

Brooks Macdonald Investment Funds plc

2nd floor, 2 Grand Canal Square, Grand Canal Harbour, Dublin 2, Ireland

28 September 2018

Brooks Macdonald Investment Funds plc (the **Company**)

Re: Brooks Macdonald Defensive Capital and Income Fund (the **Fund**)

Dear Shareholder,

Further to our letter of 31 August, 2018, we are writing to update you on the termination of the Fund.

As previously advised, the directors continue to be in active dialogue with Brooks Macdonald with a view to identifying how to bring matters forward. The directors previously advised you that a proposal had been received from Brooks Macdonald Asset Management (International) Limited (**Brooks Macdonald**) via Brooks Macdonald's Irish lawyers on 19 October 2017. The directors want to ensure that any proposed agreement between the parties facilitates the orderly completion of the termination of the Fund and the liquidation of the Company.

Brooks Macdonald's Irish lawyers previously wrote to the Company to say that their proposal would be automatically withdrawn on 24 September 2018 if no agreement could be reached before then. Following further correspondence between lawyers, the deadline of 24 September has been extended to Wednesday 24 October 2018.

Brooks Macdonald are continuing to insist as part of any arrangement with the Company that the Company should waive all rights it may have to take proceedings against Brooks Macdonald in the event of claims being made against the Company. The extent of the waiver continues to be a significant point of difference between the parties. The directors have confirmed to Brooks Macdonald that, if the requirement for a full waiver is dropped, they will seek to progress the settlement proposal expeditiously.

The directors and Brooks Macdonald are actively investigating alternative approaches and whether there are other steps which could be taken in an effort to try to resolve the impasse and the directors believe that further progress has been made in that regard. This is also reflected in the extension by Brooks Macdonald of the deadline for withdrawal of their proposal.

In this regard, Brooks Macdonald have identified two Irish resident individuals who would be willing to be appointed as directors of the Company in place of the existing directors. It has been confirmed that those individuals would be independent of Brooks Macdonald. The Central Bank has issued its approval of the two individuals for this purpose. The existing directors have the power to appoint the new directors but it is their intention to provide the details of the individuals to shareholders and to give them the opportunity to comment on the proposed appointments prior to proceeding. Precise details of these arrangements are currently being worked out with Brooks Macdonald and their advisors and the directors will write to shareholders once these have been agreed. The existing directors would intend to resign as directors with effect from the date of appointment of the new directors.

The directors received a request that they convene an extraordinary general meeting of the Company to consider certain resolutions to amend the Company's Articles of Association and to approve entry into a deed of settlement with Brooks Macdonald. The directors have discussed the request with the shareholder and explained why they have not yet been able to convene such a

Registered in Ireland as an open-ended variable capital umbrella investment company with limited liability and segregated liability between its sub-funds. Registration Number 454277. Registered Office as above.
Directors: Michael Ayre (UK), Peter Blessing.

meeting. The shareholder has noted the explanation but has nevertheless reserved its right to convene such a meeting itself.

As advised previously, the remaining cash of the Fund continues to be held in safekeeping by BNY Mellon Trust Company (Ireland) Limited, the independent depository to the Company. Work continues with the Company's service providers to ensure that the affairs of the Company and the Fund can be wound up in an orderly manner. The costs and expenses of the Fund, including the Deloitte costs and any associated costs, will have to be paid out of the remaining cash of the Fund and provision will also need to be made out of this cash for the costs and expenses likely to be incurred in winding up the Company. The directors had previously indicated that they considered that the Fund should not bear the costs of the Deloitte report or any of the associated costs but the offer from Brooks Macdonald does not include any provision for payment of all or any of those costs.

A copy of the Deloitte report has been provided to the Central Bank of Ireland, the Guernsey Financial Services Commission, the Jersey Financial Services Commission and the Channel Islands Financial Ombudsman.

The directors remain very aware of the continued concerns of shareholders in this matter, given the time elapsed since the termination of the Fund was announced, and their efforts continue to be focused on reaching a consensual arrangement with Brooks Macdonald. Throughout the termination process, the directors have taken appropriate legal advice and have sought to take account of their statutory and regulatory obligations as well as the interests of the shareholders. The directors continue to update the Central Bank of Ireland, which is the regulator of the Company, upon the steps being taken with a view to terminating the Fund.

A further update will be provided to shareholders no later than 26 October 2018.

Yours faithfully

Brooks Macdonald Investment Funds plc