



20 July 2020

Dear Shareholder

**Pembroke VCT plc: Circular to Shareholders Q&A**

As a Shareholder in Pembroke VCT plc ("Pembroke VCT") you have recently received a Circular. This is sent to you by the Board of Pembroke VCT and sets out a number of the Company's proposals. The two main proposals are:

- 1. Combining the two share classes to create a single enlarged share class with a common investment portfolio, and**
- 2. Revising the performance incentive fee to focus on exits, thereby strengthening the alignment of interests between shareholders and the investment manager.**

For full details of the proposals please refer to the Circular to shareholders available at [www.pembrokevct.com](http://www.pembrokevct.com)

**Why combine the two share classes?**

Combining the two share classes will align all Shareholders through a single £100m+ investment portfolio with 39 companies, annual fund raising, an active annual buyback programme and more efficient running costs.

**Why change the performance incentive?**

The current performance incentive is not suited to an open-ended VCT which raises new money each year. It has shortcomings which include no performance hurdle once £1 per share has been returned. As a result, it does not align the interests of Shareholders and the investment manager.

**What is the new proposed performance incentive fee?**

The proposed performance incentive fee is paid only from realised gains with all realised losses netted off. This is a high watermark net realised gains approach, directly linked to profitable exits and not to unrealised investment valuations.

All investment losses, past and future, must be made up before a fee is paid. In addition, a total return hurdle of 3p per year must be met before a performance fee can be paid. The 3p per year hurdle matches the VCT's target annual dividend.

**Will the investment manager be paid a performance fee soon after the new arrangements are approved?**

No fee can be paid until after July 2021 and the investment manager must first make up approximately £5m of past losses before a performance incentive fee can be paid.

**What fees do Pembroke VCT charge?**

The annual management fee is 2% of the net asset value and the performance incentive fee will be exit based.

**What fees do Pembroke VCT not charge?**

No arrangement fees, no exit fees, no monitoring fees and no portfolio directorship fees are charged to either the VCT or to its underlying portfolio companies, unlike many other VCTs which do charge these fees.

**Will I still receive a dividend?**

The VCT continues to target a 3p per year dividend payable in October each year. Excess cash from exits will be returned to Shareholders; including both the original cost of the investment and any gain. The VCT will not re-invest exit proceeds, preferring to raise funds annually. This may result in an uneven dividend profile.

**When will buybacks begin?**

With annual fundraising into a single share class, Pembroke VCT would begin an annual buyback programme in the current year.

**How do I vote?**

The Circular document includes proxy voting forms or you can vote online.

**Can I attend the General Meeting or the Ordinary Class Meeting?**

Government guidelines don't currently allow for Shareholder meetings to take place indoors and Shareholders will not be able to attend in this instance. Please complete and send in your proxy voting forms or vote online. All votes will be counted at the meetings.

**What happens to the Ordinary shares if the proposals are approved?**

In August, the Ordinary shares will convert into B-Ordinary shares using the audited March 2020 net asset values. The Ordinary Shareholders will be issued new B-Ordinary share certificates and the old Ordinary shares will be cancelled.

**What is the recent performance of Pembroke VCT?**

We expect the March 2020 audited year-end results to be released on Friday 24 July when they will be available on the website [www.pembrokevct.com](http://www.pembrokevct.com)

You can contact me at [chris.lewis@pembrokevct.com](mailto:chris.lewis@pembrokevct.com). For full details of the proposals, please refer to the Circular to Shareholders available at [www.pembrokevct.com](http://www.pembrokevct.com)

Yours sincerely,

**Chris Lewis**

Chief Financial Officer  
Pembroke Investment Managers LLP  
*Investment Manager to Pembroke VCT plc*

*You can contact Pembroke Investment Managers LLP at [info@pembrokevct.com](mailto:info@pembrokevct.com). For full details of the proposals please refer to the Circular to Shareholders at [www.pembrokevct.com](http://www.pembrokevct.com)*