

## **Link Fund Solutions Limited (“LFS”) Questions & Answers in relation to; the third capital distribution of the LF Equity Income Fund (the “Fund”)**

### **1. What proportion of the fund can investors expect to have returned as cash in the third capital repayment?**

As at 22 July 2020 the Fund holds c.£58m million of cash available to be distributed to investors. However, we anticipate that this amount will increase over the next three weeks as further amounts are received from Acacia and, therefore, it makes sense to make a single distribution of all those amounts rather than a series of smaller distributions over a short period of time.

### **2. What can investors expect to get back and when?**

A letter will be sent, on or around 19 August 2020, detailing the amount you will receive from this second capital distribution, the amount distributed will include your share £58.6million generated up to 22 July 2020, which will include the amounts received up to 19 August 2020 from Acacia detailed in the paragraph above, plus the proceeds of any further asset sales up to that date.

You will then receive a further letter on or around 21 August 2020 which will provide details of how much you will receive as your share of the total capital distribution and confirmation of the date on which the payment will be made, with payment to follow shortly thereafter.

### **3. I have seen press reports that the transaction with Acacia has undervalued the assets of the fund, is this true?**

As we explained in our previous letter, dated 5 June 2020, we reached an agreement with Acacia Research Corporation (“Acacia”) for the sale of an agreed selection of up to 19 of the Fund’s healthcare assets in return for up to £223.9 million.

Under the transaction with Acacia the portfolio of assets will individually transfer at different times over a period of up to six months. However, as the transaction is for the sale of a portfolio of the Fund’s shareholdings (rather than a series of sales of individual assets) investors are reminded that the transaction should be judged as a whole. You should be aware that reports relating to the values attributed to the transfer of single assets forming part of the portfolio can be misleading.

### **4. Why will it take up to 6 months for the full portfolio of assets to transfer from the Fund to Acacia?**

Before the Fund can sell its shareholding in an unlisted company to an external party it is required, under law, to give other shareholders in that company a right to buy those shares on the same terms as agreed with the external party. This provides protection to existing shareholders in the companies. The exact mechanism for fulfilling this legal requirement and, therefore, the time taken to do so will vary from company to company. In some instances, the process can be waived or completed over a relatively short period of time. However, for some of the companies in the portfolio being sold to Acacia the process is likely to take several months. We expect most transfers to take place relatively quickly and expect the formalities for all transfers to be completed within six months of the date of the sale agreement, being 4 June 2020.

**5. How will capital distributions from the Fund be taxed?**

The receipt of proceeds from the wind-up will be deemed a disposal of your shares in the Fund for capital gains tax purposes and may give rise to a capital gains tax liability. This will, of course, depend upon your individual circumstances. If you are in any doubt as to the taxation consequences of this action you should contact your professional adviser.

**6. How are the managers balancing the need to return investors' money with the potential to wait longer to get a better price for the assets?**

One of the objectives of the orderly realisation process is to maximise returns for investors. This means that it is important for the assets to be realised at a time when the sale will achieve an appropriate level of return. Selling the shares in the less liquid assets, on a "fire sale" basis would significantly reduce the value of these assets.

During the winding up of the Fund, any remaining less liquid assets of the Fund (including the unlisted assets) will continue to be sold over time in an orderly manner.

**7. How long will the winding up process take?**

Further capital distributions will be made as and when suitable amounts of cash have been received from Acacia as the portfolio of assets continues to transfer over the coming months, and from the sale of the remaining assets of the Fund.

At this stage we are unable to advise you of the exact timing and amount of these future capital distributions as this is dependent upon the exact timings of the assets being transferred to Acacia and the sale of the Fund's remaining assets. The assets that remain to be sold outside the portfolio transferring to Acacia are the less liquid assets of the Fund and disposing of these assets may take longer than was the case for the sales to date.

**8. How often will the Funds Net Asset Value be calculated and where can I find the relevant information**

Until the winding up of the Fund is completed, we will calculate and publish the Net Asset Value per share on a regular basis for information purposes only. Until 26 August 2020 we will continue to publish the NAV weekly each Wednesday. Thereafter the NAV will be published monthly on the final business day of the month.

This information, which allows investors to track the performance of their investment, can be found at [www.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk) by clicking on 'Fund Information' and then selecting 'LF Investment Fund'.

**9. When will the Annual Report and Accounts be published?**

We advised you on the 12 March 2020 that the annual accounting period of the Fund has been extended from 31 December 2019 to 31 March 2020 and will now, therefore, cover the period from 1 January 2019 to 31 March 2020. In the normal course of events the Fund's annual accounts would be published four months after the 31 March 2020 year end. However due to the impact of Covid-19 and the requirement for additional control steps in the audit sign-off process, we now anticipate, as permitted under FCA guidance, that the annual accounts will be published no later than 31 August 2020.

