

Dear Investor,

15 October 2019

**THIS LETTER IS IMPORTANT - PLEASE READ**

**LF Woodford Equity Income Fund (the "Fund"), a sub-fund of LF Woodford Investment Fund (the "Company")**

**1. Introduction**

We, Link Fund Solutions Limited ("LFS"), write further to our previous letters and to provide you with an important update regarding the suspension of the Fund. As Authorised Corporate Director ("ACD") of the Fund, we are writing to inform you that, after careful consideration, the decision has now been taken **not** to re-open the Fund and instead to wind it up as soon as practicable. This is with a view to returning cash to investors at the earliest opportunity.

More information about this decision, what will happen next, and the expected timing of repayments of cash to investors is set out below.

You are not required to take any action at this point, but it is important that you read this letter.

**2. Decision to wind up the Fund**

We have continued to consider the future of the Fund over the period of its suspension from 3 June 2019. After careful review of the Fund and its holdings we have decided **not** to re-open the Fund and instead to wind it up. We recognise that this will come as a disappointment to some investors. However, for the reasons set out more fully below we have concluded that the winding up of the Fund is now in the best interests of all investors.

We have been in close discussions throughout with the Financial Conduct Authority (the "FCA") in relation to our decision and the proposed changes outlined below. The decision and has also been subject to the due diligence required by the Fund's depositary, Northern Trust Global Services SE (UK Branch) (the "Depositary"), in order for us to request from the FCA its formal permission for the winding up of the Fund. We will now take the necessary steps to request that formal permission and it is expected that the winding up of the Fund will commence on 17

January 2020. It is not possible to commence the winding up any earlier due to the need for three months' notice to be given to investors under the applicable European Directive and as implemented into FCA rules.

We set out later in this letter information on how the Fund will be managed until the winding up commences.

### **3. Reasons for winding up the Fund**

As previously communicated to you the decision to suspend dealings in the Fund was taken to protect all investors in the Fund following an increased level of redemptions. As a "forced seller" of its assets to meet redemptions, the values received by the Fund for such assets could have been adversely impacted and the Fund might not have received full value from such sales.

The suspension was therefore intended to give Woodford Investment Management Limited ("Woodford"), the investment manager of the Fund, time to reposition the Fund's portfolio into more liquid investments. This would have allowed the Fund, upon lifting of the suspension of dealings in the Fund, to meet redemption requests.

We had agreed with the Depositary and Woodford that we would seek to complete the repositioning of the Fund's portfolio by early December 2019 to enable the Fund to re-open, but that we would monitor progress to ensure that this date remained achievable.

It was agreed that it would not be possible to lift the suspension and re-open the Fund until the sale of its unlisted and less liquid listed assets was completed. Failure to do so before the re-opening of the Fund would risk a further suspension and unequal treatment of investors, particularly for those who chose to continue to remain invested in the Fund.

Whilst progress has been made in relation to repositioning the Fund's portfolio, this has unfortunately not been sufficient to allow reasonable certainty as to when the repositioning would be fully achieved and the Fund could be re-opened.

We have therefore concluded that it is now in the best interests of all investors for the Fund to be wound up by way of an orderly realisation of the Fund's assets. This orderly realisation will allow the return of money through interim payments (this is described in more detail in paragraph 9 below) to investors more quickly than if the Fund had remained suspended for a longer period of time.

#### **4. Other options**

We have also considered whether any other options would be possible, including extending the period of suspension and merging the Fund with another fund. However, we have concluded that these options would either not be in the best interests of investors or are not viable.

#### **5. Woodford Investment Management Limited**

Following our decision to wind up the Fund, Woodford will, with immediate effect, cease to be the investment manager of the Fund.

#### **6. New arrangements for the management of the Fund's assets**

LFS will continue to serve as the ACD of the Fund. In our capacity as ACD and in order to manage the Fund during the period prior to the commencement of the winding up in accordance with its prospectus and applicable regulatory requirements:

- (i) we have allocated the Fund's assets into two parts, one comprised of listed assets ("Portfolio A") and one comprised of the unlisted and certain highly illiquid listed assets ("Portfolio B");
- (ii) we have with immediate effect appointed BlackRock Advisors (UK) Limited ("BlackRock") as transition manager to prepare Portfolio A for the winding up of the Fund. During the period until winding up of the Fund commences, BlackRock will seek to sell the assets in Portfolio A and use the proceeds to purchase money market funds and FTSE 100 index instruments. This process will enable us to return part of investors' cash as soon as possible once the Fund begins the winding up process (please see paragraph 9 below). We believe that BlackRock is best placed to carry out this role due to its transition and investment management, trading and capital markets expertise and experience; and
- (iii) during the period of the suspension we appointed PJT Partners (UK) Limited ("Park Hill") as a specialist broker to assist us in selling the assets in Portfolio B. Park Hill will continue in this role.

## **7. Change of Fund name**

The name of the Fund will, subject to the required regulatory process, be amended to reflect the fact that Woodford will no longer be the investment manager to the Fund. The name of the Company, the umbrella fund of which the Fund is a sub-fund, will also be amended.

Consequently, as soon as practicable and once regulatory permission has been received, the name of the Fund will change from "LF Woodford Equity Income Fund" to "LF Equity Income Fund", and the name of the Company will change from "LF Woodford Investment Fund" to "LF Investment Fund". We will notify you when this change takes place.

## **8. Costs**

In the period leading up to the commencement of the winding up of the Fund, there will be no change to the amount of the periodic charge paid by the Fund to the ACD. Out of the periodic charge we will pay BlackRock's fees for its services, as well as the fees of the Fund's Depositary, administrator, custodian and auditor. LFS will not take its fee for acting as ACD from the point of suspension and therefore if there is a surplus after paying all other fees LFS will return this to the Fund. Brokerage and legal costs, including the costs of Park Hill, associated with selling the assets in Portfolio B will continue to be borne by the Fund. These costs will be greater during this period than they were typically in previous periods due to the requirement to sell all of the Fund's assets.

Once the winding up of the Fund commences, the periodic charge will no longer be taken. However, we anticipate there will be costs payable by the Fund associated with the sale of the Fund's assets after the winding up commences, including the fees of BlackRock and Park Hill. We will write to update you nearer the time to provide further information on these costs.

## **9. The first capital distribution**

The repositioning of the Fund's assets, as described above, will continue. However, the focus will now be on preparing the Fund to be wound up.

Once the winding up of the Fund begins on 17 January 2020, the Fund will move to an orderly realisation of its assets. After we have taken account of any liabilities which the Fund owes, and of the costs incurred in the winding up, we will begin a process of paying you your share of the proceeds of the realisation of its assets as soon as possible. This will be done by means of a number of capital distributions made to all investors in the Fund.

It is anticipated that the first capital distribution will be paid to you and all other investors by the end of January 2020. The size of this first capital distribution will depend upon how quickly the value of the Fund's assets can be realised. We will write to you before this payment is made to provide further details.

At the point at which the winding up of the Fund begins, any remaining less liquid assets of the Fund (including the unlisted assets) will continue to be sold over time in an orderly manner to seek to limit the loss of value which would be the key risk if they were sold on a forced or "fire sale" basis.

It is not currently possible to predict when the orderly sale of these remaining assets will be fully complete and when the remaining capital distributions will be paid to you and the other investors.

We will continue to provide regular updates in respect of the sale of the Fund's assets and the payment of further capital distributions until the completion of the winding up of the Fund.

## **10. Tax Consequences**

Please be aware that the receipt of your proceeds from the winding up of the Fund will be deemed to be part disposals of your shares in the Fund for capital gains tax purposes and may, depending on your personal circumstances, give rise to a capital gains tax liability. If you are in any doubt as to the taxation consequences of this action you should seek professional advice.

## **11. Further Information**

We thank you for your continued patience in relation to your investment in the Fund. As noted above, we recognise that the winding up will come as a disappointment to some investors, but we believe that this course of action is now in the best interests of all investors.

A questions and answers document will be available at [woodford.linkfundsolutions.co.uk](http://woodford.linkfundsolutions.co.uk) and on request from us. A copy of the letter and all previous communications can also be found here.

We will continue to calculate and publish the Net Asset Value per share on a daily basis for information purposes only, which will also be published on our website at [www.linkfundsolutions.co.uk](http://www.linkfundsolutions.co.uk) (please click on the "Fund Information" section and select the Fund under "Select Fund Group").

You are not required to take any action in response to this letter. If you have any questions regarding this letter, please contact us on 0333 300 0381 or alternatively email us at [equityincome@linkgroup.co.uk](mailto:equityincome@linkgroup.co.uk), but please be aware that we are not authorised to give investment advice. If you are uncertain about the implications of this letter, you should seek professional advice.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Karl Midl', with a stylized flourish at the end.

Karl Midl  
Director  
For and on behalf of  
Link Fund Solutions Limited