

This document is issued by Value and Income Services Limited as alternative investment fund manager of Value and Income Trust PLC (the "Company") solely in order to make certain particular information available to investors in the Company before they invest, in accordance with the requirements of the FCA Rules implementing the EU Alternative Investment Fund Managers Directive (Directive 2011/61/EU) (the "AIFMD") in the United Kingdom. It is made available to investors in the Company by being made available at [www.olim.co.uk](http://www.olim.co.uk) and [www.olimproperty.co.uk](http://www.olimproperty.co.uk)

Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.

## VALUE AND INCOME TRUST PLC

### INVESTOR DISCLOSURE DOCUMENT

#### IMPORTANT INFORMATION

##### **Regulatory status of the Company**

Value and Income Trust PLC is an 'alternative investment fund' ("AIF") for the purposes of the AIFMD. The Company has appointed its subsidiary Value and Income Services Limited ("VIS" or the "AIFM"), to act as its alternative investment fund manager. VIS is authorised and regulated by the FCA as a 'full-scope UK AIFM'.

The Company's shares are listed on the premium segment of the Official List of the UK Listing Authority and are admitted to trading on the main market of the London Stock Exchange. The Company is subject to its articles of association, the Listing Rules, the Disclosure Guidance and Transparency Rules, the UK Corporate Governance Code and the Companies Act 2006.

The provisions of the Company's articles of association are binding on the Company and its shareholders. The articles of association set out the respective rights and restrictions attaching to the Company's shares. These rights and restrictions apply equally to all shareholders. All shareholders are entitled to the benefit of, and are bound by and are deemed to have notice of, the Company's articles of association. The Company's articles of association are governed by Scots law.

##### **Limited purpose of this document**

This document is not being issued for any purpose other than to make certain, required regulatory disclosures to investors and, to the fullest extent permitted under applicable law and regulations, the Company, VIS and their directors will not be responsible to persons other than the Company's shareholders for their use of this document, nor will they be responsible to any person (including the Company's shareholders) for any use which they may make of this document other than to inform a decision to invest in shares in the Company.

This document does not constitute, and may not be used for the purposes of, an offer or solicitation to buy or sell, or otherwise undertake investment activity in relation to, the Company's shares.

**This document is not a prospectus and it is not intended to be an invitation or inducement to any person to engage in any investment activity. This document may not include (and it is not intended to include) all the information which investors and their professional**

**advisers may require for the purpose of making an informed decision in relation to an investment in the Company and its shares.**

**No advice**

The Company, VIS and their directors are not advising any person in relation to any investment or other transaction involving shares in the Company. Recipients must not treat the contents of this document or any subsequent communications from the Company, or any of its affiliates, officers, directors, employees or agents, as advice relating to financial, investment, taxation, accounting, legal, regulatory or any other matters. Prospective investors must rely on their own professional advisers, including their own legal advisers and accountants, as to legal, tax, accounting, regulatory, investment or any other related matters concerning the Company and an investment in shares.

**Potential investors in the Company's shares should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser before investing in the Company.**

**Overseas investors**

The distribution of this document in certain jurisdictions may be restricted and accordingly persons into whose possession this document comes are required to inform themselves about and to observe such restrictions. The shares have not been, and will not be, registered under the United States Securities Act of 1933 (as amended) or under any of the relevant securities laws of Canada, Australia or Japan. Accordingly, the shares may not (unless an exemption from such Act or such laws is available) be offered, sold or delivered, directly or indirectly, in or into the USA, Canada, Australia or Japan. The Company is not registered under the United States Investment Company Act of 1940 (as amended) and investors are not entitled to the benefits of such Act.

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer 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 or other disposal of shares.

## THE COMPANY

### Investment Policy & Strategy

The Company invests in higher yielding UK commercial property and quoted equities, particularly in medium and smaller sized companies. The Company aims to achieve long term real growth in dividends and capital value without undue risk.

The Company's policy is to invest in quoted UK equities, UK commercial property and cash or near cash securities. It is not normally the Company's policy to invest in overseas shares or in unquoted companies. UK equities usually account for between half and three-quarters of the total portfolio and property for a quarter to a half but the asset allocation may go outside these ranges if relative market levels and investment value, or a desired increase in cash or near cash securities, make it appropriate.

The Company focuses on the fundamental values and incomes of businesses in which it invests - their profitability, cash flows, balance sheets, management and products or services - and the location, tenants and leases of its property investments. The equity portfolio has generally yielded more than the FTSE All-Share Index. The Company has held between 30 and 40 individual shareholdings and between 20 and 30 individual properties in recent years, but both these ranges may change as market conditions or the size of each portfolio vary in future.

The Company is managed in compliance with the statutory investment restrictions included in sections 1158-59 of the Corporation Tax Act 2010 ensuring that the Company continues to qualify as an investment trust.

In July 2016 shareholders approved an amendment to the articles of association of the Company to introduce a provision for there to be a continuation vote in 2024. The amendment (which was approved) requires the Board to put an ordinary resolution to shareholders in 2024 in relation to the future direction of the Company, including proposals that provide an opportunity for any shareholder to realise their investment in full at NAV, less costs, by 31 March 2027 at the latest. The reason for doing this in 2024 is to give sufficient time for refinancing the debt or for selling properties as required.

### Leverage

#### Circumstances in which leverage may be used

Leverage may be used where it is believed that the assets funded by borrowed monies will generate a return in excess of the cost of borrowing.

In a rising market gearing will tend to enhance returns because of the increased exposure to the markets but it will tend to increase losses in the event of a falling market. Leverage is therefore consistently monitored.

#### Types and sources of leverage permitted and risks

The Company has, since 1986, had a long standing policy of funding its exposure to property and partly to equities through long-term debentures. Until 2015, all borrowings have been debentures to provide secure long-term funding, avoiding the risks associated with short-term funding of having to sell illiquid assets at a low point in markets if loans have to be repaid.

Gearing has varied between 25% and 40% of the total portfolio. The Company will not raise new borrowings if total net borrowings would then represent more than 50% of the total

assets.

On 26 February 2015, a five year secured term loan facility of £5 million was arranged at a five year fixed interest rate of 4% including all costs. This facility was used to fund further property acquisitions. This loan was refinanced on 12 May 2016 and a new ten year secured term loan facility of £15 million was arranged at a ten year interest rate of 4.4% including all costs and replaced the original £5 million loan arranged in February 2015.

On 28 November 2019, the Company completed a seven year secured term loan of £22 million at a fixed interest rate of 3.1% per annum (3.3% per annum after all expenses) on £20.9 million and at a floating rate of Libor plus 2.35% on the balance of £1.1 million. The net proceeds will be held on deposit until 31 March 2021 to refinance the Company's £15 million 11% First Mortgage Debenture Stock 2021 which expires on that date and to support the acquisition of further UK properties and equities in accordance with the Company's investment policy.

The maximum amount of leverage which the AIFM is entitled to employ on behalf of the Company

VIS has set a maximum AIFMD leverage limit of 200%. As noted above, the Company has a long standing policy whereby it will not raise new borrowings if total net borrowings would represent more than half of total assets.

The Company's leveraging arrangements are collateralised through the granting of charges over the properties in the Company's property portfolio and leverage levels are monitored on a regular basis so that they do not exceed (or come close to maximum levels).

Disclosure of information in relation to leverage

The Company will disclose via the Investment Managers' websites at [www.olim.co.uk](http://www.olim.co.uk) and [www.olimproperty.co.uk](http://www.olimproperty.co.uk), at the same time as it makes its annual report and accounts available to investors or more frequently at its discretion, the following:

- any changes to the maximum level of leverage that the AIFM may employ on behalf of the Company;
- any changes to the right of reuse of collateral or any guarantee granted under the leveraging arrangements; and
- the total amount of leverage employed by the Company.

**Changes to the Company's investment policy**

As a closed-ended investment fund whose shares are admitted to the Official List under Chapter 15 of the Listing Rules, the Company is required to obtain the prior approval of the shareholders to any material change to its published investment policy. Accordingly, the Company will not make any material change to its published investment policy without the approval of its shareholders by ordinary resolution. The Company will announce any such change through a Regulatory Information Service. The Company's published investment policy is set out in the section entitled 'Investment policy' above.

Any change in investment strategy or investment policy which does not amount to a material change to the published investment policy may be made by the Company without shareholder approval.

## ADMINISTRATION AND MANAGEMENT OF THE COMPANY

### **The AIFM**

The AIFM is Value and Income Services Limited (“VIS” or the “AIFM”), a private limited company incorporated in Scotland with registered number SC467598, whose registered office is c/o Maven Capital Partners UK LLP, Kintyre House, 205 West George Street, Glasgow, G2 2LW. VIS is authorised and regulated by the FCA.

The Company has appointed VIS as its AIFM with responsibility, inter alia, for portfolio management and risk management of the assets of the Company. VIS does delegate some of its portfolio management responsibilities to third party portfolio managers.

The AIFM is also responsible for ensuring compliance with the AIFMD. As described elsewhere in this document, the AIFM has delegated certain functions with respect to its duties to third parties in accordance with the delegation requirements of AIFMD. Notwithstanding any delegation the AIFM shall remain liable to the Company for the proper performance of the portfolio management and risk management.

#### Delegated management functions

The AIFM has delegated the responsibility for the equity portfolio to OLIM Limited and the property portfolio to OLIM Property Limited (collectively the “Investment Managers”). The Investment Managers will be responsible to the AIFM in regard to the management of the investment of the assets of the Company in accordance with its investment objectives and policies, subject always to the supervision and direction of the AIFM.

#### Fees

The AIFM receives a fee for the provision of its services as agreed by the parties.

### **The Depositary**

The depositary is BNP Paribas Securities Services, London Branch, registered at the Companies Register of Paris under number 552 108 011, whose registered office is at 3, Rue d'Antin, 75002 Paris, France and acting through its London branch whose office is at 10 Harewood Avenue, London NW1 6AA.

#### *Description of the duties of the Depositary*

The Company has appointed the Depositary, under the AIFMD, to undertake various functions including safekeeping of assets and the monitoring of cash flows, changes in issued share capital and the valuation of assets.

#### *Liability of the Depositary*

The Depositary has not entered into any arrangement contractually to discharge itself of liability in accordance with Article 21(13) or 21(14). We will notify shareholders of any changes with respect to the discharge by the Depositary of its liability in accordance with Article 21(13) or 21(14) through a Regulatory Information Service.

The Depositary may delegate its safe-keeping function in relation to the Company’s assets to sub-custodians (predominantly within its own custody network).

***Fees of the Depositary***

The Depositary receives annual fees, payable quarterly in arrears, equal to approximately 0.04% of the assets under management of the Company.

**The Auditor**

The auditor of the Company is BDO LLP, 150 Aldersgate Street, London EC1A 4AB. The auditor's responsibility is to audit and report on the Company's financial statements in accordance with applicable law and auditing standards for all accounting periods during its appointment.

**The Registrar**

The registrar is Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZZ, a public limited company registered in England and Wales (03498808).

***The duties of the Registrar***

The Registrar maintains the share register of the Company and is responsible for dividend payments. All administrative enquiries concerning shareholdings, dividend payments, change of address or lost certificates should be addressed to the Company's Registrar.

***Fees payable to the Registrar***

The fees charged by the registrar are based on the number of shareholders on the register of members and the number of transfers that take place among other factors.

**The Company Secretary**

The Company Secretary is Maven Capital Partners UK LLP, Kintyre House, 205 West George Street, Glasgow G2 2LW.

The Company is reliant on the performance of third party providers including those set out above. No shareholder has any direct contractual claim against any service provider with respect to such service provider's default in providing its services to the Company. Any shareholder who believes they may have a claim against any service provider in connection with their investment in the Company should consult their own independent legal adviser.

**SHAREHOLDER INFORMATION****Annual Reports and Accounts**

Copies of the Company's latest annual and interim reports may be accessed at [www.olim.co.uk](http://www.olim.co.uk) and [www.olimproperty.co.uk](http://www.olimproperty.co.uk)

**Publication of net asset values**

The Company publishes its net asset values on a monthly basis via a Regulatory Information Service.

**Valuation Policy**

VIS will act as its "own valuer" in respect of the equity portfolio and valuation will be undertaken by the risk committee such that valuation is confirmed independently of the portfolio managers and is conducted with due skill, care and diligence. In so doing, VIS

will frequently review the net asset value and will use information provided by BNP Paribas Securities Services and other independent sources in order to verify the valuations. Furthermore, at least once each year (and upon an increase or decrease in capital by the Company) VIS will undertake a full in-depth review of the value of the underlying assets of the Company. It is proposed that such review coincide with the Company's Auditors' annual check of the existence of the holdings and validation of their prices where possible.

As a proportion of the assets are invested in commercial property an external valuer, Savills plc (or another appropriately qualified valuer) will independently revalue the properties in the portfolio every six months on or around 31 March and 30 September respectively.

#### **Historical performance of the Company**

Details of the Company's historical financial performance are provided in the Company's annual reports and accounts, which are available at [www.olim.co.uk](http://www.olim.co.uk) and [www.olimproperty.co.uk](http://www.olimproperty.co.uk).

*Investors should note that past performance of the Company is not necessarily indicative of future performance. Investors may not get back the amount invested.*

#### **Purchases and sales of shares by investors**

The Company's shares are admitted to the Official List of the UKLA and to trading on the main market of the London Stock Exchange. Accordingly, the Company's shares may be purchased and sold on the main market of the London Stock Exchange.

The Company's shares are not redeemable. While the Company will typically have shareholder authority to buy back shares, shareholders do not have the right to have their shares purchased by the Company.

#### **Fair treatment of investors**

The legal and regulatory regime to which the Company and the Directors are subject ensures the fair treatment of investors. The Listing Rules require that the Company treats all shareholders of the same class of shares equally.

In particular, as directors of a company incorporated in the United Kingdom, the Directors have certain statutory duties under the Companies Act 2006 with which they must comply. These include a duty upon each Director to act in the way she or he considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole.

No investor has a right to obtain preferential treatment in relation to their investment in the Company and the Company does not give preferential treatment to any investors.

The Shares all rank *Pari Passu* with each other.

### **RISK FACTORS**

The following risks are those considered by the Company and the AIFM to be the material risks arising from the Company's investing activities but they are not the only risks relating to the Company or its shares. There may also be additional risks that the Company and the AIFM do not currently consider to be material or which are not presently known to them. Before investing in shares, potential investors should consult their stockbroker, bank manager, solicitor, accountant or other financial adviser.

The principal risks and uncertainties which affect the Company's business are:

***Market risk***

The fair value of, or future cash flows from, a financial instrument held by the Company may fluctuate because of changes in market prices. This market risk comprises three elements - price risk, interest rate risk and currency risk.

***Price risk***

Changes in market prices (other than those arising from interest rate or currency risk) may affect the value of the Company's investments. It is the Board's policy to hold an appropriate spread of investments in the portfolio in order to reduce the risk arising from factors specific to a particular sector. For equities, asset allocation and stock selection both act to reduce market risk. VIS delegates its portfolio management responsibilities to the Investment Managers, OLIM Limited and OLIM Property Limited who actively monitor market prices throughout the year and report to VIS and to the Board, which meet regularly in order to review investment strategy. The equity investments held by the Company are listed on the London Stock Exchange. All investment properties held by the Company are commercial properties located in the UK with long, strong income streams.

***Interest rate risk***

Interest rate movements may affect:

- the fair value of the investments in property; and
- the level of income receivable on cash deposits

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions. The Board imposes borrowing limits to ensure that gearing levels are appropriate to market conditions and reviews these on a regular basis. Borrowings comprise debenture stocks and the ten year and seven year secured term loans, providing secure long term funding. It is the Board's policy to maintain a gearing level, measured on the most stringent basis of calculation after netting off cash equivalents, of between 25% and 40%.

***Currency risk***

A small proportion of the Company's investment portfolio is invested in securities whose fair value and dividend stream are affected by movements in foreign exchange rates. It is not the Company's policy to hedge this risk.

***Liquidity risk***

This is the risk that the Company will encounter difficulty in meeting obligations associated with its financial liabilities. The Company's assets comprise of readily realisable securities which can be sold to meet commitments, if required, and investment properties which, by their nature, are less readily realisable.

***Credit risk***

This is the failure of a counterparty to a transaction to discharge its obligations under that transaction which could result in the Company suffering a loss. The risk is not considered to be significant.

***Property risk***

The Company's commercial property portfolio is subject to both market and specific



property risk. Since the UK commercial property market has been markedly cyclical for many years, it is prudent to expect that to continue. The price and availability of credit, real economic growth and the constraints on the development of new property are the main influences on the property investment market. Against that background, the specific risks to the income from the portfolio are tenants being unable to pay their rents and other charges, or leaving their properties at the end of their leases.

Additional risks and uncertainties include:

- **Discount volatility:** The Company's shares may trade at a price which represents a discount to its underlying net asset value. The Company monitors the level of the discount;
- **Legal and regulatory risk:** The Company operates in a complex regulatory environment and faces a number of regulatory risks. A breach of Section 1158 of the Corporation Taxes Act 2010 (Section 1158) would result in the Company being subject to capital gains tax on portfolio investments. Breaches of other regulations, including but not limited to, the Companies Act 2006, the FCA Listing Rules, the FCA Disclosure Guidance and Transparency Rules, the Market Abuse Regulation, the Foreign Account Tax Compliance Act, the Common Reporting Standard, the Packaged Retail and Insurance-based Investment Products (PRIIPs) Regulation, the Second Markets in Financial Instruments Directive (MiFID II) and the General Data Protection Regulation, could lead to a number of detrimental outcomes and reputational damage.
- **Political risk:** The full political, economic and legal consequences of the UK's departure from the European Union are not yet known.

*Details of the Company's key risks are also set out in the Company's annual report and accounts, which may be accessed on the Investment Managers' websites at [www.olim.co.uk](http://www.olim.co.uk) and [www.olimproperty.co.uk](http://www.olimproperty.co.uk).*

## RISK MANAGEMENT

### Risk profile

The Company's investing activities expose it to various types of risk that are associated with the financial instruments, property and markets in which it invests. The most important types of financial risk to which the Company is exposed are those highlighted in the section entitled "Risk Factors" above: namely, market risk, liquidity risk, credit risk and property risk.

The AIFM assesses the sensitivity of the Company's portfolio to the most relevant risks to which the Company is or could be exposed on an ongoing basis.

The current risk profile of the Company will be disclosed periodically to investors by disclosure in the Company's annual report and accounts or more frequently at the AIFM's discretion.

### Risk management systems

The Company's key risks are monitored by the AIFM on an ongoing basis and by the Board and the Investment Manager on a regular basis. The AIFM's investment review and monitoring process is used to identify and, where possible, reduce risk of loss of value in the Company's investments.

The risk management systems which the AFIM employs to manage the risks which are

most relevant to the Company will be disclosed periodically to investors by disclosure in the Company's annual report and accounts or more frequently at the AIFM's discretion.

#### **Liquidity risk management**

The AIFM has a liquidity management policy in relation to the Company which is intended to ensure that the Company's investment portfolio maintains a level of liquidity which is appropriate to meet the Company's ongoing obligations.

This policy involves an assessment by the AIFM of the prices or values at which it expects to be able to liquidate its assets over varying hypothetical periods in varying market conditions, taking into account the sensitivity of particular assets to particular market risks and other relevant factors.

Shares in the Company are not redeemable and shareholders do not have the right to require their shares to be purchased by the Company. Accordingly, the liquidity management policy ensures that the Company's investment portfolio is sufficiently liquid to meet the following principal obligations:

- the Company's operating and financing expenses; in practice, these expenses are typically covered by dividends received from the Company's investments; and
- the possible need to repay borrowings at short notice, which would require to be met by the sale of assets.

The liquidity management policy requires the AIFM to identify and monitor its investment in asset classes which are considered to be relatively illiquid. Illiquid assets of the Company are likely to include investment properties, investments in new issues and less liquid quoted securities. The risk of the Company not having sufficient liquidity at any time is not considered by the Board to be significant, given the liquid nature of the portfolio of investments and the level of cash ordinarily held.

The liquidity management policy is reviewed and updated, as required, on at least an annual basis.

Investors will be notified, by way of a disclosure on its website, in the event of any material changes being made to the liquidity management systems and procedures or where any new arrangements for managing the Company's liquidity are introduced.

The Company will periodically disclose to investors the percentage of the Company's assets which are subject to special arrangements arising from their illiquid nature. The Company will make this disclosure on its website at the same time as it makes its annual report and accounts available to investors or more frequently at its discretion.

#### **Professional negligence liability risks**

The AIFM covers potential professional liability risks resulting from those activities the AIFM carries out pursuant to the AIFMD, as transposed by the AIFMD Regulations, by holding additional capital of 0.01% of the value of the Company's funds under management.

#### **Amendment of this Document**

The information in this document will be reviewed and updated (as necessary) at least

annually. Any changes made to this document will be notified to investors by way of disclosure on the Investment Managers' websites.

**DATED: 12 MAY 2020**