reasonable additional remuneration as the Board may determine.

4.15 ***Interests of Directors***

4.15.1 Subject to and in accordance with the Companies Law, a Director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company, disclose to the Board (i) if the monetary value of the Director's interest is quantifiable, the nature and monetary value of that interest, or (ii) if the monetary value of the Director's interest is not quantifiable, the nature and extent of that interest, in each case unless the transaction or proposed transaction is between the Director and the Company, and is to be entered into in the ordinary course of the Company's business and on usual terms and conditions. A failure by a Director to comply does not affect the validity of a transaction entered into by the Company or the Director.

4.15.2 Subject to the provisions of the Companies Law, and provided that he has disclosed to the Directors the nature and extent of any interests of his, a Director notwithstanding his office:

- (A) may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to the tenure of office and otherwise as the Directors may determine;
- (B) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;
- (C) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, a shareholder of or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
- (D) shall not, by reason of his office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit;

- (E) may act by himself or his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as though he were not a Director of the Company; and
- (F) may be counted in the quorum present at any meeting in relation to any resolution in respect of which he has declared an interest and he may vote thereon.

4.16 ***Winding-up***

- 4.16.1 For the purposes of paragraph 4.16.2, “Critical Value” shall mean the lower of the amount that is equal to 60 per cent. of the Gross Issue Proceeds and £40 million.
- 4.16.2 If, in any financial year, the average Net Asset Value over a period of 90 consecutive days is less than the Critical Value, the Directors will be required to put proposals to Shareholders at the next annual general meeting of the Company for the reconstruction, reorganisation or winding-up of the Company. In the event that the Critical Value is initially set at a level below £40 million i.e. because the Gross Issue Proceeds are less than £66.7 million, it will automatically be increased to £40 million at such point as the Net Asset Value first attains or exceeds £100 million and shall be fixed at £40 million thereafter.
- 4.16.3 On a winding-up, the surplus assets remaining after payment of creditors shall be divided amongst the classes of shares in accordance with the rights of such classes.
- 4.16.4 If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Companies Law, divide the whole or any part of the assets of the Company among the members entitled to the same *in specie* and the liquidator may for that purpose value any assets as he deems fair and determine how the division shall be carried out as between the members or different classes of members and, with the like sanction, may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as he or they may determine, but no member shall be compelled to accept any assets upon which there is a liability.
- 4.16.5 Where the Company is proposed to be or is in the course of being wound up and the whole or part of its business or property is proposed to be transferred or sold to another company, the liquidator may, with the sanction of an ordinary resolution, receive in compensation shares, policies or other like interests for distribution or may enter into any other arrangements whereby the members may, in lieu of receiving cash, shares, policies or other like interests, participate in the profits of or receive any other benefit from the transferee.

4.17 ***Borrowing powers***

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

4.18 ***Continuation Resolution***

- 4.18.1 The Directors shall at the annual general meeting of the Company to be held in 2019 propose a Continuation Resolution.
- 4.18.2 If the Continuation Resolution is passed at such annual general meeting then the Directors shall be required to propose a further Continuation Resolution at every fifth annual general meeting thereafter.
- 4.18.3 If the Continuation Resolution is not passed, then the Directors shall, within six months of such Continuation Resolution not being passed, put proposals to Shareholders for the reconstruction, reorganisation or winding up of the Company.

5. Material contracts

The following are all of the contracts, not being contracts entered into in the ordinary course of business, that have been entered into by the Company since its incorporation and which are, or may be, material or that contain any provision under which the Company has any obligation or entitlement which is or may be material to it as at the date of this Prospectus:

5.1 *Placing Agreement*

Winterflood Securities, the Company, the Directors and the Portfolio Manager have entered into a placing agreement dated 4 November 2014 (the “**Placing Agreement**”), whereby the Company has agreed, subject to certain conditions that are typical for an agreement of this nature, to issue the Shares to be issued pursuant to the Issue and the Placing Programme at the Issue Price or the Placing Programme Price (as applicable). Winterflood Securities has agreed, subject to certain conditions that are typical for an agreement of this nature, to use reasonable endeavours to procure subscribers for the Shares to be issued under the Initial Placing and the Placing Programme at the Issue Price or the Placing Programme Price (as applicable). Neither the Initial Placing nor the Placing Programme will be underwritten.

In consideration for the provision of its services under the Placing Agreement, the Company will pay to Winterflood Securities (together with any related value added tax) a commission of 1.5 per cent. of the gross proceeds of the Shares issued pursuant to the Issue and 1 per cent. of the gross proceeds of the Shares issued pursuant to the Placing Programme.

The obligations of the Company to issue Shares and the obligations of Winterflood Securities to use reasonable endeavours to procure subscribers for the Shares to be issued under the Initial Placing and the Placing Programme, are subject to conditions, including, amongst others, First Admission occurring by not later than 8.00 a.m. on 2 December 2014 or such later time and/or date as Winterflood Securities may agree with the Company and the Placing Agreement not having been terminated. Winterflood Securities may terminate the Placing Agreement in certain circumstances that are typical for an agreement of this nature prior to Admission. These circumstances include if at any time prior to Admission: (i) any of the Warranties were, when given, untrue or inaccurate or misleading or would be untrue or inaccurate or misleading were it to be repeated by reference to the facts and circumstances then in existence; (ii) any statement made in any Placing Document (as defined in the Placing Agreement) was, when made, or has become untrue or inaccurate or misleading; (iii) the Company and/or the Portfolio Manager is in breach of any of its obligations under the Placing Agreement; or (iv) an event of force majeure relating to markets or the Company that will or is reasonably likely to adversely affect the Company or make the Placing or the Placing Programme impractical or inadvisable.

The Company has agreed to pay and/or reimburse to Winterflood Securities any stamp duty and/or stamp duty reserve tax (save to the extent attributable to a breach of the Placing Agreement by Winterflood Securities) any related costs or interest arising in respect of the Issue and/or the Placing Programme and delivery of the Shares to those persons becoming entitled to be registered as holders under the Issue and the Placing Programme and the Company has agreed to pay or cause to be paid (together with any related value added tax) all costs, charges, fees and expenses of, in connection with, or incidental to, the Issue, the Placing Programme, Admission or the other arrangements contemplated by the Placing Agreement.

The Company, the Directors and the Portfolio Manager have given certain warranties and (in the case of the Company and the Portfolio Manager only) indemnities to Winterflood Securities. The liability of the Directors in respect of the warranties given by them is limited as to amount and the time for bringing a claim.

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

5.2 *Portfolio Management Agreement*

The Manager, the Company and the Portfolio Manager have entered into a portfolio management agreement, dated 3 November 2014 (the “**Portfolio Management Agreement**”), pursuant to which the Manager has delegated to the Portfolio Manager overall responsibility for the discretionary management of the Company’s assets (including uninvested cash) in accordance with the Company’s investment objective and policy.

Fees

5.2.1 The Portfolio Manager will be entitled to receive out of the assets of the Company a portfolio management fee payable monthly in arrears at a rate of one-twelfth (1/12) of 0.75 per cent. of NAV. A performance fee equal to 15 per cent. of the amount by which the Company’s NAV outperforms the total return on the Benchmark will be payable to the Portfolio Manager. Any performance fees due will only be paid when the Company implements the Redemption Mechanism and will only be payable if the Company’s NAV has outperformed the Benchmark since the last time a performance fee was paid. For the avoidance of doubt, this means that if the Company has underperformed the Benchmark at the point of any exercise of the Redemption Mechanism, no performance fee would be payable and any underperformance must be made good before a performance fee can be paid to the Portfolio Manager on any future exercise of the Redemption Mechanism.

Termination

5.2.2 The Portfolio Management Agreement may be terminated by either the Portfolio Manager or the Manager giving the other not less than six months’ notice in writing, such notice not to expire before the first anniversary of Admission.

5.2.3 The Portfolio Manager may terminate the Portfolio Management Agreement on immediate written notice in the event of the Company’s insolvency or equivalent event or if the Manager commits a material breach of its obligations under the Portfolio Management Agreement and (if such breach is capable of remedy) fails to remedy it within ninety days’ of receipt of notice served by the Portfolio Manager (and copied to the Board) requiring it to make good such breach.

5.2.4 The Manager may terminate the Portfolio Management Agreement on immediate written notice: (i) in the event of the Portfolio Manager’s insolvency or equivalent event; (ii) if the Portfolio Manager commits a material breach of its obligations under the Portfolio Management Agreement and (if such breach is capable of remedy) fails to remedy it within ninety days’ of receipt of notice served by the Manager requiring it to make good such breach; (iii) if the Portfolio Manager ceases to hold the requisite FCA permissions to enable it to perform its services under the Portfolio Management Agreement; or (iv) if the Manager is required by applicable law and regulation; or considers it in the best interests of Shareholders; to do so.

5.2.5 If the Company terminates the appointment of the Manager pursuant to the AIFM Agreement, the Portfolio Management Agreement will continue in effect as between the Portfolio Manager and the Company as though the Company were named in the Portfolio Management Agreement as the AIFM until such time as the Company appoints a new AIFM and a portfolio management agreement is entered into between the Company, the new AIFM and the Portfolio Manager.

5.2.6 On termination of the Portfolio Management Agreement (other than termination by the Manager for cause, which excludes termination for the grounds specified in paragraph 5.2.4(iv)), the Portfolio Manager shall: (i) be entitled to receive all fees and other moneys accrued due up to the date of such termination and any additional expenses necessarily realised in settling or concluding outstanding obligations for which it is personally liable but shall not be entitled to compensation in respect of such termination; (ii) complete expeditiously all transactions already initiated; and (iii) deliver to the Manager or as it shall

direct all books and records in the possession or under the control of the Portfolio Manager and belonging to the Manager or the Company or relating exclusively to its affairs.

Indemnities

5.2.7 The benefit of the indemnity referred to in paragraph 5.3.5 has been extended to the Portfolio Manager.

General

5.2.8 The Portfolio Management Agreement is governed by the laws of England and Wales.

5.3 *AIFM Agreement*

5.3.1 The Manager and the Company have entered into an AIFM agreement, dated 21 October 2014 (the “**AIFM Agreement**”), pursuant to which the Manager has been given responsibility, subject to the supervision of the Board, for the management of the Company in accordance with the Company’s investment objective and policy.

Fees

5.3.2 The Manager will be entitled to receive from the Company a fee of £54,000 per annum payable quarterly in arrears in equal instalments.

Termination

5.3.3 The AIFM Agreement is terminable on either party giving the other not less than ninety days’ written notice or on immediate notice on the occurrence of certain “cause” events.

5.3.4 The Manager’s power to terminate the appointment of the Portfolio Manager under the Portfolio Management Agreement may only be exercised under the direction of the Board and the Manager has agreed to comply with the instructions of the Board as regards any proposed termination of the Portfolio Manager’s appointment.

Indemnities

5.3.5 The Company has given certain indemnities to the Manager in respect of losses suffered by the Manager in the performance of its duties. These indemnities are typical for an agreement of this type.

General

5.3.6 The AIFM Agreement is governed by the laws of Jersey.

5.4 *Administration Agreement*

The Company and the Administrator entered into an administration agreement dated 21 October 2014 (the “**Administration Agreement**”), whereby the Administrator is appointed to act as administrator of the Company.

Under the terms of the Administration Agreement, the Administrator is entitled to various fees, which are expected to be approximately £150,000 in aggregate per annum.

The Company has given certain market standard indemnities in favour of the Administrator in respect of the Administrator’s potential losses in carrying out its responsibilities under the Administration Agreement.

The Administration Agreement may be terminated by either party on not less than six months’ written notice.

The Administration Agreement may be terminated immediately by either party in the event of: (i) the other’s party insolvency or equivalent; or (ii) the other party committing any material or

persistent breach of the Administration Agreement and failing to remedy such breach (if capable of remedy) within twenty Business Days of being given written notice; or (iii) the continued performance of the Administration Agreement for any reason ceases to be lawful.

The Company may terminate the Administration Agreement immediately upon written notice to the Administrator in the event that the Administrator ceases to hold the necessary permissions to enable it to perform its duties.

The Administration Agreement is governed by the laws of the Island of Guernsey.

5.5 Custody Agreement

The Company and the Custodian entered into a custody agreement dated 21 October 2014 (the “**Custody Agreement**”), whereby the Custodian will act as custodian of the Company’s investments, cash and other assets.

The fees payable to the Custodian pursuant to the Custody Agreement are expected to be approximately £40,000 in aggregate per annum.

The Company has given certain market standard indemnities in favour of the Custodian in respect of the Custodian’s potential losses in carrying on its responsibilities under the Custody Agreement.

The Custodian’s appointment may be terminated by the Company giving 90 days’ written notice to the Custodian or by the Custodian giving 90 days’ written notice to the Company, and in certain circumstances the Custodian’s appointment may be terminated immediately on notice by either party. The Custody Agreement is governed by the laws of England and Wales.

5.6 Registrar Agreement

The Company and the Registrar entered into a registrar agreement dated 3 November 2014 (the “**Registrar Agreement**”), whereby the Registrar is appointed to act as registrar to the Company.

Under the Registrar Agreement, the Registrar is entitled to receive a minimum agreed fee of £7,500 per annum in respect of basic registration. The Registrar Agreement is governed by the laws of the Island of Guernsey.

The Registrar Agreement may be terminated by either the Company or the Registrar by service of three months’ written notice should the parties not reach an agreement regarding any increase of fees, upon service of written notice if the other party commits a material breach of its obligations under the Registrar agreement, or upon service of written notice if a resolution is passed or an order made for the winding-up, dissolution or administration of the other party, or if the other party is declared insolvent or if an administrator, administrative receiver, manager or provisional liquidator (or similar officer to any of the foregoing in the relevant jurisdiction) is appointed over the whole of or a substantial part of the other party or its assets or undertakings. Unless so terminated, the Registrar Agreement shall continue for a period of two years, at the expiry of which the Registrar Agreement shall either terminate, provided written notice is given to the other party at least six months prior to the end of this two year period, or shall automatically renew until terminated by either party on six months’ prior written notice.

6. Litigation

There have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the last 12 months which may have, or have in the recent past had, a significant effect on the Company’s financial position or profitability.

7. General

The Portfolio Manager may be a promoter of the Company. Save as disclosed in Part IV of this Prospectus, and in paragraph 5 of this Part VIII of the Prospectus, no amount or benefit has been

paid, or given, to the Portfolio Manager or any of its subsidiaries since the incorporation of the Company and none is intended to be paid, or given.

8. Related party transactions

Except with respect to the appointment letters entered into between the Company and each Director and for the contracts summarised in paragraph 5 of this Part VIII of the Prospectus, the Company has not entered into any related party transaction since incorporation.

9. Squeeze out rules

The Companies Law provides that if an offer is made for the shares or any class of shares in the capital of a company and if, within four months after the date of such offer, the offer is approved by shareholders comprising 90 per cent. in value of the shares affected (excluding any shares held as treasury shares) then the offeror may, within two months after the expiration of those four months, send an acquisition notice to any dissenting shareholders informing them that it wishes to acquire their shares (an “**Acquisition Notice**”). Where an Acquisition Notice is given, the offeror is then entitled and bound to acquire those shares on the terms on which the original offer, approved by the shareholders comprising 90 per cent. in value of the shares affected, was made.

10. Third party sources and composite

10.1 Where third party information has been referenced in this Prospectus, the source of that third party information has been disclosed. Where information contained in this Prospectus has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, as far as the Company is aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.

10.2 The Portfolio Manager has given and not withdrawn its written consent to the issue of this Prospectus with references to its name in the form and context in which such references appear. The Portfolio Manager accepts responsibility for the information in Part II and Part III of this Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information in Part II and Part III of this Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

10.3 Winterflood Securities has given and not withdrawn its written consent to the issue of this Prospectus with references to its name in the form and context in which such references appear.

11. Cash uses and working capital

11.1 In accordance with the Company’s investment policy, the Company’s principal use of cash (including the Net Issue Proceeds) will be to achieve long term capital growth from investment in a diversified portfolio of UK Micro Cap Companies, typically comprising companies with a free float market capitalisation of less than £100 million, as well as to cover initial expenses related to the Issue (which will not be borne by the Company in excess of 2.0 per cent. of the Gross Issue Proceeds³) and ongoing operational expenses. The costs and expenses of the Placing Programme will depend on subscriptions received but it is expected that these costs will be covered by issuing such Shares at a premium to the prevailing cum-income Net Asset Value per Share.

11.2 At the discretion of the Directors, cash may be used to buy back Shares in the Company if, in the opinion of the Directors, this is in the best interests of Shareholders.

3 The costs of the Issue borne by the Company will be no more than 2.0 per cent of the Gross Issue Proceeds. To the extent that the costs of the Issue would otherwise exceed an amount equal to 2.0 per cent of the Gross Issue Proceeds, the Portfolio Manager will bear the excess. To the extent that the costs are less than 2.0 per cent, the difference will be retained for the benefit of the Company.

- 11.3 The Company is of the opinion that, on the basis that the Minimum Net Issue Proceeds are raised, the working capital available to it is sufficient for its present requirements, that is for at least the next 12 months from the date of this Prospectus.

12. Capitalisation and indebtedness

The following table shows the Company's gross indebtedness as at 2 October 2014 (being the date of its incorporation).

<i>Total current debt (£)</i>	<i>As at 2 October 2014</i>
Guaranteed	Nil
Secured	Nil
Unguaranteed/unsecured	Nil
<i>Total non current debt (excluding current position of non current debt) (£)</i>	<i>As at 2 October 2014</i>
Guaranteed	Nil
Secured	Nil
Unguaranteed/unsecured	Nil

The following table shows the capitalisation of the Company as at 2 October 2014 (being the date of its incorporation):

<i>Shareholders' equity (£)</i>	<i>As at 2 October 2014</i>
Guaranteed	Nil
Secured	Nil
Unguaranteed/unsecured	Nil
<i>Total non current debt (excluding current position of non current debt) (£)</i>	<i>As at 2 October 2014</i>
Share capital	Nil
Legal reserve	1
Other reserves	Nil
Total	<u>1</u>

As at the date of this Prospectus, the Company has nil net indebtedness.

13. Investment restrictions

- 13.1 The Company will manage and invest its assets in accordance with its investment policy as disclosed in Part I of this Prospectus and will comply with the following investment restrictions for so long as they remain requirements of the UK Listing Authority:

13.1.1 the Company must not conduct a trading activity which is significant in the context of its group as a whole (this does not prevent the businesses forming part of the Portfolio from conducting trading activities themselves); and

13.1.2 the Company will, at all times, invest and manage its assets in a way which is consistent with its object of spreading investment risk and in accordance with the investment policy set out in Part I of this Prospectus.

Breach of investment restrictions

If the Directors become aware of any breach by the Portfolio Manager of the investment restrictions applicable to the Company under the terms of the Portfolio Management Agreement which the Directors consider to be material then Shareholders will be informed through the London Stock Exchange (via an RIS).

14. Documents available for inspection

14.1 Copies of the following documents will be available for inspection at the registered office of the Company during normal business hours on any weekday (Saturdays, Sundays and Public Holidays excepted) until the date of Admission:

14.1.1 the Memorandum and Articles of Incorporation of the Company; and

14.1.2 this Prospectus.

Dated 4 November 2014

PART IX

TERMS AND CONDITIONS OF THE INITIAL PLACING AND THE PLACING PROGRAMME

1. Introduction

Each Placee which confirms its agreement to the Company and/or Winterflood Securities to subscribe for Shares under the Initial Placing and/or the Placing Programme will be bound by these terms and conditions and will be deemed to have accepted them.

The Company and/or Winterflood Securities may require any Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it/they (in its/their absolute discretion) sees fit.

2. Agreement to subscribe for Shares

2.1 Conditional on:

2.1.1 First Admission of the Shares occurring and becoming effective by 8.00 a.m. (London time) on or prior to 2 December 2014 (or such later time and/or date, not being later than 8.00 a.m. on 31 January 2015, as the Company and Winterflood Securities may agree) and any Subsequent Admission under the Placing Programme occurring not later than 8.00 a.m. on such other dates as may be agreed between the Company and Winterflood Securities prior to the closing of each placing under the Placing Programme, not being later than 3 November 2015;

2.1.2 the Placing Agreement becoming otherwise unconditional in all respects and not having been terminated on or before the date of such Admission; and

2.1.3 Winterflood Securities confirming to the Placees their allocation of Shares,

a Placee agrees to become a member of the Company and agrees to subscribe for those Shares allocated to it by Winterflood Securities at the Issue Price or the Placing Programme Price, as appropriate. To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

3. Payment for Shares

3.1 Each Placee must pay the relevant Issue Price and/or Placing Programme Price for the Shares issued to the Placee in the manner and by the time directed by Winterflood Securities. If any Placee fails to pay as so directed and/or by the time required, the relevant Placee's application for Shares may, at the discretion of Winterflood Securities, either be rejected or accepted and in the latter case paragraph 3.2 of these terms and conditions shall apply.

3.2 Each Placee is deemed to agree that if it does not comply with its obligation to pay the relevant Issue Price or Placing Programme Price for the Shares allocated to it in accordance with paragraph 3.1 of these terms and conditions and Winterflood Securities elects to accept that Placee's application, Winterflood Securities may sell all or any of the Shares allocated to the Placee on such Placee's behalf and retain from the proceeds, for Winterflood Securities' own account and profit, an amount equal to the aggregate amount owed by the Placee plus any interest due. The Placee will, however, remain liable for any shortfall below the aggregate amount owed by such Placee and it may be required to bear any tax or other charges (together with any interest or penalties) which may arise upon the sale of such Shares on such Placee's behalf.

4. Representations and warranties

- 4.1 By agreeing to subscribe for Shares, each Placee which enters into a commitment to subscribe for Shares will (for itself and any person(s) procured by it to subscribe for Shares and any nominee(s) for any such person(s)) be deemed to represent and warrant to each of the Company, the Portfolio Manager, the Registrar and Winterflood Securities that:
- 4.1.1 in agreeing to subscribe for Shares under the Initial Placing and/or the Placing Programme, it is relying solely on this document and any supplementary prospectus issued by the Company and not on any other information given, or representation or statement made at any time, by any person concerning the Company, the Initial Placing and/or the Placing Programme. It agrees that none of the Company, the Portfolio Manager, the Manager, Winterflood Securities or the Registrar, nor any of their respective officers, agents or employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;
 - 4.1.2 if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Shares under the Initial Placing and/or the Placing Programme, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Portfolio Manager, the Manager, Winterflood Securities or the Registrar or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Initial Placing and/or the Placing Programme;
 - 4.1.3 it has carefully read and understands this document in its entirety and acknowledges that it is acquiring Shares on the terms and subject to the conditions set out in this Part IX and the Articles as in force at the date of Admission of the relevant Shares;
 - 4.1.4 it has not relied on Winterflood Securities or any person affiliated with Winterflood Securities in connection with any investigation of the accuracy of any information contained in this document;
 - 4.1.5 the content of this document is exclusively the responsibility of the Company and its Directors and neither Winterflood Securities nor any person acting on their respective behalf nor any of their respective affiliates are responsible for or shall have any liability for any information, representation or statement contained in this document or any information published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the Initial Placing and/or the Placing Programme based on any information, representation or statement contained in this document or otherwise;
 - 4.1.6 it acknowledges that no person is authorised in connection with the Initial Placing and/or the Placing Programme to give any information or make any representation other than as contained in this document and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, the Portfolio Manager, the Manager or Winterflood Securities;
 - 4.1.7 it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services);
 - 4.1.8 it accepts that none of the Shares have been or will be registered under the laws of the United States, Australia, Canada, Japan, South Africa or any member state of the EEA (other than the United Kingdom). Accordingly, the Shares may not be offered, sold, issued or delivered,

directly or indirectly, within any of United States, Australia, Canada, Japan, South Africa or any member state of the EEA (other than the United Kingdom) unless an exemption from any registration requirement is available;

- 4.1.9 if it is within the United Kingdom, it is a person who falls within Articles 49(2)(a) to (d) or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 or it is a person to whom the Shares may otherwise lawfully be offered under such Order or, if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, it is a person to whom the Shares may be lawfully offered under that other jurisdiction's laws and regulations;
- 4.1.10 if it is a resident in the EEA:
- (a) it is a qualified investor within the meaning of the law in the relevant Member State implementing Article 2(1)(e)(i), (ii) or (iii) of Directive 2003/71/EC, and
 - (b) it is a person to whom the Shares may lawfully be marketed under the AIFM Directive or under the applicable implementing legislation of that relevant Member State;
- 4.1.11 in the case of any Shares acquired by a Placee as a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive:
- (a) the Shares acquired by it in the Initial Placing and/or the Placing Programme have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in any relevant Member State other than qualified investors, as that term is defined in the Prospectus Directive 2010/73/EU, or in circumstances in which the prior consent of Winterflood Securities has been given to the offer or resale; or
 - (b) where Shares have been acquired by it on behalf of persons in any relevant Member State other than qualified investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons;
- 4.1.12 if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the Initial Placing and/or the Placing Programme constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Shares pursuant to the Initial Placing and/or the Placing Programme unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- 4.1.13 it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Shares and it is not acting on a non-discretionary basis for any such person;
- 4.1.14 if the Placee is a natural person, such Placee is not under the age of majority (18 years of age in the United Kingdom) on the date of such Placee's agreement to subscribe for Shares under the Initial Placing and/or the Placing Programme and will not be any such person on the date any such agreement to subscribe under the Initial Placing or Placing Programme is accepted;
- 4.1.15 it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other offering materials concerning the Initial Placing and/or the Placing Programme or the Shares to any persons within the United States, nor will it do any of the foregoing;

- 4.1.16 it represents, acknowledges and agrees to the representations, warranties and agreements as set out under the heading “United States Purchase and Transfer Restrictions” in paragraph 5, below;
- 4.1.17 it acknowledges that neither Winterflood Securities nor any of its respective affiliates, nor any person acting on Winterflood Securities’ behalf is making any recommendations to it or advising it regarding the suitability of any transactions it may enter into in connection with the Initial Placing and/or Placing Programme or providing any advice in relation to the Initial Placing and/or Placing Programme and its participation in the Initial Placing and/or Placing Programme is on the basis that it is not and will not be a client of Winterflood Securities and that Winterflood Securities has no duties or responsibilities to it either for (i) providing the protections afforded to its clients or for providing advice in relation to the Initial Placing and/or Placing Programme or (ii) in respect of any representations, warranties, undertaking or indemnities otherwise required to be given by it in connection with its application under the Initial Placing and/or the Placing Programme;
- 4.1.18 that, save in the event of fraud on the part of the Winterflood Securities, none of Winterflood Securities, its ultimate holding companies nor any direct or indirect subsidiary undertakings of such holding companies, nor any of their respective directors, members partners, officers and employees shall be responsible or liable to a Placee or any of its clients for any matter arising out of Winterflood Securities’ role as sponsor and broker or otherwise in connection with the Initial Placing and/or Placing Programme and that were any such responsibility or liability nevertheless arises as a matter of law the Placee and, if relevant, its clients will immediately waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;
- 4.1.19 it acknowledges that where it is subscribing for Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account:
- (a) to subscribe for the Shares for each such account;
 - (b) to make on each such account’s behalf the representations, warranties and agreements set out in this document; and
 - (c) to receive on behalf of each such account any documentation relating to the Initial Placing and/or Placing Programme in the form provided by the Company and/or Winterflood Securities.

It agrees that the provision of this paragraph shall survive any resale of the Shares by or on behalf of any such account;

- 4.1.20 it irrevocably appoints any director of the Company and any director of Winterflood Securities to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Shares for which it has given a commitment under the Initial Placing and/or the Placing Programme, in the event of its own failure to do so;
- 4.1.21 it accepts that if the Initial Placing and/or Placing Programme does not proceed or the conditions to the Placing Agreement are not satisfied or the Shares for which valid applications are received and accepted are not admitted to the Official List of the FCA and to trading on the London Stock Exchange for any reason whatsoever then none of Winterflood Securities or the Company, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;

- 4.1.22 in connection with its participation in the Initial Placing and/or Placing Programme it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering (“**Money Laundering Legislation**”) and that its application is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person:
- (a) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or
 - (b) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) (the “**Money Laundering Directive**”); or
 - (c) subject to the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999, as amended, together with any regulations and guidance notes issued pursuant thereto; or
 - (d) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- 4.1.23 it acknowledges that due to anti-money laundering requirements, Winterflood Securities and the Company may require proof of identity and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, Winterflood Securities and the Company may refuse to accept the application and the subscription moneys relating thereto. It holds harmless and will indemnify Winterflood Securities and the Company against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been required has not been provided by it;
- 4.1.24 it acknowledges that any person in Guernsey involved in the business of the Company who has a suspicion or belief that any other person (including the Company or any person subscribing for Shares) is involved in money laundering activities, is under an obligation to report such suspicion to the Financial Intelligence Service pursuant to the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002, as amended;
- 4.1.25 it acknowledges and agrees that information provided by it to the Company or the Registrar will be stored both on the Registrar’s and the Administrator’s computer system and manually. It acknowledges and agrees that for the purposes of the DP Law and other relevant data protection legislation which may be applicable, the Registrar is required to specify the purposes for which it will hold personal data. The Registrar and the Administrator will only use such information for the purposes set out below (collectively, the “**Purposes**”), being to:
- (a) process its personal data (including sensitive personal data) as required by or in connection with its holding of Shares, including processing personal data in connection with credit and money laundering checks on it;
 - (b) communicate with it as necessary in connection with its affairs and generally in connection with its holding of Shares;
 - (c) provide personal data to such third parties as the Registrar or the Administrator may consider necessary in connection with its affairs and generally in connection with its holding of Shares or as the DP Law may require, including to third parties outside the Bailiwick of Guernsey or the EEA;

- (d) without limitation, provide such personal data to the Company or the Portfolio Manager and each of their respective associates for processing, notwithstanding that any such party may be outside the Bailiwick of Guernsey or the EEA; and
 - (e) process its personal data for the Registrar's or the Administrator's internal administration;
- 4.1.26 in providing the Registrar and the Administrator with information, it hereby represents and warrants to the Registrar and the Administrator that it has obtained the consent of any data subject to the Registrar and the Administrator and their respective associates holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the Purposes set out in paragraph 4.1.25 above). For the purposes of this Prospectus, "data subject", "personal data" and "sensitive personal data" shall have the meanings attributed to them in the DP Law;
- 4.1.27 Winterflood Securities and the Company are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion without any liability whatsoever to them;
- 4.1.28 the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that Winterflood Securities and the Company and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties made or deemed to have been made by its subscription of the Shares are no longer accurate, it shall promptly notify Winterflood Securities and the Company;
- 4.1.29 where it or any person acting on behalf of it is dealing with Winterflood Securities, any money held in an account with Winterflood Securities on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require Winterflood Securities to segregate such money, as that money will be held by Winterflood Securities under a banking relationship and not as trustee;
- 4.1.30 any of its clients, whether or not identified to Winterflood Securities, will remain its sole responsibility and will not become clients of Winterflood Securities for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
- 4.1.31 it accepts that the allocation of Shares shall be determined by Winterflood Securities in its absolute discretion but in consultation with the Company and that Winterflood Securities may scale down any commitments for this purpose on such basis as it may determine;
- 4.1.32 authorises Winterflood Securities to deduct from the total amount subscribed under the relevant Placing the aggregation commission (if any) (calculated at the rate agreed with the Company) payable on the number of Shares allocated under that Placing; and
- 4.1.33 time shall be of the essence as regards its obligations to settle payment for the Shares and to comply with its other obligations under the Initial Placing and/or the Placing Programme.

5. United States purchase and transfer restrictions

- 5.1 By participating in the Initial Placing and/or the Placing Programme, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Shares and any nominee(s) for any such person(s)) be further deemed to represent and warrant to each of the Company, the Portfolio Manager, the Registrar, and Winterflood Securities that:
- 5.1.1 it is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S and it is not acquiring the Shares for the account or benefit of a person within the United States;

- 5.1.2 it acknowledges that the Shares have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, a person in the United States, absent registration or an exemption from registration under the Securities Act;
- 5.1.3 it acknowledges that the Company has not registered under the Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not and will not be required to register under the Investment Company Act;
- 5.1.4 unless the Company expressly consents otherwise in writing, no portion of the assets used to purchase, and no portion of the assets used to hold, the Shares or any beneficial interest therein constitutes or will constitute the assets of:
- (a) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA;
 - (b) a “plan” as defined in Section 4975 of the Tax Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the Tax Code; or
 - (c) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the Tax Code.

In addition, if a Placee is a governmental, church, non-U.S. or other employee benefit plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the Tax Code, its purchase, holding, and disposition of the Shares must not constitute or result in a non-exempt violation of any such substantially similar law;

- 5.1.5 if any Shares offered and sold pursuant to Regulation S are issued in certificated form, then such certificates evidencing ownership will contain a legend substantially to the following effect, unless otherwise determined by the Company in accordance with applicable law:

“RIVER AND MERCANTILE UK MICRO CAP INVESTMENT COMPANY LIMITED (THE “COMPANY”) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. INVESTMENT COMPANY ACT OF 1940, AS AMENDED. IN ADDITION, THE SECURITIES OF THE COMPANY REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED, OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES.”;

- 5.1.6 if in the future the Placee decides to offer, sell, transfer, assign or otherwise dispose of its Shares, it will do so only in compliance with an exemption from the registration requirements of the Securities Act and under circumstances which will not require the Company to register under the Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;
- 5.1.7 it is purchasing the Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Shares in any manner that would violate the Securities Act, the Investment Company Act or any other applicable securities laws;

- 5.1.8 it acknowledges that the Company reserves the right to make inquiries of any holder of the Shares or interests therein at any time as to such person's status under U.S. federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under U.S. securities laws to transfer such Shares or interests in accordance with the Articles;
- 5.1.9 it acknowledges and understands that the Company is required to comply with FATCA and agrees to furnish any information and documents the Company may from time to time request, including but not limited to information required under FATCA;
- 5.1.10 it is entitled to acquire the Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the Portfolio Manager, the Manager, Winterflood Securities or their respective directors, officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Initial Placing and/or the Placing Programme or its acceptance of participation in the Initial Placing and/or the Placing Programme;
- 5.1.11 it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Shares within the United States, nor will it do any of the foregoing; and;
- 5.1.12 if it is acquiring any Shares as a fiduciary or agent for one or more accounts, the Placee has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

The Company, the Portfolio Manager, the Manager, Winterflood Securities and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.

If any of the representations, warranties, acknowledgments or agreements made by the Placee are no longer accurate or have not been complied with, the Placee will immediately notify the Company.

6. Supply and disclosure of information

If Winterflood Securities, the Registrar or the Company or any of their agents request any information about a Placee's agreement to subscribe for Shares under the Initial Placing and/or the Placing Programme, such Placee must promptly disclose it to them.

7. Miscellaneous

- 7.1 The rights and remedies of the Company, the Portfolio Manager, the Manager, Winterflood Securities and the Registrar under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 7.2 On application, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Initial Placing and/or the Placing Programme will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.
- 7.3 Each Placee agrees to be bound by the Articles once the Shares, which the Placee has agreed to subscribe for pursuant to the Initial Placing and/or the Placing Programme, have been acquired by the Placee. The contract to subscribe for Shares under the Initial Placing and/or the Placing

Programme and the appointments and authorities mentioned in this document and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Company, the Portfolio Manager, the Manager, Winterflood Securities and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against the Placee in any other jurisdiction. The Company is incorporated under the laws of Guernsey and the Articles are governed by the laws of Guernsey. Under the Judgments Law, a judgment of a superior court can be reciprocally enforced in Guernsey by way of registration subject to certain qualifications to registration outlined in the Judgments Law. The scope of the Judgments Law is limited to a small number of jurisdictions including the United Kingdom, Israel, the Netherlands and Italy. The Royal Court may (in its discretion) recognise as a valid judgment any final and conclusive judgment obtained in a court of a country other than those listed under the Judgments Law provided certain conditions are met. Legal advice needs to be taken before attempting to enforce a foreign judgment in the Guernsey courts.

- 7.4 In the case of a joint agreement to subscribe for Shares under the Initial Placing and/or the Placing Programme, references to a “Placee” in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.
- 7.5 Winterflood Securities and the Company expressly reserve the right to modify the Initial Placing and/or the Placing Programme (including, without limitation, the timetable and settlement) at any time before allocations are determined. The Initial Placing and/or the Placing Programme is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. A summary of the terms of the Placing Agreement is set out in paragraph 5.1 of Part VIII of this Prospectus.

PART X

TERMS AND CONDITIONS OF THE OFFER

1. Introduction

The amount being subscribed for pursuant to the Offer must be for a minimum of £1,000 and thereafter in multiples of £1,000. Financial intermediaries who are investing on behalf of clients should make separate Applications for each client.

If you apply for Shares under the Offer, you will be agreeing with the Company, the Registrar and the Receiving Agent to the Terms and Conditions of Application set out below.

2. Offer to acquire Shares

2.1 Your application must be made on the Application Form attached at Appendix I to this Prospectus or as may be otherwise published by the Company. By completing and delivering an Application Form, you, as the applicant, and, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:

2.1.1 offer to subscribe for such number of Shares at 100 pence per Share as may be purchased by the subscription amount specified in Box 1 on your Application Form (such subscription, subject to clause 3.4, to be in multiples of £1,000) on the terms, and subject to the conditions, set out in this Prospectus, including these Terms and Conditions of Application and the Memorandum and Articles;

2.1.2 agree that in respect of any Shares for which you wish to subscribe under the Offer you will submit payment in Sterling;

2.1.3 agree that, in consideration of the Company agreeing that it will not and save as otherwise required by applicable law and regulation, prior to the date of Admission, offer for subscription any Shares to any person other than by means of the procedures referred to in this Prospectus, your application may not be revoked and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to, or in the case of delivery by hand, on receipt by the Receiving Agent of, your Application Form;

2.1.4 undertake to pay the amount for the number of Shares specified in Box 1 on your Application Form in full on application and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive the share certificates for the Shares applied for in certificated form or be entitled to commence dealing in the Shares applied for in uncertificated form or to enjoy or receive any rights in respect of such Shares unless and until you make payment in cleared funds for such Shares and such payment is accepted by the Receiving Agent (which acceptance shall be in its absolute discretion and on the basis that you indemnify the Receiving Agent and the Company against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) void the agreement to allot the Shares and may allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund by way of a cheque, in your favour, at your risk, for an amount equal to the proceeds of the remittance which accompanied your Application Form, without interest);

2.1.5 agree that where on your Application Form a request is made for Shares to be deposited into a CREST Account, the Receiving Agent may in its absolute discretion: (i) amend the form so that such Shares may be issued in certificated form registered in the name(s) of the

holders specified in your Application Form (and recognise that the Receiving Agent will so amend the form if there is any delay in satisfying the identity of the applicant or the owner of the CREST Account or in receiving your remittance in cleared funds); and (ii) may authorise your financial adviser or whoever he or she may direct to send a document of title for or credit your CREST account in respect of the number of Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post a your risk to your address set out in your Application form.

2.1.6 agree, in respect of applications for Shares in certificated form (or where the Receiving Agent exercises its discretion pursuant to paragraph 2.1.5 above to issue Shares in certificated form), that any share certificate to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled (and any monies returnable to you) may be retained by the Receiving Agent:

- (A) pending clearance of your remittance;
- (B) pending investigation of any suspected breach of the warranties contained in paragraph 6 below or any other suspected breach of these Terms and Conditions of Application; or
- (C) pending any verification of identity which is, or which the Receiving Agent considers may be, required for the purpose of the Guernsey AML Requirements;

any interest accruing on such retained monies shall accrue to and for the benefit of the Company;

2.1.7 agree, on the request of the Receiving Agent, to disclose promptly in writing to it such information as the Receiving Agent may request in connection with your application and authorise the Receiving Agent to disclose any information relating to your application which it may consider appropriate;

2.1.8 agree that, if evidence of identity satisfactory to the Company or the Receiving Agent is not provided to the Receiving Agent within a reasonable time (in the opinion of the Company or the Receiving Agent) following a request therefor, the Company or the Receiving Agent may terminate the agreement with you to allot Shares and, in such case, the Shares which would otherwise have been allotted to you may be re-allotted or sold to some other party and the lesser of your application monies or such proceeds of sale (as the case may be, with the proceeds of any gain derived from a sale accruing to the Company) will be returned to the bank account on which the payment accompanying the application was first drawn without interest and at your risk;

2.1.9 agree that you are not applying on behalf of a person engaged in money laundering, drug trafficking or terrorism;

2.1.10 undertake to ensure that, in the case of an Application Form signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form together with full identity documents for the person so signing;

2.1.11 undertake to pay interest at such rate as shall be notified to you if the remittance accompanying your Application Form is not honoured on first presentation;

2.1.12 authorise the Receiving Agent to procure that there be sent to you definitive certificates in respect of the number of Shares for which your application is accepted or if you have completed section 7 on your Application Form, but subject to paragraph 2.1.5 above, to deliver the number of Shares for which your application is accepted into CREST, and/or to return any monies returnable by cheque in your favour without interest and at your risk;

2.1.13 confirm that you have read and complied with paragraph 8 of this Part X of this Prospectus;

- 2.1.14 agree that all subscription cheques and payments will be processed through a bank account in the name of “Capita Registrars Limited: River and Mercantile – Offer for Subscription A/C” opened with the Receiving Agent;
 - 2.1.15 agree that your Application Form is addressed to the Company, the Portfolio Manager and the Receiving Agent;
 - 2.1.16 agree that, if a fractional entitlement to a Share arises on your application, the number of Shares issued to you will be rounded down to the nearest whole number and any fractions shall be retained by the Company for its benefit;
 - 2.1.17 acknowledge that the Issue will not proceed if the Net Issue Proceeds would be less than £49 million (or such lesser amount as the Company, the Portfolio Manager and Winterflood Securities may determine and notify to investors via publication of a supplementary prospectus);
 - 2.1.18 acknowledge that the offer to the public of Shares is being made only in the United Kingdom and represent that you are a United Kingdom resident (unless you are able to provide such evidence as the Company may, in its absolute discretion, require that you are entitled to apply for Shares and be allotted Shares without compliance by the Company or any of its advisers with any regulatory, filing or other requirements or restrictions); and
 - 2.1.19 acknowledge that the Company does not accept any liability for any inaccuracies in your application or for any late or failed delivery of your Application Form.
- 2.2 Any application may be rejected in whole or in part at the sole discretion of the Company.

3. Acceptance of your offer

- 3.1 The Receiving Agent may, on behalf of the Company, accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) for Shares.
- 3.2 The basis of allocation will be determined by Winterflood Securities in consultation with the Company. The right is reserved notwithstanding the basis as so determined to reject in whole or in part and/or scale back any application. The right is reserved to treat as valid any application not complying fully with these Terms and Conditions of Application or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed with the Company in some other manner to apply in accordance with these Terms and Conditions of Application. Each of the Company and Receiving Agent reserves the right (but shall not be obliged) to accept Application Forms and accompanying remittances which are received otherwise than in accordance with these Terms and Conditions of Application.
- 3.3 The Receiving Agent will present all cheques and banker’s drafts for payment on receipt and will retain documents of title and surplus monies pending clearance of successful applicants’ payment.
- 3.4 The Company reserves the right in its absolute discretion (but shall not be obliged) to accept applications for amounts other than those in multiples of £1,000 set out in paragraph 2.1.1 of this Part X.

4. Conditions

- 4.1 The contracts created by the acceptance of applications (in whole or in part) under the Offer will be conditional upon:
 - 4.1.1 First Admission occurring by 8.00 a.m. on 2 December 2014 (or such later time or date, not being later than 31 January 2015, as the Company, the Portfolio Manager and Winterflood Securities may agree);

- 4.1.2 the Placing Agreement becoming otherwise unconditional in all respects, and not being terminated in accordance with its terms before First Admission occurs; and
 - 4.1.3 the Minimum Net Issue Proceeds having been raised.
- 4.2 You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.

5. Return of application monies

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

6. Warranties

- 6.1 By completing an Application Form, you:
- 6.1.1 warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;
 - 6.1.2 warrant that you are a resident of, and are located for the purposes of the Offer in the United Kingdom;
 - 6.1.3 warrant that you acknowledge the representations, warranties and agreements set out in this Prospectus, including those set out in paragraph 5 (“United States purchase and transfer restrictions”) of Part IX of this Prospectus, and further warrant that you are not located within the United States and are not acquiring the Shares for the account or benefit of a person located within the United States;
 - 6.1.4 warrant, if the laws of any territory or jurisdiction outside the United Kingdom are applicable to your application, that you have complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company, Winterflood Securities or the Receiving Agent, or any of their respective officers, agents or employees, acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside Guernsey or the United Kingdom in connection with the Offer in respect of your application;
 - 6.1.5 confirm that in making an application you are not relying on any information or representations in relation to the Company other than those contained in this Prospectus (on the basis of which alone your application is made) and accordingly you agree that no person responsible solely or jointly for this Prospectus or any part thereof shall have any liability for any such other information or representation;
 - 6.1.6 agree that, having had the opportunity to read this Prospectus, you shall be deemed to have had notice of all information and representations contained therein;
 - 6.1.7 acknowledge that no person is authorised in connection with the Offer to give any information or make any representation other than as contained in this Prospectus and, if

given or made, any information or representation must not be relied upon as having been authorised by the Company, Winterflood Securities, the Receiving Agent or any of their affiliates;

- 6.1.8 warrant that you are not under the age of 18 on the date of your application;
- 6.1.9 agree that all documents and monies sent by post to, by or on behalf of the Company, or the Receiving Agent, will be sent at your risk and, in the case of documents and returned application cheques and payments to be sent to you, may be sent to you at your address (or, in the case of joint holders, the address of the first-named holder) as set out in your Application Form;
- 6.1.10 confirm that you have reviewed the restrictions contained in paragraph 8 of this Part X of the Prospectus and warrant, to the extent relevant, that you (and any person on whose behalf you apply) comply or have complied with the provisions therein;
- 6.1.11 agree that, in respect of those Shares for which your Application Form has been received and processed and not rejected, acceptance of your Application Form shall be constituted by the Company instructing the Registrar to enter your name on the register of members of the Company;
- 6.1.12 agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer shall be governed by and construed in accordance with the laws of England and that you submit to the jurisdiction of the English Courts and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- 6.1.13 irrevocably authorise the Company, or any other person authorised by any of them, as your agent, to do all things necessary (without any obligation or duty to do so) to effect registration of any Shares subscribed by or issued to you into your name and authorise any representatives of the Company to execute any documents required therefor and to enter your name on the register of members of the Company;
- 6.1.14 agree to provide the Company and Receiving Agent with any information which they may request in connection with your application or to comply with any other relevant legislation (as the same may be amended from time to time) including without limitation satisfactory evidence of identity to ensure compliance with the Guernsey AML Requirements;
- 6.1.15 agree that the Receiving Agent is acting for the Company in connection with the Offer and for no-one else and that it will not treat you as its customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of Shares or concerning the suitability of Shares for you or be responsible to you for providing the protections afforded to its customers;
- 6.1.16 warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, Winterflood Securities, the Receiving Agent, the Portfolio Manager or any of their affiliates or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements of any territory in connection with the Offer or your application;
- 6.1.17 warrant that the information contained in the Application Form is true and accurate;

- 6.1.18 warrant that you are not subscribing for the Shares using a loan which would not have been given to you or any associate or not given to you on such favourable terms, if you had not been proposing to subscribe for the Shares;
- 6.1.19 warrant that you are not applying as, or as a nominee or agent of, a person who is or may be a person mentioned in any of sections 67, 70, 93 or 96 of the UK Finance Act 1986 (depository receipts and clearance services); and
- 6.1.20 agree that if you request that Shares are issued to you on a date other than the date of Admission and such Shares are not issued on such date, that neither the Company nor its agents or Directors will have liability to you arising from the issue of such Shares on a different date.

7. Money laundering

- 7.1 You agree that, in order to ensure compliance with the UK Money Laundering Regulations 2007 (where applicable) and the Guernsey AML Requirements, the Receiving Agent or the Administrator may respectively at their absolute discretion require verification of identity from any person lodging an Application Form.
- 7.2 The Receiving Agent may undertake electronic searches for the purposes of verifying your identity. To do so the Receiving Agent may verify the details against your identity, but may also request further proof of your identity. The Receiving Agent reserves the right to withhold any entitlement (including any refund cheque) until such verification of identity is completed to its satisfaction.
- 7.3 Payments must be made by cheque or banker's draft in Sterling drawn on a United Kingdom branch of a bank or building society. Cheques, which must be drawn on your personal account where you have sole or joint title to the funds, should be made payable to "Capita Registrars Limited: River and Mercantile – Offer for Subscription A/C" and crossed "A/C payee". Third party cheques will not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing on the back of the cheque/banker's draft by following the instructions in paragraph 7.7 below.
- 7.4 The bank account name should be the same as that shown on the Application Form.
- 7.5 Where you appear to the Receiving Agent to be acting on behalf of some other person certifications of identity of any persons on whose behalf you appear to be acting may be required.
- 7.6 Failure to provide the necessary evidence of identity may result in application(s) being rejected or delays in the dispatch of documents.
- 7.7 In all circumstances, verification of the identity of applicants will be required. If you use a building society cheque, banker's draft or money order you should ensure that the bank or building society enters the name, address and account number of the person whose account is being debited on the reverse of the cheque, banker's draft or money order and adds its stamp. The name on the bank account must be the same as that stated on the Application Form.
- 7.8 You should endeavour to have the certificate contained in Box 8 of the Application Form signed by an appropriate firm as described in that Box.

8. Overseas investors

The attention of potential investors who are not resident in, or who are not citizens of, the United Kingdom or Guernsey is drawn to paragraphs 8.1 to 8.4 below:

- 8.1 The offer of Shares under the Offer to persons who are resident in, or citizens of, countries other than the United Kingdom and Guernsey may be affected by the law of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any applicable legal requirements to enable them to subscribe for

Shares under the Offer. It is the responsibility of all such persons receiving this Prospectus and/or wishing to subscribe to the Shares under the Offer, to satisfy themselves as to full observance of the laws of any relevant territory or jurisdiction in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities requiring to be observed and paying any issue, transfer or other taxes due in such territory.

- 8.2 No person receiving a copy of this Prospectus in any territory other than the United Kingdom or Guernsey may treat the same as constituting an offer or invitation to him, unless in the relevant territory such an offer can lawfully be made to him without compliance with any further registration or other legal requirements.
- 8.3 The Shares have not been and they will not be registered under the Securities Act, or with any securities regulatory authority of any State or any other jurisdiction of the United States and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, US Persons (as defined in Regulation S). In addition, the Company has not been and will not be registered under the Investment Company Act, and investors will not be entitled to the benefits of the Investment Company Act.
- 8.4 None of the Shares have been or will be registered under the laws of any member state of the EEA (other than the United Kingdom), Australia, Canada, Japan, or Republic of South Africa or under the Securities Act or with any securities regulatory authority of any State or other political subdivision of the any member state of the EEA (other than the United Kingdom), the United States, Australia, Canada, Japan, or the Republic of South Africa. Accordingly, unless an exemption under such Act or laws is applicable, the Shares may not be offered, sold or delivered, directly or indirectly, within any member state of the EEA (other than the United Kingdom), Australia, Canada, Japan, the Republic of South Africa or the United States (as the case may be). If you subscribe for Shares you will, unless the Company agrees otherwise in writing, be deemed to represent and warrant to the Company that you are not a US Person or a resident of any member state of the EEA (other than the United Kingdom), Australia, Canada, Japan, or the Republic of South Africa or a corporation, partnership or other entity organised under the laws of any member state of the EEA (other than the United Kingdom), the United States, Australia or Canada (or any political subdivision of any of them), Japan, or the Republic of South Africa and that you are not subscribing for such Shares for the account of any US Person or resident of any member state of the EEA (other than the United Kingdom), Australia, Canada, Japan, or the Republic of South Africa and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Shares in or into any member state of the EEA (other than the United Kingdom), the United States, Australia, Canada, Japan, or the Republic of South Africa or to any US Person or resident in any member state of the EEA (other than the United Kingdom), Australia, Canada, Japan, or the Republic of South Africa. No application will be accepted if it shows the applicant, payor or a prospective holder having an address that is not in the United Kingdom.
- 8.5 Persons (including, without limitation, nominees and trustees) receiving this Prospectus should not distribute or send it in or into the United States, Australia, Canada, Japan, South Africa or any member state of the EEA (other than the United Kingdom) their respective territories or possessions or any other jurisdiction where to do so would or might contravene local securities laws or regulations.
- 8.6 The Company reserves the right to treat as invalid any agreement to subscribe for Shares pursuant to the Offer if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

9. The Data Protection (Bailiwick of Guernsey) Law 2001

- 9.1 Pursuant to the DP Law the Company, Winterflood Securities, the Receiving Agent, the Registrar and/or the Administrator may hold personal data (as defined in the DP Law) relating to past and present Shareholders.

- 9.2 Such personal data held is used by the Registrar to maintain a register of the Shareholders and mailing lists and this may include sharing such data with third parties in one or more of the countries mentioned below when (a) effecting the payment of redemption proceeds to Shareholders (in each case, where applicable) and, if applicable, the payment of commissions to third parties and (b) filing returns of Shareholders and their respective transactions in shares with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used.
- 9.3 The countries referred to above include, but need not be limited to, those in the EEA or The European Union and any of their respective dependent territories overseas, Argentina, Australia, Brazil, Canada, Hong Kong, Hungary, Japan, New Zealand, Singapore, South Africa, Switzerland and the United States.
- 9.4 By becoming registered as a Shareholder in the Company a person becomes a data subject (as defined in the DP Law) and is deemed to have consented to the processing by the Company, the Receiving Agent, the Registrar or Winterflood Securities of any personal data relating to them in the manner described above.

10. Miscellaneous

- 10.1 To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Shares and the Offer.
- 10.2 The rights and remedies of the Company, the Portfolio Manager and the Receiving Agent under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of one will not prevent the exercise of others.
- 10.3 The contract to subscribe for Shares under the Offer and the appointments and authorities mentioned in this document and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Company, the Portfolio Manager, the Manager, Winterflood Securities and the Registrar, each applicant for Shares irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against the applicant for Shares in any other jurisdiction. The Company is incorporated under the laws of Guernsey and the Articles are governed by the laws of Guernsey. Under the Judgments Law, a judgment of a superior court can be reciprocally enforced in Guernsey by way of registration subject to certain qualifications to registration outlined in the Judgments Law. The scope of the Judgments Law is limited to a small number of jurisdictions including the United Kingdom, Israel, the Netherlands and Italy. The Royal Court may (in its discretion) recognise as a valid judgment any final and conclusive judgment obtained in a court of a country other than those listed under the Judgments Law provided certain conditions are met. Legal advice needs to be taken before attempting to enforce a foreign judgment in the Guernsey courts.
- 10.4 The Company reserves the right to shorten or extend the closing time of the Offer from 1.00 p.m. on 25 November 2014 (provided that if the closing time is extended this Prospectus remains valid at the closing time as extended) by giving notice to the London Stock Exchange. The Company will notify investors via a RIS and any other manner, having regard to the requirements of the London Stock Exchange.
- 10.5 The Company may terminate the Offer in its absolute discretion at any time prior to Admission. If such right is exercised, the Offer will lapse and any monies will be returned as indicated without interest and at the risk of the applicant.

- 10.6 You agree that Winterflood Securities, the Portfolio Manager and the Receiving Agent are acting for the Company in connection with the Issue and no-one else and that none of Winterflood Securities, the Portfolio Manager and the Receiving Agent will treat you as its customer by virtue of such application being accepted or owe you any duties concerning the price of Share or concerning the suitability of Shares for you or otherwise in relation to the Issue or for providing the protections afforded to their customers.
- 10.7 The dates and times referred to in these Terms and Conditions of Application may be altered by the Company so as to be consistent with the Placing Agreement (as the same may be altered from time to time in accordance with its terms).
- 10.8 Save where the context requires otherwise, terms used in these Terms and Conditions of Application bear the same meaning as use elsewhere in this Prospectus.

PART XI

GLOSSARY OF SELECTED TERMS

The following definitions apply in this Prospectus unless the context otherwise requires:

“2010 PD Amending Directive”	Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010 amending Directives 2003/71/EC on the prospectus to be published when securities are offered to the public or admitted to trading and 2004/109/EC on the harmonisation of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market
“Administration Agreement”	the administration agreement between the Company and the Administrator, a summary of which is set out in paragraph 5.4 of Part VIII of this Prospectus
“Administrator”	BNP Paribas Securities Services S.C.A., Guernsey Branch, and/or, where appropriate, such other person or persons from time to time appointed by the Company
“Admission”	admission of the Shares to trading on the Main Market becoming effective in accordance with the LSE Admission Standards and admission of the Shares to listing on the premium segment of the Official List becoming effective in accordance with the Listing Rules
“AIC”	the Association of Investment Companies
“AIC Code”	the AIC Code of Corporate Governance
“AIF”	alternative investment fund
“AIFM”	alternative investment fund manager
“AIFM Agreement”	the agreement between the Company and the Manager, a summary of which is set out in paragraph 5.3 of Part VIII of this Prospectus
“AIFM Directive”	Directive 2011/61/EU of the European Parliament and of the Council of 8 June 2011 on Alternative Investment Fund Managers and amending Directives 2003/41/EC and 2009/65/EC and Regulations (EC) No 1060/2009 and (EU) No 1095/2010
“Application Form”	the application form for the Offer set out in Appendix I to this Prospectus
“Articles”	the articles of incorporation of the Company
“Auditor”	PricewaterhouseCoopers CI LLP and/or, where appropriate, such other person or persons from time to time appointed by the Company
“Benchmark”	the “Numis Smaller Companies plus AIM (excluding investment companies) Index”
“Board”	the board of Directors of the Company
“Business Day”	a day on which the London Stock Exchange and banks in Guernsey are normally open for business

“Calculation Date”	the date determined by the Board for the calculation of the price to be paid on any particular exercise of the Redemption Mechanism
“certificated” or “in certificated form”	not in uncertificated form
“Companies Law”	the Companies (Guernsey) Law, 2008, as amended
“Company”	River and Mercantile UK Micro Cap Investment Company Limited, a non-cellular company limited by shares incorporated in Guernsey under the Companies Law on 2 October 2014 with registered number 59106
“Continuation Resolution”	has the meaning given in Part I of this Prospectus
“CREST”	the facilities and procedures for the time being of the relevant system of which Euroclear has been approved as operator pursuant to the Uncertificated Securities Regulations 2001 (SI 2001 No. 2001/3755) of the United Kingdom
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI No. 2001/3755) and the Guernsey USRs
“Critical Value”	the lower of the amount that is equal to 60 per cent. of the Gross Issue Proceeds and £40 million
“Custodian”	BNP Paribas Securities Services S.C.A., Guernsey Branch, and/or, where appropriate, such other person or persons from time to time appointed by the Company as custodian of the Company’s assets
“Custody Agreement”	the custody agreement between the Company and the Custodian, a summary of which is set out in paragraph 5.5 of Part VIII of this Prospectus
“Directors”	the directors of the Company as at the date of this Prospectus and “Director” means any one of them
“Disclosure and Transparency Rules”	the disclosure rules and transparency rules made by the FCA under Part VI of FSMA
“DP Law”	the Data Protection (Bailiwick of Guernsey) Law, 2001
“EEA”	the European Economic Area
“EEA Member State”	a member state of the EEA
“ERISA”	the U.S. Employee Retirement Income Security Act of 1974, as amended from time to time, and the applicable regulations thereunder
“EU”	the European Union
“Euroclear”	Euroclear UK & Ireland Limited
“extraordinary resolution”	a resolution of the Company or Shareholders passed as an extraordinary resolution in accordance with the Articles: (i) at a meeting, by a majority of not less than 75 per cent. of the votes of the Shareholders entitled to vote and voting in person or by attorney or by proxy; or (ii) in writing, by 75 per cent. of the total voting rights of Shareholders entitled to vote at the date of circulation of the resolution

“FATCA”	the U.S. Foreign Account Tax Compliance Act
“Financial Conduct Authority” or “FCA”	the UK Financial Conduct Authority
“First Admission”	Admission of the Shares issued pursuant to the Issue
“FSMA”	the UK Financial Services and Markets Act 2000, as amended
“GFSC”	Guernsey Financial Services Commission
“Gross Asset Value”	the total value of the assets of the Company as determined in accordance with the accounting principles adopted by the Directors
“Gross Issue Proceeds”	the aggregate value of the Shares issued under the Issue at the Issue Price
“Guernsey AML Requirements”	the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 (as amended), ordinances, rules and regulations made thereunder, and the GFSC’s Handbook for Financial Services Businesses on Countering Financial Crime and Terrorist Financing (as amended, supplemented and/or replaced from time to time)
“Guernsey USRs”	the Uncertificated Securities (Guernsey) Regulations, 2009
“IFRS”	the International Financial Reporting Standards
“Initial Placing”	the placing of Shares at the Issue Price as described in this Prospectus
“IRS”	U.S. Internal Revenue Service
“ISA”	an individual savings account
“ISIN”	International Securities Identification Number
“Issue”	the Initial Placing and Offer
“Issue Price”	100 pence per Share
“Judgments Law”	the Judgments (Reciprocal Enforcement) (Guernsey) Law, 1957 as amended
“Listing Rules”	the listing rules made by the UK Listing Authority pursuant to Part VI of FSMA
“London Stock Exchange”	London Stock Exchange plc
“LSE Admission Standards”	the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the Main Market
“Main Market”	the London Stock Exchange’s main market for listed securities
“Manager”	Carne Global AIFM Solutions (C.I.) Limited and/or, where appropriate, such other person or persons from time to time appointed by the Company
“material non-public information”	material information regarding particular issuers that has not been publicly disseminated
“Memorandum”	the memorandum of incorporation of the Company

“Micro Cap Companies”	companies that constitute the bottom 2 per cent. of the stock market by value
“Micro Cap Securities”	securities issued by Micro Cap Companies
“Minimum Net Issue Proceeds”	the minimum net proceeds of the Issue, being £49 million
“Model Code”	the model code for directors’ dealings contained in the Listing Rules
“Net Asset Value” or “NAV”	the Gross Asset Value of the Company less its liabilities (including accrued but unpaid fees) determined by the Administrator in accordance with the accounting principles adopted by the Directors
“Net Asset Value per Share” or “NAV per Share”	the Net Asset Value of the Company divided by the number of Shares in issue at the relevant time and expressed in Sterling
“Net Issue Proceeds”	the Gross Issue Proceeds less applicable fees and expenses of the Issue
“NISA”	a new individual savings account
“Non-Qualified Holder”	any person whose ownership of Shares: (i) may result in the U.S. Plan Threshold being exceeded causing the Company’s assets to be deemed “plan assets” for the purpose of ERISA or the U.S. Tax Code; (ii) may cause the Company to be required to register as an “investment company” under the U.S. Investment Company Act (including because the holder of the shares is not a “qualified purchaser” as defined in the U.S. Investment Company Act) or to lose an exemption or a status thereunder to which it might be entitled; (iii) may cause the Company to have to register any of its securities under the U.S. Securities Act; (iv) may cause the Company to have to register under the U.S. Exchange Act or any similar legislation; (v) may cause the Company not to be considered a “Foreign Private Issuer” as such term is defined in rule 3b-4(c) under the U.S. Exchange Act; (vi) may result in a person holding shares in violation of the transfer restrictions put forth in any prospectus published by the Company, from time to time; (vii) may cause the Company to be a “controlled foreign corporation” for the purposes of the U.S. Tax Code; or (viii) may cause the Company to suffer any pecuniary or tax disadvantage (which will include any excise tax, penalties or liabilities under ERISA or the U.S. Tax Code, including as a result of the Company’s failure to comply with FATCA and/or Similar Laws as a result of the Non-Qualified Holder failing to provide information concerning itself as requested by the Company in accordance with the Articles
“Offer”	the offer for subscription of Shares at the Issue Price pursuant to the terms of this Prospectus
“Official List”	the list maintained by the UK Listing Authority pursuant to Part VI of FSMA
“ordinary resolution”	a resolution of the Company passed as an ordinary resolution in accordance with the Companies Law (i) at a meeting, by a simple majority of the votes of Shareholders entitled to vote and voting in person or by attorney or by proxy, or (ii) in writing, by a simple

	majority of the total voting rights of Shareholders entitled to vote at the date of circulation of the resolution
“Placee”	a person subscribing for Shares under the Initial Placing or the Placing Programme, as appropriate
“Placing Agent”	Winterflood Securities and/or, where appropriate, such other person or persons from time to time appointed by the Company
“Placing Agreement”	the conditional agreement between the Company, the Portfolio Manager, the Manager and Winterflood Securities, a summary of which is set out in paragraph 5.1 of Part VIII of this Prospectus
“Placing Programme”	the proposed programme of placings of up to 50 million Shares as described in this Prospectus
“Placing Programme Price”	the price at which Shares will be issued pursuant to the Placing Programme to Placees, being such price, not less than the aggregate of the prevailing Net Asset Value per Share cum-income and a premium at least sufficient to cover the costs and expenses of issuing the Shares (including, without limitation, any placing commissions)
“Portfolio”	at any time, the portfolio of assets and investments in which the assets of the Company are invested
“Portfolio Manager”	River and Mercantile Asset Management LLP
“Portfolio Management Agreement”	the portfolio management agreement between the Company and the Portfolio Manager, a summary of which is set out in paragraph 5.2 of Part VIII of this Prospectus
“Prospectus”	this document
“Prospectus Directive”	Directive 2003/71/EC of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market in the EU
“PVT”	potential, valuation and timing – the three factors that comprise the Portfolio Manager’s core investment philosophy
“Prospectus Rules”	the prospectus rules made by the UK Listing Authority under section 73(A) of FSMA
“RCIS Rules 2008”	the Registered Collective Investment Scheme Rules 2008 issued by the GFSC
“Receiving Agent”	Capita Registrars Limited (trading as Capita Asset Services) and/or, where appropriate, such other person or persons from time to time appointed by the Company
“Redemption Date”	any date as determined by the Directors in their absolute discretion on which shares will be redeemed, as further described on page 34 of Part I of this Prospectus
“Redemption Mechanism”	the mechanism for the redemption of Shares, which will be operated by the Directors at their sole discretion, as further described on page 34 of Part I of this Prospectus

“Registrar”	Capita Registrars (Guernsey) Limited, and/or, where appropriate, such other person or persons from time to time appointed by the Company
“Registrar Agreement”	the agreement between the Company and the Registrar, a summary of which is set out in paragraph 5.6 of Part VIII of this Prospectus
“Regulation S”	Regulation S promulgated under the U.S. Securities Act
“Relevant Member State”	each member state of the European Economic Area which has implemented the Prospectus Directive
“RIS”	regulatory information service
“SDRT”	UK Stamp Duty Reserve Tax
“SEC”	the U.S. Securities and Exchange Commission
“SEDOL”	the Stock Exchange Daily Official List
“Share”	a redeemable ordinary share of no par value in the capital of the Company issued as an ordinary share of such class (denominated in such currency) as the Directors may determine in accordance with the Articles and having such rights and being subject to such restrictions as are contained in the Articles
“Shareholder”	a holder of Shares
“Similar Laws”	or the requirements of any similar laws or regulations to which the Company may be subject enacted from time to time by any other jurisdiction
“Sponsor”	Winterflood Securities and/or, where appropriate, such other person or persons from time to time appointed by the Company
“SSAS”	a small self-administered scheme
“Sterling” or “£”	the lawful currency of the United Kingdom
“Subsequent Admission”	Admission of the Shares issued pursuant to the Placing Programme
“Takeover Code”	the City Code on Takeovers and Mergers, as amended from time to time
“Terms and Conditions of Application”	the terms and conditions of application set out in Part X of this Prospectus in respect of the Offer
“TIOPA”	the Taxation (International and Other Provisions) Act 2010
“UCITS Directive”	Directive 2014/91/EU of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities, as amended
“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Corporate Governance Code”	the UK Corporate Governance Code as published by the Financial Reporting Council
“UK Listing Authority”	the Financial Conduct Authority as the competent authority for listing in the United Kingdom

“uncertificated” or “in uncertificated form”	recorded on the register as being held in uncertificated form in CREST and title to which may be transferred by means of CREST
“United States” or “U.S.”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“U.S. Exchange Act”	the U.S. Securities Exchange Act of 1934, as amended
“U.S. Investment Company Act”	the U.S. Investment Company Act of 1940, as amended
“U.S. Person”	has the meaning given in Regulation S under the Securities Act
“U.S. Plan Asset Regulations”	the regulations promulgated by the U.S. Department of Labor at 29 CFR 2510.3-101, as modified by section 3(42) of ERISA
“U.S. Plan Threshold”	ownership by benefit plan investors, as defined under section 3(42) of ERISA, in the aggregate of 25 per cent. or more of the value of any class of equity in the Company (calculated by excluding the value of any equity interest held by any person (other than a benefit plan investor, as defined under section 3(42) of ERISA) that has discretionary authority or control with respect to the assets of the Company or that provides investment advice for a fee (direct or indirect) with respect to such assets, or any affiliate of such a person); the term shall be amended to reflect such new ownership threshold that may be established by a change in the U.S. Plan Asset Regulations or other applicable law
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended
“U.S. Tax Code”	the U.S. Internal Revenue Code of 1986, as amended
“VAT”	value added tax
“Winterflood Securities”	Winterflood Securities Limited

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APPENDIX I

APPLICATION FORM FOR THE OFFER

Application Form for the Offer

If you wish to apply for Shares, please complete, sign and return this Application Form, by post or (during normal business hours only) by hand to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received by no later than 1.00 p.m. on 25 November 2014.

IMPORTANT: Before completing this Application Form, you should read the notes set out under the section entitled “Notes on how to complete the Application Form for the Offer” at the back of this Application Form. All applicants must complete Boxes 1 to 3. Joint applicants should also complete Box 4.

If you have a query concerning completion of this Application Form, please call Capita Asset Services on 0871 664 0321 from within the UK or +44 208 639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from within the UK cost 10 pence per minute (including VAT) plus your service provider’s network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

To:

RIVER AND MERCANTILE UK MICRO CAP INVESTMENT COMPANY LIMITED

1. Application

I/We offer to subscribe for such number of Shares at the value set out below divided by the Issue Price (the amount of such subscription being in a multiple of £1,000), fully paid subject to the Terms and Conditions of Application set out in the prospectus dated 4 November 2014, including the representations, warranties and agreements therein, and subject to the Memorandum and Articles and enclose a cheque for the amount payable (the “Application Amount”).

INVESTMENT AMOUNT	£
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2. Personal Details (Please use Block Capitals)

Mr, Mrs, Ms or Title	Forenames (in full)
Surname	
Address (in full)	
Postcode	

3. Signature

Dated	Signature
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4. Joint Applicants (Please use Block Capitals)

1. Mr, Mrs, Ms or Title	
Forenames (in full)	
Surname	
Signature	

2. Mr, Mrs, Ms or Title	
Forenames (in full)	
Surname	
Signature	
3. Mr, Mrs, Ms or Title	
Forenames (in full)	
Surname	
Signature	

5. Cheque/Banker's Draft Details

By Cheque or Banker's Draft: Attach your cheque or banker's draft for the exact amount shown in Box 1 made payable to "Capita Registrars Limited: River and Mercantile – Offer for Subscription A/C" and crossed "A/C Payee".

6. Identity Information

In accordance with internationally recognised standards for the prevention of money laundering the undermentioned documents and information must be provided.

6.1 For each individual enclose:	Tick box as applicable			
Applicant:	1	2	3	4
6.1.1 a certified clear photocopy of one of the following identification documents which bear both a photograph and the signature of the person: current passport – Government or Armed Forces identity card – driving licence; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.1.2 certified copies of at least two of the following documents which purport to confirm that the address given in section 2 is that person's residential address: a recent gas, electricity, water or telephone (not mobile) bill, a recent bank statement, a council tax or rates bill or similar document issued by a recognised authority; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.1.3 if none of the above documents show their date and place of birth, enclose a note of such information; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.1.4 details of the name and address of their personal bankers from which Capita Asset Services may request a reference, if necessary.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.2 For each holder being a company (a "holder company") enclose:				
6.2.1 a certified copy of the certificate of incorporation of the holder company; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.2.2 the name and address of the holder company's principal bankers from which Capita Asset Services may request a reference, if necessary; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.2.3 a statement as to the nature of the holder company's business, signed by a director; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

	Applicant:	1	2	3	4
6.2.4	a list of the names and residential addresses of each director of the holder company; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.2.5	for each director provide documents and information similar to that mentioned in 6.1.1 to 6.1.4 above; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.2.6	a copy of the authorised signatory list for the holder company; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.2.7	a list of the names and residential/registered address of each ultimate beneficial owner interested in more than 5 per cent., of the issued share capital of the holder company and, where a person is named, also complete 6.3 below and, if another company is named (hereinafter a “beneficiary company”), also complete 6.4 below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.3	For each person named in 6.2.7 as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in 6.1.1 to 6.1.4.				
6.4	For each beneficiary company named in 6.2.7 as a beneficial owner of a holder company enclose:				
	Applicant:	1	2	3	4
	A certified copy of the certificate of incorporation of that beneficiary company; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	A statement as to the nature of that beneficiary company’s business signed by a director; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	The name and address of that beneficiary company’s principal bankers from which Capita Asset Services may request a reference, if necessary; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Enclose a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent., of the issued share capital of that beneficiary company.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6.5	If the payor is not a holder and is not a bank providing its own cheque or banker’s payment on the reverse of which is shown details of the account being debited with such payment (see note 5 on how to complete this form) enclose:				
	Applicant:	1	2	3	4
	If the payor is a person, for that person the documents mentioned in 6.1.1 to 6.1.4; or	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	If the payor is a company, for that company the documents mentioned in 6.2.1 to 6.2.7; and	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	An explanation of the relationship between the payor and the holder(s).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Capita Asset Services reserves the right to ask for additional documents and information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

7. CREST details (only complete this section if you wish to register your application directly into your CREST Account which should be in the same name(s) as the applicants in boxes 2 and 4 above)

CREST Participant ID	
CREST Member Account ID	

8. Reliable Introducer Certificate

Completion and signing of this certificate by a suitable person or institution may avoid presentation being requested of the identity documents.

The certificate below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the “firm”) which is itself subject in its own country to operation of “know your customer” and anti-money laundering regulations no less stringent than those which prevail in the United Kingdom. Acceptable countries include Australia, Austria, Belgium, Bulgaria, Canada, Cayman Islands, Cyprus, Denmark, Estonia, Finland, France, Germany, Gibraltar, Greece, Guernsey, Hong Kong, Iceland, Ireland, Isle of Man, Italy, Japan, Jersey, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Netherlands, New Zealand, Norway, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, the United Kingdom and the United States.

CERTIFICATE: To the Company and the Receiving Agent

By completing and stamping Box 8 below you are deemed to have given the warranties and undertakings set out in paragraph 6 of the Terms and Conditions of Application set out in Part X of this Prospectus.

IFA STAMP	Name of firm	
	FCA Number	
	Signature	
	Print name	
	Position	
	Date	
	Telephone No	

9. Contact Details

To ensure the efficient and timely processing of this Application Form please enter below the contact details of a person that Capita Asset Services may contact with all enquiries concerning this application. Ordinarily this contact person should be the person signing in Box 3 on behalf of the first named holder. If no details are entered here and Capita Asset Services requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Contact name:	Telephone no:
	Fax no:
Contact address:	Email address:

Signature of Applicant

Signed..... Date2014
 Authorised Signatory

Notes on how to complete the Application Form for the Offer

Applications should be returned so as to be received by no later than 1.00 p.m. on 25 November 2014.

If you have a query concerning completion of this Application Form, please call Capita Asset Services on 0871 664 0321 from within the UK or +44 208 639 3399 if calling from outside the UK. Lines are open between 9.00 a.m. and 5.30 p.m. (London time) Monday to Friday. Calls to the helpline from within the UK cost 10 pence per minute (including VAT) plus your service provider's network extras. Calls to the helpline from outside the UK will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Proposals nor give any financial, legal or tax advice.

1. Application

Fill in Box 1 with the number of Shares for the amount of money being subscribed for Shares. The amount being subscribed must be a multiple of £1,000. However, the Company may, in its absolute discretion, determine to accept applications in other amounts: (i) from authorised persons; or (ii) from persons (including Directors) having a pre-existing connection with the Company; or (iii) where such application amount is equal to the maximum investment allowance permitted into an ISA under current rules (in respect of which, please refer to Part VII of the Prospectus for further detail in relation to the ISA investment allowance for the tax year 2014 to 2015). Financial intermediaries who are investing on behalf of clients should make separate applications or, if making a single application for more than one client, provide details of all clients in respect of whom application is made in order to benefit most favourably from any scaling back process should this be required.

2. Personal Details

Fill in (in block capitals) the full name(s) and address of the sole first applicant. Applications may only be made by persons aged 18 or over as at the date that the application is made. In the case of joint holders only the first named may bear a designation reference. A maximum of four joint holders is permitted. All holders named must sign the Application Form at sections 3 and 4 (where applicable).

3. Signature

All holders named in sections 2 and 4 (where applicable) must sign sections 3 and 4 (where applicable) and insert the date. The Application Form may be signed by another person on behalf of each holder if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection (which originals will be returned by post at the addressee's risk). A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.

4. Cheque/Banker's Draft Details

Payment may be made by a cheque or banker's draft accompanying your application. If payment is by cheque or banker's draft such payment must accompany your Application Form and be for the exact amount shown in Box 1 of your Application Form. Your cheque or banker's draft must be made payable to "Capita Registrars Limited: River and Mercantile – Offer for Subscription A/C" and crossed "A/C Payee". If you use a banker's draft or a building society cheque you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the banker's draft or cheque and adds its stamp. Your cheque or banker's draft must be drawn in Sterling on an account at a bank branch in the United Kingdom or the Channel Islands and must bear a United Kingdom bank sort code number in the top right hand corner. Third party cheques will not be accepted with the exception of building society cheques or bankers drafts where the building society or bank has confirmed the name of the account holder by stamping or endorsing the cheque/bankers draft. The funds must be drawn from an account where you have sole or joint title to them.

5. Identity Information

Applicants need only consider section 6 of the Application Form (where each column relates to the respective applicant) if the declaration in section 8 cannot be completed. Notwithstanding that the declaration in section 8 has been completed and signed, the Receiving Agent reserves the right to request of you the identity documents listed in section 6 and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time your application might be rejected or revoked. Where certified copies of documents are requested in section 6, such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

6. CREST

If you wish your Shares to be deposited in a CREST Account in the name of the holder(s) given in sections 2 and 4 (where applicable), enter in section 7 the details of that CREST Account. Where it is requested that Shares be deposited into a CREST Account please note that payment for such Shares must be made prior to the day such Shares might be allotted and issued. It is not possible for an applicant to request that Shares be deposited in their CREST Account on an against payment basis. Any Application Form received containing such a request will be rejected.

7. Reliable Introducer Certificate

Applications will be subject to Guernsey's AML Requirements. This will involve you providing the verification of identity documents listed in section 6 of the Application Form UNLESS you can have the certificate provided at section 8 of the Application Form given and signed by a firm acceptable to the Receiving Agent. In order to ensure your application is processed timely and efficiently all applicants are strongly advised to have the certificate provided in section 8 of the Application Form completed and signed by a suitable firm.

8. Contact Details

To ensure the efficient and timely processing of your Application Form, please provide contact details of a person the Receiving Agent may contact with all enquiries concerning your application. Ordinarily this contact person should be the person signing in section 3 on behalf of the first named holder. If no details are entered here and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Instructions for delivery for completed Application Forms

Completed Application Forms should be returned, by post or by hand (during normal business hours only) to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to be received by no later than 1.00 p.m. on 25 November 2014, together in each case with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least two days for delivery. Application Forms received after this date may be returned.

