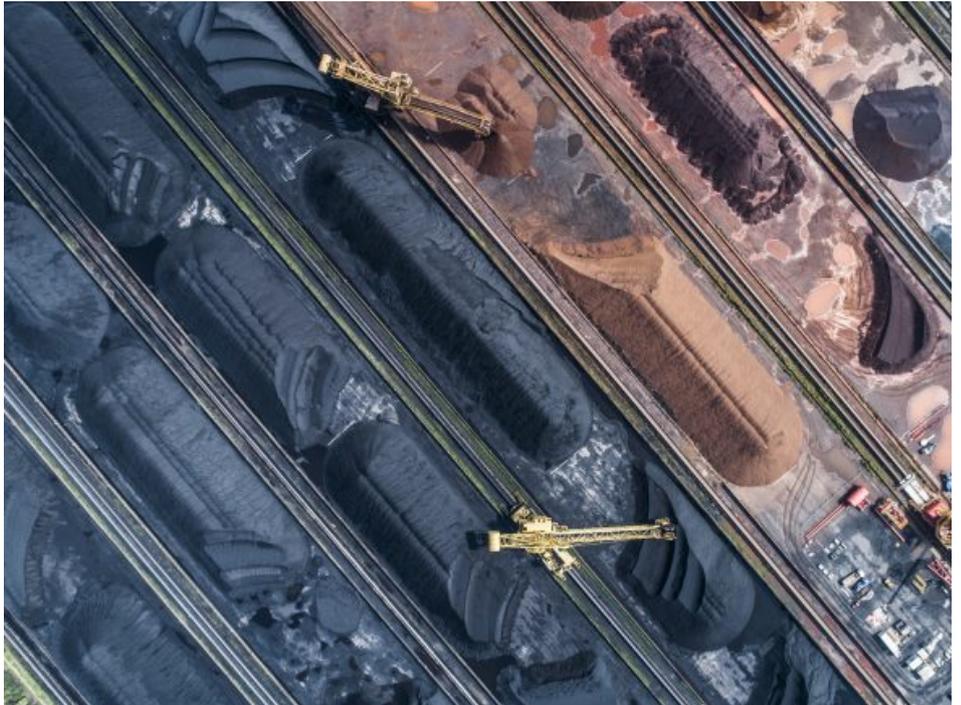


Mitchell Fraser-Jones, 23 August 2019

The views expressed in this article are those of the author at the date of publication and not necessarily those of Woodford Investment Management Ltd.



## Suspension extension

Link Fund Solutions Limited (Link), the Authorised Corporate Director of the LF Woodford Equity Income Fund ("the fund") has formally reviewed the suspension of the fund. Link previously indicated that it was anticipated that the suspension of dealing is likely to last until early December 2019 while the portfolio of assets held by the Fund is re-positioned. Based on the progress made to date, they remain of the view that this is a realistic timeframe and therefore have decided that it remains in the interests of all investors for the suspension of dealings to continue.

[Read the announcement](#)

We appreciate that the ongoing suspension of the fund will be causing you inconvenience and anxiety. The decision to continue with the suspension is to ensure investors' interests are protected. It affords Neil and the team the required time to execute the changes to the portfolio that we have outlined previously, in order to deliver the best possible outcomes for you, our investors.

As we have said previously, when the fund reopens, you will see a much more liquid portfolio, but one that reflects the same investment strategy. The portfolio will continue to be focused on undervalued companies, but the majority of them will be FTSE 100 and FTSE 250 index constituents. Neil and the team continue to make progress in this regard. To date, more than 80% of the proceeds from share sales since suspension have been reinvested in FTSE 100 companies.

We remain committed to operating the fund in a way that best protects the interests of investors, both for those who wish to remain invested and for others who will seek to withdraw from the fund when the fund reopens. In light of this, and after consultation with Link, we have decided to withhold disclosing the top 10 holdings while the fund is suspended.

## Performance

We continue to make progress focusing the fund's portfolio towards the few areas of the market which, we believe, continue to offer valuation appeal and to the economic sectors with enough internal momentum to withstand the growing global headwinds.

As we highlighted in our [previous update](#), this strategy has not delivered the returns we had anticipated over the past couple of years. The suspension did have an immediate impact on performance in the short term with the fund underperforming its benchmark significantly (FTSE All Share Total Return Index) during the first 28-day period.

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The situation improved during the second 28-day period in July, with the fund outperforming, albeit marginally.

However, over the latest 28-day period of suspension the fund has underperformed its benchmark – which can be primarily attributed to the share price decline of two of the fund's larger holdings, Burford Capital and Industrial Heat.

The price of Burford's shares declined sharply after it came under fire in a report from a US-based investment firm. The company has since provided a [comprehensive rebuttal of all the allegations](#).

Meanwhile, Link, supported by analysis from IHS Markit, reviewed our unquoted holding Industrial Heat as a part of Link's six-monthly review process and determined that progress had not been at the pace anticipated at the time of the previous reviews. On Friday, Link issued a [valuation adjustment for Industrial Heat](#). This has not been as a result of a "triggering event" as defined in Link's Fair Value Pricing policy. We are not responsible for unquoted valuations across any of our funds. Link is ultimately responsible for the pricing and valuation of unquoted stocks and it is assisted by an independent valuation company, IHS Markit, in the valuation process. The change in valuation will be reflected in the fund's closing NAV as at 23 August 2019.

Neil continues to reposition the portfolio while still reflecting the same investment strategy. To reiterate, that strategy is founded on a belief that the global economic environment is not as robust as equity markets are implying. We continue to believe that macroeconomic data is supportive of this thesis.

The suspension and the circumstances that led to it, may have had an impact on the price of some of the fund's assets in the short term. Identifying situations where price and value diverge has been at the centre of Neil's investment approach over his entire career – and is still determining a strategy that he believes is appropriate for the economic and market environment that confronts us.

## Questions & answers

### Will you continue to charge a management fee?

The company will continue to charge a management fee as we focus on repositioning the portfolio, to cover the infrastructure and resource costs associated with running an actively managed fund.

### Will you still be able to run the fund?

We intentionally set up with a scalable cost structure when we started Woodford five years ago. This means that our cost base is predominantly variable and can flex with changes in revenue. As you'd expect, given recent challenges, we've also looked at the remaining fixed costs and taken steps to reduce these too.

There are many funds available in the market place that are viable with a fraction of the size of Woodford's AUM.

### Are transfers between platforms allowed?

Transfers between platforms across all share classes, but not share class conversions, are now allowed (as of 10 July 2019). This includes where the receiving platform does not currently have access to the share class being transferred (they will be able to open a new account in that class to support the transfer). This is intended to facilitate cross-platform transfers where there is no change to the beneficial owner. This supports investors by providing them with the freedom to move their investments between platforms.

**Important note:** the total cost of owning the fund can vary between platforms, even where two platforms offer the same share class. You may wish to consider the different platform fees and any potential discounts on offer before deciding to transfer. Please contact your platform or your IFA for further details.

### Is the fund still pricing daily?

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We will be publishing [price data for information purposes](#), during the period in which investor trading in the fund is suspended. The last price at which the fund traded was as at midday Friday, 31 May 2019. Any orders placed after that dealing cut-off point have been rejected. All affected investors have been informed accordingly. When the suspension is lifted, investors will be required to submit their new dealing instructions.

### Is Neil a forced seller?

No. While investor trading in the fund is suspended, Neil has the time and space to deliver on his strategy to place the unquoted parts of the portfolio with interested buyers.

### Footnotes

1. A triggering event may include any of the following:

- o a subsequent round of financing (whether pro rata or otherwise) by the relevant investee company
- o a significant or material milestone achieved by the relevant investee company
- o a secondary transaction involving the relevant investee company on which sufficient information is available
- o a change in the makeup of the management of the relevant investee company
- o a material change in the recent financial performance or expected future financial performance of the relevant investee company
- o a material change in the market environment in which the relevant investee company operates; or
- o a significant movement in market indices or economic indicators

### What are the risks?

- The value of the fund and any income from it may go down as well as up, so you may get back less than you invested
- Past performance cannot be relied upon as a guide to future performance
- The ongoing charges figure is charged to capital, so the income of the fund may be higher but capital growth may be restricted or capital may be eroded
- The fund may invest in other transferable securities, money market instruments, warrants, collective investment schemes and deposits – some of these security types could increase the fund's volatility and increase the level of indirect charges to which the fund is exposed
- The fund may invest in overseas securities and be exposed to currencies other than pound sterling – as a result, exchange rate movements may cause the sterling value of investments to decrease or increase
- The fund may invest in unquoted securities, which may be less liquid and more difficult to value, because they are generally not publicly traded – the lack of an open market may also make it more difficult to establish fair value

### Important information

Before investing, you should read the Key Investor Information Document (KIID) for the fund, and the Prospectus which, along with our terms and conditions, can be obtained from the [downloads page](#) or from our registered office. If you have a financial adviser, you should seek their advice before investing. Woodford Investment Management Ltd is not authorised to provide investment advice.

The Woodford Funds (Ireland) ICAV (the "Fund") has appointed as Swiss Representative Oligo Swiss Fund Services SA, Av. Villamont 17, 1005 Lausanne, Switzerland. The Fund's Swiss paying agent is Neue Helvetische Bank AG. All fund documentation including, Prospectus, Key Investor Information Documents, Instrument of Incorporation and financial reports may be obtained free of charge from the Swiss Representative in Lausanne. The place of performance and jurisdiction for all shares distributed in or from Switzerland is at the registered office of the Swiss Representative. Fund prices can be found at [www.fundinfo.com](http://www.fundinfo.com).

**FUND SUSPENSION UPDATE**

Mitchell Fraser-Jones, 23 August 2019

Woodford Investment Management Ltd is authorised and regulated by the Financial Conduct Authority (firm reference number 745433). Incorporated in England and Wales, company number 10118169. Registered address 9400 Garsington Road, Oxford OX4 2HN.

Woodford Patient Capital Trust plc is incorporated in England and Wales, company number 09405653. Registered as an investment company under section 833 of the Companies Act 2006. Registered address Beaufort House, 51 New North Road, Exeter, EX4 4EP.

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