

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, you should consult your stockbroker, bank manager, solicitor, accountant or independent financial adviser who is authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") if you are in the United Kingdom, or from another appropriately authorised independent financial adviser if you are in a territory outside the United Kingdom.**

A copy of this document, which comprises a prospectus relating to Tufon Oceanic Assets Limited (the "**Company**") in connection with the issue of Shares prepared in accordance with the Prospectus Rules of the Financial Conduct Authority made under Section 84 of FSMA, has been delivered to the Financial Conduct Authority (the "**FCA**") in accordance with Rule 3.2 of the Prospectus Rules.

Application will be made to the London Stock Exchange for all of the Shares issued and to be issued pursuant to the Issue to be admitted to the Specialist Fund Segment of the Main Market. It is expected that Admission will become effective and dealings in the Shares will commence on 20 December 2017.

The Company and each of the Directors, whose names appear on page 39 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

**Prospective investors should read the entire document and, in particular, the section headed "Risk Factors" beginning on page 17 when considering an investment in the Company.**

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# TUFTON OCEANIC ASSETS LIMITED

*(a closed-ended investment company limited by shares incorporated under the laws of Guernsey with registered number 63061)*

## Placing and Offer for Subscription for a target issue in excess of 100 million Shares at US\$1.00 per Share

and

## Admission to trading on the Specialist Fund Segment of the Main Market

Investment Manager  
**Tufton Oceanic Ltd.**

Joint Placing Agents and Financial Advisers  
**Cenkos Securities plc**  
**Hudnall Capital LLP**

Joint Placing Agent  
**Nplus1 Singer Advisory LLP**

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Cenkos Securities plc ("**Cenkos**"), which is authorised and regulated in the United Kingdom by the FCA, is acting for the Company and for no-one else in connection with the Issue and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in connection with the Issue. Cenkos is not responsible for the contents of this document. This does not limit or exclude any responsibilities which Cenkos may have under FSMA or the regulatory regime established thereunder.

Hudnall Capital LLP ("**Hudnall**"), which is authorised and regulated in the United Kingdom by the FCA, is acting for the Company and for no-one else in connection with the Issue and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in connection with the Issue. Hudnall is not responsible for the contents of this document. This does not limit or exclude any responsibilities which Hudnall may have under FSMA or the regulatory regime established thereunder.

Nplus1 Singer Advisory LLP ("**N+1 Singer**"), which is authorised and regulated in the United Kingdom by the FCA, is acting for the Company and for no-one else in connection with the Issue and will not be responsible to anyone other than the Company for providing the protections afforded to its clients, nor for providing advice in connection with the Issue. N+1 Singer is not responsible for the contents of this document. This does not limit or exclude any responsibilities which N+1 Singer may have under FSMA or the regulatory regime established thereunder.

The Offer for Subscription will remain open until 11 a.m. on 15 December 2017 and the Placing will remain open until 3 p.m. on 15 December 2017. Persons wishing to participate in the Offer for Subscription should complete the Application Form set out in the Appendix to this document. To be valid, Application Forms must be completed and returned with the appropriate remittance, by post to the Receiving Agent, Computershare Investor Services PLC, Corporate Action Projects, Bristol, BS99 6AH or by hand (during business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE so as to be received by no later than 11 a.m. on 15 December 2017.

The Shares have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") or with any securities or regulatory authority of any state or other jurisdiction of the United States and the Shares may not be offered, sold, exercised, resold, transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S under the U.S. Securities Act). There will be no public offer of the Shares in the United States. The Shares are being offered or sold only outside the United States to non U.S. Persons in offshore transactions in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Regulation S thereunder. The Company has not been and will not be registered under the U.S. Investment Company Act of 1940, as amended (the "**U.S. Investment Company Act**") and investors will not be entitled to the benefits of the U.S. Investment Company Act. This document should not be distributed into the United States or to U.S. Persons.

Neither the U.S. Securities and Exchange Commission (the "**SEC**") nor any state securities commission has approved or disapproved of the Shares or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

This document does not constitute an offer to sell, or the solicitation of an offer to acquire or subscribe for, Shares in any jurisdiction where such offer or solicitation is unlawful or would impose any unfulfilled registration, qualification, publication or approval requirements on the Company, the Investment Manager, the Asset Manager, Cenkos, Hudnall or N+1 Singer. The offer and sale of Shares has not been and will not be registered under the applicable securities law of Canada, Japan, Australia or the Republic of South Africa. Subject to certain exemptions, the Shares may not be offered to or sold within Canada, Japan, Australia or the Republic of South Africa or to any national, resident or citizen of Canada, Japan, Australia or the Republic of South Africa.

The Company is a registered closed-ended collective investment scheme pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and the Registered Collective Investment Schemes Rules 2015 as issued by the Guernsey Financial Services Commission. The Guernsey Financial Services Commission takes no responsibility for the financial soundness of the Company or for the correctness of any statements made or opinions expressed with regard to it.

This document has not been reviewed by the Guernsey Financial Services Commission and, in granting registration, the Guernsey Financial Services Commission has relied upon specific warranties provided by the Administrator.

Dated: 8 December 2017

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## SUMMARY

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of security and issuer. Some Elements are not required to be addressed which means there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted into the summary because of the type of security and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.

### Section A – Introduction and warnings

| Element | Disclosure Requirement  | Disclosure   |
|---------|---|--|
| A.1.    | Warning   | This summary should be read as an introduction to this document. Any decision to invest in Shares should be based on consideration of this document as a whole by the investor. Where a claim relating to the information contained in this document is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Union, have to bear the costs of translating this document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this document or it does not provide, when read together with the other parts of this document, key information in order to aid investors when considering whether to invest in such securities. |
| A.2.    | Subsequent resale or final placement of securities through financial intermediaries | Not applicable, the Company is not engaging any financial intermediaries for any resale or final placement of securities after publication of this document.   |

### Section B – Issuer

| Element | Disclosure Requirement    | Disclosure   |
|---------|---------------------------|--|
| B.1.    | Legal and commercial name | Tufton Oceanic Assets Limited  |
| B.2.    | Domicile and legal form   | The Company was incorporated and registered in Guernsey on 6 February 2017 with registered number 63061. The principal legislation under which the Company operates is the Companies Law.  |
| B.5.    | Group description         | Not applicable. As at the Latest Practicable Date, the Company is not part of a group.   |
| B.6.    | Major shareholders        | <p>As at the Latest Practicable Date, insofar as is known to the Company, there are no parties known to have a notifiable interest under English law in the Company’s capital or voting rights.</p> <p>All Shareholders have the same voting rights in respect of the share capital of the Company.</p> <p>Pending the allotment of Shares pursuant to the Issue, the Company is controlled by the Investment Manager who holds two Shares in the Company.</p> <p>The Company and the Directors are not aware of any other person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.</p> |

|                 |   | <p>From Admission the interests of the Directors and their connected persons will be as follows:</p> <table> <tr> <th>Director</th><th>Number of Shares</th><th>% of issued Share capital*</th></tr> <tr> <td>Robert King</td><td>35,000</td><td>0.023</td></tr> <tr> <td>Stephen Le Page</td><td>15,000</td><td>0.010</td></tr> <tr> <td>Paul Barnes</td><td>5,000</td><td>0.003</td></tr> </table> <p>* Assuming Initial Gross Proceeds of US\$150 million</p> <p>The Investment Manager has indicated to the Company that it, its affiliates and/or any of their respective officers, directors and employees intend to subscribe for at least 4 per cent. of the Initial Gross Proceeds pursuant to the Issue, subject to a maximum of US\$5 million.</p>  | Director | Number of Shares | % of issued Share capital* | Robert King | 35,000 | 0.023 | Stephen Le Page | 15,000 | 0.010 | Paul Barnes | 5,000 | 0.003 |
|-----------------|---|--|----------|------------------|----------------------------|-------------|--------|-------|-----------------|--------|-------|-------------|-------|-------|
| Director        | Number of Shares  | % of issued Share capital*   |          |                  |                            |             |        |       |                 |        |       |             |       |       |
| Robert King     | 35,000  | 0.023  |          |                  |                            |             |        |       |                 |        |       |             |       |       |
| Stephen Le Page | 15,000  | 0.010  |          |                  |                            |             |        |       |                 |        |       |             |       |       |
| Paul Barnes     | 5,000   | 0.003  |          |                  |                            |             |        |       |                 |        |       |             |       |       |
| B.7.            | Key financial information   | Not applicable. The Company has been recently incorporated and has no historical financial information.  |          |                  |                            |             |        |       |                 |        |       |             |       |       |
| B.8.            | Key pro forma financial information   | Not applicable. No pro forma financial information is included in this document.   |          |                  |                            |             |        |       |                 |        |       |             |       |       |
| B.9.            | Profit forecast   | Not applicable. No profit forecast or estimate has been made for the Company.  |          |                  |                            |             |        |       |                 |        |       |             |       |       |
| B.10.           | Description of the nature of any qualifications in the audit report on the historical financial information | Not applicable. The Company is recently incorporated and has no historical financial information.  |          |                  |                            |             |        |       |                 |        |       |             |       |       |
| B.11.           | Qualified working capital   | Not applicable. The Company is of the opinion that, on the basis that the Minimum Net Proceeds are raised, the working capital available to it is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.   |          |                  |                            |             |        |       |                 |        |       |             |       |       |
| B.34.           | Investment policy   | <p><b>Investment Objective</b></p> <p>The Company's investment objective is to provide investors with an attractive level of regular and growing income and capital returns through investing in secondhand commercial sea-going vessels.</p> <p><b>Investment Policy</b></p> <p>In order to achieve its investment objective, the Company will invest in a diversified Portfolio of secondhand commercial sea-going vessels.</p> <p>The Company will make investments through one or more underlying SPV(s) over which the Company will exercise control with regards to investment decisions and which will mainly be wholly owned by the Company and may be held through an intermediate holding company. The Company may from time to time invest through vehicles which are not wholly owned by it. In such circumstances, the Company will seek to secure controlling rights over such vehicles through shareholder agreements or other legal arrangements.</p> <p>The Company will at all times invest and manage its assets in a manner which is consistent with the objective of diversifying investment risk across the main vessel classifications ("<b>Segments</b>") in the shipping industry.</p> <p><b>Investment Restrictions</b></p> <p>The Company will observe the following investment restrictions calculated, where relevant, at the point of investment:</p> <ul style="list-style-type: none"> <li>No single vessel will represent more than 25 per cent. of Net Asset Value.</li> </ul> |          |                  |                            |             |        |       |                 |        |       |             |       |       |

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|  |  | <ul style="list-style-type: none"> <li>• In terms of employment strategy, no investment will be made that results in exposure to the spot market, (being the market in which vessels are employed using single voyage employment contracts (“<b>Spot Charters</b>”) (the “<b>Spot Market</b>”)) accounting for more than 25 per cent. of Net Asset Value.</li> <li>• No investment will be made that results in any shipping Segment (i.e. Tankers, General Cargo, Containerships, Bulkiers) accounting for more than 50 per cent. of Net Asset Value.</li> <li>• The Company will not invest in cruise ships.</li> <li>• The Company will not invest in other closed ended investment companies.</li> <li>• No vessel will be registered under the laws of a country which is not included in the white list of the Paris Memorandum of Understanding (or the equivalent of this list) or if doing so would be contrary to any sanction or prohibition imposed by the United Nations, the United States, the European Union or the United Kingdom.</li> </ul> <p><b><i>Borrowing and gearing policy</i></b></p> <p>The Company may, for investment purposes, employ leverage at the SPV level where there is free cashflow generated from contracted vessel employment to counterparties which are considered creditworthy. Any such loans will be subject to the following restrictions:</p> <ul style="list-style-type: none"> <li>• leverage will be at the SPV level without recourse to the Company or to other SPVs;</li> <li>• it is anticipated that on an ongoing basis, consolidated Company gearing (consolidated loans to consolidated Charter-Free Value) will not be greater than 40 per cent. “<b>Charter-Free Value</b>” is the market value of one or more vessels excluding the value of any existing Charter in respect of such vessel or vessels;</li> <li>• the loan to Charter-Free Value ratio in any SPV at the time of loan drawdown will not be greater than 50 per cent;</li> <li>• the repayment profile of any loan will not be greater than the term of the underlying contracted Charter cashflow;</li> <li>• the loan to Charter-Free Value ratio at any SPV will be further constrained such that the free cashflow generated by the vessel employment plus the expected scrap value of the vessel (where relevant) will be sufficient to amortise the loan in full;</li> <li>• short term leverage may be utilised at the Company level for working capital or bridging purposes, but only to the extent that it is consistent with the AIFM’s regulatory status and subject always to the consolidated Company gearing limits outlined above;</li> <li>• where underlying Charter cashflow is of a fixed rate nature, the Investment Manager will seek to use interest rate swaps or fixed rate loans at the SPV level to provide for a known rate of interest under the terms of the loan agreement for all or part of the loan term. All security and other margin requirements under such interest rate swaps will be secured under the standard loan security arrangements; and</li> <li>• any refinancing exposure will be subject to the restrictions outlined above.</li> </ul> |
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|       |                  | <p>The timing of the deployment of leverage on any qualifying asset is at the discretion of the Board, in consultation with the Investment Manager.</p> <p><b>Hedging and derivatives</b></p> <p>As part of the Company's interest rate risk management, the Company may engage in interest rate hedging at the SPV level (by using interest rate swaps or fixed rate loans to provide for a known rate of interest under the terms of a loan agreement for all or part of any loan term) or otherwise seek to mitigate the risk of interest rate changes. All security and other margin requirements under such interest rate swaps will be secured under standard loan security arrangements.</p> <p>Shipping assets are generally valued in and earn US\$. Therefore, there will be no material currency risk. However, the Company may make limited investments denominated in currencies other than US\$ including Sterling and Euros. In the event of the Company making such investments, the Investment Manager will use its judgement, in light of the Company's investment policy, in deciding whether or not to effect any currency hedging in relation to any such investments.</p> <p>In addition to interest rate and currency hedging (as described above) the Company (through its SPV(s)) may enter into other shipping specialised hedging arrangements, such as bunker hedging against the cost of fuel exposure and hedging through Forward Freight Agreements ("<b>FFAs</b>") against the freight market exposure.</p> <p><b>Cash management</b></p> <p>Pending investment, cash will be temporarily invested in cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single -A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency.</p> <p>The Company may appoint a suitably qualified service provider to undertake cash management if the Board considers it is in the best interests of Shareholders to do so.</p> <p><b>Amendments to and compliance with the investment policy</b></p> <p>No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.</p> <p>In the event of a breach of the investment policy set out above, the Investment Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.</p> |
| B.35. | Borrowing limits | <p>The Company may, for investment purposes, employ leverage at the SPV level where there is free cashflow generated from contracted vessel employment to counterparties which are considered creditworthy. Any such loans will be subject to the following restrictions:</p> <ul style="list-style-type: none"> <li>• leverage will be at the SPV level without recourse to the Company or to other SPVs;</li> <li>• it is anticipated that on an ongoing basis, consolidated Company gearing (consolidated loans to consolidated Charter-Free Value) will not be greater than 40 per cent;</li> <li>• the loan to Charter-Free Value ratio in any SPV at the time of loan drawdown will not be greater than 50 per cent;</li> <li>• the repayment profile of any loan will not be greater than the term of the underlying contracted Charter cashflow;</li> </ul>  |

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|       |  | <ul style="list-style-type: none"> <li>the loan to Charter-Free Value ratio at any SPV will be further constrained such that the free cashflow generated by the vessel employment plus the expected scrap value of the vessel (where relevant) will be sufficient to amortise the loan in full;</li> <li>short term leverage may be utilised at the Company level for working capital or bridging purposes, but only to the extent that it is consistent with the AIFM's regulatory status and subject always to the consolidated Company gearing limits outlined above;</li> <li>where underlying Charter cashflow is of a fixed rate nature, the Investment Manager will seek to use interest rate swaps or fixed rate loans at the SPV level to provide for a known rate of interest under the terms of the loan agreement for all or part of the loan term. All security and other margin requirements under such interest rate swaps will be secured under the standard loan security arrangements; and</li> <li>any refinancing exposure will be subject to the restrictions outlined above.</li> </ul> <p>The timing of the deployment of leverage on any qualifying asset is at the discretion of the Board, in consultation with the Investment Manager.</p> |
| B.36. | Regulatory status  | <p>The Company is not regulated or authorised by the FCA. The Company is regulated in Guernsey by the Commission as a Registered Closed-ended Collective Investment Scheme pursuant to the POI Law and is required to comply with the RCIS Rules issued by the Commission.</p> <p>The Company is an alternative investment fund for the purposes of the AIFMD.</p> <p>From Admission the Company will be subject to the Prospectus Rules and the Disclosure Guidance and Transparency Rules and will voluntarily comply with certain of the Listing Rules.</p> <p>The Investment Manager is authorised and regulated by the FCA.</p>  |
| B.37. | Typical investor   | <p>An investment in the Shares is only suitable for institutional, professional, professionally-advised and knowledgeable investors who understand, or who have been advised of, and are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may equal the whole amount invested) that may result from such an investment.</p>  |
| B.38. | Investment of 20 per cent. or more in a single underlying issuer or investment company | <p>Not applicable. The Company will not invest 20 per cent. or more in a single underlying issuer or investment company.</p>  |
| B.39. | Investment of 40 per cent. or more in another collective investment undertaking        | <p>Not applicable. The Company will not invest in another collective investment undertaking.</p>  |
| B.40. | Applicant's service providers  | <p><b>Investment Manager</b></p> <p>The Company's investment manager is Tufton Oceanic Ltd. which acts as the Company's AIFM for the purposes of the AIFMD and is authorised and regulated by the FCA. The Investment Manager will, pursuant to the terms of the Investment Management Agreement, and subject to the overall control and supervision of the Board, provide portfolio management and risk management services to the Company.</p>  |



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|  |  | <p>Under the Investment Management Agreement, the Investment Manager will regularly review the Company's investment policy, identify potential investments for the Company and perform and/or procure all due diligence in relation to potential investments for the Company.</p> <p>The Investment Manager is entitled to receive from the Company in respect of its services provided under the Investment Management Agreement, an investment management fee payable quarterly in arrears equal to: (i) 0.85 per cent. per annum of the prevailing Net Asset Value up to US\$250 million; (ii) 0.75 per cent. per annum of the prevailing Net Asset Value in excess of US\$250 million but not exceeding US\$500 million; and (iii) 0.65 per cent. per annum of the prevailing Net Asset Value in excess of US\$500 million. For the purposes of calculating the investment management fee payable to the Investment Manager, cash and cash equivalents held by the Company will be excluded from the Net Asset Value.</p> <p>CarryCo is entitled to receive from the Company a performance fee in respect of a Calculation Period provided that the Total Return per Share at the end of the Calculation Period is greater than the High Watermark per Share (being the higher of the Hurdle and the Total Return per Share at the end of a Calculation Period when the performance fee was last paid). The performance fee due to CarryCo is an amount equal to 20 per cent. of the excess in Total Return per Share and the High Watermark per Share multiplied by the time weighted average number of Shares in issue during the Calculation Period.</p> <p>CarryCo shall receive 50 per cent. of the performance fee within 30 days of the conclusion of the annual general meeting of the Company immediately following the end of the Calculation Period. The remaining 50 per cent. shall be retained by the Company and, subject to being adjusted to take into account any subsequent underperformance, shall be paid out the next time a performance fee is due. Half of all subsequent performance fees shall also be deferred in this manner.</p> <p>No performance fee is payable if the Investment Manager's appointment is terminated for cause. If the Investment Manager's appointment is terminated other than for cause, the Investment Manager shall be entitled to receive all outstanding deferred performance fees (if any).</p> <p>CarryCo is a party to the Investment Management Agreement solely for the purposes of receiving any performance fee payable.</p> <p>The Investment Management Agreement is for an initial term of three years from Admission and thereafter, subject to termination on not less than twelve months' written notice by either party. The Investment Management Agreement can be terminated at any time in the event of the insolvency of the Company or in the event that the Investment Manager ceases to be authorised and regulated by the FCA (including to act as the Company's AIFM) (if required to be so authorised and regulated to continue to carry out its duties under the Investment Management Agreement).</p> <p>If the Company appoints a suitably qualified service provider, the Company may be required to pay a fee for cash management.</p> <p><b>Asset Manager</b></p> <p>Oceanic Marine Management Limited, an affiliate of the Investment Manager, will enter into an asset management agreement with each SPV to provide the SPV with certain services including appointing technical and/or commercial managers and negotiating technical and commercial management agreements.</p> |
|--|--|---|



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|       |  | <p>The Asset Manager will be entitled to receive a fee from each SPV of, currently, US\$150 per vessel per day.</p> <p><b>Administrator and Secretary</b></p> <p>Maitland Administration (Guernsey) Limited has been appointed by the Company to provide administration services and company secretarial services to the Company in accordance with the Administration Agreement. The Administrator will provide day-to-day administrative services to the Company and is also responsible for the Company's general administrative and secretarial functions such as the calculation of the Net Asset Value and maintenance of the Company's accounting and statutory records.</p> <p>Under the terms of the Administration Agreement, the Administrator is entitled to administration fees on a sliding scale starting at 0.07 per cent. per annum of the prevailing Net Asset Value up to US\$150 million, reducing to 0.01 per cent. per annum of the prevailing Net Asset Value in excess of US\$300 million subject to a minimum of £58,500 per annum. The Administrator is entitled to a one off set up fee of £15,000. Administration fees are calculated and payable quarterly in arrears.</p> <p><b>Registrar</b></p> <p>Computershare Investor Services (Guernsey) Limited has been appointed as the Company's Registrar pursuant to the Registrar Agreement. The Registrar is entitled to an annual fixed fee of £6,500 plus certain additional fees for services such as dividend and annual general meeting management.</p> <p><b>Receiving Agent</b></p> <p>Computershare Investor Services PLC has been appointed by the Company to provide receiving agent services in connection with the Offer for Subscription. The Receiving Agent is entitled to a fee of £4,500.</p> <p><b>Auditor</b></p> <p>PricewaterhouseCoopers CI LLP has been appointed auditor of the Company. The Auditor will be entitled to an annual fee from the Company, which fee will be agreed with the Board each year in advance of the Auditor commencing audit work.</p> |
| B.41. | Regulatory status. of Investment Manager | The Investment Manager is authorised and regulated by the FCA.   |
| B.42. | Calculation of Net Asset Value           | The NAV and NAV per Share of the Company will be calculated on a quarterly basis by the Administrator and will then be presented to the Board for approval and adoption. Calculations will be made in accordance with IFRS.  |
|       |  | <p>It is anticipated that details of the quarterly NAV and NAV per Share valuations will be announced by the Company through a Regulatory Information Service as soon as practicable after the end of the relevant quarterly period.</p> <p><b>Suspension of the calculation of Net Asset Value</b></p> <p>The Directors may at any time, but are not obliged to, temporarily suspend the calculation of the NAV and NAV per Share:</p> <ul style="list-style-type: none"> <li>during any period when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Directors, disposal or valuation of a substantial part of the investments is not reasonably practicable without this being seriously detrimental to the interests of the Shareholders; or</li> <li>if, in the opinion of the Board, the Net Asset Value cannot be fairly calculated; or</li> </ul>  |

|       |   |  |
|-------|---|--|
|       |   | <ul style="list-style-type: none"> <li>if any breakdown in the means of communication normally employed in determining the value of the investments or if for any reason the current prices on any market of a substantial part of the investments cannot be promptly and accurately ascertained; or</li> <li>if it is not reasonably practicable to determine the Net Asset Value on an accurate and timely basis.</li> </ul> <p>Should the calculation of the NAV of the Company be suspended then an announcement detailing such suspension will be notified immediately to the London Stock Exchange via a Regulatory Information Service.</p> |
| B.43. | Cross liability                           | Not applicable. The Company is not an umbrella collective investment undertaking and as such there is no cross liability between classes or investment in another collective investment undertaking.   |
| B.44. | No financial statements have been made up | The Company has not commenced operations since incorporation save for any steps taken by the Company in connection with Admission and no financial statements have been made up as at the date of this document.   |
| B.45. | Portfolio                                 | Not applicable. The Company is recently incorporated and does not currently hold any assets.   |
| B.46. | Net Asset Value                           | The Net Asset Value per Share at Admission is anticipated to be US\$0.98 (on the basis the costs and expenses incurred by the Company in connection with the Issue are capped at 2 per cent. of the Initial Gross Proceeds).   |

### Section C – Securities

| Element | Disclosure Requirement                                | Disclosure   |
|---------|---|--|
| C.1.    | Type and class of securities                          | <p>The actual number of Shares to be issued pursuant to the Issue, and therefore the Initial Gross Proceeds are not known as at the date of this document but will be notified by the Company via a Regulatory Information Service announcement prior to Admission. If the Minimum Gross Proceeds are not raised, the Issue will not proceed.</p> <p>The ISIN of the Shares is GG00BDFC1649 and the SEDOL is BDFC164.</p> <p>The ticker for the Company is SHIP.</p> |
| C.2.    | Currency  | US Dollars.  |
| C.3.    | Details of share capital                              | <p>The Issue is for a target issue in excess of 100 million Shares at an Issue Price of US\$1.00 per Share. The maximum number of Shares available under the Issue is 200 million.</p> <p>The issued share capital of the Company as at the date of this document is two Shares. The Shares are fully paid up and held by the Investment Manager.</p>  |
| C.4.    | Description of the rights attaching to the securities | <p>The holders of the Shares shall be entitled to receive, and to participate in, any dividends declared in relation to the Shares that they hold.</p> <p>On a winding-up or a return of capital by the Company, the net assets of the Company attributable to the Shares shall be divided pro rata among the holders of the Shares.</p> <p>The Shares shall carry the right to receive notice of, attend and vote at general meetings of the Company.</p>           |

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| C.5. | Restrictions on the free transferability of the securities | Not applicable; there are no restrictions on the free transferability of the Shares save that the Articles of Incorporation provide that the Board may refuse to register a transfer of Shares if it would: (i) cause the Company's assets to be deemed "plan assets" for the purposes of the U.S. Plan Asset Regulations or the U.S. Code; (ii) give rise to an obligation on the Company to register as an "investment company" under the U.S. Investment Company Act or any similar legislation; (iii) give rise to an obligation on the Company to register under the U.S. Exchange Act, the U.S. Securities Act or any similar legislation; (iv) result in the Company not being considered a "foreign private issuer" as such term is defined in Rule 3b-4(c) under the U.S. Exchange Act; (v) result in a person holding Shares in violation of the transfer restrictions put forth in any Prospectus published by the Company, from time to time; (vi) cause the Company to be a "controlled foreign corporation" for the purposes of the U.S. Code; (vii) cause the Company to suffer any pecuniary disadvantage (including any excise tax, penalties or liabilities under ERISA or the U.S. Code; or (viii) result in any Shares being owned, directly or indirectly, by any person who is deemed to be a Non-Qualified Holder in accordance with article 10.7 of the Articles. |
| C.6. | Admission  | Application will be made to the London Stock Exchange for all of the Shares issued and to be issued pursuant to the Issue to be admitted to the Specialist Fund Segment of the Main Market. It is expected that Admission will become effective, and that dealings in the Shares will commence, at 8.00 a.m. on 20 December 2017.   |
| C.7. | Dividend policy  | <p>The Company intends to pay dividends on a quarterly basis with dividends declared in January, April, July and October. The Company intends to declare its first dividend in July 2018.</p> <p>The Company will target a dividend yield of 5 per cent.* (on the Issue Price) during the first 12 months following Admission, rising to a target dividend yield of 7 per cent.* (on the Issue Price) thereafter. The Directors expect to grow the dividend, in absolute terms, modestly over the long term.</p> <p>The Company will target an IRR of 12 per cent.* per annum (net of expenses and fees) on a NAV basis on the Issue Price over the long term.</p> <p><small>*Investors should note that the targeted annualised dividend yield and targeted IRR are targets only and not profit forecasts and there can be no assurance that either will be met or that any dividend or capital growth will be achieved.</small></p>   |

## Section D – Risks

| Element | Disclosure Requirement  | Disclosure   |
|---------|---|--|
| D.1.    | Key information on the key risks that are specific to the Company or its industry | <p>The key risk factors relating to the Company and its industry are:</p> <ul style="list-style-type: none"> <li>The Company is a recently established investment company that has not commenced operations since incorporation save for any steps taken by the Company in connection with Admission. Accordingly, there are no historical financial statements or other meaningful operating or financial data with which to evaluate the Company and its performance. An investment in the Company is therefore subject to all of the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of the investors' investment could decline substantially as a consequence.</li> </ul> |

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|  |  | <ul style="list-style-type: none"> <li>• The returns expressed in this document are targets only and are based on financial projections which are themselves based on estimates and assumptions about a variety of factors, including in relation to market conditions and the economic environment and the ability of the Company to implement its investment objective and policy. There can be no guarantee that the target returns of the Company can be achieved at the level set out in this document or that its NAV will not decrease.</li> <li>• The shipping industry tends to be cyclical with attendant, often unpredictable and significant, volatility in spot freight rates, vessel values and vessel profitability. The time lag in the shipping industry between order and delivery of vessels heightens this cyclical nature. Charter hire rates and vessel values are affected by the supply of, and demand for, vessels. The Company may be exposed to market fluctuations in charter hire rates until such time as all of the Company's vessels have been chartered. The capital value of the vessels acquired by the Company will also be exposed to fluctuations in the secondhand values of the vessels over the life of the investment. While exposure to such cyclical nature and volatility may benefit the Company in certain circumstances, it may also adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.</li> <li>• The market price and value of the vessels in which the Company will invest may fluctuate due to a number of factors beyond the Company's control, including actual or anticipated fluctuations in the results of, and market perceptions concerning, the shipping industry, general economic, social or political developments, changes in industry conditions (including, for example, fluctuations in the supply of, and demand for, such vessels), changes in government or other regulation and other material events such as natural disasters, terrorism, piracy, storms or strikes. These factors may have a material adverse effect on the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.</li> <li>• The Company cannot guarantee that the due diligence investigation carried out by the Investment Manager with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Any failure by the Investment Manager to identify relevant facts through the due diligence process may result in inappropriate investment recommendations being made to the Board, which may have a material adverse effect on the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.</li> <li>• A vessel that has been acquired in the secondary market may have conditions or defects that were not apparent prior to purchase (notwithstanding any inspections conducted) and which may require the Company to undertake costly repairs to the vessel. Furthermore, it is not usually possible to receive the benefit of warranties in respect of vessels that have been purchased secondhand. Identification of such defects following the acquisition of a vessel may therefore adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.</li> </ul> |
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|  |  | <ul style="list-style-type: none"> <li>• The shipping industry is extensively regulated. The Company's vessels will have to operate within the rules, international conventions and regulations adopted by the International Maritime Organisation, as well as other international, national, state and local laws, conventions and regulations in each of the jurisdictions in which the vessels owned by the Company operate as well as those of the country or countries in which such vessels are registered. Additional costs or investments may be incurred to maintain compliance with regulations.</li> <li>• The Company currently expects to be fully invested within 9-12 months of Admission. However, there can be no assurance that suitable investment opportunities will materialise, prove attractive or be sufficient in quantity or size to permit this to occur. Accordingly, failure to invest the net proceeds of the Issue in full and in a timely fashion could have a material adverse effect on the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.</li> <li>• The Company's business strategy is dependent on the ability of the Investment Manager to identify appropriate vessels and Charter counterparties and also on being able to invest the net proceeds of the Issue during an economic cycle that offers opportunities which meet the investment criteria of the Company. While the Investment Manager believes there to be a strong supply of suitable investment opportunities as at the date of this document, there can be no guarantee that such opportunities will continue to be available at the time of investment. Vessel acquisitions and Charters are also subject to influences from a broad range of market and financing factors which could decline from current conditions and negatively affect the ability of the Investment Manager to source suitable investment opportunities which may adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares. From time to time the Company may invest in vessels requiring modifications before commencing operations or, more likely, commencing long-term employment with a charterer requesting such modifications. To the extent the Company invests in such vessels, it will be subject to the risks normally associated with such vessels, but also to losses due to cost overruns and/or delays. Any variation between actual vessel delivery dates and contracted delivery dates may affect operating results either due to postponed availability of cashflows, reduction in Charter rates or even full cancellation of Charter agreements. These factors may adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.</li> <li>• SPVs through which the Company will acquire vessels may utilise leverage (up to 50 per cent. of the Charter-free Value of the relevant vessel) to finance the purchase of the shipping assets. The SPVs will therefore likely be required to comply with loan covenants and undertakings, including loan to value covenants. A failure to comply with such covenants or undertakings may result in the relevant lenders requiring additional cash or ultimately recalling the relevant loans. In such circumstances, the SPVs may be required to sell the relevant vessel to repay the outstanding loan. This could adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.</li> </ul> |
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|      |  | <p>The key risks relating to the Investment Manager are:</p> <ul style="list-style-type: none"> <li>• The future ability of the Company to successfully pursue its investment policy may depend on the ability of the Investment Manager and Asset Manager to retain their existing key personnel and/or for each to recruit in good time individuals of similar experience and calibre, of which there can be no guarantee. Whilst the Investment Manager and Asset Manager have endeavoured to ensure that their personnel are suitably incentivised, the retention of key personnel cannot be guaranteed.</li> <li>• The Company is also subject to the risk that the Investment Management Agreement may be terminated and that no suitable replacement investment manager will be found. If the Investment Management Agreement is terminated and a suitable replacement is not secured in a timely manner or key personnel of the Investment Manager are not available to the Company with an appropriate time commitment, the ability of the Company to execute its investment strategy or achieve its investment objective may be adversely affected.</li> <li>• Information contained in this document relating to the prior performance of the Investment Manager is provided for illustrative purposes only and is not indicative of the likely performance of the Company. Such prior performance information has not been independently reviewed or audited for the purposes of inclusion in this document. Past performance is not necessarily indicative of future results.</li> </ul> <p>The key risks relating to regulation and taxation are:</p> <ul style="list-style-type: none"> <li>• Legal and regulatory changes could occur that may adversely affect the Company. Changes in the regulation of investment companies may adversely affect the Company's share price and the ability of the Company successfully to pursue its investment strategy.</li> <li>• Any change in the Company's tax status, or in taxation legislation or practice in either Guernsey or the United Kingdom or any jurisdiction in which SPVs are resident, may affect the value of the investments held by the Company or the Company's ability to pursue its investment policy successfully or achieve its investment objective, or may alter the after-tax returns to Shareholders.</li> </ul> |
| D.3. | Key information on the key risks that are specific to the Shares | <p>The key risks relating to the Shares are:</p> <ul style="list-style-type: none"> <li>• An investment in the Shares carries the risk of loss of capital. The value of a Share can go down as well as up and Shareholders may receive back less than the value of their initial investment and could lose all of the investment.</li> <li>• Shareholders have no right to have their Shares redeemed or repurchased by the Company and there can be no guarantee that a liquid market in the Shares will develop.</li> <li>• The Shares may trade at a discount to NAV per Share for a variety of reasons, including due to market conditions or to the extent investors undervalue the activities of the Company. While the Directors may seek to mitigate any discount to NAV per Share through Share buy backs and redemptions of Shares, there can be no guarantee that they will seek to do so or that such actions will be successful if they do and the Directors accept no responsibility for any failure of any such strategy to effect a reduction in any discount.</li> </ul>   |



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|  |  | <ul style="list-style-type: none"> <li>Investments in shares traded on the SFS may have limited liquidity and may experience greater price volatility than shares listed on the premium segment of the Official List. Limited liquidity and high price volatility may result in Shareholders being unable to sell their Shares at a price that would result in them recovering their original investment.</li> </ul> |
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## Section E – Offer

| Element | Disclosure Requirement                   | Disclosure  |
|---------|--|---|
| E.1.    | Proceeds and costs of the Issue          | The costs and expenses incurred by the Company are capped at two per cent. of the Initial Gross Proceeds. On the assumption that Initial Gross Proceeds of US\$150 million are raised pursuant to the Issue, net proceeds will be approximately \$147 million.  |
| E.2.a.  | Reason for the Issue and use of proceeds | The Initial Gross Proceeds will be utilised in accordance with the Company's investment policy and to meet the costs and expenses of the Issue. It is envisaged that the net proceeds of the Issue will be fully invested within 9-12 months of Admission.  |
| E.3.    | Terms and conditions of the offer        | <p>The Issue comprises a Placing and Offer for Subscription for a target issue in excess of 100 million Shares to be issued at a price of US\$1.00 per Share.</p> <p>The Issue is conditional, <i>inter alia</i>, on:</p> <ul style="list-style-type: none"> <li>Admission having become effective at or before 8.00 a.m. on 20 December 2017 or such later time and date as the Company, the Investment Manager, Cenkos, Hudnall and N+1 Singer may agree (being not later than 8.00 a.m. on 31 January 2018 );</li> <li>the Placing Agreement becoming wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms at any time prior to Admission; and</li> <li>the Minimum Gross Proceeds being raised.</li> </ul> <p>If any of these conditions are not met, the Issue will not proceed.</p> <p><b>The Placing</b></p> <p>The Company, the Investment Manager, the Directors, Cenkos, Hudnall and N+1 Singer have entered into the Placing Agreement pursuant to which Cenkos, Hudnall and N+1 Singer have agreed, subject to certain conditions, to use their reasonable endeavours to procure subscribers for the Shares made available in the Placing.</p> <p>The latest time and date for receipt of placing commitments under the Placing is 3 p.m. on 15 December 2017.</p> <p><b>The Offer for Subscription</b></p> <p>Shares to be issued at a price of US\$1.00 each are available to the public under the Offer for Subscription. The terms and conditions of application under the Offer for Subscription are set out in Part 10 of this document. An Application Form is set out at the end of this document. The terms and conditions should be read carefully before an application is made. Investors should consult their respective stockbroker, bank manager, solicitor, accountant or other financial adviser if they are in doubt about the contents of this document.</p> <p>The latest time and date for receipt of Application Forms under the Offer for Subscription is 11 a.m. on 15 December 2017.</p> <p>Applications under the Offer for Subscription must be for a minimum subscription amount of US\$1,000 and thereafter in multiples of US\$100.</p> <p>Applications may be rejected in whole or in part at the sole discretion of the Company.</p> |



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| E.4. | Material interests                                       | Not applicable. No interest is material to the Issue.   |
| E.5. | Name of person selling securities                        | Not applicable. No person or entity is offering to sell Shares as part of the Issue.  |
| E.6. | Dilution   | Not applicable.   |
| E.7. | Estimated Expenses charged to the investor by the issuer | The Company will not charge investors any separate costs and expenses in connection with the Issue. The costs and expenses incurred by the Company in connection with the Issue are capped at two per cent. of the Initial Gross Proceeds and will be borne by the Company. |

## RISK FACTORS

Prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Shares, including, in particular, the risks described below. An investment in the Shares is only suitable for investors who understand the risk of capital loss and that there may be limited liquidity in the underlying investments of the Company and in the Shares, for whom an investment in the Shares would be of a long term nature and constitute part of a diversified investment portfolio and who understand and are willing to assume the risks involved in investing in the Shares.

Prospective investors should note that the risks relating to the Company, its industry and the Shares summarised in the section of this document headed “Summary” are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Company faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this document headed “Summary” but also, among other things, the risks and uncertainties described below.

The Directors believe the risks described below are the material risks relating to an investment in the Shares at the date of this document. Additional risks and uncertainties not currently known to the Directors, or that the Directors deem immaterial at the date of this document, may also have an adverse effect on the performance of the Company and the value of the Shares. Investors should review this document carefully and in its entirety and consult with their professional advisers before making an application to participate in the Issue.

FCA-authorised firms conducting designated investment business with retail customers under COB Rules are reminded that securities admitted to trading on the Specialist Fund Segment will be securities that may have characteristics such as: (i) variable levels of secondary market liquidity; (ii) sophisticated corporate structures; (iii) highly leveraged structures; and (iv) sophisticated investment propositions with concentrated risks and are therefore intended for institutional, professional and highly knowledgeable investors.

### RISKS RELATING TO THE COMPANY

***The Company is a recently formed company with no revenue, and investors have no basis on which to evaluate the Company’s ability to achieve its investment objective***

The Company is a recently established investment company that has not commenced operations since incorporation save for any steps taken by the Company in connection with Admission. Accordingly, there are no historical financial statements or other meaningful operating or financial data with which to evaluate the Company and its performance. An investment in the Company is therefore subject to all of the risks and uncertainties associated with a new business, including the risk that the Company will not achieve its investment objective and that the value of the investors’ investment could decline substantially as a consequence.

***The returns are targets only, are based on estimates and assumptions that are inherently subject to significant business and economic uncertainties and contingencies, and the actual rate of returns may be materially lower than such target***

The returns expressed in this document are targets only and are based on financial projections which are themselves based on estimates and assumptions about a variety of factors, including in relation to market conditions and the economic environment and the ability of the Company to implement its investment objective and policy. There can be no guarantee that the target returns of the Company can be achieved at the level set out in this document or that its NAV will not decrease. A variety of factors, including changes in financial market conditions, interest rates, exchange rates, government regulations, the global economic environment or the occurrence of risks described elsewhere in this document could adversely impact the Company’s performance and its ability to achieve its target returns.

Investors should not place any reliance on the target returns in deciding whether to invest in the Company and should make their own determination as to whether the target returns are reasonable or achievable in deciding whether to invest in the Company. A failure by the Company to achieve its target returns or

increase its NAV could adversely impact the value of the Shares and result in a loss of all or part of an investor's investment.

***The Company has no employees and is reliant on the performance of third party service providers***

The Company has no employees and the Directors have all been appointed on a non-executive basis. The Company is therefore reliant on the performance of third party service providers for its executive function. In particular, the Investment Manager, the Asset Manager, the Administrator and the Registrar will be performing services which are integral to the operation of the Company. Failure by any service provider to carry out its obligations with respect to the Company in accordance with the terms of its appointment could have a materially detrimental impact on the operation of the Company and could affect the ability of the Company to meet its investment objective and successfully pursue its investment policy.

**RISKS RELATING TO THE COMPANY'S INDUSTRY**

***Cyclicality of the shipping industry, including fluctuations in Charter hire rates, may affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or market price of Shares***

The shipping industry tends to be cyclical with attendant, often unpredictable and significant, volatility in spot freight rates, vessel values and vessel profitability. The time lag in the shipping industry between order and delivery of vessels heightens this cyclicity. Charter hire rates and vessel values are affected by the supply of, and demand for, vessels. The factors that can influence the supply of, and demand for, vessel capacity include: the demand for and production of cargo (for example containerised cargoes), global and regional political and economic conditions, demand for products transported by the vessels, changes in methods of transportation, transportation costs and changes in seaborne and other transportation patterns. Factors that influence the supply of vessel capacity include: the number of newbuild deliveries, the demand for and construction of vessels of the same type, the scrapping rate of older vessels, vessel casualties, the number of vessels that are out of service and port productivity.

The Company intends to enter into Charter agreements in which the Charter hire rates will generally be fixed. Notwithstanding this, the Company may be exposed to market fluctuations in Charter hire rates until such time as all of the Company's vessels have been chartered. Typical Charter hire rates in the market may increase or decrease following the time at which the rate of the relevant Charter agreement is fixed. The capital value of the vessels acquired by the Company will also be exposed to fluctuations in the secondhand values of the vessels over the life of the investment. While exposure to such cyclicity and volatility may benefit the Company in certain circumstances, it may also adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***Valuation of vessels in which the Company will invest may fluctuate***

The market price and value of the vessels in which the Company will invest may fluctuate due to a number of factors beyond the Company's control, including actual or anticipated fluctuations in the results of, and market perceptions concerning, the shipping industry, general economic, social or political developments, changes in industry conditions (including, for example, fluctuations in the supply of, and demand for, such vessels), changes in government or other regulation and other material events such as natural disasters, terrorism, piracy, storms or strikes. The residual value of a vessel may also be adversely affected by factors such as poor maintenance (including by the Charter counterparties, when under a Bareboat Charter agreement, such maintenance is within their control) or as a result of a poor performance of the vessel relative to its intended function. Further, the depreciation rate of the vessels may vary over time and there can be no guarantee that the depreciation rate will not increase above that which has historically been the case.

The realisable value of the vessels may also be miscalculated. It may be relatively difficult for the Investment Manager to obtain reliable pricing information for valuation of the underlying vessels. The Investment Manager may conclude that certain quotations for vessels are not indicative of fair value by reason of a number of factors. A lack of reliable information, errors in assumptions or forecasts and/or an inability to successfully implement the investment policy in a particular case could, among other factors, result in the vessel having a lower realisable value than had, in fact, been anticipated. If the Company (through an SPV) is not able to realise an investment at the anticipated level of profitability, investment returns could be adversely affected.

As a result, the value ascribed by the Company to each vessel may be higher or lower than forecast and capital returns to Shareholders may, accordingly, be higher or lower than otherwise expected. If the value of a vessel is in fact lower than expected, it may mean that the Company (through an SPV) may be unable to dispose of it on satisfactory terms. These factors may have a material adverse effect on the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***Technological innovation may lead to a reduction in the Charter rates and residual value of the vessels acquired by the Company***

The Charter hire and the value and operational life of a vessel are determined by a number of factors including the vessel's size, type, efficiency, operational flexibility and physical life. Factors which determine a vessel's efficiency include its speed, fuel economy and the ability to be loaded and unloaded quickly. Flexibility is determined by features such as the ability to enter ports, utilise related port facilities and safely navigate through canals and straits. Physical life is related to the original design and construction, maintenance and the impact of the stress of operations and structural damage. If new vessels are built that are more efficient or flexible or have longer physical lives than the Company's vessels, competition from these more technologically advanced vessels could adversely affect the value of Charter hire payments which can be obtained in respect of, and the resale value of, the Company's vessels and may consequently adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***The due diligence process that the Investment Manager intends to undertake in evaluating specific investment opportunities for the Company may not reveal all facts that may be relevant in connection with such investment opportunities***

The objective of the due diligence process to be undertaken in relation to specific investment opportunities will be to identify issues which might affect an investment decision. When conducting due diligence and making an assessment regarding an investment opportunity, the Investment Manager will be required to rely on the resources available to it, including internal sources of information, information provided by the target Charter counterparties which the Company is engaging with, and independent sources. The due diligence process may at times be required to rely on limited or incomplete information.

Investments will be selected in part on the basis of third party information and data, which may or may not include information filed with regulatory bodies. Although the Investment Manager will evaluate all such information and data and seek independent corroboration where it considers it appropriate and reasonably available, the Investment Manager may not be in a position to confirm the completeness, genuineness or accuracy of such information. In particular, the Investment Manager may be dependent in part upon the integrity of the management of the entities filing such information with government regulators and such reporting processes in general.

Further, investment analysis and decisions may be undertaken on an expedited basis in order to make it possible for the Company to take advantage of short-lived investment opportunities. In such cases, the available information at the time of an investment decision may be limited, inaccurate and/or incomplete. Furthermore, the Investment Manager may not have sufficient time to evaluate fully such information even if it is available.

The value of the investments made by the Company may be affected by fraud, misrepresentation or omission. Such fraud, misrepresentation or omission may increase the likelihood of a default in payment by Charter counterparties, or may adversely affect the ability of the Company or an SPV to enforce its contractual rights in respect of a vessel, or may have an adverse effect on the residual value of a vessel.

Accordingly, due to a number of factors, the Company cannot guarantee that the due diligence investigation carried out by the Investment Manager with respect to any investment opportunity will reveal or highlight all relevant facts that may be necessary or helpful in evaluating such investment opportunity. Any failure by the Investment Manager to identify relevant facts through the due diligence process may result in inappropriate investment recommendations being made to the Board, which may have a material adverse effect on the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***Defects in vessels acquired in the secondary market may not be apparent prior to purchase***

A vessel that has been acquired in the secondary market may have conditions or defects that were not apparent prior to purchase (notwithstanding any inspections conducted) and which may require

the Company to undertake costly repairs to the vessel. Such repairs may require the vessel to be put into drydock which would reduce the Company's fleet utilisation. Furthermore, it is not usually possible to receive the benefit of warranties in respect of vessels that have been purchased secondhand. Identification of such defects following the acquisition of a vessel may therefore adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***There can be no guarantee that Charter counterparties will not default on their obligations under the charter agreements***

The Company mainly intends to invest in vessels that will enter into medium to long term Charters. While the Investment Manager will undertake due diligence in relation to Charter counterparties' creditworthiness and related factors, there can be no guarantee that such Charter counterparties will honour their contractual obligations. Defaults by such Charter counterparties may substantially adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***Events which may occur during the operation of the vessels in which the Company will seek to invest may result in damage to the vessels or other loss or liability which may adversely affect returns to the Company***

The vessels in which the Company will invest may be subject to unfortunate and/or force majeure events. Such events could include marine disasters (such as collisions, allisions, capsizings or groundings) incidents of piracy, environmental accidents, cargo and property losses or damage, mechanical failures, earthquakes, adverse weather conditions, assertion of eminent domain, embargoes and strikes, wars, riots, terrorist acts and similar events. These events could result in the partial or total loss of a vessel or significant down time, death or injury to persons, loss of revenue or property, environmental damage, higher insurance rates or delay or rerouting, among other potentially detrimental effects and in some circumstances Charter hire agreements may be terminated if the event is so catastrophic that it cannot be remedied within a reasonable time period. Such events may therefore adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***Hull and machinery classification, vessel maintenance and modifications***

The hull, machinery and equipment of every commercial vessel must be classed by an independent classification society. The Company will only engage classification societies who are members of the International Association of Classification Societies ("IACS"). The classification society certifies that a vessel is safe and seaworthy in accordance with its rules and regulations as well as those of the flag state of the vessel. In addition, each vessel must comply with, inter alia, the requirements of the International Maritime Organisation's ("IMO") (a specialised United Nations agency) Safety of Life at Sea Convention ("SOLAS"). Each of the Company's vessels will therefore be required to undergo a combination of annual, intermediate and special surveys. Each vessel will also be required to be drydocked at every five year special survey and, unless the class notation allows otherwise, at each intermediate survey (about 30 months after each special survey) for the inspection of the underwater parts of the vessel. Whilst the cost of planned maintenance is taken into account in the cost budgets for any vessel there is no guarantee that the actual expenditure will be carried out within budget. Also, if any vessel does not maintain its class or fails any annual, intermediate, or special survey, that vessel may be unable to trade between ports and would therefore be unemployable, which may adversely affect the Company's business, financial condition, result of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

Vessels may suffer damage at any time and/or require rectification work that is identified during regular inspections at a drydocking facility. The costs associated with such unplanned maintenance are unpredictable and can be substantial. In addition, there may be a loss of earnings during the time the vessel is in transit to the dry dock, during repairs and ultimately repositioned. Each vessel will be insured against such accidental damages as well as the vessel's earnings for the time off hire during repair, however each insurance policy has excess provisions. Whilst adequate reserves will be maintained to cover such insurance excess, consequential losses as a result of such accidents can be substantial and these factors may have an adverse effect on the Company's business, financial condition, result of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.



From time to time the Company may invest in vessels requiring modifications before commencing operations or, more likely, commencing long-term employment with a charterer requesting such modifications. To the extent the Company invests in such vessels, it will be subject to the risks normally associated with such vessels, but also to losses due to cost overruns and/or delays. Any variation between actual vessel delivery dates and contracted delivery dates may affect operating results either due to postponed availability of cashflows, reduction in Charter rates or even full cancellation of Charter agreements. These factors may adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***The cost of insurance may increase***

Circumstances beyond the control of the Company may lead to increases in the cost of insurance. Likewise the insurance obtained may not cover all relevant risks. The Company may also be subject to calls or premiums in amounts based not only on the Company's own claim records but also the claim records of all other members of the protection and indemnity associations through which the Company receives indemnity insurance coverage for third party liability. The Company's insurance policies also will contain deductibles, limitations and exclusions which, although they may be standard in the shipping industry, may nevertheless increase the Company's costs. It is also possible that the insurance procured by the Company only covers business interruptions after a certain number of days off-hire up to a certain limit of off-hire days.

If an uninsured loss were to occur, the Company could lose its capital invested in the affected vessel in addition to revenue lost as a result of down time and the anticipated future revenue from such vessel. The Company would also continue to be obligated to repay any indebtedness or other obligations related to the vessel. If an uninsured liability to a third party were to occur, the Company may incur the cost of defence and settlement with, or court ordered damages to, that third party.

These factors may reduce the returns to the Company, which may have a corresponding adverse effect on the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***The acquisition and operation of secondhand vessels is associated with the exposure to increased operating costs which could adversely affect the Company's earnings and, as the fleet ages, the risks associated with older vessels could adversely affect the Company's ability to obtain profitable Charters.***

The costs of maintaining a vessel in good operating condition increase with the age of the vessel. Older vessels are typically less fuel-efficient than more recently constructed vessels due to improvements in engine technology and ship design. These and other factors can make older vessels less desirable to charterers. Furthermore, governmental regulations, safety or other equipment standards related to the age of vessels may require expenditures for alterations or the addition of new equipment to a vessel, and may restrict the types of activities in which a vessel may engage. As the Company's vessels age, market conditions may not justify those expenditures or enable the Company to operate its vessels profitably during the remainder of their useful lives.

***Compliance with the legal and regulatory requirements of the shipping industry and changes to such codes and regulations***

The shipping industry is extensively regulated. The Company's vessels will have to operate within the rules, international conventions and regulations adopted by the IMO, as well as other international, national, state and local laws, conventions and regulations in each of the jurisdictions in which the vessels owned by the Company operate as well as those of the country or countries in which such vessels are registered. Additional costs or investments may be incurred to maintain compliance with regulations. The International Labour Organisation ("ILO") is also responsible for the development of labour standards applicable to seafarers worldwide.

The IMO has adopted a comprehensive framework of detailed technical regulations, in the form of international diplomatic conventions, which govern the safety of vessels and protection of the maritime environment and to which the Company and the vessels owned by the Company will be subject. For example, shipping companies and individual vessels are required to establish safety systems and have them certified by standardisation bodies. In complying with such IMO regulations and other regulations that may be adopted, additional costs may be incurred, for example, in meeting new maintenance, environmental and inspection requirements, in developing contingency arrangements for potential

contamination by vessels and in obtaining insurance coverage. Because such conventions, laws and regulations are often revised, it is not possible to predict the long term costs of compliance. Compliance with such laws and regulations may entail significant expenses, including capital expenditure expenses for vessel design modifications and changes in operating procedures and insurance coverage.

In addition, vessel owners and managers are required by various governmental bodies to obtain permits, operating certificates and licences required for the operation of vessels. These permits may become costly or impossible to obtain or renew. In particular, the operation of the vessels will also be affected by the requirements set forth in the International Safety Management Code (the “**ISM Code**”). The ISM Code requires vessel technical managers to develop and maintain an extensive “Safety Management System” that includes the adoption of a safety and environmental protection policy setting forth instructions and procedures for safe vessel operation and describing procedures for dealing with emergencies. The failure of a vessel technical manager to comply with the ISM Code may subject such party, and subsequently the vessel owner or Bareboat Charterer, to increased liability, may decrease available insurance coverage for the affected vessels, and may result in a denial of access to, or detention in, certain ports.

Changes in environmental laws, governmental regulations, safety or other equipment standards, as well as compliance with standards imposed by maritime self-regulatory organisations and customer requirements or competition, may require the Company to make additional expenditures. As such conventions, laws, and regulations are often revised, it is not possible to predict with certainty the ultimate cost of complying with such conventions, laws and regulations or the impact thereof on the resale price or useful life of the vessels. These factors may reduce the returns to the Company, which may have a corresponding adverse effect on the Company’s business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

#### ***Environmental liability***

The Company may be exposed to substantial risk of loss from environmental claims arising in respect of vessels owned by it, in particular if a vessel owned by the Company were to be involved in an incident with the potential risk of environmental damage, contamination or pollution. Such loss may exceed the value of the relevant vessel and any insurance held in respect of such losses. It is standard practice that pollution risks against third parties are covered by insurance under a Protection and Indemnity Club.

Furthermore, changes in environmental laws and regulations, such as the introduction of emissions reduction agreements, may create liabilities that did not exist at the time of acquisition of a vessel and that could not have been foreseen and which may cause the vessel to be retrofitted at significant cost in order to comply with these laws and regulations.

Generally, the Investment Manager will perform or cause to be performed market practice environmental due diligence in respect of all vessels considered for acquisition by the Company in order to identify potential sources of pollution, contamination or environmental hazard for which that vessel may be responsible and to assess the status of environmental regulatory compliance. There can be no assurance, however, that such due diligence will reveal all or any of the environmental liabilities relating to such vessels.

There is also a substantial risk that the involvement of a vessel in which the Company has an interest in an environmental disaster may harm the Company’s reputation, which in turn may adversely affect the Company’s business, financial condition, results of operations, ability to meet dividend payments and the NAV and the market price of the Shares.

#### ***Ship arrest or similar may require the posting of significant sums as security before such vessels are released***

Crew members, suppliers of goods and services to a vessel, shippers of cargo and other parties may be entitled to a maritime lien against a vessel for unsatisfied debts, claims or damages. In many jurisdictions, a claimant may seek to obtain security for its claim by arresting a vessel through foreclosure proceedings. The arrest or attachment of one or more of the Company’s vessels could have an adverse effect on the financial performance of the Company. In addition, in some jurisdictions, such as South Africa, under the “sister ship” theory of liability, a claimant may arrest both the vessel which is subject to the claimant’s maritime lien and any “associated” vessel, which is any vessel owned or controlled by the same owner. Claimants could therefore attempt to assert “sister ship” liability against a vessel owned by the Company for claims relating to another of the Company’s vessels, which consequently may adversely affect the



Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

A government could also requisition one or more of the vessels for title or for hire leading to a loss of earnings. Requisition for title occurs when a government takes control of a vessel and becomes her owner, while requisition for hire occurs when a government takes control of a vessel and effectively becomes her charterer at dictated Charter rates. Generally, requisitions occur during periods of war or emergency, although governments may elect to requisition vessels in other circumstances. Although the Company would be entitled to compensation in the event of a requisition of one or more of its vessels, the amount and timing of payment would be uncertain.

Occurrence of such events may therefore reduce returns to the Company, which may have a corresponding adverse effect on the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***Liability could arise in the event that a cargo is delivered without an original bill of lading***

There is a risk that liability could arise in the event that cargo is delivered without being presented with an original bill of lading. A counter-indemnity from the charterer is generally required to mitigate such liability. However, recovery of indemnified amounts from the charterer may not be possible. Protection and indemnity insurance in the shipping industry does not cover this type of risk. In the event that such liability is incurred, this may expose the Company to significant costs, which may have a corresponding adverse effect on the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***Full investment may be delayed***

The Company currently expects to be fully invested within 9-12 months of Admission. However, there can be no assurance that suitable investment opportunities will materialise, prove attractive or be sufficient in quantity or size to permit this to occur. Accordingly, failure to invest the net proceeds of the Issue in full and in a timely fashion could have a material adverse effect on the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***Availability and identification of suitable vessels and Charter counterparties***

The Company's business strategy is dependent on the ability of the Investment Manager to identify appropriate vessels and Charter counterparties and also on being able to invest the net proceeds of the Issue during an economic cycle that offers opportunities which meet the investment criteria of the Company. While the Investment Manager believes there to be a strong supply of suitable investment opportunities as at the date of this document, there can be no guarantee that such opportunities will continue to be available at the time of investment. Vessel acquisitions and Charters are also subject to influences from a broad range of market and financing factors which could decline from current conditions and negatively affect the ability of the Investment Manager to source suitable investment opportunities.

The ability of the Investment Manager to source investment opportunities will also be in part dependent on the industry relationships of its key personnel. The Company cannot be sure that the Investment Manager's relationships will be maintained (whether as a result of changes in key personnel of the Investment Manager or otherwise), or that these relationships will assist the Company in making suitable investments on financially attractive terms.

Moreover, the business of identifying and structuring investments of the types contemplated by the Company is competitive and involves a high degree of uncertainty. Competition for the transportation of cargo by sea is intense and depends on a number of factors including price, location, size, age, condition and the acceptability of a vessel and its managers to charterers. The process of obtaining new charters is highly competitive and generally involves an intensive screening process and competitive bids. The Company is likely to compete for desirable investments with well-established shipping companies and brokers, private investment funds, foreign investors, various types of financial institutions and their affiliates, family groups and wealthy individuals, some or all of which may have capital and resources in excess of those of the Company.

Accordingly, there can be no assurance that the Company will be able to identify and complete attractive investments, which may adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

**The Spot Market may be utilised as part of an exit strategy in relation to a vessel, with this market being highly competitive and subject to significant fluctuations**

Spot Charters are entered into as either voyage Charters or short-term Time Charters of less than 6 months' duration. The Company does not intend to pursue a Spot Charter hire market strategy at the time of acquisition of the relevant vessel although in accordance with its investment policy the Company may have exposure to the Spot Market of up to 25 per cent. of NAV. However, at the end of a medium to long term Charter period it may pursue the chartering of vessels on a Spot Charter basis as part of an exit strategy. Although dependence on Spot Charters is common with certain types of shipping companies in the industry, the Spot Charter market is highly competitive and Spot Charter rates are subject to significant fluctuations based upon the supply of and demand for seaborne shipping capacity. There can be no assurance that Spot Charters will be available at rates that will be sufficient to enable the Company to achieve its target returns. Consequently, use of the Spot Market may adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***Leverage and interest on borrowings at SPV level***

SPVs through which the Company will acquire vessels may utilise leverage (up to 50 per cent. of the Charter-free Value of the relevant vessel) to finance the purchase of the shipping assets. The SPVs will therefore likely be required to comply with loan covenants and undertakings, including loan to value covenants. A failure to comply with such covenants or undertakings may result in the relevant lenders requiring additional cash or ultimately recalling the relevant loans. In such circumstances, the SPVs may be required to sell the relevant vessel to repay the outstanding loan. Under the loan arrangements, there may also be circumstances (including the relevant SPV's failure to repay the relevant loan in full) under which the relevant lenders may enforce security and sell the relevant vessel on the market, and use the proceeds for discharge of the SPV's outstanding repayments under the loan arrangement. In either case, if a vessel is sold, in relation to that vessel the Company will receive only the proceeds left after deduction of the outstanding loan repayments and any other amounts owing under the loan arrangement. There may be no proceeds left after such deductions or the remaining proceeds may be substantially lower than the Company's initial investment in the vessel. An SPV may also be unable either to refinance any loan at the end of its term or realise the underlying vessel in order to satisfy in full the outstanding amount of any loan. Furthermore a lender may be unwilling to lend to an SPV at all and/or on suitable terms which could result in the SPV being unable to finance or re-finance the purchase of the vessel.

In addition, the SPVs may be exposed to the risk of interest rate fluctuations as borrowings may be obtained based on floating interest rate terms. Should floating interest rate terms be obtained, the SPV may or may not hedge against any interest rate risk, depending on market conditions, utilising instruments of whatever duration are considered to be appropriate. Shareholders should be aware that any increase in interest rates may increase the costs of the SPVs' borrowings. Shareholders should note that the relevant SPV is not obliged to hedge against interest rate risks and consequently its investments may be significantly exposed to such risks.

These factors could adversely affect the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

***Hedging transactions***

The Company may engage in hedging within the Portfolio. The use of hedging will not require the approval of Shareholders. If approved by the Board, the Company may utilise financial instruments such as forward contracts, options and interest rate swaps, caps and floors to seek to hedge against declines in the values of the Portfolio positions as a result of changes in currency exchange rates, certain changes in market interest rates and other events. It may not, however, be possible to hedge against a change or event at attractive prices or in sufficient size or at a price sufficient to protect the assets from the decline in value of the Portfolio positions anticipated as a result of such change or event, and the use of such hedging may result in lower returns on the Portfolio than would have occurred had such instruments not been utilised. In addition, it may not be possible to hedge against certain risks at all.

## **RISKS RELATING TO THE INVESTMENT MANAGER AND THE ASSET MANAGER**

***The Company is dependent on the expertise of the Investment Manager and the Asset Manager and their key personnel to properly evaluate attractive investment opportunities and to implement its investment strategy***

In accordance with the Investment Management Agreement, the Investment Manager is responsible for the management of the Company's underlying investments. The Asset Manager will be responsible for ongoing asset management of vessels acquired by the Company or any of its SPV(s). The Company does not have employees and its Directors are appointed on a non-executive basis. The Investment Manager will have responsibility, inter alia, for the identification of suitable investment opportunities, the conduct of appropriate due diligence and, should the Board sanction and approve an acquisition, the conduct of the acquisition process. The Investment Manager will also be responsible for identifying suitable Charter counterparties and agreeing terms with them. The Asset Manager will have responsibility for ongoing asset management of the vessels acquired by each SPV. Accordingly, the success of the Company will depend on the respective abilities of the Investment Manager and the Asset Manager to carry out their respective roles.

The future ability of the Company to successfully pursue its investment policy may depend on the ability of the Investment Manager and Asset Manager to retain their existing key personnel and/or for each to recruit in good time individuals of similar experience and calibre, of which there can be no guarantee. Whilst the Investment Manager and Asset Manager have endeavoured to ensure that their personnel are suitably incentivised, the retention of key personnel cannot be guaranteed. Key personnel are not subject to restrictions on their departure from either the Investment Manager or the Asset Manager.

Events impacting but not entirely within the Company's, the Investment Manager's or the Asset Manager's control, such as financial performance, being acquired or making acquisitions or changes to internal policies and structures could in turn affect the ability to retain key personnel.

The Company is also subject to the risk that the Investment Management Agreement may be terminated and that no suitable replacement investment manager will be found. If the Investment Management Agreement is terminated and a suitable replacement is not secured in a timely manner or key personnel of the Investment Manager are not available to the Company with an appropriate time commitment, the ability of the Company to execute its investment strategy or achieve its investment objective may be adversely affected.

### ***Prior performance information is not necessarily indicative of future results***

Information contained in this document relating to the prior performance of the Investment Manager is provided for illustrative purposes only and is not indicative of the likely performance of the Company. Such prior performance information has not been independently reviewed or audited for the purposes of inclusion in this document. Past performance is not necessarily indicative of future results.

In considering the prior performance information contained in this document, prospective investors should bear in mind that past performance is not necessarily indicative of future results and there can be no assurance that the Company will achieve comparable results or be able to avoid losses.

### ***Illustrative transactions and Investment Manager's track record***

The Investment Manager has identified a number of investments (details of which are set out in this document) that it believes illustrate the type of transactions likely to be available to the Company. There can be no guarantee that these particular investments (or any investments on comparable terms) will be made by Company nor that the illustrative cash yields and/or IRRs may be achieved. There is also no guarantee that the assumptions used by the Investment Manager in its track record and illustrative transactions will prove to be correct and the indicative IRR figures achieved.

### ***Conflicts of Interest***

The Tufton Group and any of its officers, directors, employees, agents and affiliates and any person or company with whom they are affiliated or by whom they are employed (together "**Interested Parties**") and each an "**Interested Party**") may be involved in activities which give or may give rise to conflicts of interest with the Company. In particular, the Interested Parties provide investment management and investment advice in relation to other funds/clients of the Tufton Group's asset-backed investments group ("**Tufton ABI**"). While Tufton ABI does not expect to manage funds with a similar investment policy to that of the Company there can be no assurance of this.

Under the terms of the Investment Management Agreement, the Investment Manager has confirmed that it will take all reasonable steps to avoid conflicts of interest. If such conflicts cannot be avoided, the Investment Manager is obliged to take all reasonable steps to identify, manage and monitor and (where applicable) disclose promptly to the Board conflicts of interest in order to prevent them from adversely affecting the interests of the Company and Shareholders and to ensure that the Company is treated fairly.

## **MARKET RISKS**

### ***General market risk***

Market risk is risk associated with changes in market prices or rates. There are certain general market conditions in which any investment strategy is unlikely to be profitable. The Company does not have the ability to control or predict such market conditions.

General economic and market conditions, such as currencies, interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, trade barriers, currency exchange controls and national and international political circumstances may affect the price level, volatility and liquidity of securities' prices and result in losses in the value of the Company's assets. In particular, any inability of an SPV to access equity or credit may have an adverse effect on its ability to fully exploit its business opportunities, which in turn may impact on its value and, thus, the performance of the Portfolio.

### ***The Company's investments will be concentrated in a specialised industry***

The majority, if not all, of the Company's investments will (through SPVs) be vessels used in the shipping industry and so the Company will be subject to the risk associated with concentrating its investments in this asset class. Fluctuations in the supply of and demand for, and residual value of, such vessels may adversely affect returns to the Company, which may have a corresponding adverse effect on the Company's business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

### ***Worldwide operations and geopolitical risk***

The Company intends to acquire vessels and enter into Charter agreements that allow for worldwide operation of the vessels on a medium to long term basis. The vessels will call at ports, and the charterers will be, located in various countries around the world, including emerging markets. The Company's business is therefore subject to political, economic and social conditions of the countries where these ports and charterers are located. For example, the Company may be exposed to risks of political unrest, war and economic and other forms of instability, such as natural disasters, epidemics, widespread transmission of communicable or infectious diseases, natural disasters, terrorist attacks, changes in government policies, taxation, restrictions on foreign investment and currency repatriation, currency fluctuations and other developments in the laws and regulations of the countries in which the Company operates and other events beyond its control which may adversely affect local economies, infrastructures and livelihoods. These events could result in disruption to charterers' business and seizure of, or damage to, customers' assets, or could give rise to difficulties to the Company in protecting its assets, including by enforcing its rights, in these jurisdictions. These events could also cause the partial or complete closure of particular ports and sea passages, such as the Suez or Panama canals, potentially resulting in higher costs, vessel delays and cancellations on some lines. Furthermore, these events could lead to reductions in the growth rate of world trade, which could reduce demand for vessels and/or services. The political, economic or social conditions in any of these countries may have an effect on charterers' business and financial conditions which may affect the creditworthiness of such charterers, and increase the risk of default by the charterer, which could adversely impact lease income under the Charter agreements for the vessels and, consequently, affect the stability of income flow to the Company.

Furthermore, during the period for which these Charter agreements subsist, political and economic change may occur at a different pace or in a different direction to that anticipated by the Company at the time the investment was made.

Additionally, the value of the Company's investments could be adversely affected by abrogation of (or changes to) international agreements and national laws (in particular in relation to international conventions relating to the arrest of vessels) by the countries in which the vessels operate, failure of the designated national and international authorities to enforce compliance with the same laws and agreements, failure of local, national and/or international organisations to carry out their duties prescribed to them under the relevant agreements, revisions of these laws and agreements which dilute their effectiveness or conflicting interpretation of provisions of the same laws and agreements.



### **Global financial markets**

The global financial markets have experienced extreme volatility and disruption in recent years, as evidenced by a lack of liquidity in the equity and debt capital markets, significant write-offs in the financial services sector, the repricing of credit risk in the credit market and the failure of major financial institutions. Despite actions of government authorities, these events contributed to general economic conditions that have materially and adversely affected the broader financial and credit markets and reduced the availability of debt and equity capital.

The default of any financial institution could lead to defaults by other institutions. Concerns about, or default by, one financial institution could lead to significant liquidity problems, losses or defaults by other institutions, because the credit quality and integrity of many financial institutions may be closely related as a result of their credit, trading, clearing or other relationships. This risk is sometimes referred to as “systemic risk” and may adversely affect brokers, lending banks and other trading counterparties with whom the Company deals. The Company may, therefore, be exposed to systemic risk when it deals with various third parties, such as brokers, lending banks and other trading counterparties whose creditworthiness may be interlinked.

Further, recurring market deterioration may materially adversely affect the ability of a borrower (including SPVs through which the Company will hold vessels in which it is invested) to service its debts or, if required, refinance its outstanding debt. Financial market disruptions may also have a negative effect on the valuations of the Company’s vessels (and, by extension, on the ability to meet dividend payments and the NAV and/or the market price of the Shares), and on the potential for liquidity events involving its investments. In the future, non-performing assets in the Portfolio may cause the value of the Portfolio to decrease if the Company is required to write down the values of its investments. Adverse economic conditions may also decrease the value of collateral securing some of its loans. Conversely, in the event of sustained market improvement, the Company may have access to only a limited number of potential investment opportunities, which could also result in limited returns to Shareholders.

### ***A negative change in economic conditions in emerging markets may lead to a significant drop in global demand thereby affecting charter rates and vessel values***

Currently, China and other emerging market economies such as India are the key driving forces behind the increase in seaborne trade in certain shipping segments and the demand for maritime transportation and logistics as they are some of the world’s fastest growing economies in terms of GDP. It cannot be assumed that such growth will be sustained or that the Chinese economy will not experience a material decline from current levels in the future. A downturn in key emerging market economies could translate into reduced demand for shipping services and lower charter rates industry wide, thereby adversely affect the Company’s business, financial condition, results of operations, ability to meet dividend payments and the NAV and/or the market price of the Shares.

### **RISKS RELATING TO AN INVESTMENT IN THE SHARES**

#### ***An investment in the Shares carries the risk of loss of capital. The value of a Share can go down as well as up and Shareholders may receive back less than the value of their initial investment and could lose all of the investment***

An investment in the Shares carries the risk of loss of capital. The value of a Share can go down as well as up and Shareholders may receive back less than the value of their initial investment and could lose all of the investment.

#### ***Shareholders have no right to have their Shares redeemed or repurchased by the Company and there can be no guarantee that a liquid market in the Shares will develop***

Shareholders will have no right to have their Shares redeemed or repurchased by the Company at any time. While the Directors retain the right to effect repurchases and redemptions of Shares in the manner described in this document, they are under no obligation to use such powers at any time and Shareholders should not place any reliance on the willingness of the Directors so to act. Shareholders wishing to realise their investment in the Company may therefore be required to dispose of their Shares on the market. There can be no guarantee that a liquid market in the Shares will exist or that the Shares will trade at prices close to their underlying NAV. Accordingly, Shareholders may be unable to realise their investment at NAV per Share or at all.

The number of Shares to be issued pursuant to the Issue is not yet known, and, following the Issue, there may be a limited number of holders of Shares. Limited numbers and/or holders of Shares may

mean that there is limited liquidity in such Shares which may affect (i) an investor's ability to realise some or all of his investment and/or (ii) the price at which such investor can effect such realisation and/or (iii) the price at which such Shares trade in a secondary market.

***Shares may trade at a discount to the NAV per Share and Shareholders may be unable to realise their Shares on the market at the NAV per Share or at all***

The Shares may trade at a discount to NAV per Share for a variety of reasons, including due to market conditions or to the extent investors undervalue the activities of the Company. While the Directors may seek to mitigate any discount to NAV per Share through Share buy backs and redemptions of Shares, there can be no guarantee that they will seek to do so or that such actions will be successful if they do and the Directors accept no responsibility for any failure of any such strategy to effect a reduction in any discount.

In the event that the Directors were to issue further Shares in the future this could have a detrimental effect on the NAV of existing Shares then in issue. The Directors will not, however, issue further Shares at a discount to NAV without Shareholder approval.

Accordingly, Shareholders may be unable to realise their investment at NAV per Share or at all.

***SFS quoted securities may experience higher volatility and carry greater risks than those listed on the Main Market.***

Investments in shares traded on the SFS may have limited liquidity and may experience greater price volatility than shares listed on the premium segment of the Official List. Limited liquidity and high price volatility may result in Shareholders being unable to sell their Shares at a price that would result in them recovering their original investment.

## **RISKS RELATING TO REGULATION AND TAXATION**

### ***Changes in laws***

Legal and regulatory changes could occur that may adversely affect the Company. Changes in the regulation of investment companies may adversely affect the Company's share price and the ability of the Company successfully to pursue its investment strategy.

***The Company is not, and does not intend to become, registered in the U.S. as an investment company under the U.S. Investment Company Act and related rules***

The Company has not, does not intend to, and may be unable to, become registered in the United States as an investment company under the U.S. Investment Company Act. The U.S. Investment Company Act provides certain protections to U.S. investors and imposes certain restrictions on companies that are registered as investment companies. As the Company is not so registered, and does not intend to register, none of these protections or restrictions is or will be applicable to the Company.

***The Shares will be subject to purchase and transfer restrictions in the Issue and in secondary transactions as well as forced transfer provisions***

In order to avoid both the Company being required to register under the U.S. Investment Company Act and the Company being subject to regulation under ERISA, the Company has imposed significant restrictions on the transfer of the Shares, which may materially affect the ability of Shareholders to transfer Shares in the United States or to U.S. Persons. The Shares may not be resold in the United States or to U.S. Persons. These restrictions may make it more difficult to resell the Shares and may have an adverse effect on the market value of the Shares.

Moreover, the Articles of Incorporation provide that no transfer to any person will be registered without the consent of the Directors if it would: (i) cause the Company's assets to be deemed "plan assets" for the purposes of the U.S. Plan Asset Regulations or the U.S. Code; (ii) give rise to an obligation on the Company to register as an "investment company" under the U.S. Investment Company Act or any similar legislation; (iii) give rise to an obligation on the Company to register under the U.S. Exchange Act, the U.S. Securities Act or any similar legislation; (iv) result in the Company not being considered a "foreign private issuer" as such term is defined in Rule 3b-4(c) under the U.S. Exchange Act; (v) result in a person holding Shares in violation of the transfer restrictions put forth in any Prospectus published by the Company, from time to time; (vi) cause the Company to be a "controlled foreign corporation" for the purposes of the U.S. Code; (vii) cause the Company to suffer any pecuniary disadvantage (including

any excise tax, penalties or liabilities under ERISA or the U.S. Code); or (viii) result in any Shares being owned, directly or indirectly, by any person who is deemed to be a Non-Qualified Holder in accordance with article 10.7 of the Articles (each person described in (i) through (viii) above, a **“Prohibited Person”**), and in each of the cases described in (i) through (viii) above, only to the extent permitted under the Uncertificated Securities (Guernsey) Regulations 2009 or the CREST Rules.

If it shall come to the notice of the Directors that a Prohibited Person holds or is a beneficial owner of Shares; that any Shares are held or beneficially owned in a manner that would, in the absolute discretion of the Directors, prevent the Company from relying on the exemption from the obligation to register as an “investment company” under the U.S. Investment Company Act; or the holding or beneficial ownership of any Shares (whether on its own or in conjunction with any other Shares) would in the absolute discretion of the board of Directors cause the assets of the Company to be considered “plan assets” within the meaning of the U.S. Plan Asset Regulations, then any Shares which the Directors decide, in their absolute discretion, are Shares, which are held or beneficially owned as described above, must be dealt with as described the Articles.

#### ***The Company may become subject to regulation under ERISA***

If 25 per cent. or more of any class of equity in the Company is owned, directly or indirectly, by U.S. Plan Investors that are subject to ERISA or Section 4975 of the U.S. Tax Code, the assets of the Company will be deemed to be “plan assets”, subject to the constraints of ERISA and Section 4975 of the U.S. Tax Code. If this happens, transactions involving the assets of the Company could be subject to the fiduciary responsibilities of ERISA, the prohibited transaction provisions of ERISA and Section 4975 of the U.S. Tax Code and, among other things, the fiduciary of a plan subject to ERISA that is responsible for the plan’s investment in the Shares could be liable for any ERISA violations by the Directors.

#### ***Changes in taxation***

Any change in the Company’s tax status, or in taxation legislation or practice in either Guernsey or the United Kingdom or any jurisdiction in which SPVs are resident, may affect the value of the investments held by the Company or the Company’s ability to pursue its investment policy successfully or achieve its investment objective, or may alter the after-tax returns to Shareholders. Statements in this document concerning the taxation of Shareholders are based upon current Guernsey and UK and published practice, any aspect of which law and practice is, in principle, subject to change (potentially with retrospective effect), which change may adversely affect the ability of the Company to pursue its investment policy successfully or achieve its investment objective, and which may adversely affect the taxation of Shareholders.

Statements in this document take into account, in particular, the UK offshore fund rules contained in Part 8 of the Taxation (International and Other Provisions) Act 2010. Should the Shares be regarded as being subject to the offshore fund rules this may have adverse tax consequences for certain UK resident Shareholders.

#### ***Adverse tax consequences to the Company could be derived from permanent establishment risks***

The Company intends to conduct its operations in a manner that will not cause it to have a “permanent establishment” in any country or jurisdiction outside Guernsey. Likewise most or all SPVs will be incorporated and conduct operations in the Isle of Man. There can be no assurance that a particular country will not assert that the Company and/or any SPV has a permanent establishment in such country, and if such assertion were upheld, it could potentially result in adverse tax consequences to the Company and/or any SPV.

#### ***The Foreign Account Tax Compliance Act (“FATCA”) and other similar exchange of information regimes including the impact of the Organisation for Economic Co-operation and Development’s “Common Reporting Standard”***

FATCA was enacted by the United States Congress in March 2010 and came into effect in 2013 (although implementation has been staggered). FATCA requires financial institutions to use enhanced due diligence procedures to identify U.S. Persons who have invested in either non-U.S. financial accounts or non-U.S. entities. Pursuant to FATCA, certain payments of (or attributable to) U.S.-source income, and (from 1 January 2019) the proceeds of sales of property that give rise to U.S.-source payments made to the Company, and (from the later of 1 January 2019 or the date of publication of certain final regulations) a



portion of non-U.S.-source payments from certain non-U.S. financial institutions to the extent attributable to U.S.-source payments, will be subject to 30 per cent. withholding tax unless the Company agrees to certain reporting and withholding requirements, and certain Shareholders may themselves be subject to such withholding tax if they do not provide the Company with required information.

The Company intends to comply with Guernsey legislation implementing FATCA. As a result, Shareholders may be required to provide any information that the Company determines is necessary to allow the Company to satisfy its obligations under FATCA. However, under the intergovernmental agreement between the U.S. and Guernsey in relation to FATCA and Guernsey's implementation of that agreement, securities that are "regularly traded" on an established securities market, such as the Specialist Fund Segment, are not considered financial accounts and are not subject to reporting. For these purposes, the Shares will be considered "regularly traded" if there is a meaningful volume of trading with respect to the Shares on an on-going basis. Notwithstanding the foregoing, a Share will not be considered "regularly traded" and will be considered a financial account if the holder of the Share (other than a financial institution acting as an intermediary) is registered as the holder of the Share on the Company's share register. Such Shareholder will be required to provide information to the Company to allow the Company to satisfy its obligations under FATCA, although it is expected that whilst a Share is held in uncertificated form through CREST, the holder of that Share will likely be a financial institution acting as an intermediary. Additionally, even if the Shares are considered regularly traded on an established securities market, Shareholders that own Shares through financial intermediaries may be required to provide information to such financial intermediaries in order to allow the financial intermediaries to satisfy their obligations under FATCA. Notwithstanding the foregoing, the relevant rules under FATCA may change and, even if the Shares are considered regularly traded on an established securities market, Shareholders may, in the future, be required to provide information to the Company in order to allow the Company to satisfy its obligations under FATCA.

Failure by the Company to comply with FATCA, either pursuant to FATCA legislation or any applicable intergovernmental agreement could mean that the Company would become subject to a 30 per cent. withholding tax on certain U.S. source payments to the Company, which may have an adverse effect on the Company's performance.

Guernsey, along with approximately 100 jurisdictions, has implemented the Organisation for Economic Co-operation and Development's "Common Reporting Standard" ("CRS"). Certain disclosure requirements will be imposed in respect of certain Shareholders in the Company falling within the scope of the CRS. As a result, Shareholders may be required to provide any information that the Company determines is necessary to allow the Company to satisfy its obligations under such measures. Shareholders that own the Shares through financial intermediaries may instead be required to provide information to such financial intermediaries in order to allow the financial intermediaries to satisfy their obligations under the CRS.

***The AIFMD may impair the ability of the Investment Manager to manage investments of the Company, which may materially adversely affect the Company's ability to implement its investment policy and achieve its investment objective***

The AIFMD has imposed a new regime for EU managers of AIFs and in respect of marketing of AIFs in the EU. The AIFMD has been transposed in the UK by the AIFM Rules. Subject to transitional provisions, the AIFMD requires that EU AIFMs of AIFs are authorised and regulated as such.

Based on the provisions of AIFMD and the Alternative Investment Fund Managers Regulations 2013 (SI 2013/1773)(the "**AIFM Regulations**"), the Board has been advised that the Company is an AIF within the scope of AIFMD and the AIFM Regulations. The Company intends to operate as an externally managed AIF, with the Investment Manager being the Company's AIFM. The Company is a non-EEA AIF and the Investment Manager is an EEA AIFM.

The Investment Manager will need to comply with various operational and transparency obligations in relation to the AIFMD in order to raise capital from EEA investors. In complying with these obligations, the Company may be required to provide additional or different information to or update information given to Shareholders and appoint or replace external service providers that the Company intends to use, including those referred to in this document. In addition, in requiring AIFMs to comply with these organisational, operational and transparency obligations, the AIFMD is likely to increase management and operating costs, and in particular regulatory and compliance costs, of the Company and/or the Investment Manager.

## IMPORTANT INFORMATION

### GENERAL

In assessing an investment in the Shares, investors should rely only on the information in this document and any supplementary prospectus published by the Company prior to Admission. No person has been authorised to give any information or make any representations in relation to the Company other than those contained in this document and any such supplementary prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by the Company, the Directors, the Investment Manager, the Asset Manager, Cenkos, Hudnall, N+1 Singer or any other person. Neither the delivery of this document nor any subscription or purchase of Shares made pursuant to this document shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since, or that the information contained herein is correct at any time subsequent to, the date of this document.

Applicants under the Offer for Subscription are strongly recommended to read and consider this document before completing an Application Form.

Apart from the responsibilities and liabilities, if any, which may be imposed on Cenkos by FSMA or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction, Cenkos accepts no responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Investment Manager, the Asset Manager, the Shares or the Issue. Cenkos accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

Apart from the responsibilities and liabilities, if any, which may be imposed on Hudnall by FSMA or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction, Hudnall accepts no responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Investment Manager, the Asset Manager, the Shares or the Issue. Hudnall accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

Apart from the responsibilities and liabilities, if any, which may be imposed on N+1 Singer by FSMA or the regulatory regime established thereunder or under the regulatory regime of any other jurisdiction, N+1 Singer accepts no responsibility whatsoever for the contents of this document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Investment Manager, the Asset Manager, the Shares or the Issue. N+1 Singer accordingly disclaims all and any liability whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of such document or any such statement.

The distribution of this document in jurisdictions other than the United Kingdom may be restricted by law and persons into whose possession this document comes should inform themselves about and observe any such restrictions.

This document does not constitute, and may not be used for the purposes of, an offer or an invitation to apply for any Shares by any person: (i) in any jurisdiction in which such offer or invitation is not authorised; or (ii) in any jurisdiction in which the person making such offer or invitation is not qualified to do so; or (iii) to any person to whom it is unlawful to make such offer or invitation. The distribution of this document and the offering of Shares in certain jurisdictions may be restricted. Accordingly, persons into whose possession this document comes are required to inform themselves about and observe any restrictions as to the offer or sale of Shares and the distribution of this document under the laws and regulations of any jurisdiction in connection with any application for Shares, including obtaining any requisite governmental or other consent and observing any other formality prescribed in such jurisdiction. Save for the UK, no action has been taken or will be taken in any jurisdiction by the Company that would permit a public offering of Shares in any jurisdiction where action for that purpose is required, nor has any such action been taken with respect to the possession or distribution of this document other than in any jurisdiction where action for that purpose is not required.

The Shares are being offered and issued outside the United States in reliance on Regulation S. The Shares have not been nor will they be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. In addition, the Company

has not registered and will not register under the U.S. Investment Company Act. The Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering or the issue of the Shares or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States and the re-offer or resale of any of the Shares in the United States may constitute a violation of U.S. law.

The Articles of Incorporation contain restrictions on transfer of Shares as set out under the heading "Transfer of Shares" in Part 8 of this document.

## **GUERNSEY REGULATORY INFORMATION**

The Company is a registered closed-ended investment scheme registered pursuant to the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended and RCIS Rules. The Commission, in granting registration, has not yet reviewed this document but has relied on specific warranties provided by the Administrator.

The Administrator has certain responsibilities under The Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999, as varied and supplemented from time to time, to verify the identity of investors. Failure to provide the necessary documentation may result in applications being rejected or in delays in the dispatch of documents under the Issue.

Pursuant to The Data Protection (Bailiwick of Guernsey) Law, 2001, as amended, (the "**Data Protection Law**") the Company and/or its Registrar and/or the Administrator may hold personal data (as defined in the Data Protection Law) relating to past and present Shareholders. Such personal data held is used by the Registrar and/or the Administrator to maintain the Company's register of Shareholders and mailing lists and this may include sharing such data with third parties in one or more of the countries mentioned below when: (a) effecting the payment of dividends and other moneys to Shareholders; and (b) filing returns of Shareholders and their respective transactions in Shares with statutory bodies and regulatory authorities. Personal data may be retained on record for a period exceeding six years after it is no longer used. The countries referred to above include, but need not be limited to, those in the European Economic Area or the European Union and any of their respective dependent territories overseas, Argentina, Australia, Brazil, Canada, Hong Kong, Hungary, Japan, New Zealand, Singapore, the Republic of South Africa, Switzerland and the United States of America.

## **PRESENTATION OF INFORMATION**

### ***Market, economic and industry data***

Market, economic and industry data used throughout this document is sourced from various industry and other independent sources. The Company and the Directors confirm that such data has been accurately reproduced and, so far as they are aware and are able to ascertain from information published from such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### ***Currency presentation***

Unless otherwise indicated, all references to "**U.S. \$**" or "**cents**" are to the lawful currency of the United States of America.

### ***Definitions and glossary***

A list of defined terms used in this document is set out at pages 134 to 140. A glossary is also provided at page 141.

### ***Governing law***

Unless otherwise stated, statements made in this document are based on the law and practice currently in force in England and Wales and/or the law and practice of Guernsey and are subject to changes therein.

### ***Investment considerations***

The contents of this document are not to be construed as advice relating to legal, financial, taxation, investment or any other matters. Prospective investors should inform themselves as to:

- the legal requirements within their own countries for the subscription for, purchase, holding, transfer or other disposal of Shares;
- any foreign exchange restrictions applicable to the subscription for, purchase, holding, transfer or other disposal of Shares which they might encounter; and
- the income and other tax consequences which may apply in their own countries as a result of the subscription for, purchase, holding, transfer or other disposal of Shares.

Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment in Shares.

An investment in Shares should be regarded as a long term investment. There can be no assurance that the Company's investment objective will be achieved.

This document should be read in its entirety before making any investment in the Shares. All Shareholders are entitled to the benefit of, are bound by and are deemed to have notice of, the provisions of the Memorandum and Articles of Incorporation, which investors should review.

#### **Reference to credit ratings (Regulation (EC) No 1060/2008)**

The credit rating agencies providing ratings to securities referred to in this document (if any) are each established in the EU and registered under Regulation (EC) No. 1060/2008 (as amended). As such each such credit rating agency is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with the CRA Regulations.

#### **Website**

The contents of the Company's or Investment Manager's website, insofar as they relate to the Company, the Issue or the Shares, do not form part of this document. Investors should base their decision whether or not to invest in the Shares on the contents of this document and any supplementary prospectus published by the Company prior to Admission alone.

#### **FORWARD-LOOKING STATEMENTS**

This document contains forward-looking statements, including, without limitation, statements containing the words "**believes**", "**estimates**", "**anticipates**", "**expects**", "**intends**", "**may**", "**will**" or "**should**" or, in each case, their negative or other variations or similar expressions. Such forward-looking statements involve unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as at the date of this document. Subject to its legal and regulatory obligations (including under the Prospectus Rules), the Company expressly disclaims any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based unless required to do so by law or any appropriate regulatory authority, including FSMA, the Prospectus Rules and the Disclosure Guidance and Transparency Rules.

Nothing in the preceding two paragraphs should be taken as limiting the working capital statement in paragraph 9 of Part 8 of this document.

#### **FOR THE ATTENTION OF PROSPECTIVE INVESTORS IN THE EUROPEAN ECONOMIC AREA**

In relation to each Relevant Member State, no Shares have been offered or will be offered pursuant to the Issue to the public in that Relevant Member State prior to the publication of a document in relation to the Shares which has been approved by the competent authority in that Relevant Member State, or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Shares to the public may be made at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- to any legal entity which is a **“qualified investor”** as defined in the Prospectus Directive;
- to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive (as defined below), 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such Relevant Member State; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive with the prior consent of Cenkos, Hudnall and N+1 Singer.

provided that no such offer of Shares shall result in a requirement for the publication of a document pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State and each person who initially acquires any Shares or to whom any offer is made under the Issue will be deemed to have represented, acknowledged and agreed that it is a **“qualified investor”** within the meaning of Article 2(1)(e) of the Prospectus Directive.

For these purposes, the expression an **“offer to the public”** in relation to any offer of Shares in any Relevant Member State means a communication in any form and by any means presenting sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase or subscribe for the Shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression Prospectus Directive means Directive 2003/71/EC (and the amendments thereto, including Directive 2010/73/EU) (the **“2010 PD Amending Directive”**), to the extent implemented in the Relevant Member State and includes any relevant implementing measure in each Relevant Member State.

In addition, Shares will only be offered to the extent that Shares: (i) are permitted to be marketed into the relevant EEA jurisdiction pursuant to the AIFM Directive (if and as implemented into local law); or (ii) can otherwise be lawfully offered or sold (including on the basis of an unsolicited request from a professional investor). Each person who initially acquires Shares or to whom any offer is made will be deemed to have represented, warranted to and agreed with Cenkos, Hudnall or N+1 Singer (as the case may be) and the Company that: (i) it is a **“qualified investor”** within the meaning of the law in that relevant member state implementing Article 2.1(e) of the Prospectus Directive; and (ii) if that relevant member state has implemented the AIFM Directive, that it is a person to whom Shares in the Company may lawfully be marketed under the AIFM Directive or under the applicable implementing legislation (if any) of that Relevant Member State.

#### **FOR THE ATTENTION OF PROSPECTIVE INVESTORS IN GUERNSEY**

The Shares may only be promoted in or from within the Bailiwick of Guernsey by persons regulated by the Guernsey Financial Services Commission as licensees under the Protection of Investors (Bailiwick of Guernsey) Law, 1987, (as amended). Persons appointed by the Company and not licensed may not promote the Company in Guernsey to private investors and may only distribute and circulate any document relating to the Shares in Guernsey to persons regulated as licensees under the Protections of Investors (Bailiwick of Guernsey) Law, 1987 (as amended), the Banking Supervision (Bailiwick of Guernsey) Law, 1994, the Insurance Business (Bailiwick of Guernsey) Law, 2002 or the Regulation of Fiduciaries, Administration Business and Company Directors, etc. (Bailiwick of Guernsey) Law, 2000, and provided that the provisions of Section 29(1)(cc) of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended) are satisfied. Promotion of the Shares in Guernsey may not be made in any other way.

#### **FOR THE ATTENTION OF PROSPECTIVE INVESTORS IN JERSEY**

This document may be circulated in Jersey only by persons who are registered by the Jersey Financial Services Commission in accordance with the Financial Services (Jersey) Law 1998, as amended (**“FSL”**) for the conduct of financial services business and the distribution of this document, or are exempt from such registration in accordance with the FSL. In addition, this document may be circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom.

The distribution of this document in other jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions.



## **FOR THE ATTENTION OF PROSPECTIVE INVESTORS IN SWITZERLAND**

The Company has not been licensed for distribution with the Swiss Financial Market Supervisory Authority ("**FINMA**") as a foreign collective investment scheme pursuant to Article 120 of the Swiss Federal Act on Collective Investment Schemes of 23 June 2006, as amended ("**CISA**"). Also, the Company has not appointed a Swiss paying agent and representative and therefore may not be distributed in Switzerland (as defined by Art. 3 para. 1 CISA). Accordingly, in Switzerland the Shares offered pursuant to the Issue will only be offered and sold to prudentially regulated financial institutions pursuant to Article 10 para. 3 lit. a and b CISA; in addition, the Shares offered pursuant to the Issue may be sold under the reverse solicitation-exemption pursuant to Article 3 para. 2 lit. a CISA. This document and any other offering material relating to the Shares may only be handed out within these restrictions. Investors in the Shares pursuant to the Issue do not benefit from the specific investor protection provided by CISA and the supervision by the FINMA. The Shares are not publicly offered within the meaning of article 652a or 1156 of the Swiss Code of Obligations. As a consequence, this document is not a prospectus within the meaning of these provisions and may therefore not comply with the information standards required thereunder.

This document is not a listing prospectus according to article 27 et seq. of the Listing Rules of the SIX Swiss Exchange and may therefore not comply with the information standards required thereunder or under the listing rules of any other Swiss stock exchange.

## VOLUNTARY COMPLIANCE WITH THE LISTING RULES

The Listing Rules applicable to closed-ended investment companies which are listed on the premium listing segment of the Official List of the UKLA do not apply to the Company. The Company is subject to the LSE Admission Standards whilst traded on the SFS. In addition, the Directors have resolved that, as a matter of best practice and good corporate governance, the Company will voluntarily comply with the following key provisions of the Listing Rules:

- the Company is not required to comply with the Listing Principles set out at Chapter 7 of the Listing Rules. Nonetheless, the Company will comply with these Listing Principles;
- the Company is not required to appoint a listing sponsor under Chapter 8 of the Listing Rules. It has appointed Cenkos and Hudnall as brokers and financial advisers to guide the Company in understanding and meeting its responsibilities in connection with Admission and also for compliance with Chapter 10 of the Listing Rules relating to significant transactions, with which the Company intends to voluntarily comply;
- the Company is not required to comply with the provisions of Chapter 9 of the Listing Rules regarding continuing obligations. The Company will comply with the following provisions of Chapter 9 of the Listing Rules: (i) Listing Rule 9.3 (Continuing obligations: holders); (ii) Listing Rule 9.5 (Transactions); (iii) Listing Rule 9.6.4 to Listing Rule 9.6.21 other than Listing Rule 9.6.19(2) and Listing Rule 9.6.19(3) (Notifications); (iv) Listing Rule 9.7A (Preliminary statement of annual results and statement of dividends); and (v) Listing Rule 9.8 (Annual financial report);
- the Company is not required to comply with the provisions of Chapter 11 of the Listing Rules regarding related party transactions. The Company will adopt a related party policy (in relation to which Cenkos and Hudnall, as financial advisers, will guide the Company) which shall apply to any transaction which it may enter into with any Director, the Investment Manager, the Asset Manager or any of their affiliates which would constitute a “related party transaction” as defined in, and to which would apply, Chapter 11 of the Listing Rules. In accordance with its related party policy, the Company shall not enter into any such related party transaction without first obtaining: (i) the approval of a majority of the Directors who are independent of the relevant related party; and (ii) a fairness opinion or third-party valuation (as appropriate) in respect of such related party transaction from an appropriately qualified independent adviser. This policy may only be modified with Shareholder approval. For the avoidance of doubt arrangements and agreements entered into between SPVs and the Asset Manager and/or Marine Services (IOM) Limited shall not be related party transactions for the purposes of this policy;
- the Company is not required to comply with the provisions of Chapter 12 of the Listing Rules regarding market repurchases by the Company of its Shares. Nonetheless, the Company has adopted a policy consistent with the provisions of Listing Rules 12.4.1 and 12.4.2;
- the Company is not required to comply with the provisions of Chapter 13 of the Listing Rules regarding contents of circulars. The Company however will comply with the following provisions of Chapter 13 of the Listing Rules: (i) Listing Rule 13.3 (Contents of all circulars); (ii) Listing Rule 13.4 (Class 1 circulars); (iii) Listing Rule 13.5 (Financial information in Class 1 Circulars); (iv) Listing Rule 13.7 (Circulars about purchase of own equity shares); and (v) Listing Rule 13.8 (Other circulars); and
- the Company is not required to comply with the provisions of Chapter 15 of the Listing Rules (Closed-Ended Investment Funds: premium listing). Nonetheless, the Company will comply with the following provisions of Chapter 15 of the Listing Rules: (i) Listing Rule 15.4.2 to Listing Rule 15.4.11 (Continuing obligations); (ii) Listing Rule 15.5 (Transactions); and (iii) Listing Rule 15.6 (Notifications and periodic financial information).

The Company will adopt a voluntary share dealing code for the Directors and the Board is responsible for taking all proper and reasonable steps to ensure compliance with the share dealing code by the Directors.

The Specialist Fund Segment is an EU regulated market.

**The Specialist Fund Segment securities are not admitted to the Official List. Therefore the Company has not been required to satisfy the eligibility criteria for admission to listing on the Official List and is not required to comply with the Listing Rules. The London Stock Exchange has not examined or approved the contents of this document.**



**It should be noted that the UK Listing Authority does not have the authority to monitor the Company's voluntary compliance with the Listing Rules applicable to closed-ended investment companies which are listed on the Specialist Fund Segment nor will it impose sanctions in respect of any failure of such compliance by the Company.**

**FCA-authorized firms conducting designated investment business with retail customers under COB Rules are reminded that securities admitted to trading on the Specialist Fund Segment will be securities that may have characteristics such as: (i) variable levels of secondary market liquidity; (ii) sophisticated corporate structures; (iii) highly leveraged structures; and (iv) sophisticated investment propositions with concentrated risks and are therefore intended for institutional, professional and highly knowledgeable investors.**

## EXPECTED TIMETABLE

|  |   |
|--|---|
| Placing and Offer for Subscription opens                               | 8 December 2017   |
| Latest time and date for applications under the Offer for Subscription | 11.00 a.m. on 15 December 2017  |
| Latest time and date for commitments under the Placing                 | 3.00 p.m. on 15 December 2017   |
| Announcement of the results of the Issue                               | 18 December 2017  |
| Admission and dealings in the Shares commence                          | 8.00 a.m. on 20 December 2017   |
| Crediting of CREST stock accounts in respect of the Shares             | 20 December 2017  |
| Share certificates despatched in respect of the Shares                 | week commencing 1 January 2018<br>(or as soon as possible thereafter) |

*The dates and times specified are subject to change without further notice. All references to times in this document are to London time unless otherwise stated.*

## ISSUE STATISTICS

|   |                 |
|---|-----------------|
| Issue Price                                     | US\$1.00        |
| Initial Gross Proceeds*                         | US\$150 million |
| Estimated net proceeds of the Issue*            | US\$147 million |
| Minimum Net Asset Value per Share at Admission* | US\$0.98        |

*\* Assuming Initial Gross Proceeds of US\$150 million. The Company is targeting Initial Gross Proceeds in excess of US\$100 million subject to a maximum of US\$200 million. The Minimum Gross Proceeds are US\$80 million. The number of Shares issued and to be issued pursuant to the Issue, and therefore the Initial Gross Proceeds and the net proceeds of the Issue, is not known as at the date of this document but will be notified by the Company via a Regulatory Information Service prior to Admission. The Issue will not proceed if the Minimum Gross Proceeds are not raised. If the Issue does not proceed, subscription monies received will be returned without interest at the risk of the applicant.*

## DEALING CODES

The dealing codes for the Shares will be as follows:

|        |              |
|--------|--------------|
| ISIN   | GG00BDFC1649 |
| SEDOL  | BDFC164      |
| Ticker | SHIP         |

## DIRECTORS, MANAGEMENT AND ADVISERS

|   |  |
|---|--|
| Directors   | Robert King (Chairman)<br>Stephen Le Page<br>Paul Barnes<br><br>all of the registered office below:                    |
| Registered Office                                   | 3rd Floor<br>1 Le Truchot<br>St Peter Port<br>Guernsey<br>GY1 1WD  |
| Investment Manager and AIFM                         | <b>Tufton Oceanic Ltd.</b><br>Albermarle House<br>1 Albermarle Street<br>London<br>W1S 4HA                             |
| Asset Manager                                       | <b>Oceanic Marine Management Limited</b><br>142 Franklin Roosevelt<br>P.O Box 51309<br>CY-3504 Limassol<br>Cyprus      |
| Administrator and Company Secretary                 | <b>Maitland Administration (Guernsey) Limited</b><br>3rd Floor<br>1 Le Truchot<br>St Peter Port<br>Guernsey<br>GY1 1WD |
| Joint Placing Agent and<br>Financial Adviser        | <b>Cenkos Securities plc</b><br>6.7.8 Tokenhouse Yard<br>London<br>EC2R 7AS  |
| Joint Placing Agent and<br>Financial Adviser        | <b>Hudnall Capital LLP</b><br>Adam House<br>7-10 Adam Street<br>London<br>WC2N 6AA                                     |
| Joint Placing Agent                                 | <b>Nplus1 Singer Advisory LLP</b><br>1 Bartholomew Lane<br>London<br>EC2N 2AX  |
| Solicitors to the Company as to<br>English Law      | <b>Gowling WLG (UK) LLP</b><br>4 More London Riverside<br>London<br>SE1 2AU  |
| Legal Advisers to the Company<br>as to Guernsey Law | <b>Carey Olsen</b><br>Carey House<br>Les Banques<br>St. Peter Port<br>Guernsey<br>GY1 4BZ                              |

Solicitors to the Joint Placing  
Agents and Financial Advisers

**Norton Rose Fulbright LLP**  
3 More London Riverside  
London  
SE1 2AQ

Registrar

**Computershare Investor Services  
(Guernsey) Limited**  
1st Floor, Tudor House  
Le Bordage  
St Peter Port  
Guernsey  
GY1 1DB

Receiving Agent

**Computershare Investor Services PLC**  
Corporate Action Projects  
Bristol  
BS99 6AH

Auditor and Reporting  
Accountant

**PricewaterhouseCoopers CI LLP**  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey  
GY1 4ND

Principal Bankers

**Royal Bank of Scotland International Limited**  
Royal Bank Place  
1 Gategny Esplanade  
St Peter Port  
Guernsey  
GY1 4BQ

## KEY HIGHLIGHTS

### Asset Class

The Company intends to invest in a diversified Portfolio of secondhand commercial sea-going vessels.

### The Investment Opportunity

The Investment Manager believes that an attractive opportunity exists in shipping as a result of a number of factors including:

- limited availability of capital for the shipping industry from traditional sources such as bank debt, retained earnings and private wealth;
- shipping being a large and essential industry which is fundamental to the global economy and in which demand is expected to grow (4.0 per cent. in 2018);
- supply side growth has slowed and is anticipated to remain subdued over the coming years;
- financial stresses in the shipping industry leading to secondhand vessels in many Segments being significantly below their long-term average multiples of depreciated replacement cost allowing the Company to acquire these vessels at attractive prices; and
- increasing prices for new vessels over the next 10 years which will have a positive impact on secondhand vessel values.

The Company intends to invest mainly in vessels that will enter into medium to long-term Charters with carefully chosen counterparties and therefore the revenue earned by most of the Company's vessels will not be affected by fluctuations in the general shipping markets as a result of commodity prices, geopolitical events and other short term supply-demand factors.

Given the Investment Manager believes that this is an attractive opportunity, it has indicated to the Company that it, its affiliates and/or any of their respective officers, directors and employees intend to subscribe for at least 4 per cent. of the Initial Gross Proceeds pursuant to the Issue, subject to a maximum of US\$5 million.

### Attractive dividends and total return

The Company is targeting an initial dividend yield of 5 per cent.<sup>1</sup> during the first 12 months following Admission rising to a target dividend yield of 7 per cent.<sup>1</sup> thereafter. The dividend is expected to grow modestly over the long term. The Company will target an IRR of 12 per cent.<sup>1</sup> per annum (net of expenses and fees) on a NAV basis on the Issue Price over the long term.

### Experienced Investment Manager with a proven track record

Tufton Oceanic Ltd has been a specialist fund manager in the maritime and energy markets since 2000 and has been focused on financial services to these industries since its inception in 1985.

Since 2013, the Investment Manager has invested c. US\$965 million<sup>2</sup> of capital in 54 vessels<sup>3</sup>. As at 30 June 2017, the Tufton Group had c. US\$1.3 billion of assets under management<sup>2</sup> and 54 employees operating from offices in London, Isle of Man, Dubai and Cyprus.

The Investment Manager is fully dedicated to shipping with an in-house research team and a dedicated Asset Manager providing services to each vessel purchased by the Tufton Group. The Investment Manager has a strong track record in managing funds with similar investment objectives through segregated mandates for pension funds. Tufton's asset-backed investments group ("**Tufton ABI**") manages private maritime investments for funds and other clients and, as at 30 June 2017, had c. US\$0.9 billion of assets under management<sup>4</sup>. Tufton ABI was launched in 2005 and from inception to 30 June 2017 it achieved a 13.6 per cent. per annum net realised IRR from investment in secondhand vessels (total equity value realised: US\$255 million). As at the Latest Practicable Date, there are 66 vessels<sup>5</sup> owned by vehicles managed or advised by Tufton ABI.

<sup>1</sup> Investors should note that the target annualised dividend yield and targeted IRR are targets only and not profit forecasts and there can be no assurance that either will be met or that any dividend or capital growth will be achieved.

<sup>2</sup> Unaudited figures derived from the Tufton Group's management information.

<sup>3</sup> Amounts drawn and committed through 30 June 2017 for secondhand acquisitions and vessels under construction.

<sup>4</sup> Unaudited figures derived from the Tufton Group's management information.

<sup>5</sup> Including committed secondhand acquisitions and vessels under construction for delivery in 2017.



**Sourcing of potential deals**

The Investment Manager has extensive relationships across the shipping industry and has a wide origination network, which includes small to large sellers and charterers. The Investment Manager believes that there are sufficient acquisition opportunities to allow the net proceeds of the Issue to be deployed within 9-12 months of Admission.

Since 2014, the Investment Manager has acquired several vessels from German limited partnerships which were distressed and/or early-vintage with disparate investors suffering “shipping fatigue”. The Investment Manager expects further dealflow from this source over the next 2-3 years.

**Diversification**

The Company will invest in a diversified Portfolio of secondhand commercial vessels which will deliver attractive cashflows and moderate capital gain potential. There will be a variety of employment strategies with an initial emphasis on medium to long term Bareboat and Time Charters, which will provide visibility and diversification of yields. Investing in several core Segments, such as Tankers, General Cargo, Containerships and Bulkers, will also provide exposure to varying fundamentals in commodities and global trade.

**Secondhand acquisitions**

Shipping is a large, essential industry and the secondhand ship market is liquid. The world shipping fleet is valued at c. US\$657 billion which the Investment Manager believes makes it the largest transport equipment sector. Secondhand turnover of vessels is 3-5 per cent. of the total shipping fleet in operation per annum. The Company should be able to purchase secondhand vessels at attractive levels as they are currently priced significantly below depreciated replacement cost due to, inter alia, an abundant supply of secondhand commercial vessels.

# PART 1

## INFORMATION ON THE COMPANY

### 1 INTRODUCTION

The Company was incorporated with limited liability in Guernsey under the Companies Law on 6 February 2017 as a closed-ended company limited by shares. The Company will invest in a diversified Portfolio of commercial sea-going vessels utilising a variety of employment/Charter strategies.

The Company's investment manager is Tufton Oceanic Ltd. which is authorised and regulated by the FCA and will also act as the Company's AIFM for the purposes of the AIFMD. Tufton has been a specialist fund manager in the maritime and energy markets since 2000 and as at 30 June 2017 had assets under management of c. US\$1.3 billion<sup>6</sup>. The Company has an independent board of non-executive directors.

Application will be made to the London Stock Exchange for all of the Shares issued and to be issued pursuant to the Issue to be admitted to trading on the Specialist Fund Segment of the Main Market. It is expected that Admission will become effective and dealings will commence on 20 December 2017. Shares will be issued pursuant to the Issue at a price of US\$1.00 per Share.

In due course, and subject to the Company satisfying the relevant eligibility criteria, the Company will consider moving to the premium listing segment of the Official List if the Directors believe that this would be in the best interests of Shareholders as a whole.

### 2 INVESTMENT OBJECTIVE AND POLICY

#### *Investment Objective*

The Company's investment objective is to provide investors with an attractive level of regular and growing income and capital returns through investing in secondhand commercial sea-going vessels.

#### *Investment Policy*

In order to achieve its investment objective, the Company will invest in a diversified Portfolio of secondhand commercial sea-going vessels.

The Company will make investments through one or more underlying SPV(s) over which the Company will exercise control with regards to investment decisions and which will mainly be wholly owned by the Company and may be held through an intermediate holding company. The Company may from time to time invest through vehicles which are not wholly owned by it. In such circumstances, the Company will seek to secure controlling rights over such vehicles through shareholder agreements or other legal arrangements.

The Company will at all times invest and manage its assets in a manner which is consistent with the objective of diversifying investment risk across the main vessel classifications ("**Segments**") in the shipping industry.

#### *Investment Restrictions*

The Company will observe the following investment restrictions calculated, where relevant, at the point of investment:

- No single vessel will represent more than 25 per cent. of Net Asset Value.
- In terms of employment strategy, no investment will be made that results in the exposure to the spot market, (being the market in which vessels are employed using single voyage employment contracts ("**Spot Charters**") (the "**Spot Market**")), accounting for more than 25 per cent. of Net Asset Value.
- No investment will be made that results in any shipping Segment (i.e. Tankers, General Cargo, Containerships, Bulkers) accounting for more than 50 per cent. of Net Asset Value.
- The Company will not invest in cruise ships.
- The Company will not invest in other closed ended investment companies.

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<sup>6</sup> Unaudited figures derived from the Tufton Group's management information.

- No vessel will be registered under the laws of a country which is not included in the white list of the Paris Memorandum of Understanding (or the equivalent of this list), or if doing so would be contrary to any sanction or prohibition imposed by the United Nations, the United States, the European Union or the United Kingdom.

### ***Borrowing Policy***

The Company may, for investment purposes, employ leverage at the SPV level where there is free cashflow generated from contracted vessel employment to counterparties which are considered creditworthy. Any such loans will be subject to the following restrictions:

- leverage will be at the SPV level without recourse to the Company or to other SPVs;
- it is anticipated that on an ongoing basis, consolidated Company gearing (consolidated loans to consolidated Charter-Free Value) will not be greater than 40 per cent. “**Charter-Free Value**” is the market value of one or more vessels excluding the value of any existing Charter in respect of such vessel or vessels;
- the loan to Charter-Free Value ratio in any SPV at the time of loan drawdown will not be greater than 50 per cent;
- the repayment profile of any loan will not be greater than the term of the underlying contracted Charter cashflow;
- the loan to Charter-Free Value ratio at any SPV will be further constrained such that the free cashflow generated by the vessel employment plus the expected scrap value of the vessel (where relevant) will be sufficient to amortise the loan in full;
- short term leverage may be utilised at the Company level for working capital or bridging purposes, but only to the extent that it is consistent with the AIFM’s regulatory status and subject always to the consolidated Company gearing limits outlined above;
- where underlying Charter cashflow is of a fixed rate nature, the Investment Manager will seek to use interest rate swaps or fixed rate loans at the SPV level to provide for a known rate of interest under the terms of the loan agreement for all or part of the loan term. All security and other margin requirements under such interest rate swaps will be secured under the standard loan security arrangements; and
- any refinancing exposure will be subject to the restrictions outlined above.

The timing of the deployment of leverage on any qualifying asset is at the discretion of the Board, in consultation with the Investment Manager.

### ***Hedging and derivatives***

As part of the Company’s interest rate risk management, the Company may engage in interest rate hedging at the SPV level (by using interest rate swaps or fixed rate loans to provide for a known rate of interest under the terms of a loan agreement either for all or part of any loan term) or otherwise seek to mitigate the risk of interest rate changes. All security and other margin requirements under such interest rate swaps will be secured under standard loan security arrangements.

Shipping assets are generally valued in and earn US\$. Therefore, there will be no material currency risk. However, the Company may make limited investments denominated in currencies other than US\$ including Sterling and Euros. In the event of the Company making such investments, the Investment Manager will use its judgement, in light of the Company’s investment policy, in deciding whether or not to effect any currency hedging in relation to any such investments.

In addition to interest rate and currency hedging (as described above) the Company (through its SPV(s)) may enter into other shipping specialised hedging arrangements, such as bunker hedging against the cost of fuel exposure and hedging through Forward Freight Agreements (“**FFAs**”) against the freight market exposure.

### ***Cash management***

Pending investment, cash will be temporarily invested in cash or cash equivalents, money market instruments, bonds, commercial paper or other debt obligations with banks or other counterparties having a single -A (or equivalent) or higher credit rating as determined by an internationally recognised rating agency.

The Company may appoint a suitably qualified service provider to undertake cash management if the Board considers it is in the best interests of Shareholders to do so.

### ***Amendments to and compliance with the investment policy***

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

In the event of a breach of the investment policy set out above, the Investment Manager shall inform the Board upon becoming aware of the same and if the Board considers the breach to be material, notification will be made to a Regulatory Information Service.

## **3 INVESTMENT OPPORTUNITY AND STRATEGY**

Reproduced in Part 2 of this document is a report from VesselsValue, a leading ship valuation provider, which considers the world shipping market in the context of the Company's investment policy. Part 3 of this document contains the Investment Manager's views as to why there currently exists an attractive opportunity for the Company to achieve its investment objective.

The Company's investments will be diversified across the core shipping Segments in line with where the Investment Manager identifies attractive opportunities with the intention of the Portfolio benefiting from a mix of strong cash yield and moderate capital gain potential.

The Investment Manager anticipates that the initial investments of the Company will be in the Containership, Chemical Tanker and General Cargo Segments. Subsequent investments will be in the Bulker Segment. In respect of vessels acquired, the Portfolio will have a mix of employment strategies with an emphasis on medium to long term Bareboat and Time Charters.

The Initial Gross Proceeds will be utilised in accordance with the Company's investment policy and to meet the costs and expenses of the Issue. It is currently envisaged that the net proceeds of the Issue will, on the assumption that the Issue raises gross proceeds of US\$150 million, be invested within 9-12 months of Admission and will be represented by approximately 12-18 vessels.

The Company may, should the Investment Manager consider it to be in the best interests of Shareholders, dispose of any of its investments and re-invest the net proceeds in accordance with the Company's investment policy.

For further details on the Investment Manager's investment process please see the section headed "Investment Process" at paragraph 2 of Part 4 of this document.

## **4 INVESTMENT MANAGER'S TRACK RECORD**

During 2015, 2016 and the first half of 2017 the Investment Manager committed US\$587.4 million<sup>7</sup> of capital for its pension fund clients, acquiring a total of 34 secondhand vessels (9 Chemical Tankers, 2 Product Tankers, 6 Handysize Bulkiers, 8 Containerships, 2 Suezmax Tankers, 2 Supramax Bulkiers, 1 Heavy Lift Geared Multi-Purpose Vessel and 4 General Cargo Vessels) with an average cash-on-cash yield of 12.6 per cent. (net of management fees).

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<sup>7</sup> Unaudited figures derived from the Tufton Group's management information.

| Investments                          | Capital Committed (US\$m) | Cash-On-Cash Yield p.a. |
|--------------------------------------|---------------------------|-------------------------|
| 2 x Suezmax Tankers                  | 69.4                      | 17.4%                   |
| 3 x 2,100-2,500 TEU Containerships   | 30.9                      | 10.9%*                  |
| 3 x Stainless Steel Chemical Tankers | 63.1                      | 10.8%*                  |
| 3 x Handysize Bulkers                | 25.8                      | 9.0%                    |
| 1 x 2,500 TEU Containership          | 12.7                      | 16.0%                   |
| 6 x Stainless Steel Chemical Tankers | 121.4                     | 13.2%                   |
| 5 x Bulkers                          | 56.8                      | 6.1%                    |
| 5 x General Cargo/MPP Vessels        | 74.1                      | 13.6%                   |
| 2 x 2,500 TEU Containerships         | 15.1                      | 16.0%                   |
| 2 x MR Product Tankers               | 37.5                      | 11.8%                   |
| 2 x 9,700 TEU Containerships         | 80.8                      | 26.9%                   |
| <b>Total</b>                         | <b>587.4</b>              | <b>12.6%</b>            |

\* Cash yields in 2015-2017 are lower than trend rate due to scheduled dry docking capex.

| Case Studies                        |               |                          |                   |  |                                       |                        |
|-------------------------------------|---------------|--------------------------|-------------------|--|---------------------------------------|------------------------|
| Segment                             | Year Built    | Employment               | Capital Committed | Assumed Debt Terms                             | Estimated Net Average Cash Yield p.a. | Estimated Net IRR p.a. |
| 4 x General Cargo Vessels           | 1995          | 8-year bareboat charter  | \$50.8m           | No debt  | 15.8%                                 | 11.4%                  |
| 2 x Chemical Tankers                | 2009          | 5-year time charter      | \$41.0m           | No debt  | 13.3%                                 | 10.2%                  |
| 1 x Multi-Purpose Heavy Lift Vessel | 2010          | 10-year bareboat charter | \$23.3m           | No debt  | 12.5%                                 | 12.2%                  |
| 1 x Chemical Tanker                 | 2008          | 10-year bareboat charter | \$32.6m           | 50% debt<br>5% all-in interest<br>10 year term | 11.3%                                 | 12.4%                  |
| 1 x Containership                   | 2004          | 5-year time charter      | \$8.0m            | No debt  | 15.7%                                 | 15%                    |
| 2 x Product Tankers                 | 2009/<br>2010 | Pool employment          | \$37.4m           | No debt  | 12.1%                                 | 13.6%                  |

## 5 ILLUSTRATIVE TRANSACTIONS

The Investment Manager has extensive relationships across the shipping industry and has a wide origination network, which includes small to large sellers and charterers. The tables below contain key information on two potential investments that the Investment Manager assessed during the past 12 months. The Investment Manager believes that these illustrate the types of transactions likely to be available for the Company.

### Illustrative vessel 1

|  |   |
|--|---|
| <i>Segment</i>   | Chemical Tanker   |
| <i>Year built</i>  | 2008  |
| <i>Employment</i>  | 10-year Bareboat Charter at US\$11,250/day  |
| <i>Capital committed</i>                                   | US\$32.6 million  |
| <i>Equity Investment</i>                                   | US\$16.6 million  |
| <i>Assumed Debt Terms</i>                                  | 50 per cent. debt (US\$16 million) at 5 per cent. all-in interest and 10-year profile |
| <i>Estimated Residual Value and Basis for the Estimate</i> | US\$19.4 million based on depreciated replacement cost (DRC) on a 30-year life        |
| <i>Estimated Net Average Cash Yield</i>                    | 11 per cent. p.a.   |
| <i>Estimated Net IRR</i>                                   | 12 per cent. p.a.   |



## **Illustrative vessel 2**

|  |  |
|--|--|
| <i>Segment</i>   | Containership  |
| <i>Year built</i>  | 2004   |
| <i>Employment</i>  | 5-year Time Charter at US\$9,250/day   |
| <i>Capital committed</i>                                   | US\$8.0 million  |
| <i>Equity Investment</i>                                   | US\$8.0 million  |
| <i>Assumed Debt Terms</i>                                  | No debt  |
| <i>Estimated Residual Value and Basis for the Estimate</i> | US\$7.0 million based on 80% x depreciated replacement cost (DRC), assuming a 25 year life |
| <i>Estimated Net Average Cash Yield</i>                    | 15.7 per cent. p.a.  |
| <i>Estimated Net IRR</i>                                   | 15.0 per cent. p.a.  |

**There can be no assurances that either of the investments in the above tables or any investments on comparable terms will be made by the Company or that the assumptions as outlined in the above illustrations in respect of each potential acquisition will prove to be correct. The Investment Manager, in any event, will continue to evaluate other potential investments in accordance with the Company's investment policy. Each illustrative deal is shown as a single vessel but it is possible that more than one vessel per Segment will be available to and suitable for the Company at any given time.**

## **6 DIVIDEND POLICY AND TARGET RETURNS**

The Company intends to pay dividends on a quarterly basis with dividends declared in January, April, July and October. The Company intends to declare its first dividend in July 2018.

The Company will target a dividend yield of 5 per cent<sup>8</sup> (on the Issue Price) during the first 12 months following Admission rising to a target dividend yield of 7 per cent.<sup>8</sup> (on the Issue Price) thereafter. The Directors expect to grow the dividend, in absolute terms, modestly over the long term.

The Company will target an IRR of 12 per cent.<sup>8</sup> per annum (net of expenses and fees) on a NAV basis on the Issue Price over the long term.

## **7 VALUATION**

### *Valuation of the Company's assets*

The Company intends to acquire vessels through SPVs. While the SPVs' accounts will be prepared in accordance with IFRS and will report the fair values of those vessels in their balance sheets, it is intended that the Company will conduct its business so as to be considered to be an investment company (as set out in IFRS 10) for accounting purposes and therefore the Company's accounts will not be prepared on a consolidated basis.

The assets of the Company will consist mainly of its holdings in the SPVs and surplus cash balances and will be valued quarterly on a fair value basis with gains and losses recognised in profit or loss according to IFRS. The fair values will be subject to external audit on an annual basis.

In assessing the value to be represented in the financial reports of the Company, indications of value will be developed in accordance with IFRS 13 (Fair Value Measurement). IFRS 13 defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date". The Board is ultimately responsible, on behalf of the Company, for determining the fair value of the underlying investments held by the Company.

The Company may invest through an intermediate holding company and, in such instance, the valuation methodology set out in this paragraph 7 will reflect this.

The value of any shipping asset comprises the Charter-Free Value of the vessel plus the value (positive or negative) of any Charter or lease contracts attached to the vessel.

<sup>8</sup> Investors should note that the targeted annualised dividend yield and targeted IRR are targets only and not profit forecasts and there can be no assurance that either will be met or that any dividend or capital growth will be achieved.

Since many of the vessels in the key target Segments trade in the secondhand market on a regular basis and are of reasonably standard design and construction, it is possible to ascertain broker valuations for most Charter-Free vessels which can be provided through many brokers in the key shipping hubs around the world. For Charter-Free Values, the Investment Manager will use the leading online valuation provider VesselsValue ([www.vesselsvalue.com](http://www.vesselsvalue.com)) to which the Investment Manager has subscribed for the last five years and is the current system of choice of many investment analysts and commercial and investment banks active in shipping. VesselsValue provides daily updated and vessel specific valuation services based on automated valuation models. The system has various algorithms that factor in each vessel's type, technical features, age, cargo capacity, freight earnings, market sentiment and recent vessel sales. The models are recalibrated daily to reflect the latest transaction and earnings information, allowing the daily update of the valuations of all vessels in their database. However, when the Investment Manager ascertains that a VesselsValue Charter-Free Value requires an adjustment, the Investment Manager will make such adjustment with the consent of the Board. Adjustments may include but are not limited to those for investments in a vessel that VesselsValue is not aware of or the Investment Manager believes VesselsValue does not account for correctly.

Vessels owned by the Company will in most cases have term employment contracts either as Time Charters or as Bareboat Charters. Such Charters will vary in term but would typically be in the 3 - 8 years' range. As the shipping markets can be volatile over time, the value of such Charters will therefore either add to or detract from the open market Charter-Free Value of the vessel. Under a Time Charter (akin to a "wet lease" in aircraft terms), the vessel owner provides a fully operational and insured vessel for use by the charterer. By contrast, under a Bareboat Charter (akin to a "dry lease" in aircraft terms), the vessel owner provides only the vessel to the charterer who is responsible for crewing, maintaining, insuring and operating the vessel. For most of the common vessels types that the Company intends to invest in, there is a fluid Charter market reported daily by freight brokers on the basis of Time Charter rates. Where the Company engages in Bareboat Charters, a Time Charter equivalent contracted rate will be established by adding back to the Bareboat rate the utilisation factor, operational costs, intermediate/special survey provisions, other incidental costs and broker commissions.

Once a contracted Time Charter or a calculated Time Charter equivalent rate and period is known, this can then be compared to the market benchmark Time Charter equivalent rate and the difference discounted at a published industry WACC (weighted average cost of capital) to establish a negative or positive value of the Charter. This is then added to the Charter-Free Value to ascertain a value with Charter. VesselsValue has developed an add-in module that allows for the input of contracted Time Charter or Bareboat Charter details and then calculates the charter value on the basis of their market freight rate and costs databases.

There will be cases where the Company might invest in vessels which are (i) of a specialised nature and therefore fall out of the scope of VesselsValue or other mainstream brokers and/or (ii) where contracted employment does not have an available reference benchmark in the freight brokerage community. In such instances, the Company will always seek specialist broker valuations, but in the absence of that the Investment Manager will make its own assessment of value in accordance with its internal valuation policy for such cases. Such assessment will be based on the sum of (a) the present value of the bareboat equivalent of any contracted employment plus (b) the present value of the estimated value of the vessel at the end of any contracted employment in (a) above based on a straight line depreciated replacement cost methodology.

To the extent that a valuation of any vessel published in a financial report of the Company differs from that provided under the above policy, an explanation of the reason for this variation will be included in the relevant report.

In the event that the service provided by VesselsValue becomes unavailable the Investment Manager will agree with the Company an alternative valuation methodology.

The Investment Manager shall be able to amend the valuation policy from time to time, subject to Board and Administrator consent. The Audit Committee will bi-annually review the reasonableness of the valuations included in the valuation analysis in order to be satisfied that they represent a reasonable estimate of the fair value of the assets held by the Company as included in the published year-end and interim accounts on the relevant reporting date.

Any freight derivatives will be valued at SPV level in accordance with IFRS. As freight derivatives will only be used for hedging purposes at the SPV level, these mark-to-market positions will only exist at SPV level and will therefore be included in the Company NAV.

#### *Calculation of Net Asset Value*

The NAV and NAV per Share of the Company will be calculated on a quarterly basis by the Administrator and will then be presented to the Board for approval and adoption. Calculations will be made in accordance with IFRS.

It is anticipated that details of the quarterly NAV and NAV per Share valuations will be announced by the Company through a Regulatory Information Service as soon as practicable after the end of the relevant quarterly period.

#### *Suspension of the Calculation of Net Asset Value*

The Directors may at any time, but are not obliged to, temporarily suspend the calculation of the NAV and NAV per Share:

- during any period when, as a result of political, economic, military or monetary events or any circumstances outside the control, responsibility and power of the Directors, disposal or valuation of a substantial part of the investments is not reasonably practicable without this being seriously detrimental to the interests of the Shareholders; or
- if, in the opinion of the Board, the Net Asset Value cannot be fairly calculated; or
- if any breakdown in the means of communication normally employed in determining the value of the investments or if for any reason the current prices on any market of a substantial part of the investments cannot be promptly and accurately ascertained; or
- if it is not reasonably practicable to determine the Net Asset Value on an accurate and timely basis.

Should the calculation of the NAV of the Company be suspended then an announcement detailing such suspension will be notified immediately to the London Stock Exchange via a Regulatory Information Service.

## **8 REPORTS, ACCOUNTS AND MEETINGS**

The audited accounts of the Company will be prepared in US\$ under IFRS. The Company's annual report and accounts will be prepared up to 30 June each year, with the first accounting period of the Company ending on 30 June 2018. Copies of the report and accounts will be sent to Shareholders by the end of October in each year. The Company will also publish an unaudited half-yearly report covering the six months to 31 December in each year. The first financial report and accounts that will be published will be the annual report for the period ending on 30 June 2018 (covering the period from incorporation of the Company). The financial report and accounts and unaudited half-yearly report once published will be available for inspection from the Administrator at the Company's registered office and on the Company's website [www.tuftonoceanicassets.com](http://www.tuftonoceanicassets.com).

All general meetings of the Company will be held in Guernsey. The Company held its first annual general meeting on 7 December 2017 and will hold an annual general meeting each year thereafter.

## **9 PREMIUM AND DISCOUNT MANAGEMENT AND BUY-BACK POLICY**

The Board has the discretion to seek to manage, on an ongoing basis, the premium or discount at which the Shares may trade to their NAV through further issues and buy-backs, as appropriate.

### **Premium Management**

Following Admission, the Directors will have authority to issue (i) such number of Shares as is equal to up to 20 per cent. of the number of Ordinary Shares in issue immediately following completion of the Issue and (ii) up to 200 million C Shares, on a non-pre-emptive basis. Such authority will expire at the conclusion of, and renewal of the authority will be sought at, the Company's annual general meeting to be held in 2018.

Shares may be issued without the publication of a prospectus in accordance with exemptions set out in the Prospectus Rules which allow for the issue of shares representing, over a period of 12 months, less than 20 per cent. of the number of shares of the same class already admitted to trading on the same

regulated market, provided that such issue is not made by way of an offer of the Company's securities to the public.

The Directors recognise the importance to those initial Shareholders supporting the Issue of pre-emptive rights and, accordingly, Shares and/or C Shares offered pursuant to the first significant capital raise following Admission will be offered to existing Shareholders (at the relevant record date for such issuance) on a pre-emptive basis (for these purposes issuance of Shares falling within the 20 per cent. prospectus exemption noted above may be issued on a non-pre-emptive basis).

Investors should note that the issuance of new Shares and/or C Shares is entirely at the discretion of the Board, and no expectation or reliance should be placed on such discretion being exercised on any one or more occasions or as to the proportion of new Shares and/or C Shares that may be issued.

No Shares will be issued at a price less than the prevailing published NAV per existing Share at the time of their issue.

### **Discount Control**

The Directors will consider repurchasing Shares in the market if they believe it to be in Shareholders' interests as a whole and as a means of correcting any imbalance between supply of and demand for the Shares.

An ordinary resolution has been passed granting the Directors authority to repurchase up to 14.99 per cent. of the Company's issued share capital immediately following Admission during the period expiring on the conclusion of the earlier of the Company's next annual general meeting and the date 18 months after the date on which the resolution was passed. Renewal of this buy-back authority will be sought at each annual general meeting of the Company.

Subject to working capital requirements, and at the absolute discretion of the Directors, excess cash will be used to repurchase Shares should the Shares close at a, or more than a, 10 per cent. average discount to NAV for a period of 90 consecutive days.

The Company will only make such repurchases through the market at prices (after allowing for costs) below the relevant prevailing NAV per Share under the guidelines established from time-to-time by the Board. The Directors will have regard to what they believe to be in the best interests of Shareholders and in compliance with the Articles, the Listing Rules (to the extent adopted by the Company), Companies Law and all other applicable legal and regulatory requirements. Under the Listing Rules, the maximum price (exclusive of expenses) which may be paid for a Share must not be more than the higher of: (i) 5 per cent. above the average of the mid-market values of the Shares for the five Business Days before the repurchase is made; or (ii) the higher of the price of the last independent trade and the highest current investment bid for Shares.

**Shareholders should note that the purchase of Shares by the Company is at the absolute discretion of the Directors and is subject to the working capital requirements of the Company and the amount of cash available to the Company to fund such purchases. Accordingly, no expectation or reliance should be placed on the Directors exercising such discretion on any one or more occasions.**

## **10 TREASURY SHARES**

Any Shares repurchased pursuant to the general authority referred to above may be held in treasury. The Companies Law allows companies to hold shares acquired by way of market purchase as treasury shares, rather than having to cancel them. These treasury shares may be subsequently cancelled or sold for cash. This would give the Company the ability to reissue Shares quickly and cost efficiently, thereby improving liquidity and providing the Company with additional flexibility in the management of its capital base.

Unless authorised by Shareholders, no Shares will be sold from treasury at a price less than the NAV per Share at the time of the sale unless they are first offered pro-rata to existing Shareholders.

## **11 CONTINUATION RESOLUTIONS**

In the event that on the third anniversary of Admission the NAV of the Company does not equal or exceed US\$250 million, the Directors will propose an ordinary resolution at the annual general meeting in 2021 that the Company continues its business (the "**Initial Continuation Resolution**").

The Directors will (unless the Initial Continuation Resolution is not passed) propose an ordinary resolution at the annual general meeting to be held in 2024 that the Company continues its business (a “**Continuation Resolution**”). If this Continuation Resolution is passed, then the Directors shall every three years thereafter at the annual general meeting held following the publication of the audited accounts propose a further Continuation Resolution.

If the Initial Continuation Resolution or any Continuation Resolution is not passed, the Directors will put forward proposals for the reconstruction or reorganisation of the Company to Shareholders for their approval as soon as reasonably practicable following the date on which the Initial Continuation Resolution or any Continuation Resolution (as the case may be) is not passed. These proposals may or may not involve winding up the Company and, accordingly, failure to pass the Initial Continuation Resolution or any Continuation Resolution will not necessarily result in the winding up of the Company.

## **12 DISCLOSURE OBLIGATIONS**

The provisions of Chapter 5 of the Disclosure Guidance and Transparency Rules (as amended from time to time) (“**DTR 5**”) of the Financial Conduct Authority Handbook apply to the Company on the basis that the Company is a “**non-UK issuer**”, as such term is defined in DTR 5. As such, a person is required to notify the Company of the percentage of voting rights it holds as a holder of Shares and/or C Shares or holds or is deemed to hold through the direct or indirect holding of financial instruments falling within DTR 5 if, as a result of an acquisition or disposal of Shares and/or C Shares (or financial instruments), the percentage of voting rights reaches, exceeds or falls below the relevant percentage thresholds being, in the case of a non-UK issuer, 5, 10, 15, 20, 25, 30, 50 and 75 per cent. However, pursuant to the Articles, DTR 5 is deemed to apply to the Company as though the Company were a UK “issuer” as such term is defined by DTR 5. As such, the relevant percentage thresholds that apply to the Company are 3, 4, 5, 6, 7, 8, 9, 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent., notwithstanding that in the absence of those provisions of the Articles such thresholds would not apply to the Company.

## **13 NON-MAINSTREAM POOLED INVESTMENTS**

The Company and the Investment Manager notes the rules of the FCA on the promotion of non-mainstream pooled investments, effective from 1 January 2014. The Investment Manager confirms that it conducts the Company’s affairs and intends to continue to conduct its affairs, so that the Shares will be “excluded securities” under the FCA’s conduct of business sourcebook. This is on the basis that the Company, which is resident outside the EEA, would qualify for approval as an investment trust by the Commissioners for HMRC under sections 1158 and 1159 of the Corporation Tax Act 2010 if resident and listed in the United Kingdom. Therefore, the Shares will not amount to non-mainstream pooled investments. Accordingly, promotion of the Shares will not be subject to the FCA’s restriction on promotion of non-mainstream pooled investments.



## **PART 2**

### **BACKGROUND TO THE SHIPPING MARKET**

Please see below for an independent report by Vessels Value Ltd.

The Directors  
Tufton Oceanic Assets Limited  
3<sup>rd</sup> Floor  
1 Le Truchot  
St Peter Port  
Guernsey  
GY1 1WD

Cenkos Securities plc ("**Cenkos**")  
6.7.8 Tokenhouse Yard  
London EC2R 7AS

Hudnall Capital LLP ("**Hudnall**")  
Adam House  
7-10 Adam Street  
London WC2N 6AA

Nplus1 Singer Advisory LLP ("**N+1 Singer**")  
One Bartholomew Lane  
London  
EC2N 2AX

8<sup>th</sup> December 2017

Dear Sirs,

#### **ISSUE OF SHARES IN TUFTON OCEANIC ASSETS LIMITED MARKET COMMENTARY REPORT ON THE SHIPPING MARKET**

We have been instructed by Tufton Oceanic Assets Limited (the "**Company**") to provide a report on the shipping market in connection with the issuance of ordinary shares of no par value each in the capital of the Company (the "**Shares**") and the admission of the Shares to trading on the Specialist Fund Segment of the London Stock Exchange plc's main market and the prospectus to be issued by the Company in connection with Admission (the "**Prospectus**"). Our report is appended to this letter and is addressed to the Company, Cenkos, Hudnall and N+1 Singer ("**our Report**").

#### **Responsibility**

Our Report has been prepared for inclusion in the Prospectus and may not be reproduced or used in connection with any other purposes without our prior consent.

Save for any responsibility which we may have to these persons to whom our Report is expressly addressed and save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) as and to the extent therein provided, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability, to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with, our Report, required by and given solely for the purposes of complying with item 23.1 of Annex I of the Prospectus Directive consenting to its inclusion in the Prospectus.

**Disclaimer**

In providing our Report, we are not making any recommendations to any person regarding the Prospectus in whole or in part and are not expressing any opinion on the terms or merits of any investment in the Company. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Use of this prospectus is always bound by the terms and conditions of Vessels Value Ltd as amended from time to time which are available at <https://www.vesselsvalue.com/terms/>.

**Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f), we accept responsibility for the information within our Report and declare that we have taken all reasonable care to ensure that the information contained in this Report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with item 1.2 of Annex I of the Prospectus Directive.

Yours faithfully,



Tom Evans  
Director  
Vessels Value Ltd

## Appendix

### Market Commentary Report on the Shipping Market

#### Introduction

The shipping industry is fundamental to the international trade as it is the most cost effective means of transporting large volumes of essential commodities and finished goods around the world.

We understand that the Company intends to achieve its investment objective through investing in a diversified portfolio of secondhand vessels that deliver a balanced mix of cash yield and asset value appreciation.

All data is up to date as per Vessels Value Ltd database on 30<sup>th</sup> June 2017.

The shipping markets are further described and defined below:

## World Fleet

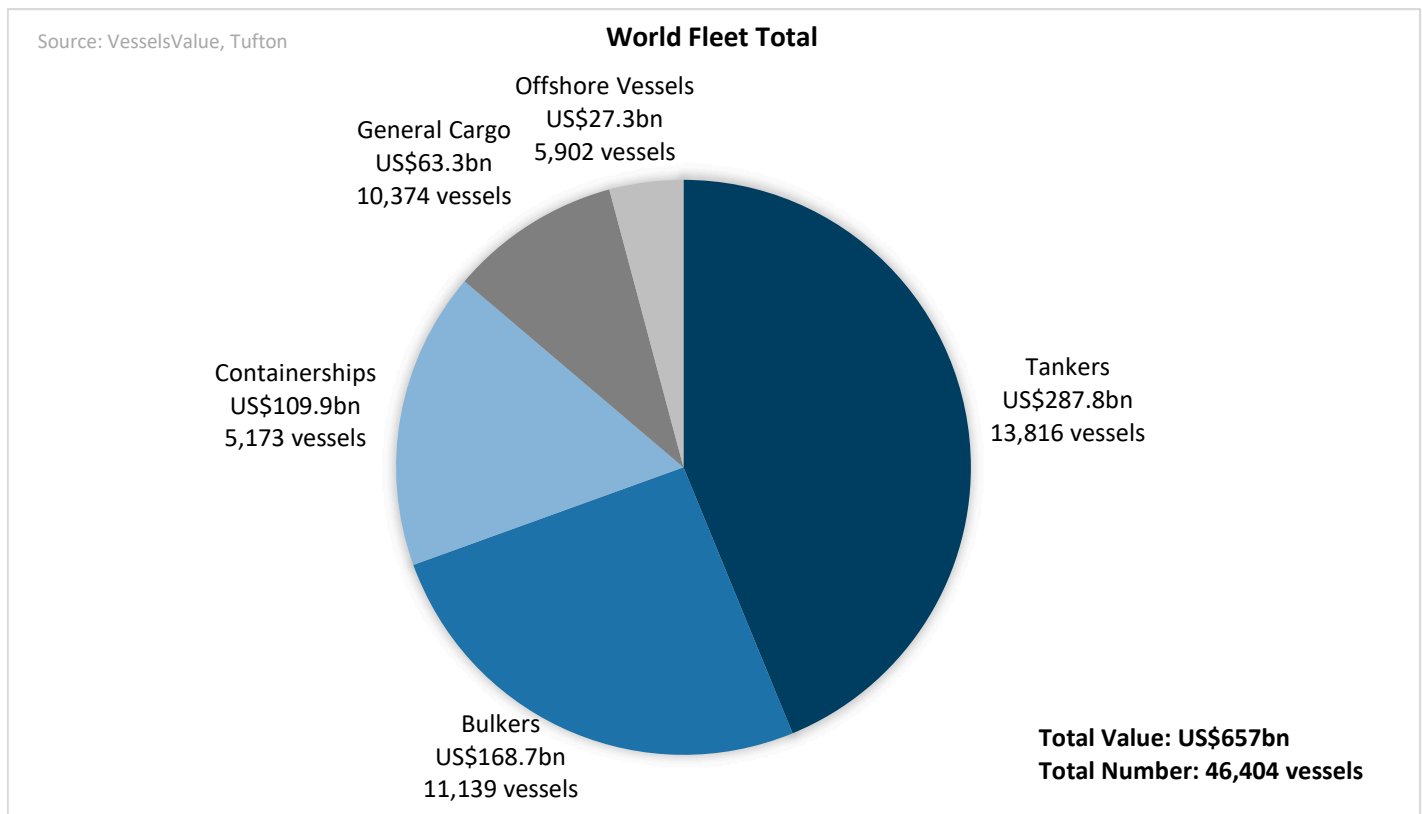
We define the “World Fleet” as the global oceangoing vessels both on the water and on order.

The World Fleet by this definition comprises of 46,404\* seagoing vessels (44,079 vessels on the water with a further 2,325 on order) with a total value of c. US\$657bn (US\$563bn on the water with a further US\$94bn on order) and is within the investment remit of the Company.

The breakdown of the World Fleet in the key shipping segments in terms of both number of vessels and value as of 30 June 2017 is illustrated in figure 1.

The most common size measurement for vessels is Deadweight (“DWT”) which indicates the cargo carrying capacity of vessels used to carry bulk commodities\*.

Figure 1: World Fleet (vessels on the water and on order)



Note: \*Some vessel type sizes are typically quoted in units other than DWT, i.e. Cubic Metres (“CBM”) for gas vessels, Twenty Foot Equivalent Units (“TEU”) for Containerships, Brake Horse Power (“BHP”) for Offshore vessels. A conversion into DWT has been done so the vessels can be included in the above 10,000 DWT band. All Offshore Supply Vessels and Mobile Offshore Drilling Units have been included. Floating Production, Storage and Offloading (“FPSO”) units, Floating Storage and Offloading (“FSO”) units, Reefers, Cruise ships and other specialist vessels are not included in this document, as they follow different dynamics.

Table 1: World Fleet breakdown of total number and value of vessels, on the water and on order.

| Vessel Types            | On the water |                | On order   |                | Total      |                |
|-------------------------|--------------|----------------|------------|----------------|------------|----------------|
|                         | Vessel No.   | Value (US\$bn) | Vessel No. | Value (US\$bn) | Vessel No. | Value (US\$bn) |
| Tankers                 | 12,930       | 238.4          | 886        | 49.3           | 13,816     | 287.8          |
| Bulkers                 | 10,607       | 153.9          | 532        | 14.8           | 11,139     | 168.7          |
| Containerships          | 4,822        | 86.6           | 351        | 23.2           | 5,173      | 109.9          |
| Offshore Supply Vessels | 5,491        | 21.8           | 411        | 5.5            | 5,902      | 27.3           |
| General Cargo Vessels   | 10,229       | 62.0           | 145        | 1.3            | 10,374     | 63.3           |

## Ownership of the World Fleet

The ownership of the World Fleet is highly diversified; of the total 44,705 (on the water and on order; excluding Ro-Ro Vessels and Car & Truck Carriers) vessels, c. 85% are held in private ownership in company / family holdings.

VesselsValue lists 2,775 shipowners. Less than 580 of these own in excess of 10 vessels and only just over 160 are quoted on the world's various public markets, many on smaller Far East exchanges.

Figure 2: World Fleet Ownership (Private Vs. Public Ownership)

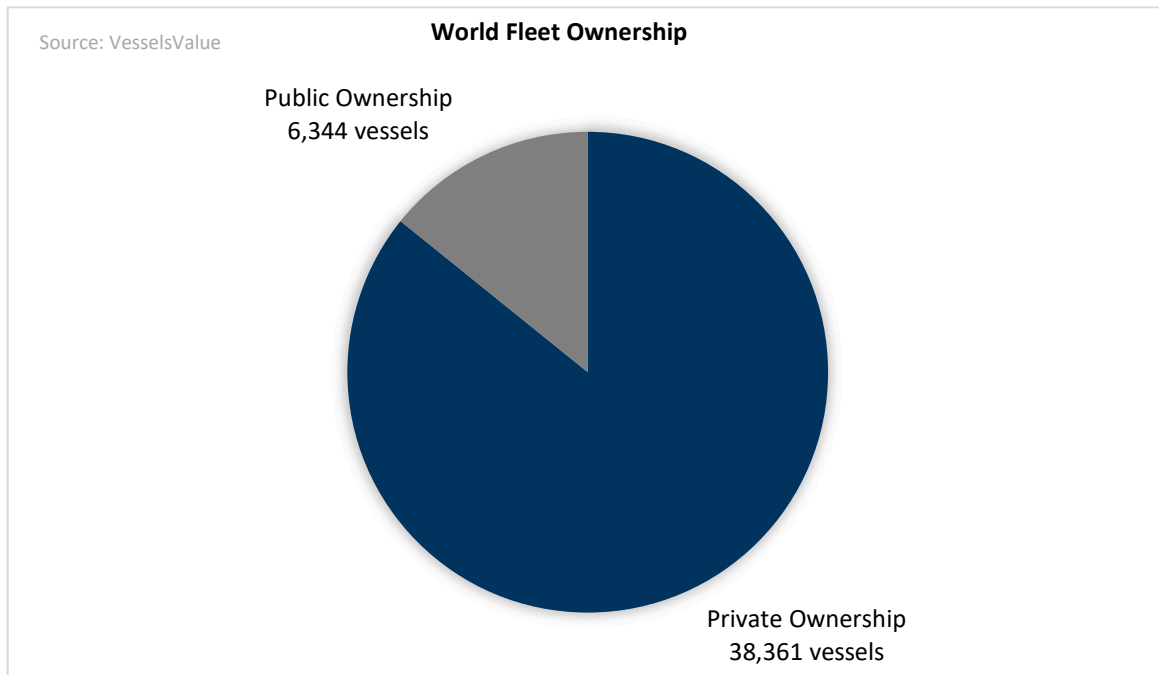


Table 2: World Fleet breakdown into sub-categories with individual data for number of vessels, value, size and cargo carried.

| Vessel Types                  | Number of Vessels | Value (US\$bn) | Total Size (bn) | Size Range           | Cargoes carried   |
|-------------------------------|-------------------|----------------|-----------------|----------------------|---|
| <b>Tankers</b>                |                   |                |                 |                      |   |
| Crude Tankers                 | 2,710             | 80.8           | 435.8 DWT       | 1,000 - 600,000 DWT  | crude oil   |
| Product and Chemical Tankers  | 9,169             | 110.0          | 230.2 DWT       | 1,000 - 166,500 DWT  | oil products, gasoline, chemical products                     |
| LPG                           | 1,344             | 19.3           | 23.5CBM         | 100 - 90,000 CBM     | liquid petroleum gas  |
| LNG                           | 593               | 77.7           | 88.7 CBM        | 1,100 - 300,000 CBM  | liquid natural gas  |
| <b>General Cargo Vessels</b>  |                   |                |                 |                      |   |
| Multi-purpose Vessels         | 8,675             | 20.3           | 51.0 DWT        | 900 - 20,000 DWT     | wood, steel, building materials, bulk cargo                   |
| RORO and Car & Truck Carriers | 1,699             | 43.0           | 21.1 DWT        | 400 - 8,500 CEU      | cars, trucks  |
| <b>Containerships</b>         |                   |                |                 |                      |   |
| Sub Panamax Containerships    | 2,697             | 18.6           | 4.1 TEU         | 500 - 3,000 TEU      | containers  |
| Post Panamax Containerships   | 2,476             | 91.2           | 19.5 TEU        | 3,000 - 22,000 TEU   | containers  |
| <b>Bulkers</b>                |                   |                |                 |                      |   |
| Non Geared Bulkers            | 4,479             | 90.8           | 560.4 DWT       | 20,000 - 450,000 DWT | iron ore, coal, grains  |
| Geared Bulkers                | 6,660             | 77.9           | 304.9 DWT       | 20,000 - 210,000 DWT | iron ore, coal, steel products, grains, fertilisers, minerals |
| <b>Offshore Vessels</b>       |                   |                |                 |                      |   |
| Offshore Supply Vessels       | 5,902             | 27.3           | 31.7 DWT        | 100 - 8,000 DWT      | platform supply   |
| <b>Grand Total</b>            | <b>46,404</b>     | <b>656.9</b>   |                 |                      |   |



## Secondhand Market

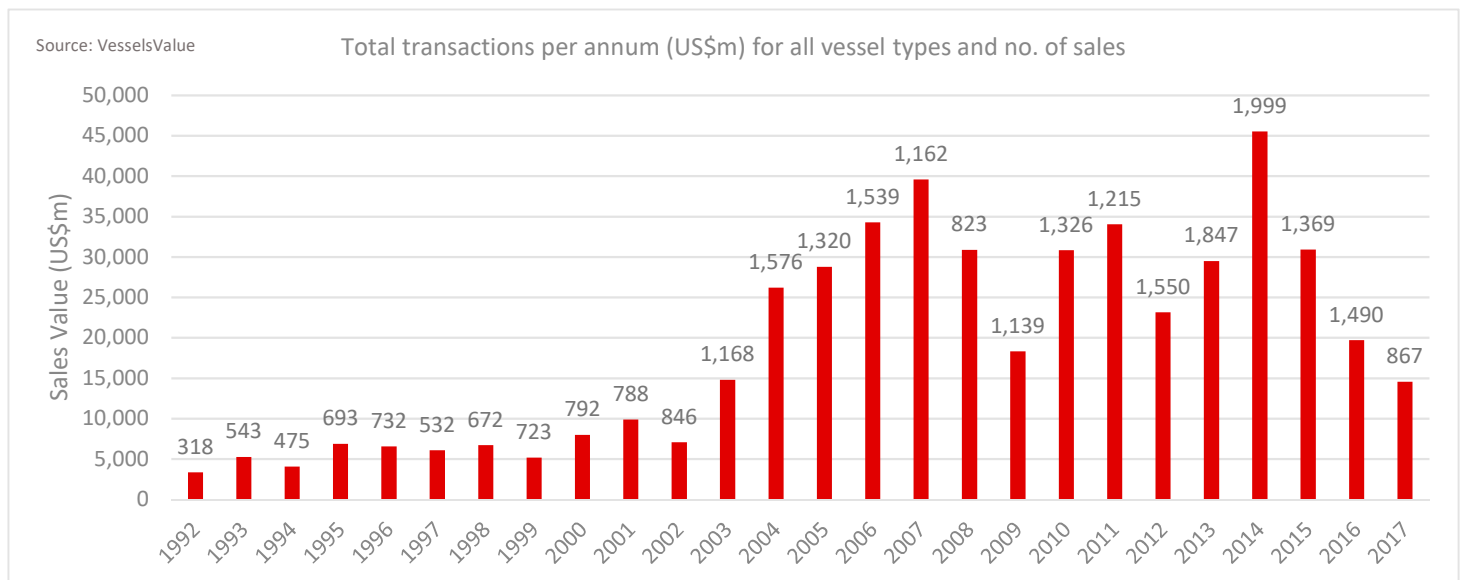
There is an active secondhand market in shipping, referred to as Sale & Purchase (“**S&P**”). S&P transactions have a number of advantages over ordering new vessels, referred to as newbuildings. These include the potential to make purchases at much lower levels in a depressed market, as well as the reduced waiting time from the vessel order to the vessel delivery. For an S&P transaction this period is minimal compared to the normal 1.5-2 years in the case of a newbuilding order.

S&P transactions within the market happen frequently, although sale volumes have decreased more recently for liquidity reasons. In terms of the number of transactions, in 2016 there were 1,490 sales.

Shipping is a large, liquid market. Assuming that the Company raises US\$150m and places moderate leverage on some deals, investing over the course of 12 months, this is c. 1-2%, of the annual turnover of the c. US\$24bn (average value from 2000 to 2016) secondhand market.

During times of greater economic stability in the shipping markets, the turnover in the S&P market can be up to 8% in the target sectors.

Figure 3: Historical volumes of the secondhand transactions within the shipping market along with no. of sales between 1 January 1992 and 30 June 2017.



## Supply and Demand

Supply in shipping is measured in terms of cargo carrying capacity, measured in DWT, TEU, CBM, etc. This is primarily influenced by the size of the existing fleet, the rate of deliveries of newbuildings and the rate of removals from the fleet via vessel scrapping, conversion or loss.

Demand tends to be driven by the following factors:

- State of the world economy; the 2008 financial crisis also triggered a serious crash in the shipping market
- Necessity for commodities and finished goods to be moved; Post Fukushima, the Japanese government rapidly increased their importing of LNG causing an LNG freight rate increase
- Average length of haul
- Random shocks; Suez canal crisis causing vastly increased average length of haul
- Cost of freight, including burn for fuel, against the cost of the commodities

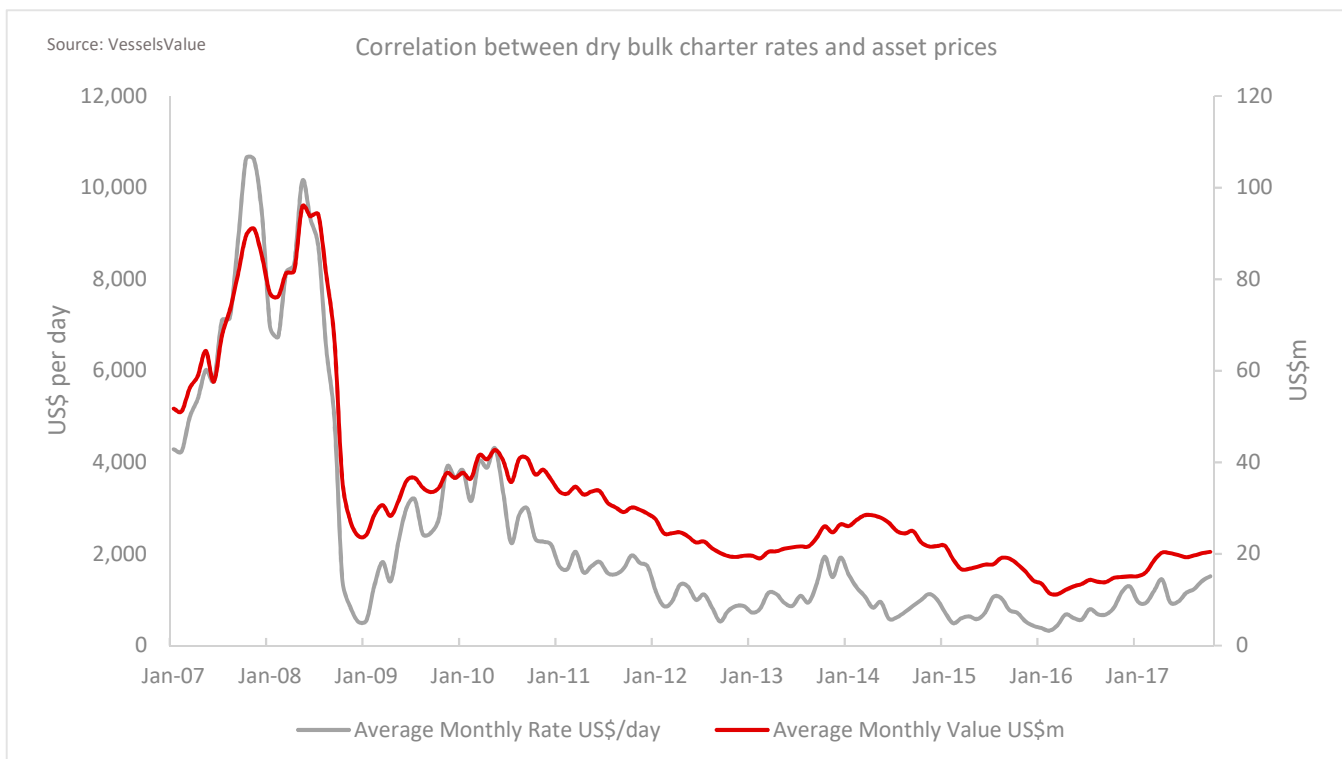
Demand is generally measured in Ton Miles, which is the distance a vessel has travelled multiplied by the quantity of cargo it is carrying. The differential between supply and demand is a major factor in the volatility of the shipping market. The relatively long time between the order of a newbuilding and its delivery (typically 1-4 years depending on shipyard availability) also adds to the volatility.

## Charter Rates and Asset Price Correlation

The market value of a vessel is generally driven by the expected income over its trading life in addition to its expected residual value when it is sold on the secondhand market or for demolition. Therefore, the market value is highly correlated to the current charter market and market sentiment. Because the industry is highly fragmented, a lot of participants have differing views of the future, creating the liquidity of the S&P market, financing permitting.

For example, during 2008 as dry bulk charter rates rose significantly, so did the asset value of Bulkers. In the offshore sector, charter rates have a strong dependency on the price of crude oil. Therefore, as the price of oil collapsed in 2014, so did charter rates, and subsequently so did the asset values of offshore vessels.

Figure 4: Correlation between dry bulk charter rates and asset prices from 1 January 2007 to 30 June 2017.



## Vessel Types

### Tankers

Tankers involve the transportation of crude oil, oil products, chemicals and gases in bulk form.

Unlike Bulk carriers, Tankers (i.e. the vessels designed for the carriage of liquid cargoes in bulk with cargo space consisting of several tanks) are not necessarily interchangeable. The Crude Oil, Refined Products, Liquid Chemicals, Liquefied Petroleum Gas ("LPG") and Liquefied Natural Gas ("LNG") sub-segments are quite distinct with regards to the vessels' type and specification.

Therefore, although the key demand driver for the majority of the Tankers segment is the energy sector, an understanding of the split between crude, oil products and different gas forms is very important.

Unlike many dry bulk commodities where supply sources are relatively stable, changes such as the advent of US shale oil / gas exploration have changed traditional trade routes both in terms of commodity share and length of passage.

In more recent times, low oil prices and the glut of oil supply have been beneficial to the Tankers sector due to increasing volumes of cargo being carried generally over longer distances, as well as Tankers being used for storage.

### Crude Tankers

Crude Tankers facilitate the transportation of unrefined oil. The number of Crude Tankers is in excess of 2,400 vessels and includes some of the largest vessels in the Tanker sector. The largest vessels are able to carry the equivalent of 2,000,000 barrels of crude oil.

The most common form of charter for Crude Tankers is the Time Charter and the Single Voyage Charter (defined at the end of this Report).

Figure 5:

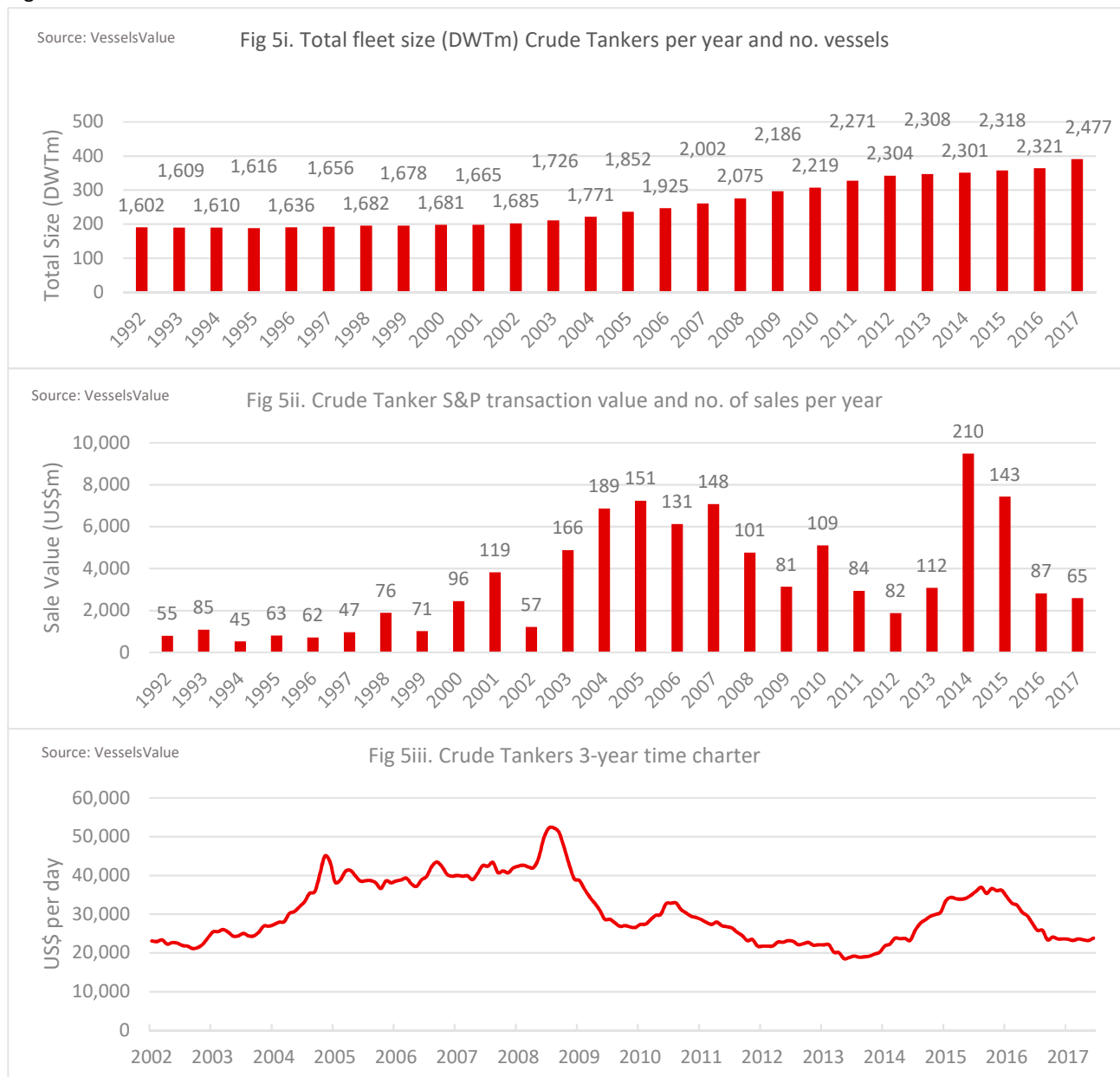


Fig 5i. Shows total fleet size in DWT of Crude Tankers per year with no. of vessels overlaid from 1992 to 30 June 2017.

Fig 5ii. Shows the total US\$ spent per year on sales and no. of sales that have taken place for Crude Tankers from 1992 to 30 June 2017.

Fig 5iii. Shows the 3-year Time Charter average for Crude Tankers from 2002 to 30 June 2017,

### Product and Chemical Tankers

Product and Chemical Tankers facilitate the transportation of refined products. These vessels generally have tanks coated in epoxy, zinc or stainless steel.

Outside the energy sector, the key cargoes in the chemical sub-segment are: organic chemicals mainly used for plastic and other manufacturing processes (primarily olefins and aromatics), inorganic chemicals used in fertilisers and other industrial processes, vegetable oils and animal fats (e.g. soybean oil, palm oil, etc.), and other cargoes (e.g. molasses, biofuels/ethanol, etc.). Chemical Tankers are characterised by cargo systems which are technically more sophisticated than those found in conventional Product Tankers. Since Chemical Tankers are often required to carry many products which are typically hazardous and easily contaminated, cargo segregation and containment is important.

Figure 6:

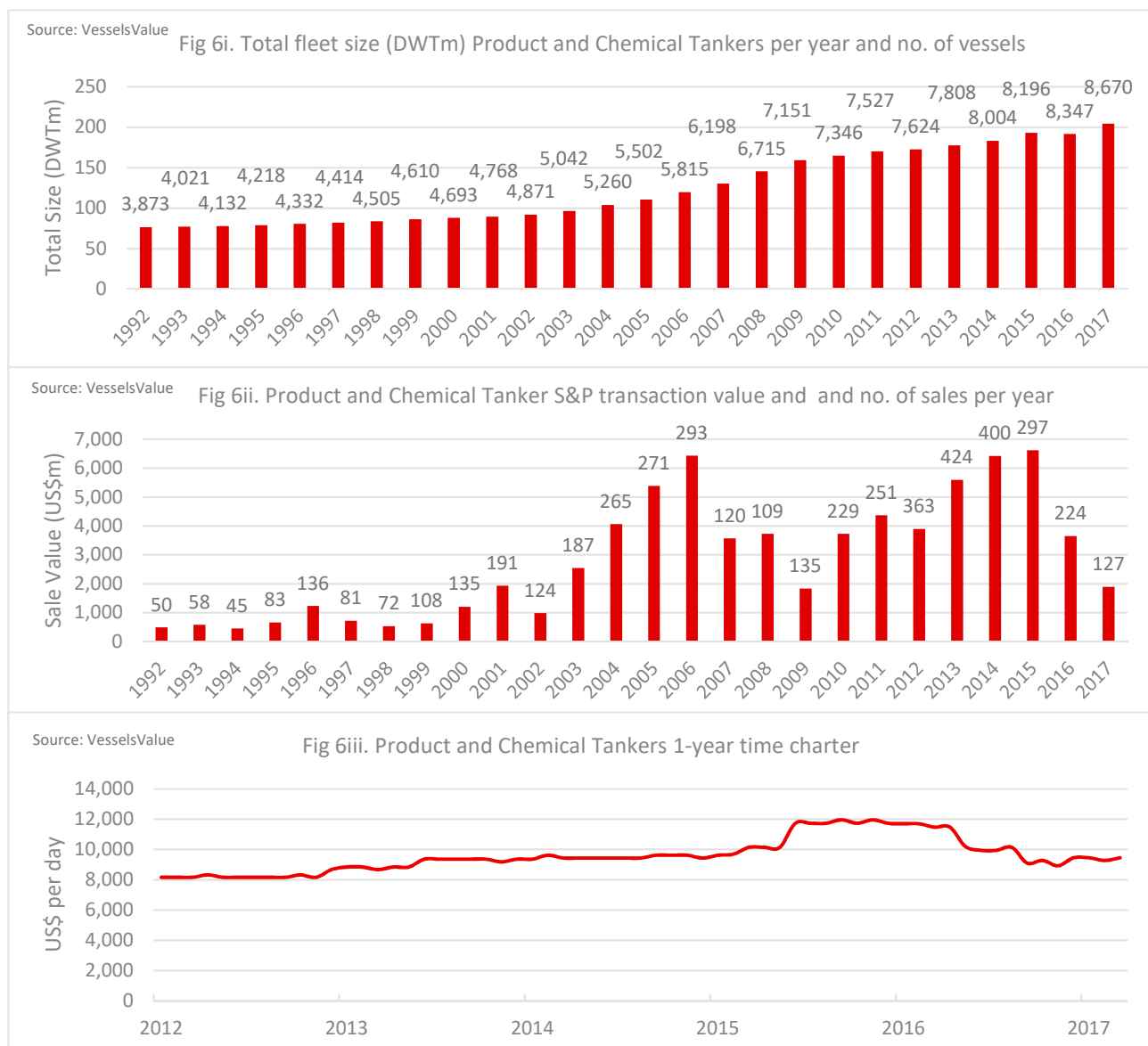


Fig 6i. Shows total fleet size in DWT of Product and Chemical Tankers per year with no. of vessels over laid from 1992 to 30 June 2017.

Fig 6ii. Shows the total US\$ spent per year on sales and no. of sales that have taken place for Product and Chemical Tankers from 1992 to 30 June 2017.

Fig 6iii. Shows the 1-year Time Charter average for Product and Chemical Tankers from 2012 to 30 June 2017.

### Liquefied Petroleum Gas ("LPG") Carriers

LPG mainly consists of propane, butane and petroleum gases. Despite being gaseous at ambient pressure and temperature, propane and butane both liquefy relatively easily under pressure, refrigeration or a combination of the two. LPG is used for residential / commercial heating, cooking, fuel for transport and as a feedstock in petrochemical and refinery processes.

Due to the large distances between many areas of LPG production and consumption, seaborne transportation of LPG is either the only way, or the most cost efficient way, of transporting LPG between producing and consuming regions. Seaborne exports account for approximately a quarter of the global LPG production.

Types of LPG Carriers: (i) fully-pressurised vessels that maintain gas in liquid form, (ii) fully-refrigerated vessels that maintain cargo in a liquefied state by chilling gases to temperatures below their boiling point and (iii) semi-pressurised refrigerated vessels (or semi-refrigerated vessels) that combine refrigeration and pressurisation. The most common form of charter for LPG Carriers is the long- term Time Charter (defined at the end of this Report).

Figure 7:

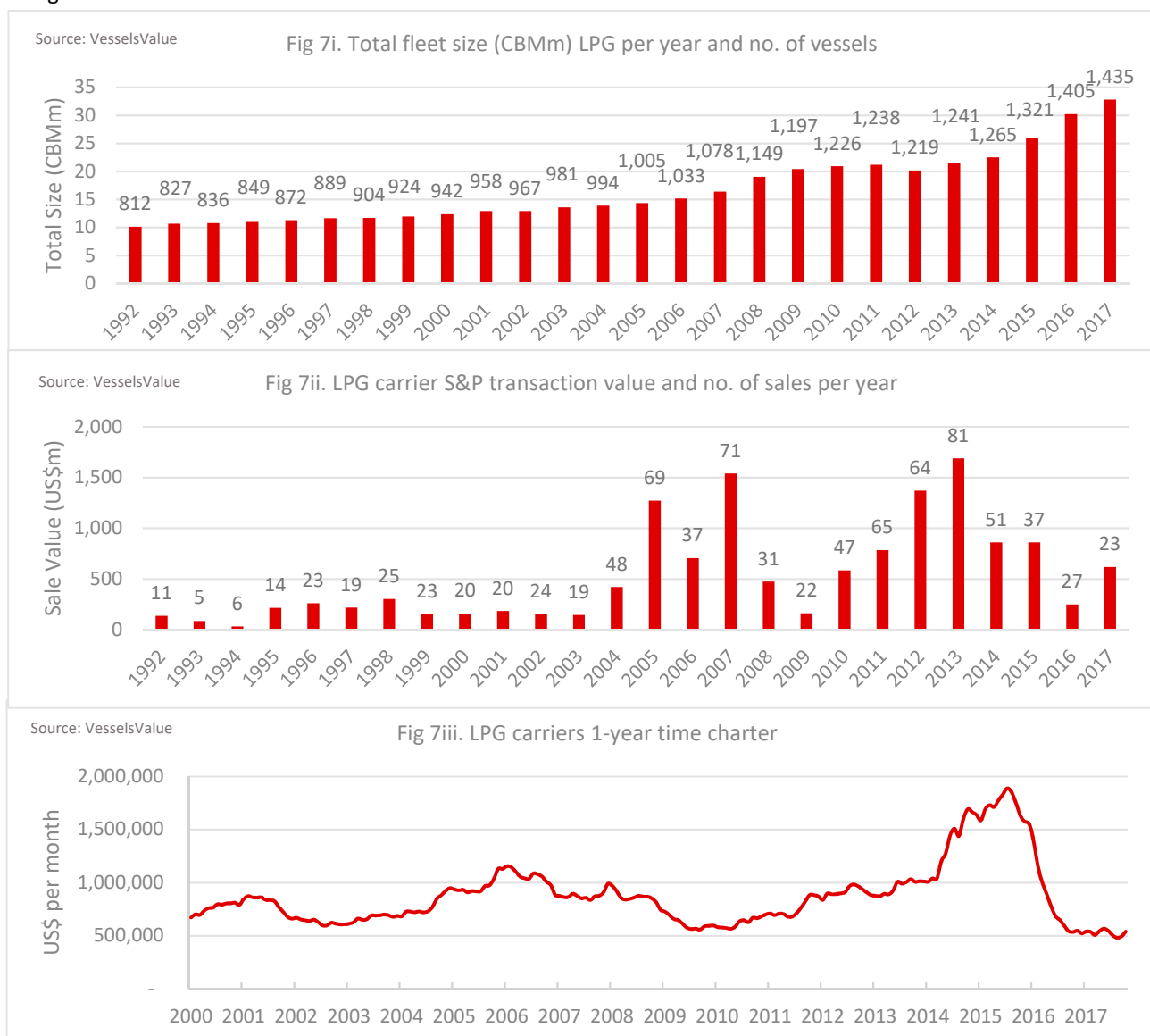


Fig 7i. Shows total fleet size in DWT of LPG per year with no. of vessels over laid from 1992 to 30 June 2017.

Fig 7ii. Shows the total US\$ spent per year on sales and no. of sales taken place for LPG Carriers from 1992 to 30 June 2017.

Fig 7iii. Shows the 1-year Time Charter average for LPG Carriers from 2000 to 30 June 2017.



### Liquefied Natural Gas ("LNG") Carriers

In general, the LNG sub-segment is a long term industrial shipping "pipeline" business with high individual asset pricing, little secondhand sale and purchase activity and relatively low yield possibilities. Consequently, it is unlikely that the Company will invest into the LNG segment. Originally a long term stable contractual business, the LNG market is slowly moving towards the spot cargoes transportation function of gas prices arbitrage.

The most common form of charter for LNG Carriers is the long-term Time Charter (defined at the end of this Report).

Figure 8:

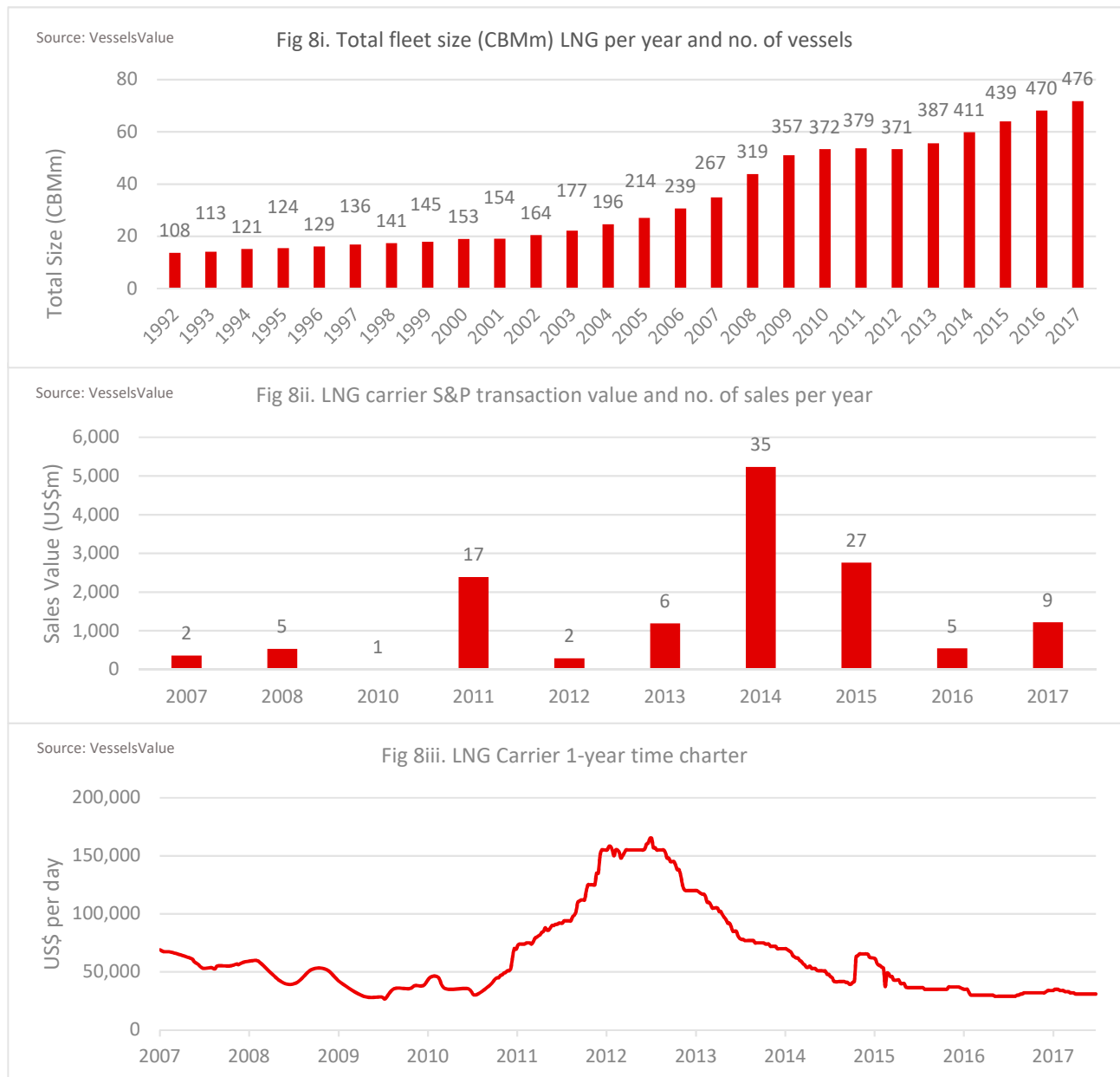


Fig 8i. Shows total fleet size in DWT of LNG per year with no. of vessels over laid from 1992 to 30 June 2017.

Fig 8ii. Shows the total US\$ spent per year on sales and no. of sales that have taken place for LNG Carriers from 2007 to 30 June 2017.

Fig 8iii. Shows a 1 year Time Charter average for LNG Carriers from 2007 to 30 June 2017.

## General Cargo Vessels

The General Cargo sector comprises of smaller, generally multi-purpose vessels ("MPPs") (for this section the General Cargo Vessels do not include Ro-Ro Vessels and Car & Truck Carriers). These vessels are popular for carrying general cargo, breakbulk and project cargo. General Cargo vessels can also carry similar goods as the Bulkers and specialize in smaller coastal trades. Many MPPs also have ability to carry containers.

Demand for carrying general cargoes has fallen significantly over the past two decades, replaced by the container trade. Demand for lifting breakbulk and project cargoes is stable. The most common form of charter for General Cargo Vessels is the Time Charter and the Single Voyage Charter (defined at the end of this Report).

Figure 9:

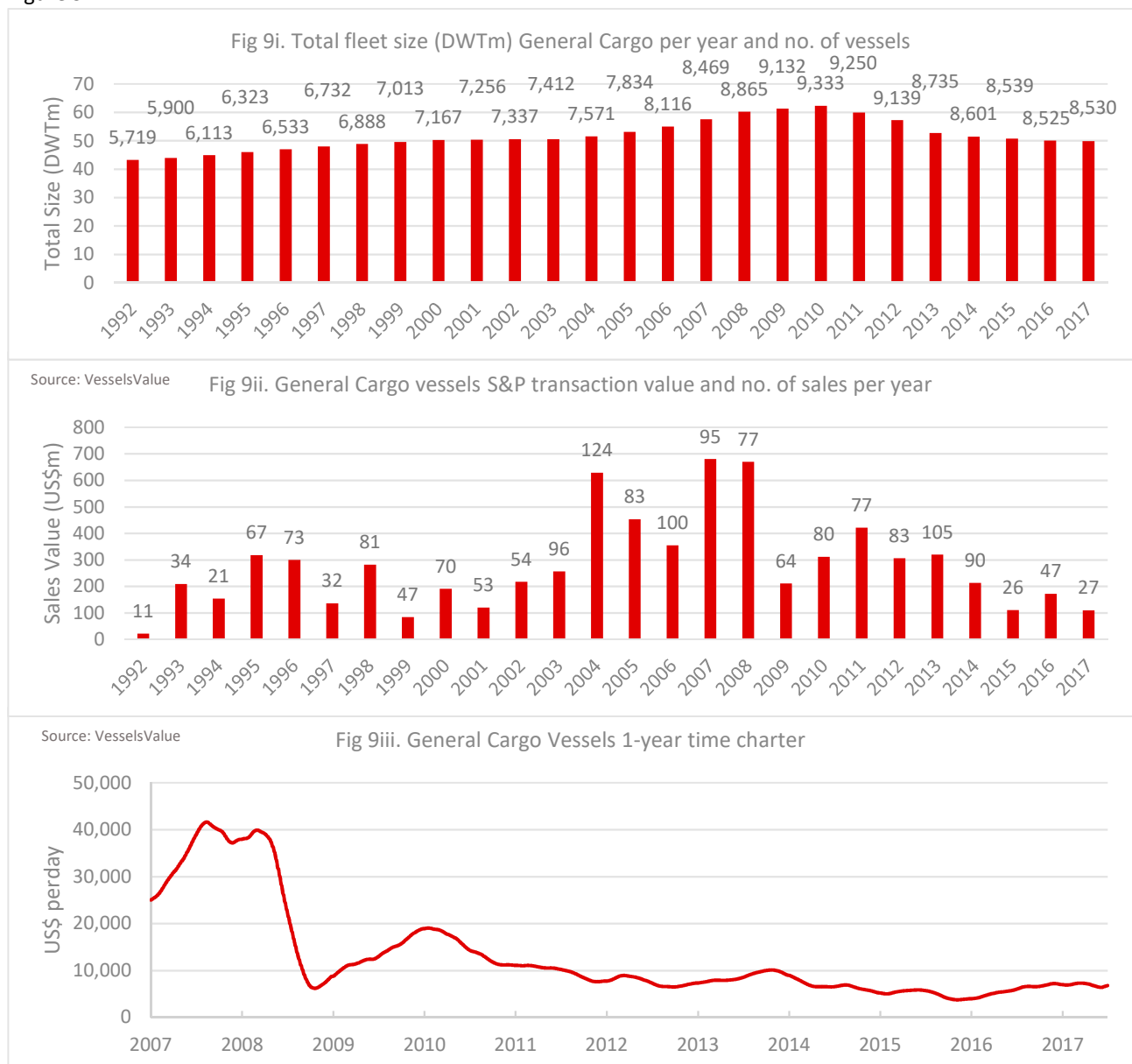


Fig 9i. Shows total fleet size in DWT of General Cargo vessels per year with no. of vessels over laid from 1992 to 30 June 2017.

Fig 9ii. Shows the total US\$ spent per year on sales and no. of sales that have taken place for General Cargo vessels from 1992 to 30 June 2017.

Fig 9iii. Shows a rolling 1 year Time Charter average for General Cargo vessels from 2007 to 30 June 2017.

## Containerships

Containerships were introduced in the 1960s and have become the main method of international transportation of finished goods with around 90% of non-bulk cargos being transported this way. Before containerisation, break-bulk cargos were loaded one item at a time, the advent of containerisation allowed for the unitisation of cargo. Containers are modular metal boxes of standardised dimensions, generally 20 or 40 feet long.

### Post Panamax Containerships

Post Panamax Containerships are categorized as vessels which are too large to transit the original Panama Canal (32m beam). These vessels tend to be employed on liner trades operating on routes to a set time table. This market is heavily controlled by a few operators who control the vast majority of the tonnage. The most common form of charter for Post Panamax Containerships is the Time Charter and the Bareboat Charter (defined at the end of this Report).

Figure 10:

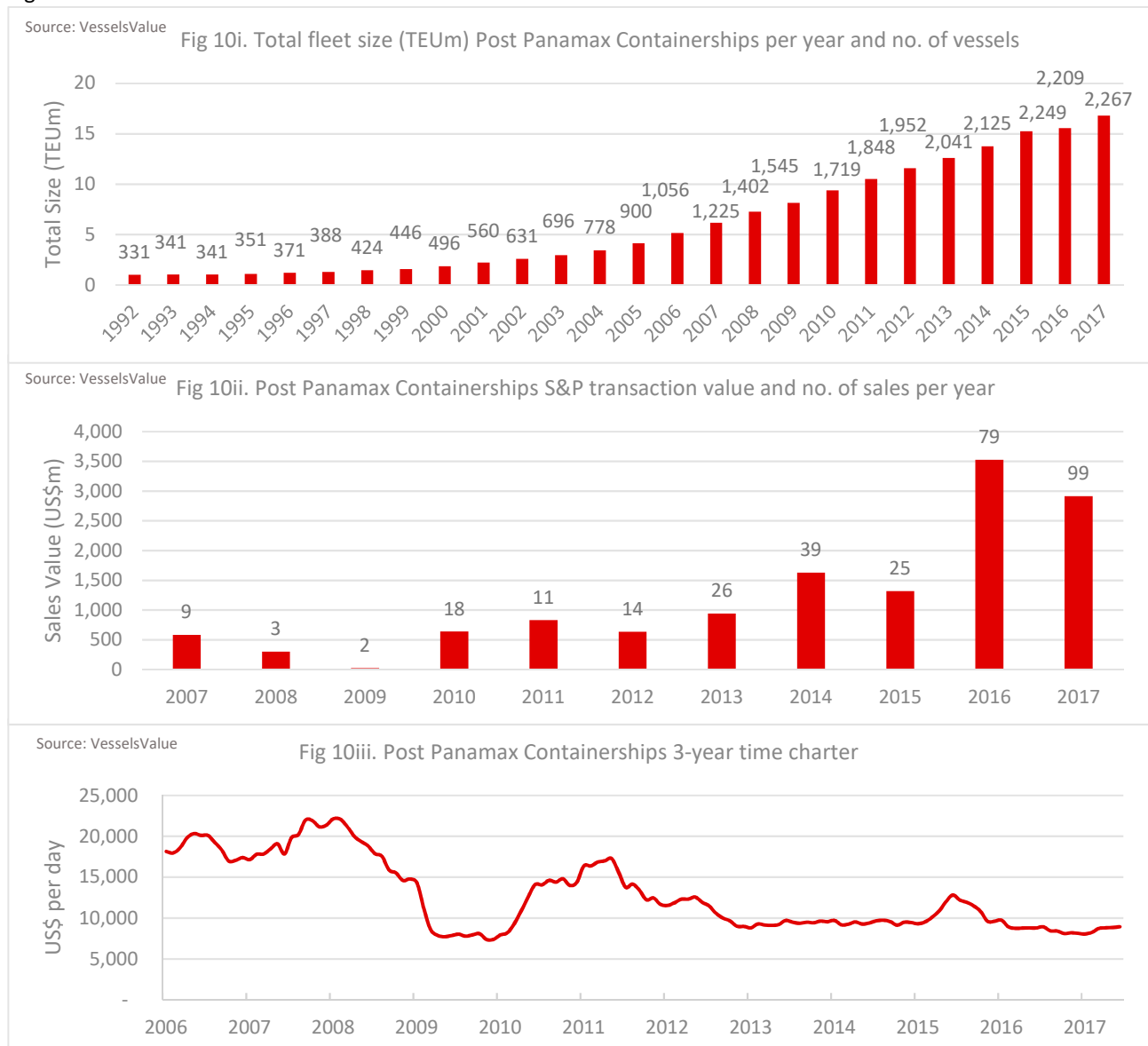


Fig 10i. Shows total fleet size in DWT of Post Panamax Containerships per year no. of vessels over laid from 1992 to 30 June 2017.

Fig 10ii. Shows the total US\$ spent per year on sales and no. of sales that have taken place for Post Panamax Containerships from 2007 to 30 June 2017.

Fig 10iii. Shows a 3-year Time Charter average for Post Panamax Containerships from 2006 to 30 June 2017.

### Sub Panamax Containerships

Sub Panamax Containerships are the largest vessels that can transit the original Panama Canal. In this document the term Sub Panamax Containerships also refers to smaller containerships. These vessels are a mix of both geared and gearless vessels. The geared Containerships are generally used to move containers short haul between local ports. The gearless Sub Panamax Containerships are struggling as a sector due to the Post Panamax Containerships taking over the trades they used to operate. Smaller Containerships in this sector have seen steady charter rates and very low levels of newbuildings, resulting in a minimal oversupply.

The most common type of charter for Sub Panamax Containerships is the Time Charter (defined at the end of this Report).

Figure 11:

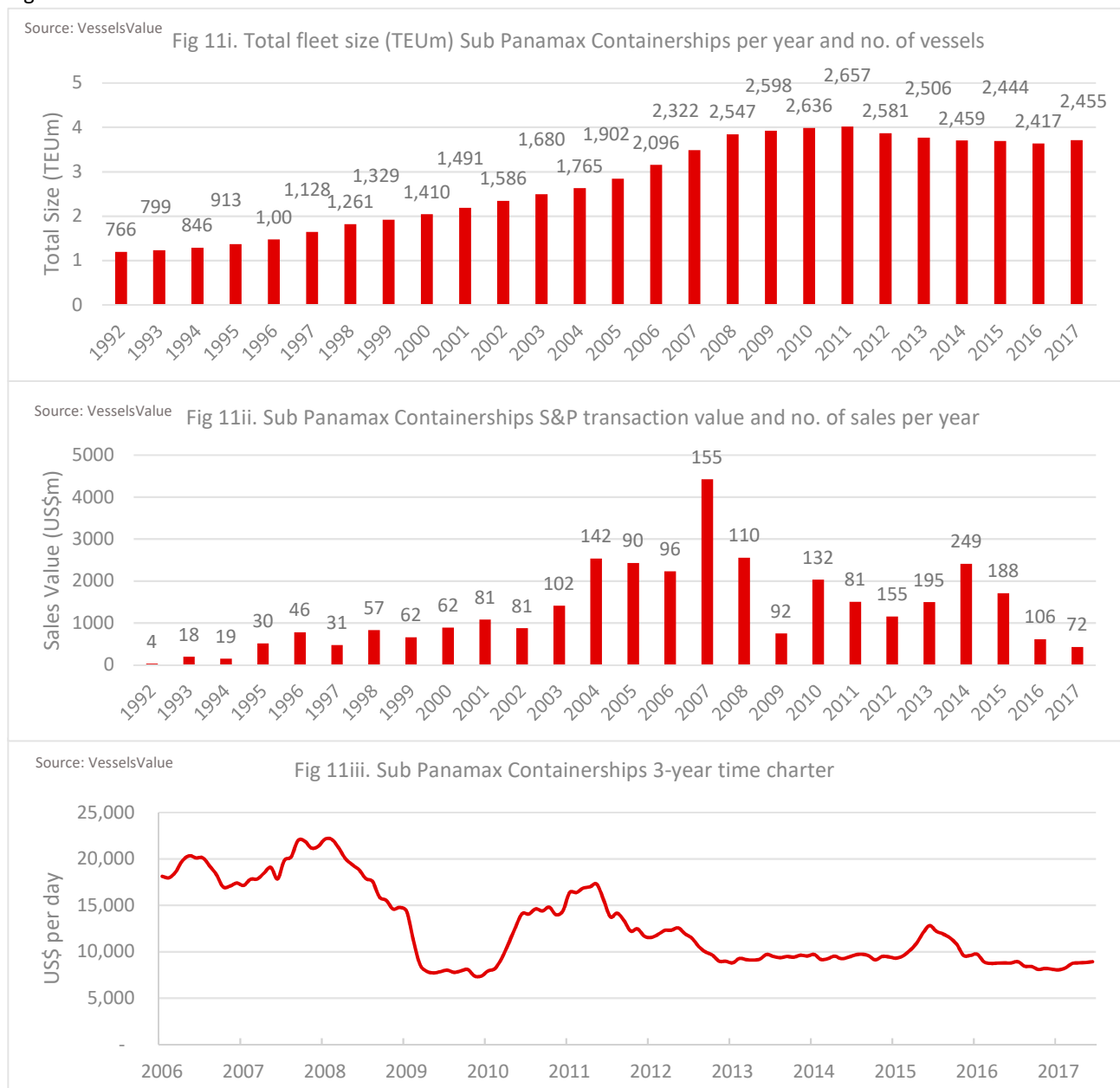


Fig 11i. Shows total fleet size in DWT of Sub Panamax Containerships per year with no. of vessels over laid from 1992 to 30 June 2017.

Fig 11ii. Shows the total US\$ spent per year on sales and no. of sales that have taken place for Sub Panamax Containerships from 1992 to 30 June 2017.

Fig 11iii. Shows a 3-year Time Charter average for Sub Panamax Containerships from 2006 to 30 June 2017.

## Bulkers

Bulkers carry a variety of dry cargo in bulk form. The key cargoes are iron ore, coking / steaming coal, agricultural produce, bauxite / alumina, nickel ore, finished steel and steel products, fertilisers, forest products, petroleum coke, cement and other aggregates.

Charterers in the dry bulk shipping industry include cargo owners (such as mining companies and grain houses), end-users (such as steel producers and power utilities) and several different trading companies and vessel operators.

Bulkers are generally interchangeable with each other although economies of scale and trade routes will often determine which size vessels carry which cargoes. Typically, the larger Bulkers carry iron ore, coal and some grains on very long haul routes with the smaller sizes being more versatile to carrying a greater variety of cargo.

### Non Geared Bulkiers

The larger Bulkiers tend to be ungeared and focus on moving cargos long haul between industrialised ports. Typical trades include moving iron ore from Australia, Brazil or South America to China. The most common form of charter for Non Geared Bulkiers is the Time Charter and the Single Voyage Charter (defined at the end of this Report).

Figure 12:

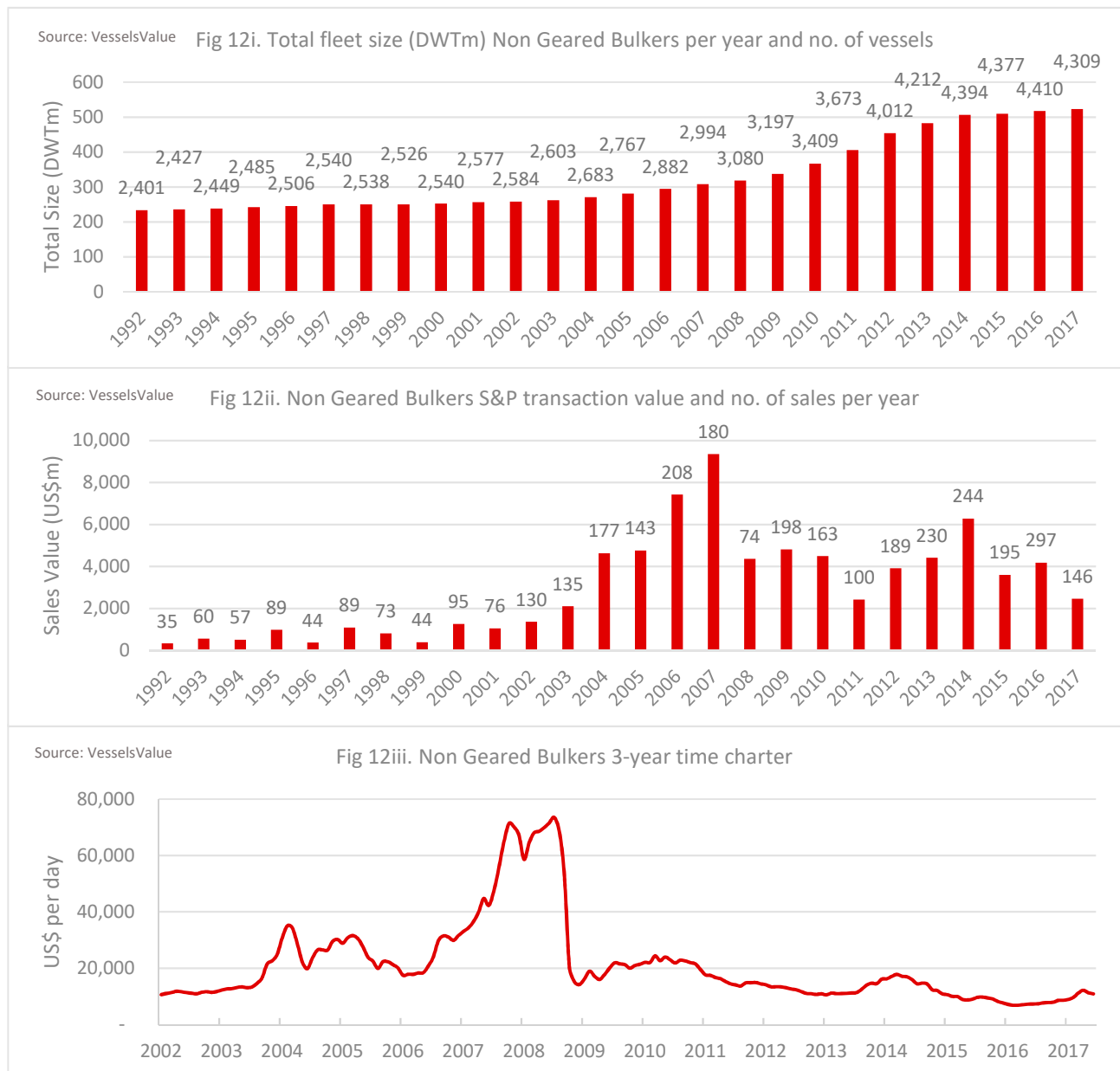


Fig 12i. Shows total fleet size in DWT of Non Geared Bulkiers per year with no. of vessels over laid from 1992 to 30 June 2017.

Fig 12ii. Shows the total US\$ spent per year on sales and no. of sales that have taken place for Non Geared Bulkiers from 1992 to 30 June 2017.

Fig 12iii. Shows a 3-year Time Charter average for Non Geared Bulkiers from 2002 to 30 June 2017.



### Geared Bulkers

The smaller bulkers are generally geared, i.e. they will have their own on board cranes to enable self-loading and discharge and thus the ability to trade into and out of a far greater numbers of port facilities with less developed shore based infrastructure. This increased flexibility means they tend to trade shorter distances with more diversified cargo. The most common form of charter for geared bulkers is the Time Charter and the Single Voyage Charter (defined at the end of this Report).

Figure 13:

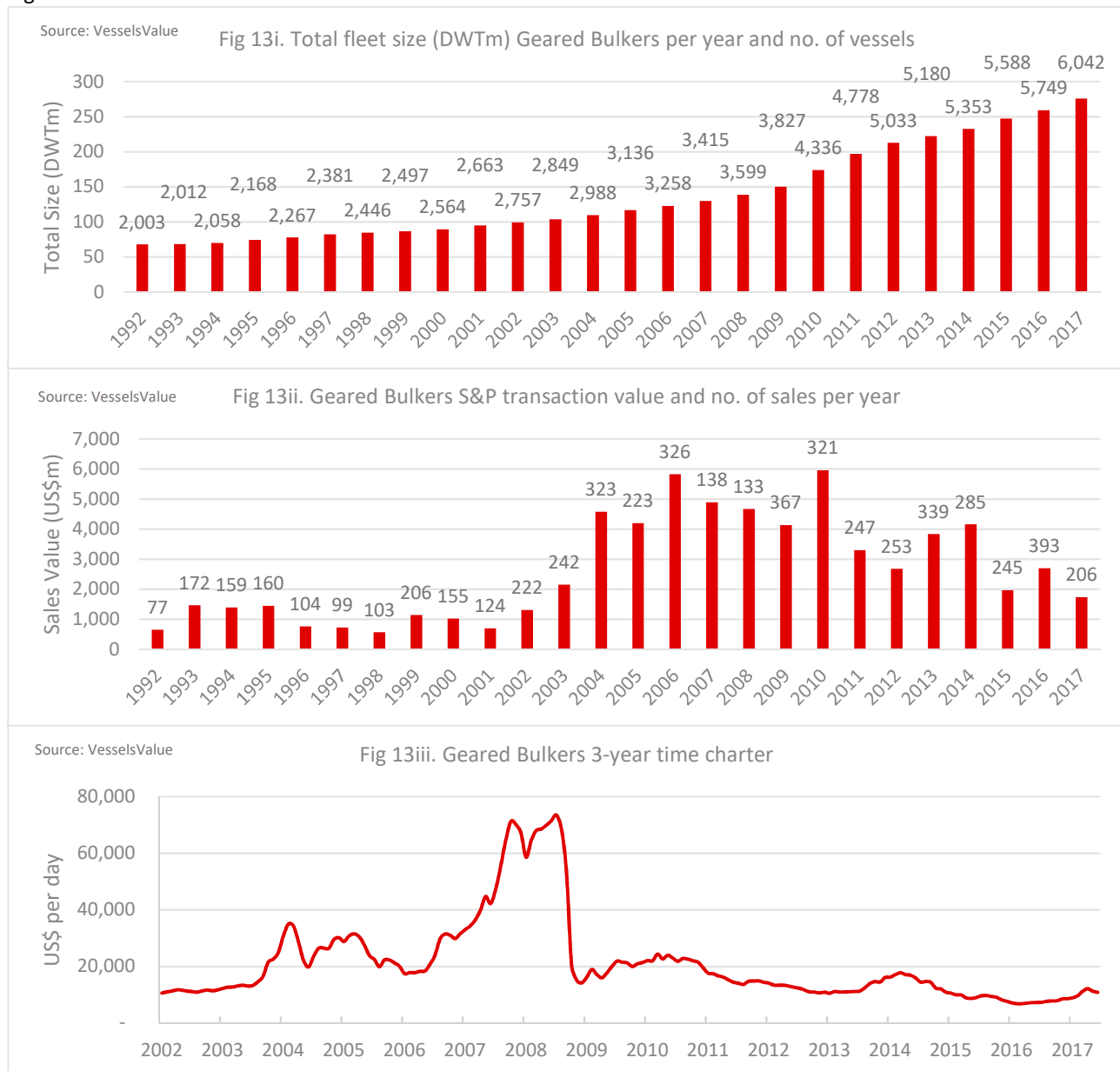


Fig 13i. Shows total fleet size in DWT of Geared Bulkiers per year with no. of vessels over laid from 1992 to 30 June 2017.

Fig 13ii. Shows the total US\$ spent per year on sales and no. of sales that have taken place for Geared Bulkiers from 1992 to 30 June 2017.

Fig 13iii. Shows a 3-year Time Charter average for Geared Bulkiers from 2002 to 30 June 2017.

## Offshore Vessels

### *Oil price and the offshore market*

The relationship between the oil price and the success of the offshore vessel market is closely correlated. High oil prices tend to lead to increased exploration and production ("E&P"), which in turn increases demand for Offshore Vessels. This typically leads to increased vessel earnings and values. There is a time lag effect due to the budget horizon of oil companies and also due to the time it takes to build new vessels

A positive forward view on oil prices allows E&P companies to invest more in higher cost field development, including offshore, thus triggering Offshore Supply Vessels ("OSV") and drilling rigs use. The current situation of low oil prices means that expensive offshore production is no longer cost effective, especially when there is an abundance of cheap onshore production.

### *Supply Vessels*

- Offshore Supply Vessels ("OSV"): Any vessel that can be categorised as an Offshore Supply Vessel, servicing offshore rigs in a supply capacity.
- Anchor Handling Tug Supply ("AHTS"): Specialised offshore tugs for the towing and anchoring of mobile drilling rigs. They can also be used in a supply capacity, to transport wet and dry cargo.
- Anchor Handling Tug ("AHT"): Specialised tugs for the towing and anchoring of mobile drilling rigs and other structures.
- Platform Supply Vessel ("PSV"): Offshore vessels designed and used to supply and support offshore platforms by transporting crew and supplies/cargo to the platforms, and returning waste / crew / other cargo to shore. They are characterised by their large open decks.

The most common form of charter for OSVs is the Time Charter and the Single Voyage Charter (defined at the end of this Report).

Figure 15:

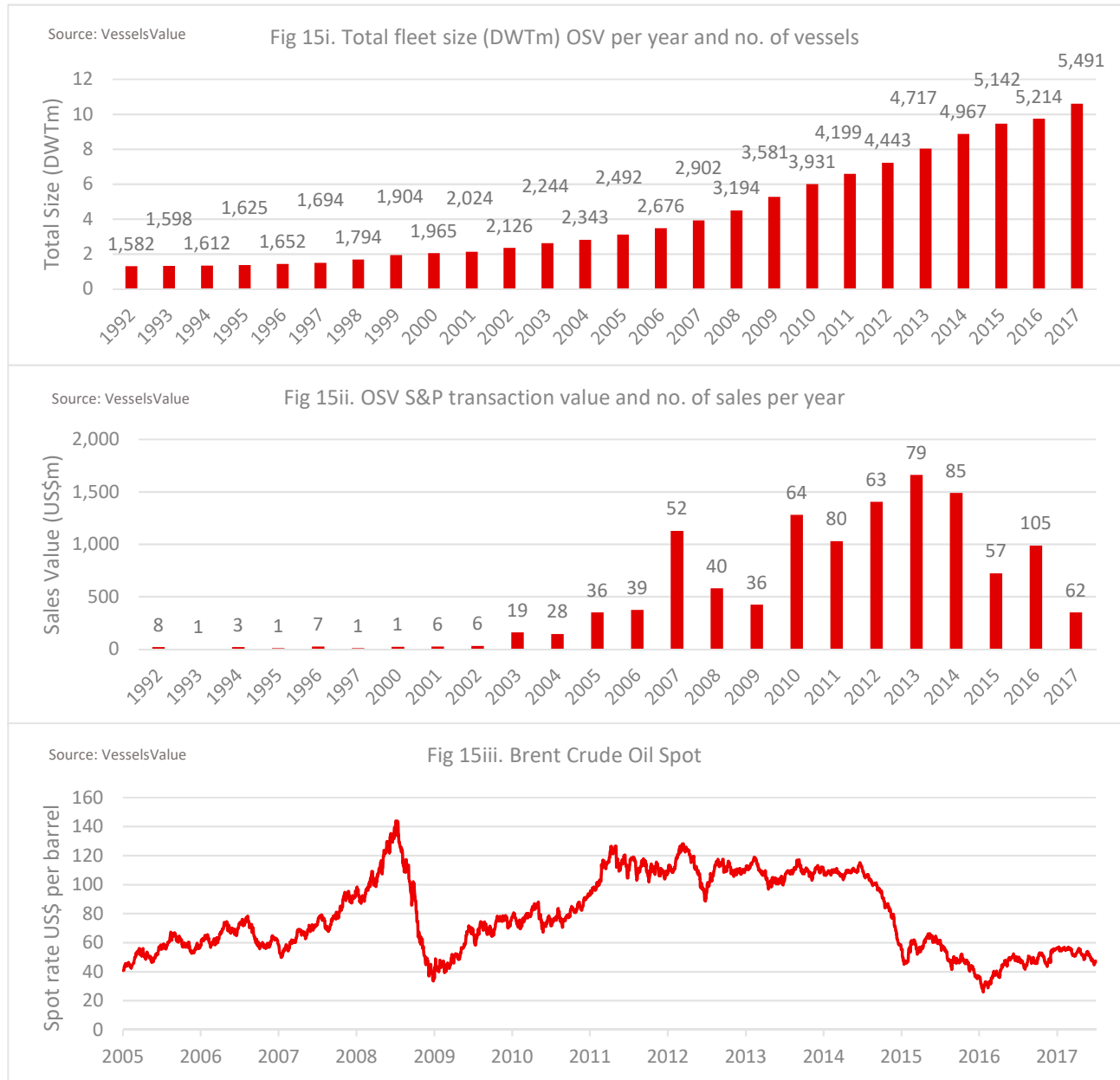


Fig 15i. Shows total fleet size in DWT of OSV vessels per year with no. of vessels over laid from 1992 to 30 June 2017.

Fig 15ii. Shows the total US\$ spent per year on sales and no. of sales that have taken place for OSV vessels from 1992 to 30 June 2017.

Fig 15iii. Shows a spot rate average for Brent Crude oil from 2005 to 30 June 2017.

## Types of Employment Strategy

The chartering of vessels can take several different forms, the most typical of which are summarized below:

### Bareboat Charter (“BBC”)

Under a bareboat charter, the shipowner effectively relinquishes the commercial and technical control of his vessel to the charterer, usually for a long-term period (5+ years). The shipowner receives an agreed level of remuneration (which may escalate at a mutually agreed rate) for the duration of the charter and remains responsible for the vessel’s capital costs (e.g. servicing the mortgage of the vessel). The charterer becomes responsible for the vessel’s operating costs (e.g. crewing, maintenance, repairs, insurance, etc.), as well as for the voyage expenses incurred (e.g. fuel costs, port expenses, canal dues, etc.). The bareboat charter is often used as a means of sale-leaseback financing where the seller/charterer wants to keep physical control of the vessel, but no longer needs / wishes to own the asset.

### Time Charter (“TC”)

Under a time charter, the shipowner hires his vessel to the charterer for either a single trip or a designated period. The shipowner receives daily hire rate in US\$ (which may escalate at a mutually agreed rate) for the duration of the charter and remains responsible for the vessel’s capital and operating costs. The charterer pays all voyage expenses (i.e. fuel costs, port expenses, canal dues, etc.).

### Single Voyage Charter (“spot”)

Under spot employment, the shipowner hires his vessel to the charterer for just a single voyage, carrying a designated quantity of cargo. The shipowner receives an agreed level of remuneration (normally on US\$ per ton basis) for the duration of the charter and remains responsible for the vessel’s capital, operating and voyage costs. The terms of the agreement between the shipowner and the charterer usually define the dates between which the cargo is to be loaded, the loading and discharging port(s) and the cargo-handling terms.

Ultimately, the most common employment of vessels are spot voyages, whether the shipowner is taking the spot market risk or has passed it on to a charterer via a time charter or a bareboat charter. Even oil majors carry third party cargoes, to maximise the utilisation of the vessels they charter. Spot chartering requires a large scale commercial organisation. A shipowner can take spot market exposure by employing a vessel in a revenue sharing pool, run by a specialist third party or another shipowner, together with other similar vessels.

### Contract of Affreightment (“COA”)

Under a COA, the shipowner and the charterer agree the terms for the carriage of a designated volume of a given commodity on a specified route (or routes), with such shipments being carried out on a regular basis. The COA agreement does not normally identify an individual vessel that will be used, but includes specifications for the vessel to be used (e.g. maximum age). The shipowner normally receives freight paid on an agreed US\$ per ton basis and remains responsible for the vessel’s capital, operating and voyage costs.

## Terms and Conditions

In providing our Report, we are not making any recommendations to any person regarding the Prospectus in whole or in part and are not expressing any opinion on the terms or merits of any investment in the Company. Prospective investors must rely upon their own representatives, including their own legal advisers and accountants, as to legal, tax, investment or any other related matters concerning the Company and an investment therein. Use of this prospectus is always bound by the terms and conditions of Vessels Value Ltd as amended from time to time which are available at <https://www.vesselsvalue.com/terms/>.

## Assumptions

Data was extracted from VesselsValue and filtered to include all relevant on the water, launched and on order vessels. Launched vessels were included in the on order fleet as they are not trading yet.

Total fleet size graphs were created by taking the fleet on the date specified to get the current figure. To get the historic figures the following recursive formula was used:

$$N-1 \text{ year total fleet} = N \text{ years total fleet} + N \text{ years scrapping} - N \text{ years Newbuildings.}$$

While every effort was made to have a complete historic dataset, no guarantee can be given over the accuracy of the output.

Sales data used in the Total spent per year was again extracted from VesselsValue and filtered.

Charter rates derived from multiple sources and averaged between different sectors as specified per graph.

All data is up to date as per Vessels Value Ltd database on 30th June 2017.

Dated: 5<sup>th</sup> December 2017

## **PART 3**

### **MARKET OPPORTUNITY**

#### **MARKET OPPORTUNITY**

The Investment Manager believes that an attractive opportunity exists in terms of investment in secondhand vessels, as a result of a number of factors described below.

#### **Lower availability of capital for the shipping industry from its traditional sources**

In the Investment Manager's opinion shipping assets have traditionally been financed with significant amounts of bank debt, retained earnings and private wealth. This is largely because small and medium sized private shipping companies dominate the industry. As described further below, the traditional main sources of funding for shipping have shrunk, requiring industry players to sell assets or seek alternative sources of finance, such as by way of sale and leasebacks.

In the Investment Manager's experience, the main traditional sources of capital in the shipping industry are:

- Bank debt/ship mortgages
- Paid-in equity from families and retained earnings from their shipping investments
- Private equity from high net worth individuals via limited partnerships
- Public equity and public debt

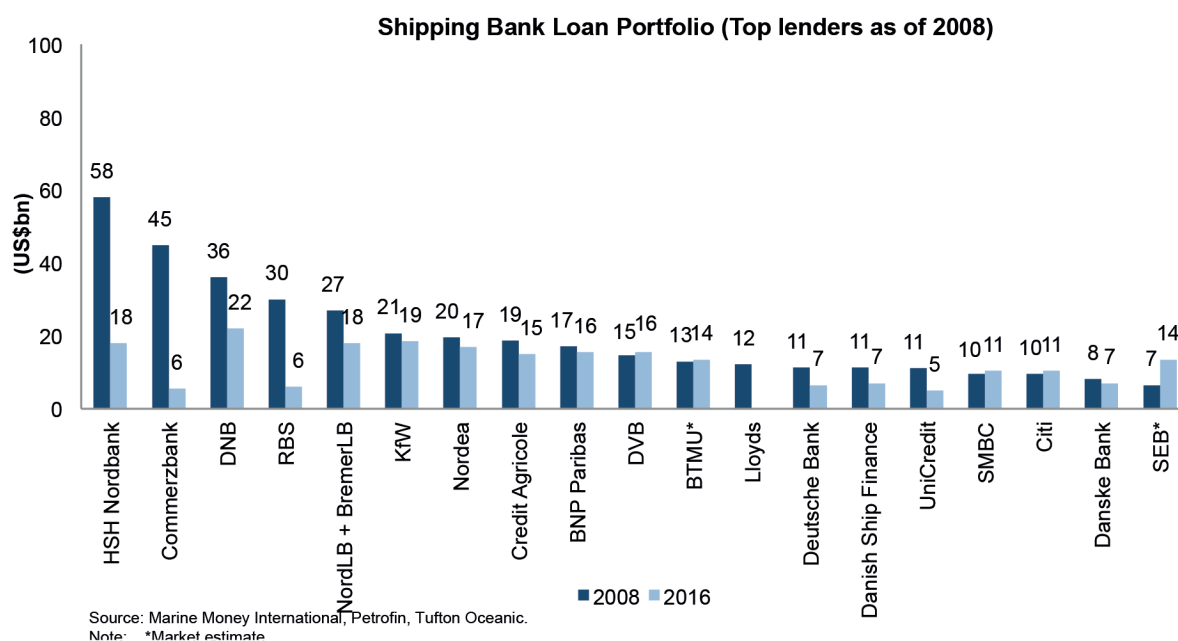
The availability of each of these traditional sources of capital has shrunk in recent years and the Investment Manager believes that while these trends may moderate or flatten, they will not be reversed. In addition, institutional private equity has not been a traditional source of capital for shipping but was significant in 2011-2014. For the reasons set out below, the Investment Manager believes that the availability of institutional private equity for the shipping industry will be limited in the future.

#### *Bank debt/ship mortgages*

In 1992 US and UK banks were the most prevalent providers of debt capital to the shipping industry. Until the financial crisis of 2007-8, European banks were the primary lenders (according to Marine Money International, Petrofin and Tufton Oceanic, in 2008 the top ten lenders to the shipping industry were all European banks). Since 2008 there has been a marked decline in the amount of leverage that banks are willing to provide for shipping assets. Additionally, in the opinion of the Investment Manager, credit spreads have risen, loan term lengths have shortened and often amortisation has increased. It is the Investment Manager's belief that with loan term lengths being significantly shorter than the economic life of shipping assets and many European banks seeking to decrease their significant exposure, there is a funding gap for much of the industry as bank loans mature. This is the case throughout the industry other than for large companies with corporate structures which tend to be publicly listed or which are owned by families with significant wealth outside of shipping.

In addition, the Investment Manager believes that certain European banks that previously were not necessarily seeking to decrease their exposure to shipping are now seeking to do so because of problems they are facing with their exposure to offshore energy, which had been healthy until two years ago. However, over recent years there has been an increasing influence from Chinese and other Far Eastern banks replacing the declining dominance of the traditional Northern European lenders. Even though some Asian banks moved up in the league table of the active lenders to the shipping industry (according to Marine Money International, looking at the top ten lenders to the shipping industry between 2008 and 2015, the number of Asian banks increased from one to four), the total loan book has nonetheless shrunk significantly. According to Marine Money International, the annual average volume of new bank loans decreased from c. US\$87.8 billion in 2007-2008 to c. US\$65.7 billion in 2014-2015.





#### *Paid-in equity from families and retained earnings from their shipping investments*

In the Investment Manager's opinion, because the shipping markets have generally been weak since 2008, corporate liquidity is low in the majority of shipping companies, making new investments difficult for them. For example, according to EuroMaritime there are approximately 200 shipping companies in Greece, and these companies have in aggregate historically had a significant market share in buying secondhand vessels. It is the Investment Manager's belief that because many of these companies are focused in wet and dry bulk, and dry bulk in particular has seen very poor financial results for most of the past three years, their current weaker financial position leads to less competition for assets that come to the secondhand market.

#### *Private equity from high net worth individuals via limited partnerships*

It is the Investment Manager's belief that from around 2000 to 2008, German high net worth individuals were a very important source of equity for the shipping industry. This was via limited partnerships known as "KGs" which generated personal tax benefits for these individuals which were often lawyers, doctors and dentists. In the Investment Manager's experience, most KGs raised debt from German banks, which feature prominently in the list of top lenders in 2008 in the chart above. A leading Hamburg shipbroker estimates that c. 440,000 individuals were investors in shipping KGs and in 2007 c. 26 per cent. of the vessels on order were owned by KGs. Since 2008, new investments in shipping through KGs is de minimis and many KGs have been liquidated or otherwise been unwilling sellers of vessels. The Investment Manager has acquired several vessels from KGs in 2014-2017 and believes that the Company will acquire vessels from KGs.

#### *Public equity and public debt*

Shipping companies' access to public capital has decreased during the last few years. Public equity offerings decreased from c. US\$3.6 billion in 2012 to c. US\$2.7 billion in the first nine months of 2016. Public debt offerings decreased from c. US\$22.3 billion in 2012 to c. US\$4.3 billion in the first nine months of 2016.

#### *Institutional Private Equity*

Institutional private equity in shipping was negligible before 2008. Although there was significant investment by private equity and hedge funds in 2011-2014 (according to Marine Money International, c. US\$18.1 billion), this has significantly moderated over the past few years (according to Marine Money International, from a peak of US\$7.5 billion in 2013 to only US\$1.0 billion in 2015). The Investment Manager believes that this burst of activity was due to the relative lack of investment opportunities in other industries during that period and therefore it is unlikely to be repeated. For example, many of those investors are much more interested in opportunities in the energy sector globally due to the size

of the industry and because they have expertise in energy while they generally do not have expertise in shipping.

### **Shipping is a large and essential industry and demand for it is expected to grow**

According to VesselsValue, the shipping fleet was valued at US\$657 billion as at 30 June 2017 of which \$563 billion was on the water. Total turnover of secondhand vessels is 3-5 per cent. of the total shipping fleet in operation per annum. on a US\$-value basis. According to the International Maritime Organisation, c. 90 per cent. of global trade travels by sea.

Clarksons, the largest shipbroker in the world with extensive research capabilities, expects seaborne trade for the main Segments of shipping to grow by 4.0 per cent. in 2018. As of November 2017, Fearnley Securities forecasts the below demand growth rates for key shipping Segments.

| Crude Tankers    | 1-2%  |
|------------------|-------|
| Product Tankers  | 2-3%  |
| Chemical Tankers | 2-3%  |
| LPG Carriers     | 10%   |
| LNG Carriers     | 8-10% |
| Containerships   | 4-6%  |
| Bulkers          | 2-3%  |

Source: Fearnley Securities

Shipping is fundamental to the economy, as popularised in the well-known books “The Box” and “Ninety Percent of Everything”. Containerships, for example, have changed the dynamics of where goods are made and shipped to, transforming the global economy. The vessels in which the Company will invest are essential to the transportation of key goods and commodities which are vital for consumers globally and for the industrial development of developing countries.

Niche vessels (Ro-Ros, Car Carriers, Heavy Lift Geared Multi-Purpose Vessels, etc.) are of particular interest for the Company because their employment contracts tend to be long, helping secure long-term income streams. Operators/lessees of niche vessels tend to have strong commercial positions in their niches where there are high barriers to entry. They need to secure vessel capacity through long-term employment contracts to satisfy their underlying customers in industries such as cars, chemicals, industrial machinery and renewable energy.

### **Supply side correction is underway**

As at 31 December 2016, annualised fleet contracting for Tankers, Bulkers and Containerships declined to 1.6 per cent. of the fleet (LTM). This is the lowest level that has been experienced in recent history and as explained in further detail in the following sections (P/DRC being below parity and the potential for renewed shipyard cost inflation) it is the Investment Manager’s belief that the climate for renewed ordering is not favourable.

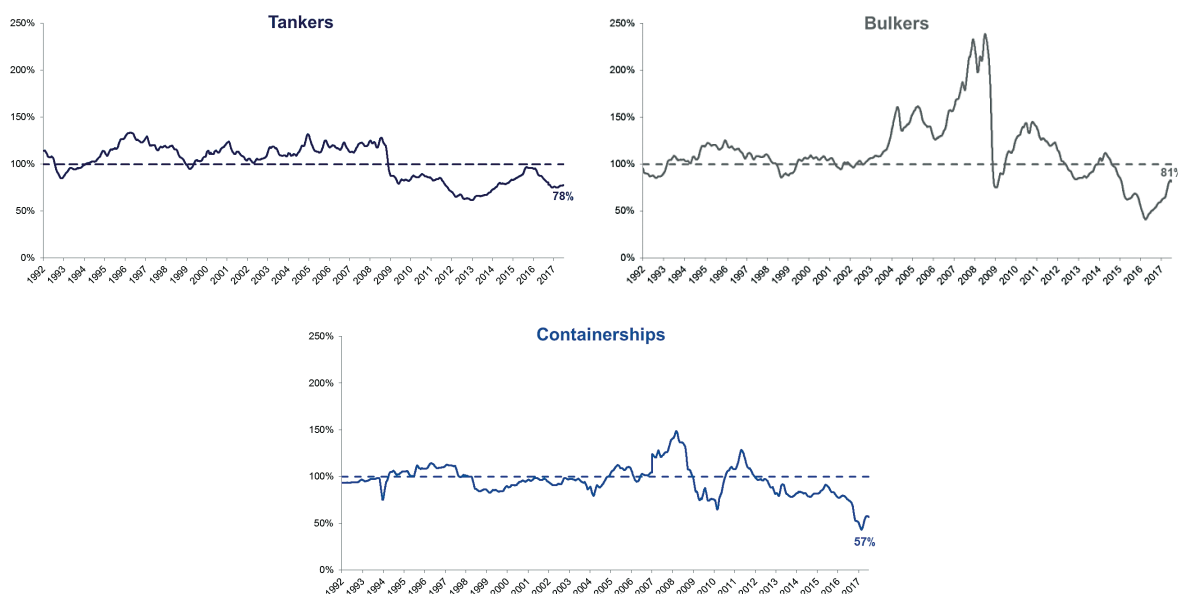
Scrapping, in the same segments, in the LTM through September 2016 was 2.8 per cent. of the fleet having seen high spikes in both early 2015 and early 2016. Implementation of current and proposed regulatory changes with regards to ballast water management and fuel emissions over the coming years will increase pressure on older and less fuel efficient vessels to be scrapped.

Given the above two factors, the Investment Manager believes that supply side growth has slowed and is anticipated to remain subdued over the coming years.

### **Many vessels are valued at significantly below their long-term average multiples of DRC**

Financial stresses in the industry have led to values of secondhand vessels in many shipping Segments being significantly below their long-term average multiples of depreciated replacement cost (“DRC”) with Bulkers and Containerships reaching 24-year lows in 2016. Specifically, as at 30 June 2017, values of secondhand Tankers were at 78 per cent. of DRC, values of secondhand Bulkers were at 81 per cent. of DRC and values of secondhand Containerships were at 57 per cent. of DRC. The Investment Manager believes that an attractive opportunity exists for the Company to acquire vessels at these low multiples before there is reversion towards historic long-term averages around 100 per cent. when supply and demand converge.

### Price/DRC – 10 year old vessels



Source: VesselsValue as at 30 June 2017

In addition to the Investment Manager's expectation of increased P/DRC, the Investment Manager also believes, as described below, that DRC will increase.

#### **After a deflationary period of approximately 5 years, prices of new vessels are expected to increase moderately over the next 10 years**

Values of secondhand vessels are correlated to the prices of new vessels, although the correlation is higher in very strong market conditions and lower in very weak market conditions, when near-term cashflows become a more significant part of the overall value of a vessel. Therefore, all else being equal, higher prices for new vessels have a positive impact on secondhand values.

In the Investment Manager's opinion, prices for new vessels are determined by the costs of production (primarily Asian labour, steel and machinery) and the bargaining power and corresponding profit margins of shipyards and that both of these components drove prices for new vessels down for most of 2011 to early 2016. The Investment Manager's estimated shipyard cost index (indexed to 100 in January 2000) decreased in US\$ terms from c. 170 to c. 100 over this period. It is the Investment Manager's belief that shipbuilding capacity expanded rapidly pre 2008 and that since 2008, as the level of ordering has declined, overcapacity has been high and bargaining power been low for nearly all of that period.

In 2016 the Investment Manager's estimated shipyard cost index started increasing in US\$ terms as Asian labour costs continued their long-term uptrend and steel prices began to recover as excess capacity in Chinese steel production was reduced and iron ore prices increased. The Investment Manager believes that shipyard costs will increase over the next 10 years, even if only slowly in the short term, and that shipyard bargaining power has started to increase after a significant number of bankruptcies and closures in China and Korea.

The Investment Manager believes that higher prices for new vessels will facilitate increases in secondhand values of the vessels that will be owned by the Company.

#### **Revenue earned by most of the Company's vessels is not affected by fluctuations in general shipping markets**

The Company intends mainly to invest in vessels that will enter into medium to long-term Charters with carefully chosen counterparties and therefore the revenue earned by most of the Company's vessels will not be affected by the fluctuations, which are sometimes large, in the general shipping markets due to commodity prices, geopolitical events, other short term supply-demand factors, etc. The Investment Manager will perform due diligence including full credit analysis on the chartering counterparties to assess their quality and credibility.

## PART 4

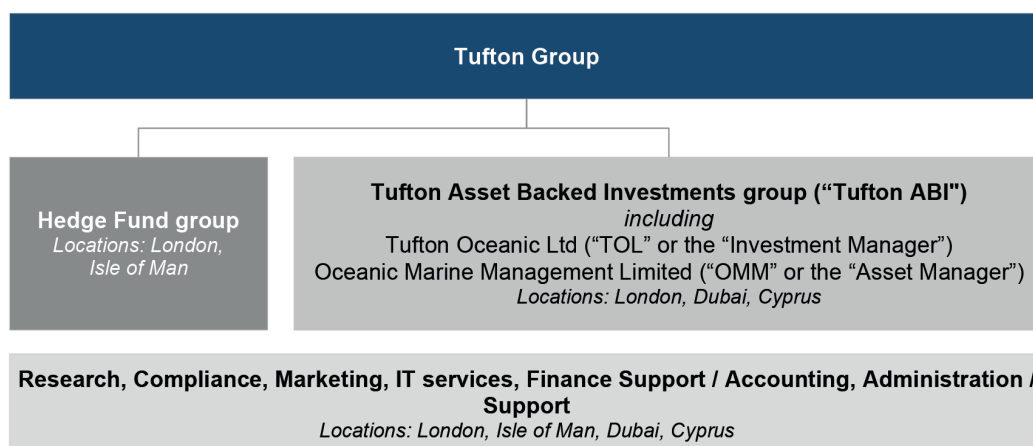
### INVESTMENT MANAGER, ASSET MANAGER AND INVESTMENT PROCESS

#### 1 INVESTMENT MANAGER

##### 1.1 *Description of the Investment Manager*

The Company has, pursuant to the terms of the Investment Management Agreement, appointed Tufton Oceanic Ltd. to act as the Company's Investment Manager and to provide investment management services to the Company subject to the overall control and supervision of the Board.

The Investment Manager and its predecessors and affiliates have been focusing on the shipping and energy industries since Tufton Group was founded by Ted Kalborg in 1985. Tufton Group has been managing funds in the maritime and energy markets since 2000.



Tufton Group is privately owned and key employees have significant holdings in it and/or its operating subsidiaries. It is organised into two businesses: the hedge fund group (the **"Hedge Fund Group"**) and the asset backed investments group (**"Tufton ABI"**), which share common support services. As at 30 June 2017, Tufton Group had c. US\$1.3 billion of assets under management<sup>9</sup> - c. US\$0.4 billion under the Hedge Fund Group and c. US\$0.9 billion under Tufton ABI.

The Hedge Fund Group manages a global long/short equity strategy within the shipping and energy sectors (including related commodities, freight and bonds) driven by proprietary industry fundamental analysis, company specific research and an established network of industry contacts. It was launched in 2002 and from inception to 30 June 2017, annualised returns have been 7.9 per cent.

Tufton ABI manages private maritime investments for funds and other clients. It was launched in 2005 and from inception to 30 June 2017 it achieved a 13.6 per cent. per annum net realised IRR for investments in secondhand vessels (total equity value realised: US\$255 million). As at the Latest Practicable Date, the vehicles managed or advised by Tufton ABI hold interests in 66 vessels<sup>10</sup> plus a 13.3 per cent. interest in Gram Car Carriers Holdings Pte Ltd. Also, Tufton Group together with Blackstone entities hold a 32.8 per cent. interest in Hafnia Tankers, which has a Norwegian OTC listing and which Tufton ABI played a leading part in creating. Blackstone, Garrison, Permal and Apicorp have invested in transactions alongside and sourced by Tufton Group.

In addition to its investment management and asset management capabilities, Tufton Group also has dedicated research, compliance, marketing, IT services, finance support / accounting and administration and support teams, which are shared between the Hedge Fund Group and Tufton ABI. The research team, using tools such as TRACS, generates a view on the shipping markets and the overall investment climate and produces market forecasts, risk analysis and scenarios that are used by both the Hedge Fund Group and Tufton ABI to form their investment views.

<sup>9</sup> Unaudited figures derived from the Tufton Group's management information.

<sup>10</sup> Including committed secondhand acquisitions and vessels under construction for delivery in 2017.

The Tufton Group has 54 employees operating from offices in London, Isle of Man, Dubai and Cyprus. The Tufton Group's competitive strength is the breadth of its experience and expertise in the shipping market. This includes not only investment management but also shipping finance, principal investment in public and private markets, in-house research and commercial and technical expertise.

The Investment Manager's employees have significant experience of investing and financing in the shipping industry. Each member of the Investment Committee has between 20 and 39 years of experience in the maritime financial markets either from an investment banking / commercial banking or from vessel owning/operating perspective.

The Investment Manager's role encompasses the identification of appropriate acquisition opportunities, conducting necessary due diligence and making recommendations to the Board. The Investment Manager (in conjunction with the Asset Manager) will also monitor the performance of the Company's Portfolio. The Investment Manager, which will act as the Company's AIFM for the purposes of the AIFMD is authorised and regulated by the FCA.

For further details of the Investment Manager's track record please see the section headed "Investment Manager's Track Record" at paragraph 4 of Part 1 of this document.

### **1.2 Investment Management Fee**

For the services described above and under the terms of the Investment Management Agreement, the Investment Manager is entitled to receive from the Company an investment management fee, calculated and payable quarterly in arrears, equal to: (i) 0.85 per cent. per annum of the prevailing Net Asset Value up to US\$250 million; (ii) 0.75 per cent. per annum of the prevailing Net Asset Value in excess of US\$250 million but not exceeding US\$500 million; and (iii) 0.65 per cent. per annum of the prevailing Net Asset Value in excess of US\$500 million. For the purposes of calculating the investment management fee payable to the Investment Manager, cash and cash equivalents held by the Company will be excluded from the Net Asset Value. The Investment Manager shall not be entitled to receive any other fees from the Company unless approved by the Board. The Investment Manager is entitled, in its sole discretion (but without limitation including the recognition of a historic long term relationship between the investor and the Investment Manager) and out of its own resources at any time, to rebate to some or all investors pursuant to the Issue, or to other parties, such part of any investment management fee payable to it pursuant to the terms of the Investment Management Agreement.

### **1.3 Performance Fee**

Under the terms of the Investment Management Agreement, CarryCo is entitled to receive from the Company a performance fee in respect of a Calculation Period provided that the Total Return per Share at the end of the Calculation Period is greater than the High Watermark per Share (being the higher of the Hurdle and the Total Return per Share at the end of a Calculation Period when the performance fee was last paid). The performance fee due to CarryCo is an amount equal to 20 per cent. of the excess in Total Return per Share and the High Watermark per Share multiplied by the time weighted average number of Shares in issue during the Calculation Period.

CarryCo shall receive 50 per cent. of the performance fee within 30 days of the conclusion of the annual general meeting of the Company immediately following the end of the Calculation Period. The remaining 50 per cent. shall be retained by the Company and, subject to being adjusted to take into account any subsequent underperformance, shall be paid out the next time a performance fee is due. Half of all subsequent performance fees shall also be deferred in this manner.

No performance fee is payable if the Investment Manager's appointment is terminated for cause. If the Investment Manager's appointment is terminated other than for cause, the Investment Manager shall be entitled to receive all outstanding deferred performance fees (if any).

### **1.4 Investment Committee**

The Investment Manager has established an Investment Committee comprising the following Tufton Group staff:

#### ***Ted Kalborg (Founder of the Tufton Group)***

Mr. Ted Kalborg graduated with an MBA from Harvard in 1977. After graduation he joined Brown and Root where he held several line management positions including assignment as General Manager of Wilbar in Norway - a JV between Brown and Root and Wilhelm Wilhemsen ASA. Mr. Kalborg founded



the Tufton Group in 1985 and is the Chairman of the investment committee for both the Hedge Fund Group and the Tufton ABI. He is a member of the advisory board of A.M. Nomikos Shipping group of companies (bulk carriers) and a non-executive director of Hafnia Tankers (which has an Oslo OTC listing) and Dorian LPG (which has a New York Stock Exchange listing).

***Erik A. Lind (Chief Executive Officer of the Tufton Group)***

Mr. Erik Lind is an MBA graduate from the University of Denver in 1979. Prior to joining the Tufton Group in 2004, Mr. Lind held senior and executive positions with banking, financial institutions and shipping companies including Manufacturers Hanover, Oslobanken, GATX Capital and I.M. Skaugen ASA, having resided in New York, Oslo, Shanghai and London. In these roles he was, inter alia, involved with corporate acquisitions, ship/oil services financing portfolios and risk capital investments as well as extracting value from restructuring opportunities. Mr. Lind is a member of the investment and advisory committees for various of Tufton's asset backed funds, a director of Tufton Oceanic Finance Group and its principal subsidiaries, a member of the advisory board of A.M. Nomikos Shipping group of companies, a non-executive director of Gram Car Carriers Holdings Pte and the non-executive Chairman of the Board of DHT Holdings, Inc, a NYSE listed tanker company.

***Andrew Hampson (Managing Director of Tufton ABI)***

Mr. Andrew Hampson began his career with Bank of America in 1978 where he graduated through the bank's internal MBA level lending program. Mr. Hampson performed a variety of functions in the credit administration department and problem loan groups before becoming a credit and marketing officer in the bank's European ship lending department in 1986. In 1992 he joined Theisen Securities, a private maritime corporate finance house, where he primarily focused on providing debt related advisory and arranging services to a variety of worldwide shipping companies and debt providers. In 2001 he joined the Tufton Group initially to assist in the development of Tufton's corporate finance business and subsequently to build up Tufton's position as a dedicated fund manager in the shipping asset space. Mr. Hampson resides in London, is currently Managing Director of Tufton's ABI team, is a member of the Investment and Advisory Committees for various of Tufton's asset backed funds and is a director of the Investment Manager.

***Paulo Almeida (Portfolio Manager of Tufton ABI)***

Mr. Paulo Almeida is the portfolio manager for Tufton's private equity activities and has been responsible for many of the investments made by Tufton ABI. He joined Tufton in early 2009 after nine years in investment banking and fund management at UBS and Macquarie. At Tufton, he was among the winners of the Marine Money 2013 M&A deal of the year for the transactions that created Hafnia Tankers. Shipping transactions he led at UBS received three IPO of the year awards from Marine Money and Jane's Transport Finance for 2005. Before business school, he spent four years in the shipping industry with the Skaarup Group. He worked for the group's founder, the late Ole Skaarup, who conceived the first dedicated dry Bulker the "Cassiopeia" which was delivered in 1954. Mr. Almeida received his MSc in Finance from London Business School in 2000 and his BSc in Naval Architecture and Marine Engineering from Webb Institute in 1995. While at Webb 1991-1995, he had work experience as an apprentice shipfitter at Electric Boat, as an engine and deck cadet with Exxon Shipping and in structural engineering at both Electric Boat and the Skaarup Group.

For more details with regards to the approval process of the Investment Committee, please refer to paragraph 2 below (Investment Process).

## **2 INVESTMENT PROCESS**

### ***2.1 Identification and Sourcing of Investments***

Tufton Group has significant experience in the acquisition of secondhand commercial vessels including identification of propositions, due diligence, financing, structuring and implementation. By virtue of this experience, Tufton Group has developed an extensive network of relationships with shipping companies, ship brokers, charterers, pool operators, lawyers, banks, investment banks and other specialist advisers. Through these relationships, the Investment Manager is confident it will be able to identify opportunities to acquire vessels consistent with the Company's investment policy. Allied to these relationships and contacts, Tufton Group is able to draw upon the dedicated Tufton Group research team to assist the Investment Manager in forming a view on the shipping and energy markets and help identify the most favourable assets for acquisition that match the Company's investment policy and strategy.



The Investment Manager will focus on identifying vessel acquisition opportunities suitable for the Company based on its investment policy (e.g. dividend targets), diversification targets in terms of vessel types and credit exposures, risk-return characteristics of employment opportunities, vessel Segment outlook, vessel condition (as informed by the Asset Manager) and suitability for moderate leverage on a case-by-case basis. In parallel, the Asset Manager will develop employment opportunities for the vessel types the Investment Manager is pursuing for the Company.

The Investment Manager will review the relevant market sub-sectors and the secondhand vessel markets to identify the most favourable asset types for acquisition. Simultaneously, the Investment Manager will approach selected banks to see if any of the target vessels exist within their distressed assets portfolios. Once the initial target list has been established, the Investment Manager will review in detail vessel specifications to refine the target assets list. A final shortlist of target assets will then be agreed and prioritised.

## **2.2 Origination/Analysis**

Once a suitable opportunity has been identified, the economics of the identified vessel will be financially modelled/analysed to determine appropriate terms and structure including bank debt, Charter rates and general commercial strategy. Outline terms will then be negotiated with the counterparty. Concurrent with negotiation of outline terms, investment and technical due diligence will commence.

Technical due diligence will include the review of the technical condition / history of the vessel through review of class records and press searches as well as a physical inspection to identify the level of maintenance and the condition of steel work and other mechanical parts (e.g. engine, cranes). Relevant data will also be collected from the logbooks of the vessel with regards to her performance, off-hire (when the vessel is not technically available) and any mechanical problems. The physical inspection of a secondhand vessel normally takes one working day and it is usually conducted when the vessel is at a port. Occasionally, when the vessel has a very short time at port or when the inspector wants to assess certain operational items, subject to the seller's approval, the inspector will sail 1-2 days with the vessel until the next port.

Commercial due diligence will include analysis of the market segment, review of the vessel by speaking to multiple charterers and ship-owners familiar with the specific vessel type and review of the market reputation and substance of the counterparties involved.

Credit due diligence will include full credit analysis on the chartering counterparties to assess their credit quality and to decide whether the counterparties involved are of substance. Additionally, there will be AML/KYC checks on all counterparties involved.

In respect of vessels to be acquired, the Investment Manager has the ability to monitor vessel values through the online VesselsValue platform (<https://www.vesselsvalue.com/>) which provides daily updated and vessel specific valuation service based on automated valuation models. The system has various algorithms that factor in each vessel's type, technical features, age, cargo capacity, freight earnings, market sentiment and recent vessel transactions. The models are recalibrated daily to reflect the latest transaction and earnings information, allowing the daily update of the valuations of all vessels in their database. However, when the Investment Manager ascertains that a VesselsValue Charter-Free Value requires an adjustment, the Investment Manager will make such adjustment with the consent of the Board. Adjustments may include but are not limited to those for investments in a vessel that VesselsValue is not aware of or the Investment Manager believes VesselsValue does not account for correctly.

Prior to agreeing a price for either an acquisition or disposal, the technical evaluation of the vessel, the VesselsValue value, DCF techniques as well as other independent third party valuations (brokers) will be considered. In the case of specialised vessels, various specialist brokers will be engaged for both the valuation and the sale and purchase process.

## **2.3 Investment Committee and Board Approval**

Each investment proposal will be presented to the Investment Committee of the Investment Manager which meets on a weekly basis, for its approval. In reviewing each potential investment, the Investment Committee will consider a range of factors including a detailed analysis of the vessel's technical condition and other analysis from the Asset Manager, a full risk/reward analysis, downside stress testing, commercial/employment strategy, potential moderate leverage, market outlook, credit quality of

charterer, market reputation of counterparties, deal modelling, exit strategy and any macro analysis that might be necessary to fully understand the investment.

The Investment Committee shall be quorate when three members are present. All Investment Committee recommendations will require unanimous approval of those members present at an Investment Committee meeting. Decisions for inspections and minor expenditures of up to US\$10,000 will require approval of two members of the Investment Committee.

The Investment Committee process may be iterative, resulting in further negotiations with the counterparty. Should the Investment Committee be in favour of an acquisition, an appropriate recommendation will be made to the Board who would ultimately determine whether an acquisition should be made.

## **2.4 Processing**

Should the Board approve a transaction, it will delegate authority to the Investment Manager to develop the transaction accordingly and to the Investment Manager and the Asset Manager to negotiate transaction documents. The relevant acquisition, chartering and debt documentation will be prepared and reviewed first internally and then externally by legal counsel. Tufton Group's corporate service providers will establish investment SPV(s) and open bank accounts to fund the SPV(s) and, where applicable, bank debt will be drawn. The Investment Manager expects that most or all of the SPVs will be registered in the Isle of Man, as the Investment Manager is familiar with that jurisdiction. Marine Services (IOM) Limited, an affiliate of the Investment Manager, licensed by the Financial Supervision Commission (FSC) of the Isle of Man, will be the company secretary for each of the Isle of Man SPVs and may also act as company secretary to the non-Isle of Man incorporated SPVs. All fees payable to Marine Services (IOM) Limited will be on arm's length terms and will be approved by the Board.

Upon the satisfaction of any conditions previously imposed by the Investment Committee or the bank loan funding documentation or the Board, where applicable, completion of the acquisition of the vessel by the SPV will take place. All documents of title will be in the name of the SPV who will be the registered owner of the vessel and will be held by the relevant corporate secretary of the SPV.

## **2.5 Leverage**

For certain investments, if recommended by the Investment Committee and approved by the Board, leverage will be arranged at the SPV level after completion of the acquisition in accordance with the Company's borrowing policy.

## **2.6 Investment Monitoring**

The Investment Manager will continually monitor the progress of the Company's investments and the Asset Manager will continually monitor the technical condition and performance of the vessels as well as the operating costs and performance of the vessels' technical managers. This will include regular commercial and technical reporting in respect of each of the vessels owned by the Company's SPVs. The Investment Manager and/or Asset Manager will seek ad hoc additional reporting and updates where there has been a material event in the operation or condition of any vessel. The Investment Manager will update the Board on the progress of the Company's investments on a quarterly basis with additional updates where significant events have occurred.

## **2.7 Disposals**

Exit options will be continually monitored. The Investment Manager will recommend to the Board disposal of investments when an appropriate opportunity arises and where, in the Investment Manager's opinion, such disposal would represent an attractive return on the Company's initial investment and/or would otherwise enhance the value of the Company. In certain cases when the Company has owned a vessel to the end of its economic life, the disposal of the vessels may be to a vessel scrap dealer.

## **3 CONFLICTS OF INTEREST**

The Tufton Group and any of its officers, directors, employees, agents and affiliates and any person or company with whom they are affiliated or by whom they are employed (together "**Interested Parties**" and each an "**Interested Party**") may be involved in activities which give or may give rise to conflicts of interest with the Company. In particular, the Interested Parties provide investment management and investment advice in relation to other funds/clients of Tufton ABI.

The Investment Manager's intention is to avoid conflicts of interest by not managing or advising funds with similar strategies over the same investment period. However, when this is not possible and there are funds with overlapping investment periods, these are governed by Tufton ABI's fair allocation policy.

### **3.1 Conflicts of interest in Tufton ABI**

The Investment Manager may manage or advise multiple funds, fund-like vehicles and portfolios and the Tufton Group may hold proprietary investments during the life of the Company. Potential conflicts that may arise include allocation of:

- investment opportunities
- charter opportunities
- capacity or terms available from technical managers
- discounts that arise from bulk or repeat business

### **3.2 General Policy as to Managing Conflicts**

Under the terms of the Investment Management Agreement, the Investment Manager has confirmed that it will take all reasonable steps to avoid conflicts of interest. If such conflicts cannot be avoided, the Investment Manager is obliged to take all reasonable steps to identify, manage and monitor and (where applicable) disclose conflicts of interest in order to prevent them from adversely affecting the interests of the Company and Shareholders and to ensure that the Company is treated fairly.

### **3.3 Allocation Policy**

#### **Allocation of Investment Opportunities**

Without prejudice to the general policy of the Investment Manager in respect of conflicts of interests as outlined above, the Investment Manager aims to manage all conflicts that may arise within Tufton ABI. The Investment Manager expects to use relevant clients' target allocations to market Segments and, if applicable, sub-Segments as the primary factor for fair allocation of investment opportunities, Charters and costs but in specific circumstances the Investment Manager will in good faith deem it appropriate to take into account other factors such as: detailed strategies of the clients' accounts, performance objectives, restrictions on investments, the leverage that is necessary or desirable to complete an investment, constraints on an investment opportunity imposed by an industrial partner (e.g. outside equity and/or debt), potential for follow-on investments and risk/return targets. Target allocations will be subject to change over the lives of the accounts.

During the life of the Company, the Investment Manager will use reasonable efforts to allocate investment opportunities for all types of vessels "Pro Rata".

Pro Rata for the purposes of this policy shall mean that investment allocation rotation targets will be established at least once per quarter. These rotation targets will be based on the relevant clients' target allocations, on an asset value basis, to these Segments and to the relevant size or other sub-Segments where applicable. The rotation targets will take into account both:

- the order in which undrawn or un-invested (as the case may be) capital became available to the Investment Manager; and
- the extent to which over the previous six-month period the Investment Manager was able to comply with earlier rotation targets.

For the avoidance of doubt, individual vessels will not be divided amongst any accounts unless the relevant accounts permit this. The Investment Manager aims to allocate individual vessels within available portfolio opportunities, taken together with other similar vessels available on a rolling six-month basis, Pro Rata.

#### **Allocation of Other Opportunities**

The Investment Manager will also use reasonable efforts to allocate all other benefits or opportunities (including but not limited to charter opportunities, availability of attractive technical management contracts and bulk discounts of any form) to its clients' accounts primarily on the basis of capital allocated to the relevant Segments or sub-Segments (but including target allocations if appropriate to the situation) and their respective investment objectives and investment restrictions.

## **4 ASSET MANAGER**

### **4.1 Description of the Asset Manager**

The Asset Manager was established in 2009 to act as the asset manager for vessels owned by funds and vehicles managed or advised by Tufton ABI. As at the Latest Practicable Date, there are 66 vessels<sup>11</sup> owned by vehicles managed or advised by Tufton ABI. The Asset Manager is based in Cyprus and employs 9 professionals, who have significant experience in ship management and operations.

Roine Ahlquist is the Managing Director of the Asset Manager. Mr. Roine Ahlquist joined Tufton in 2016 from Eastern Pacific Shipping (part of the Ofer family controlled Quantum Pacific group of companies), where he spent 9 years in New York, Singapore and London holding various management and leadership positions, most recently as Managing Director of Eastern Pacific Shipping UK. He is a Master Mariner and has served in the merchant marine on deep sea crude and product tankers, Ro-Ro ships and cruise vessels. Mr. Ahlquist holds an MBA from London Business School and a BSc in Nautical Science from Kalmar University in Sweden.

### **4.2 Services**

The Asset Manager will enter into an asset management agreement with each SPV and will provide the following services:

- vetting of potential technical managers and surveyors (The technical manager is responsible for the maintenance and operations of the relevant vessel so that it remains at all times in compliance with the applicable international conventions, national, state and local laws and regulations in force in the jurisdictions in which the vessel operates, as well as in the country of its registration);
- appointing technical and/or commercial managers (The commercial manager is responsible for the preparation, negotiation and execution of vessel employment contracts, for cargo bookings and for the efficient handling of cargo claims);
- negotiating technical and commercial management agreements;
- managing and supervising the technical managers' operating costs and technical performance against pre-agreed KPI's or other performance metrics;
- supervising and monitoring technical managers' performance against industry recognised or other performance metrics with regards to health, safety, security, environment and quality international standards;
- negotiating, coordinating and cooperating with the technical managers to perform major periodical maintenance events;
- monitoring the technical condition of all vessels;
- reviewing technical documentation, arranging surveys and providing technical budgets for target vessels;
- managing and supervising commercially the arrangement of continuous employment for the vessels;
- providing input on the technical, operational and commercial aspects of the investment papers produced for the Investment Committee on any given proposal;
- managing technical, operational and commercial aspects of vessel acquisition and divestment closings;
- arranging marine insurance;
- providing input for and compiling data for periodic reporting; and
- arranging the centralised purchasing of parts and consumables, where appropriate;

### **4.3 Asset Management Fee**

For the services outlined above, the Asset Manager will be entitled to receive a fee from each SPV of, ("**Asset Management Fee**"), currently, US\$150 per vessel per day.

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<sup>11</sup> Including committed secondhand acquisitions and vessels under construction for delivery in 2017.

#### **4.4 Provision of technical management and / or commercial management directly by the Asset Manager**

The Asset Manager will regularly review the value for money being obtained through the use of third party technical and commercial managers. Where the Asset Manager can achieve savings of at least 5 per cent. by undertaking in-house functions otherwise conducted by third-party technical managers, then on the Investment Manager's recommendation and with the consent of the Board, the Asset Manager will perform these functions and will charge a rate 10 per cent. less than the industry standard for the vessel type and size in question and the Asset Management Fee shall be reduced as follows:

- Should the Asset Manager undertake full technical management services for an SPV, the Asset Management Fee shall be reduced by the technical management component of the Asset Management Fee (which is currently US\$100 per vessel per day);
- Should the Asset Manager undertake partial technical management services for an SPV, the Asset Management Fee shall be reduced by the technical management component of the Asset Management Fee (which is currently US\$100 per vessel per day) pro-rata for the technical management services being provided.

On the Investment Manager's recommendation and with the consent of the Board, the Asset Manager will have the right to charge an SPV 80 per cent. of the third party commercial management fees or the commissions that are saved when the Asset Manager substitutes a broker in a chartering transaction. This will generally correspond to 1.00 per cent. of Charter revenue which is 80 per cent. of the market standard broker commission of 1.25 per cent.

Should the Asset Manager undertake commercial management services for an SPV, the Asset Management Fee shall be reduced by the commercial management component of the Asset Management Fee (which is currently US\$50 per vessel per day).

In no event will the Asset Manager take on full technical management services for more than 50 per cent. of the vessels in any asset Segment so as to ensure ongoing third party service benchmarking both in terms of cost and quality / performance.

## **PART 5**

### **DIRECTORS, MANAGEMENT AND ADMINISTRATION**

#### **1. DIRECTORS**

The Directors are responsible for the determination of the Company's investment policy and strategy and have overall responsibility for the Company's activities including the approval of investments and divestments, review of investment activity and performance and the control and supervision of the Investment Manager and the Asset Manager. All of the Directors are non-executive and are independent of the Investment Manager and the other service providers.

The Directors will meet at least four times a year to, inter alia, review and assess the Company's investment policy and strategy, the risk profile of the Company, the Company's investment performance, the performance of the Company's service providers, including the Investment Manager, the Asset Manager and Administrator, and generally to supervise the conduct of its affairs. The audit committee will meet at least twice per annum.

The Directors are as follows:

##### ***Robert King, Chairman (aged 54)***

Mr King is a non-executive director for a number of open and closed ended investment funds including Chenavari Capital Solutions Limited and Weiss Korea Opportunities Fund Limited. Before becoming an independent non-executive director in 2011 he was a director of Cannon Asset Management Limited and their associated companies. Prior to this he was a director of Northern Trust International Fund Administration Services (Guernsey) Limited (formerly Guernsey International Fund Managers Limited) where he had worked from 1990 to 2007. He has been in the offshore finance industry since 1986 specialising in administration and structuring of offshore open and closed ended investment funds. He is British and resides in Guernsey.

##### ***Stephen Le Page, non-executive Director (aged 61)***

Mr Le Page is a chartered accountant and chartered tax adviser. He was a partner in PricewaterhouseCoopers LLP in the Channel Islands from 1994 until his retirement in September 2013. During his career his main role was as an audit partner working with a wide variety of financial services businesses and structures. Mr Le Page also led that firm's audit and advisory businesses for approximately ten years and for five of those years was the Senior Partner (equivalent to Chief Executive) for the Channel Islands firm. Since his retirement Mr Le Page has joined a number of boards as a non-executive director including, Highbridge Multi-Strategy Fund Limited, Volta Finance Limited, MedicX Fund Limited and Princess Private Equity Holding Limited, the first three of which he serves as chairman of the audit committee. He is a past chairman of the Guernsey International Business Association and a past President of the Guernsey Association of Chartered and Certified Accountants. He resides in Guernsey.

##### ***Paul Barnes, non-executive Director (aged 61)***

Mr Barnes is a recently retired banker with experience in asset backed, structured and project financing with wide geographic exposure including Asia, Central/Eastern Europe, North and Latin America and Scandinavia. Between 2010 and 2015 Mr Barnes worked for BNP Paribas as managing director and co-head of its EMEA Shipping and Offshore business. He was also head of risk monitoring for Global Shipping at BNP Paribas. Prior to that, Mr Barnes had served as head of shipping (London) at Fortis Bank, head of specialised industries at Nomura International and as Corporate Finance Director of Barclays Bank and as a Director of its Shipping Industry Unit. He resides in the United Kingdom.

#### **2. OTHER SERVICE PROVIDERS**

##### ***2.1 Administrator and Secretary***

Maitland Administration (Guernsey) Limited (formerly R&H Fund Services (Guernsey) Limited) has been appointed as administrator and secretary to the Company pursuant to the Administration Agreement (further details of which are set out in paragraph 6.3 of Part 8 of this document).



Maitland Administration (Guernsey) Limited was incorporated with limited liability in Guernsey on 20 January 2010 and is licensed by the Guernsey Financial Services Commission under The Protection of Investors (Bailiwick of Guernsey) Law, 1987.

The Administrator forms part of the Maitland group established in Luxembourg in 1976. Maitland is a global advisory, administration and family office firm providing legal, fiduciary investment and fund administration services to private, corporate and institutional clients. The group employs over 1,400 staff across 13 jurisdictions and collectively administer in excess of £250 billion in assets.

The Administrator will provide day-to-day administration services to the Company and is also responsible for the Company's general administrative and secretarial functions such as the calculation of the Net Asset Value and maintenance of the Company's accounting and statutory records.

Under the terms of the Administration Agreement the Administrator is entitled to an administration fee on a sliding scale starting at 0.07 per cent. per annum of the prevailing Net Asset Value up to US\$150 million, reducing to 0.01 per cent. per annum of the prevailing Net Asset Value in excess of US\$300 million subject to a minimum of £58,500 per annum. The Administrator is entitled to a one off set up fee of £15,000.

## **2.2 Registrar**

Computershare Investor Services (Guernsey) Limited has been appointed as registrar to the Company pursuant to the Registrar Agreement (further details of which are set out in paragraph 6.4 of Part 8 of this document). In such capacity, the Registrar will be responsible for the transfer and settlement of Shares held in certificated and uncertificated form. The Register may be inspected at the office of the Registrar.

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual fixed fee of £6,500 plus certain additional fees for services such as dividend and annual general meeting management. The Registrar is also entitled to reasonable expenses under the Registrar Agreement.

## **2.3 Receiving Agent**

Computershare Investor Services PLC has been appointed as receiving agent to the Company for the purposes of the Offer for Subscription pursuant to the Receiving Agent Agreement (further details of which are set out in paragraph 6.5 of Part 8 of this document). The Receiving Agent is entitled to a fee of £4,500 per annum.

## **2.4 Auditor**

PricewaterhouseCoopers CI LLP will provide audit services to the Company. The annual report and accounts will be prepared according to accounting standards laid out under IFRS. The Auditor will be entitled to an annual fee from the Company, which fee will be agreed with the Board each year in advance of the Auditor commencing audit work.

# **3. FEES AND EXPENSES OF THE COMPANY**

## **3.1 Issue expenses**

The costs and expenses incurred by the Company in connection with the Issue are anticipated to be approximately US\$3 million (assuming Initial Gross Proceeds of US\$150 million) and will be borne by the Company.

## **3.2 On-going annual expenses**

Ongoing annual expenses of the Company will be borne by the Company including fees paid to the Directors and service providers as detailed in paragraphs 2.1 to 2.4 of this Part 5 above and paragraph 1.2 of Part 4 of this document, travel, accommodation, printing, audit, finance costs, due diligence and legal fees. These fees and all reasonable out-of-pocket expenses of the Investment Manager, the Asset Manager, the Administrator and Company Secretary, the Registrar, the Auditor and the Directors relating to the Company will also be borne solely by the Company.

# **4. THE TAKEOVER CODE**

The Takeover Code will apply to the Company as at Admission.

## 5. CORPORATE GOVERNANCE

The Board has considered the principles and recommendations of the UK Corporate Governance Code. As at the date of this document, save as set out below, the Company complies with the provisions of the UK Corporate Governance Code which are relevant to the Company as an investment company.

The UK Corporate Governance Code includes provisions relating to:

- the role of the chief executive;
- the appointment of a senior independent director;
- executive directors' remuneration; and
- the need for an internal audit function.

The Board considers these provisions are not relevant to the position of the Company, being an externally advised investment company with an entirely non-executive board, and the Company does not therefore comply with them.

The GFSC's Finance Sector Code of Corporate Governance (the "**Code**") applies to the Company. The GFSC has stated in the Code that companies which report against the UK Corporate Governance Code or the AIC Code are deemed to meet the requirements of the Code, and need take no further action. Accordingly, as the Company will report against the UK Corporate Governance Code, it will be deemed to meet the requirements of the Code.

The Company's audit committee, which consists of all members of the Board, is chaired by Stephen Le Page and will meet at least twice a year. The Board considers that the members of the audit committee have the requisite skills and experience to fulfil the responsibilities of the audit committee. The audit committee will examine the effectiveness of the Company's control systems. It will review the half-yearly and annual reports and will receive information from the Investment Manager. It will also review the scope, results, cost effectiveness, independence and objectivity of the external auditor.

The Board will be responsible for considering the terms of appointment of the Investment Manager and other service providers of the Company and it will annually review such appointments and the terms of the Investment Management Agreement and other service providers' agreements.

## 6. DIRECTORS' SHARE DEALING

The Directors will comply with the share dealing code adopted by the Company following implementation of the Market Abuse Regulation on 3 July 2016 in relation to their dealings in Shares. The Board will be responsible for taking all proper and reasonable steps to ensure compliance with the share dealing code by the Directors.

## **PART 6 THE ISSUE**

### **1. INTRODUCTION**

The Issue is being implemented by way of the Placing and Offer for Subscription.

The maximum number of Shares available under the Issue is 200 million. The aggregate proceeds of the Issue, after deduction of expenses, are anticipated to be approximately US\$147 million on the assumption that the Initial Gross Proceeds are US\$150 million. The actual number of Shares to be issued pursuant to the Issue, and therefore the Initial Gross Proceeds, are not known as at the date of this document but will be notified by the Company via a Regulatory Information Service announcement prior to Admission. The Issue is not being underwritten.

### **2. THE ISSUE**

#### **2.1 Overview**

The Placing and Offer for Subscription will each be made at an Issue Price of US\$1.00 per Share. The Placing and Offer for Subscription are conditional on, inter alia: (i) Admission having become effective at or before 8.00 a.m. on 20 December 2017 or such later time and date as the Company, the Investment Manager, Cenkos, Hudnall and N+1 Singer may agree (not being later than 8.00 a.m. on 31 January 2018); (ii) the Placing Agreement becoming wholly unconditional (save as to Admission) and not having been terminated in accordance with its terms at any time prior to Admission; and (iii) the Minimum Gross Proceeds being raised.

If the Issue does not proceed (due to the Minimum Gross Proceeds not being raised or otherwise), any monies received under the Issue will be returned to applicants without interest and after the deduction of any applicable bank charges, by returning the applicant's cheque or by crossed cheque in favour of the applicant, by post or by electronic transfer to the bank account from which it was received at the risk of the person(s) entitled thereto as soon as reasonably practicable.

#### **2.2 The Placing**

Cenkos, Hudnall and N+1 Singer have agreed to use their respective reasonable endeavours to procure subscribers pursuant to the Placing for Shares on the terms and subject to the conditions set out in the Placing Agreement. Details of the Placing Agreement are set out in paragraph 6.2 of Part 8 of this document. The Placing will close at 3.00 p.m. on 15 December 2017 (or such later date as the Company, Cenkos, Hudnall and N+1 Singer may agree). If the Placing is extended, the revised timetable will be notified to relevant potential placees.

#### **2.3 The Offer for Subscription**

The Company has agreed to make an offer of Shares in the United Kingdom pursuant to the Offer for Subscription at the Issue Price, subject to the terms and conditions under the Offer for Subscription set out in Part 10 of this document. These terms and conditions and the Application Form set out at the Appendix to this document should be read carefully before an application is made. If a prospective investor has any doubt as to what action to take, the prospective investor should seek advice from the prospective investor's own stockbroker, solicitor or other independent financial adviser duly authorised under FSMA who specialises in advice on the acquisition of shares and other securities immediately. Application Forms accompanied by a cheque or banker's draft in US Dollars made payable to "Computershare Investor Services PLC re: Tufton Oceanic Assets Limited – Offer for Subscription a/c" and crossed "A/C Payee Only" for the appropriate sum should be returned to the Receiving Agent by no later than 11 a.m. on 15 December 2017. For applicants sending subscription monies by electronic bank transfer (CHAPS), payment must be made for value by no later than 11 a.m. on 15 December 2017. Shareholders wishing to make a CHAPS payment should contact Computershare by email at [OFSPAYMENTQUERIES@computershare.co.uk](mailto:OFSPAYMENTQUERIES@computershare.co.uk) and you will be provided with a unique reference number to be used when making the payment. Applicants choosing to settle via CREST, that is DVP will need to match their instructions to Computershare's participant account 8RA30 by no later than 1.00 p.m. on 19 December 2017, allowing for the delivery and acceptance of Shares to be made against payment of the Issue Price per Share, following the CREST matching criteria set out in the Application Form.

If the Offer for Subscription is extended, the revised timetable will be notified to any investors who have returned Application Forms.

Applications under the Offer for Subscription must be for Shares with a minimum subscription amount of US\$1,000 and thereafter in multiples of US\$100. Commitments under the Offer for Subscription once made, may not be withdrawn without the consent of the Board.

### **3. SCALING BACK AND ALLOCATION**

The maximum number of Shares available under the Issue is 200 million. Cenkos, Hudnall and N+1 Singer (in consultation with the Company and the Investment Manager) reserves the right to scale back applications in such amounts as they consider appropriate. The Company reserves the right to decline in whole or in part any application for Shares pursuant to the Issue. Payment for the Shares, in respect of the Placing, should be made in accordance with the settlement instructions notified to placees by Cenkos and/or Hudnall and/or N+1 Singer. Payment for the Shares, in the case of the Offer for Subscription, should be made in accordance with the Terms and Conditions of Application under the Offer for Subscription set out in Part 10 of this document and in the Application Form. To the extent that any application for Shares is rejected in whole or in part (whether by scaling back or otherwise), monies received will be returned without interest at the risk of the applicant.

### **4. WITHDRAWAL**

In the event that the Company is required to publish a supplementary prospectus prior to Admission, applicants who have applied for Shares under the Issue shall have at least two clear Business Days following the publication of the relevant supplementary prospectus within which to withdraw their offer to acquire Shares in the Issue in its entirety. The right to withdraw an application to acquire Shares in the Issue in these circumstances will be available to all investors in the Issue. If the application is not withdrawn within the stipulated period, any offer to apply for Shares in the Issue will remain valid and binding. Investors under the Offer for Subscription wishing to exercise statutory withdrawal rights after the publication of a supplementary prospectus prior to Admission must do so by lodging written notice of withdrawal by hand (during normal business hours only) at Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE or by facsimile (during normal business hours only) so as to be received no later than two Business Days after the date on which the supplementary prospectus is published. Notice of withdrawal given by any other means or which is deposited with or received after expiry of such period will not constitute a valid withdrawal.

### **5. THE PLACING AGREEMENT**

The Placing Agreement contains provisions entitling Cenkos, Hudnall and N+1 Singer to terminate the Issue (and the arrangements associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Issue and these arrangements will lapse and any monies received in respect of the Issue will be returned to each applicant without interest at the applicant's risk.

The Placing Agreement provides for Cenkos, Hudnall and N+1 Singer to be paid a commission by the Company in respect of the Shares to be allotted pursuant to the Issue. Under the Placing Agreement, Cenkos, Hudnall and N+1 Singer are entitled at their discretion and out of their own resources at any time to rebate to some or all investors, or to other parties, part or all of their fees relating to the Issue. Cenkos, Hudnall and N+1 Singer are also entitled under the Placing Agreement to retain agents and may pay commission in respect of the Issue to any or all of those agents out of their own resources. Further details of the terms of the Placing Agreement are set out in paragraph 6.2 of Part 8 of this document.

### **6. ADMISSION**

Admission is expected to take place at 8.00 a.m. on 20 December 2017. An investor applying for Shares in the Issue may receive Shares in certificated or uncertificated form. The Shares are in registered form. No temporary documents of title will be issued. Dealings in Shares in advance of the crediting of the relevant stock account shall be at the risk of the person concerned. It is expected that CREST accounts will be credited on 20 December 2017 in respect of Shares issued in uncertificated form and definitive share certificates in respect of Shares held in certificated form will be despatched by post during the week commencing 1 January 2018.

The Company does not guarantee that at any particular time market maker(s) will be willing to make a market in the Shares, nor does it guarantee the price at which a market will be made in the Shares. Accordingly, the dealing price of the Shares may not necessarily reflect changes in the Net Asset Value per Share.

## **7. CREST**

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument. The Articles permit the holding of Shares within the CREST system. The Company has applied for the Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any Shareholder so wishes.

CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so. An investor applying for Shares in the Issue may elect to receive Shares in uncertificated form if such investor is a system-member (as defined in the CREST Regulations) in relation to CREST.

## **8. OVERSEAS PERSONS**

The attention of potential investors who are Overseas Persons is drawn to the paragraphs below.

The offer of Shares under the Issue to Overseas Persons may be affected by the laws of the relevant jurisdictions. Such persons should consult their professional advisers as to whether they require any government or other consents or need to observe any applicable legal requirements to enable them to obtain Shares under the Issue. It is the responsibility of all Overseas Persons receiving this document and/or wishing to subscribe for Shares under the Issue to satisfy themselves as to full observance of the laws of the relevant territory in connection therewith, including obtaining all necessary governmental or other consents that may be required and observing all other formalities needing to be observed and paying any issue, transfer or other taxes due in such territory.

No person receiving a copy of this document in any territory other than the UK may treat the same as constituting an offer or invitation to him/her, unless in the relevant territory such an offer can lawfully be made to him/her without compliance with any further registration or other legal requirements.

Persons (including, without limitation, custodians, nominees and trustees) receiving this document may not distribute or send it to any U.S. Person or in or into the United States or any other jurisdiction where to do so would or might contravene local securities laws or regulations including but not limited to, Canada, Japan, Australia or the Republic of South Africa. In particular, investors should note that the Company has not been, and will not be, registered under the U.S. Investment Company Act and the offer, issue and sale of the Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, the Shares are only being offered and sold outside the United States to non-U.S. Persons in reliance on the exemption from the registration requirements of the U.S. Securities Act provided by Regulation S thereunder. The Shares may not be offered, sold, pledged or otherwise transferred or delivered, directly or indirectly, within the United States or to, or for the account or benefit of, any U.S. Person.

Investors should additionally consider the provisions set out under the heading 'Important Information' on pages 31 to 35 of this document.

The Company reserves the right to treat as invalid any agreement to subscribe for Shares under the Issue if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

### ***United States transfer restrictions***

Each of Cenkos, Hudnall, N+1 Singer and the Investment Manager has acknowledged in the Placing Agreement that they will not offer or sell or procure the offer or sale of the Shares except in compliance with Regulation S. The Shares have not been, and will not be, registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Accordingly, investors may not reoffer, resell, pledge or otherwise transfer or deliver, directly or indirectly, any Shares within the United States, or to, or for the account or benefit of, any U.S. Person.

## **9. TYPICAL INVESTOR**

An investment in the Shares is only suitable for institutional, professional, professionally-advised and knowledgeable investors who understand, or who have been advised of, and are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses (which may equal the whole amount invested) that may result from such an investment. Furthermore, an investment in the Shares should constitute part of a diversified investment portfolio. It should be remembered that the price of Shares and the income from them can go down as well as up.

## **10. THE SFS**

The SFS is an EU regulated market. Following Admission the Company will be subject to the DTRs, the Market Abuse Directive (as implemented in the UK through the FSMA) and MAR, where it repeals and replaces the Market Abuse Directive. In accordance with the SFS admission criteria, this document has been approved by the UK Listing Authority.



## **PART 7 TAXATION**

### **Introduction**

The information below, which relates only to Guernsey and United Kingdom taxation, is for general information purposes only and is a summary the advice received by the Board from the Company's advisers so far as applicable to the Company and to persons who are resident in Guernsey and the United Kingdom for taxation purposes and who hold Shares as an investment. It is not intended to be a comprehensive summary of all technical aspects of the structure, or tax law and practice in Guernsey and the United Kingdom. It is not intended to constitute legal or tax advice to Shareholders.

The information below is based on current Guernsey and United Kingdom tax law and published practice which is, in principle, subject to any change (potentially with retrospective effect). Certain Shareholders, such as dealers in securities, collective investment schemes, insurance companies and persons acquiring their Shares in connection with their employment may be taxed differently and are not considered. The tax consequences for each Shareholder of investing in the Company may depend on the Shareholder's own tax position and upon the relevant laws of any jurisdiction to which the Shareholder is subject.

If you are in any doubt as to your tax position, you should consult your own professional adviser without delay.

### **GUERNSEY TAXATION**

#### ***The Company***

The Company has applied for and been granted exemption from liability to income tax in Guernsey under the Income Tax (Exempt Bodies) (Guernsey) Ordinance, 1989 as amended by the Director of Income Tax in Guernsey for the current year. Exemption must be applied for annually and will be granted, subject to the payment of an annual fee, which is currently fixed at £1,200, provided the Company qualifies for exemption under the applicable legislation. It is the intention of the Directors to conduct the affairs of the Company so as to ensure that it continues to qualify for exempt company status for the purposes of Guernsey taxation.

As an exempt company, the Company is and will be treated as if it were not resident in Guernsey for the purposes of liability to Guernsey income tax. Under current law and practice in Guernsey, the Company will only be liable to tax in Guernsey in respect of income arising or accruing in Guernsey, other than from a relevant bank deposit, from other exempt bodies or from shares in Guernsey companies.

#### ***Taxation of Shareholders***

Provided the Company maintains its exempt status, Shareholders who are resident for tax purposes in Guernsey (which includes Alderney and Herm for these purposes) will suffer no deduction of tax by the Company from any distributions payable by the Company but the Administrator may provide details of distributions made to Guernsey resident Shareholders to the Director of Income Tax in Guernsey, including the names and addresses of the Guernsey resident Shareholders, the gross amount of any distribution paid and the date of the payment. The Director of Income Tax can require the Company to provide the name and address of every Guernsey resident who, on a specified date, has a beneficial interest in Shares, with details of the interest. Such information is not required to be delivered to the Director of Income Taxes in respect of distributions payable to Shareholders not resident in Guernsey. Shareholders resident outside Guernsey will not be subject to any tax in Guernsey in respect of distributions paid in relation to any Shares owned by them or on the disposal of their holding of shares in the Company.

#### ***Capital Taxes and Stamp Duty***

Guernsey currently does not levy taxes upon capital inheritances, capital gains, gifts, sales or turnover, nor are there any estate duties, save for registration fees and ad valorem duty for a Guernsey Grant of Representation where the deceased dies leaving assets in Guernsey (which required presentation of such a grant). No stamp duty is chargeable in Guernsey on the issue, transfer, switching or redemption of shares in the Company.



### ***Anti-Avoidance***

Guernsey has a wide-ranging anti-avoidance provision. This provision targets transactions where the effect of the transaction or series of transactions is the avoidance, reduction or deferral of a tax liability. At his discretion, the Director of Income Tax will make such adjustments to the tax liability to counteract the effect of the avoidance, reduction nor deferral of the tax liability.

### ***EU Savings Tax Directive***

Although not a Member State of the European Union, Guernsey, in common with certain other jurisdictions, entered into agreements with EU Member States on the taxation of savings income. However, paying agents located in Guernsey are not required to operate the measures on payments made by closed-ended investment companies.

However, on 10 November 2015 the Council of the European Union repealed the EU Savings Directive (2003/48/EC) (the “**EU Savings Tax Directive**”) from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other EU Member States (subject to ongoing requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the EU Savings Tax Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU) that implements the Common Reporting Standard in the European Union.

Guernsey is in the process of seeking confirmation from each EU Member State that the repeal of the EU Savings Tax Directive suspends the equivalent agreements that the EU Member States have with Guernsey. It is anticipated that all EU Member States will ultimately give this confirmation, although discussions with certain EU Member States are ongoing. Once Guernsey obtains this confirmation from all EU Member States it intends to suspend domestic EU Savings Tax Directive legislation with effect from 1 January 2016 which is when the Common Reporting Standard came into effect in Guernsey.

### ***United States-Guernsey Intergovernmental Agreement***

On 13 December 2013 the Chief Minister of Guernsey signed an intergovernmental agreement with the United States (“**U.S.-Guernsey IGA**”) regarding the implementation of FATCA. Under FATCA and legislation enacted in Guernsey to implement the U.S.-Guernsey IGA, certain disclosure requirements will be imposed in respect of certain Shareholders who are, or are entities that are controlled by one or more natural persons who are, residents or citizens of the United States, unless a relevant exemption applies. Certain due diligence obligations will also be imposed. Where applicable, information that will need to be disclosed will include certain information about Shareholders, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Company. The Company will be required to report this information each year in the prescribed format and manner as per local guidance.

Under the terms of the U.S.-Guernsey IGA, Guernsey resident financial institutions that comply with the requirements of Guernsey’s domestic legislation to report certain information to the Guernsey tax authorities will be treated as compliant with FATCA and, as a result, should not be subject to FATCA withholding on payments they receive and should not be required to withhold under FATCA on payments they make. If the Company does not comply with these obligations, it may be subject to a FATCA deduction on certain payments to it of U.S. source income (including interest and dividends) and (from 1 January 2019) and proceeds from the sale of property that could give rise to U.S. source interest or dividends and from the later of 1 January 2019 or the date of publication of certain final regulations) a portion of non-US source payments from certain non-US financial institutions to the extent attributable to US source payments. The U.S.-Guernsey IGA is implemented through Guernsey’s domestic legislation in accordance with guidance that is published in draft form.

Under the U.S.-Guernsey IGA, securities that are “regularly traded” on an established securities market, such as the Specialist Fund Segment, are not considered financial accounts and are not subject to reporting. For these purposes, Shares will be considered “regularly traded” if there is a meaningful volume of trading with respect to the Shares on an ongoing basis. Notwithstanding the foregoing, a Share will not be considered “regularly traded” and will be considered a financial account if the Shareholder is not a financial institution acting as an intermediary. Such Shareholders will be required to provide information to the Company to allow it to satisfy its obligations under FATCA, although it is expected that whilst a Share is held in uncertificated form through CREST, the holder of that Share will likely be a financial institution acting as an intermediary. Shareholders that own the Shares through a financial

intermediary may be required to provide information to such financial intermediary in order to allow the financial intermediary to satisfy its obligations under FATCA.

### ***Common Reporting Standard***

On 13 February 2014, the Organization for Economic Co-operation and Development released the “Common Reporting Standard” (“**CRS**”) designed to create a global standard for the automatic exchange of financial account information, similar to the information to be reported under FATCA. On 29 October 2014, fifty-one jurisdictions signed the multilateral competent authority agreement (“**Multilateral Agreement**”) that activates this automatic exchange of FATCA-like information in line with the CRS. Since then further jurisdictions have signed the Multilateral Agreement and in total over 100 jurisdictions have committed to adopting the CRS. Over 90 of these jurisdictions have now adopted the CRS with effect from either 1 January 2016 or 1 January 2017. Guernsey adopted the CRS with effect from 1 January 2016.

Early adopters who signed the Multilateral Agreement (including Guernsey) have pledged to work towards the first information exchanges taking place by September 2017. Others are expected to follow with information exchange starting in 2018.

Under the CRS and legislation enacted in Guernsey to implement the CRS, certain disclosure requirements will be imposed in respect of certain Shareholders who are, or are entities that are controlled by one or more natural persons who are, residents of any of the jurisdictions that have also adopted the CRS, unless a relevant exemption applies. Certain due diligence obligations will also be imposed. Where applicable, information that would need to be disclosed will include certain information about Shareholders, their ultimate beneficial owners and/or controllers, and their investment in and returns from the Company. The Company will be required to report this information each year in the prescribed format and manner as per local guidance. The CRS is implemented through Guernsey’s domestic legislation in accordance with guidance that is published in draft form that will be supplemented by guidance issued by the Organisation for Economic Co-operation and Development.

Under the CRS, there is currently no reporting exemption for securities that are “regularly traded” on an established securities market, although it is expected that whilst a Share is held in uncertificated form through CREST, the holder of that Share will likely be a financial institution acting as an intermediary. Shareholders that own the Shares through a financial intermediary may be required to provide information to such financial intermediary in order to allow the financial intermediary to satisfy its obligations under the CRS.

***All prospective investors should consult with their own tax advisers regarding the possible implications of FATCA, the CRS and any other similar legislation and/or regulations on their investment in the Company.***

If the Company fails to comply with any due diligence and/or reporting requirements under Guernsey legislation implementing the U.S.-Guernsey IGA and/or the CRS then the Company could be subject to (in the case of the U.S.-Guernsey IGA) U.S. withholding tax on certain U.S. source payments, and (in all cases) the imposition of financial penalties introduced pursuant to the relevant implementing regulations in Guernsey. Whilst the Company will seek to satisfy its obligations under the U.S.-Guernsey IGA and the CRS and associated implementing legislation in Guernsey to avoid the imposition of any financial penalties under Guernsey law, the ability of the Company to satisfy such obligations will depend on receiving relevant information and/or documentation about each Shareholder and the direct and indirect beneficial owners of the Shareholders (if any). There can be no assurance that the Company will be able to satisfy such obligations.

### ***Request for Information***

The Company reserves the right to request from any Shareholder or potential investor such information as the Company deems necessary to comply with FATCA, any agreement with the U.S. Internal Revenue Service in relation to FATCA from time to time in force, or any obligation arising under the implementation of any applicable regime, including the CRS, relating the FATCA and the automatic exchange of information with any relevant competent authority.

### **UNITED KINGDOM TAXATION**

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding

or disposing of Shares. The following statements are based on current UK legislation and what is understood to be the current practice of HMRC as at the date of this document, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident (and in the case of individual Shareholders domiciled) for UK tax purposes in (and only in) the UK, who hold their Shares as an investment, and who are the absolute beneficial owners of both their Shares and any dividends paid on them (for these purposes, such Shareholders being in the case of an individual, a **“UK Individual Shareholder”** and in the case of a Shareholder within the charge to UK corporation tax, a **“UK Corporate Shareholder”**).

## ***The Company***

### ***Tax residence***

The Directors intend to conduct the management and control of the affairs of the Company in such a way that it should not be resident in the UK for UK tax purposes. Additionally, for so long as the Company is an “AIF” within the meaning given in regulation 3 of the Alternative Investment Fund Management Regulations 2013 and is authorised or registered in Guernsey or has its registered office in Guernsey, then in accordance with section 363A of the Taxation (International and Other Provisions) Act 2010, the Company should not be regarded as resident in the UK for direct tax purposes (i.e. income tax, corporation tax and capital gains tax).

Accordingly, on the basis that the Company is not resident in the UK and provided that the Company does not carry on a trade in the UK (whether or not through a branch, agency or permanent establishment situated therein), the Company will not be subject to corporation tax, nor will it be subject to income tax other than on any UK source income.

## ***Shareholders***

### ***Taxation of chargeable gains***

A disposal of Shares by a Shareholder who is resident in the UK for UK tax purposes or who is not so resident but carries on business in the UK through a branch, agency or permanent establishment with which their investment in the Company is connected may give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains, depending on the Shareholder’s circumstances and subject to any available exemption or relief.

In addition, an individual Shareholder who ceases to be tax resident in the UK for a period of five years or less (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five tax years) may, on re-establishing UK tax residence, be subject to capital gains tax in respect of disposals which occurred in the period of non-residence.

For UK Individual Shareholders, capital gains tax at the rate of 10 per cent (for basic rate taxpayers) or 20 per cent (for higher or additional rate taxpayers) will be payable on any gain. UK Individual Shareholders may benefit from certain reliefs and allowances (including a personal annual exemption allowance, which for the 2017-18 tax year exempts the first £11,500 of gains from tax) depending on their circumstances.

For UK Corporate Shareholders any gain will be within the charge to corporation tax at a rate of 19 per cent. UK Corporate Shareholders will benefit from indexation allowance which, in general terms, increases the chargeable gains tax base cost of an asset in accordance with the rise in the retail prices index. Following the Autumn Budget 2017, indexation allowances have not been frozen for disposals made after 1 January 2018.

### ***Taxation of dividend income — UK Individual Shareholders***

UK Individual Shareholders will be liable to income tax in respect of dividends or other income distributions of the Company. A UK Individual Shareholder will generally benefit from an allowance in the form of an exemption from tax for the first £5,000 of dividend income received in the relevant tax year (the **“Dividend Allowance”**). Any dividends above the Dividend Allowance will be taxable at 7.5 per cent. (to the extent it falls within an individual’s basic rate band), 32.5 per cent. (to the extent it falls within an individual’s higher rate band) or 38.1 per cent. (to the extent it falls within an individual’s additional rate band) for the 2017-18 tax year. Dividend income of individuals in tax exempt arrangements such as ISAs should be exempt. Following the Royal Assent of the Finance Bill (No.2) 2017, this dividend allowance will be reduced to £2,000 with effect from the tax year 2018 - 2019.

#### *Taxation of dividend income — UK Corporate Shareholders*

Unless the recipient is a “**small company**” (as to which see below), UK Corporate Shareholders will not be subject to corporation tax on dividends paid by the Company on the Shares so long as the dividends fall within an exempt class and certain conditions are met. Although it is likely that dividends paid by the Company on the Shares would qualify for exemption from corporation tax, it should be noted that the exemptions are not comprehensive and are subject to anti-avoidance rules. Dividends that are not exempt will be subject to corporation tax, currently at the rate of 19 per cent.

UK Corporate Shareholders which are “**small companies**” (as that term is defined in section 931S of the Corporation Tax Act 2009) will be liable to corporation tax (currently at the rate of 19 per cent.) on dividends paid by the Company on the Shares as the Company is not resident in a “**qualifying territory**” for the purposes of the legislation contained in the Corporation Tax Act 2009.

#### *Withholding tax*

The Company will not be required to withhold UK tax at source from any dividends or redemption proceeds payable to Shareholders.

#### *Stamp duty and Stamp Duty Reserve Tax (“SDRT”)*

No UK stamp duty or SDRT will arise on the issue of Shares.

No UK stamp duty will be payable on a transfer of Shares, provided that no instruments effecting or evidencing the transfer (or matters or things done in relation to the transfer) are executed in the UK and no matters or actions relating to the transfer are performed in the UK.

Provided that the Shares are not registered in any register kept in the UK by or on behalf of the Company and that the Shares are not paired with shares issued by a company incorporated in the UK, any agreement to transfer the Shares will not be subject to UK SDRT.

#### *Individual Savings Accounts (“ISAs”) and Small Self-Administered Schemes (“SSASs”)/Self-Invested Personal Pensions (“SIPPs”)*

Shares acquired pursuant to the Placing will not be eligible to be held in an ISA. Shares acquired pursuant to the Offer for Subscription and in the secondary market should be eligible for inclusion in an ISA, subject to the applicable subscription limits. Investors resident in the UK who are considering acquiring Shares pursuant to the Offer for Subscription and/or in the secondary market are recommended to consult their own tax and/or investment advisers in relation to the eligibility of the Shares for ISAs and SSAS/SIPPs.

The annual ISA investment allowance is £20,000 for the 2017-18 tax year.

#### **Other United Kingdom tax considerations**

##### *UK Offshore Fund Rules*

The Directors have been advised that the Company should not be, and the Shares should not be shares in, an “offshore fund” for the purposes of UK taxation, although the Company does not make any commitment to investors that it will not be treated as an offshore fund.

##### *Controlled Foreign Companies*

If the Company is controlled by UK residents such that it would be a “**Controlled Foreign Company**” for UK tax purposes, UK Corporate Shareholders having an interest in the Company, such that 25 per cent. or more of the Company’s profits for an accounting period could be apportioned to them, may be liable to corporation tax in respect of their share of the Company’s profits in accordance with the provisions of Part 9A of the Taxation (International and Other Provisions) Act 2010.

##### *Transfer of assets abroad*

The attention of UK Individual Shareholders is drawn to the provisions of Chapter 2 of Part 13 of the Income Tax Act 2007. These provisions are aimed at preventing the avoidance of income tax by individuals through transactions resulting in the transfer of assets or income to persons (including companies) resident or domiciled outside the UK and may render them liable to income tax in respect of undistributed income of the Company.

*Attribution of Gains to Persons Resident in the United Kingdom*

If the Company would be a “**close company**” for UK tax purposes if resident in the UK, in certain circumstances, a portion of capital gains made by the Company can be attributed to a Shareholder who holds, alone or together with associated persons, more than 25 per cent. of the Shares.

*Transactions in securities*

The attention of Shareholders is drawn to the provisions of (in the case of UK Individual Shareholders) Chapter 1 of Part 13 of the Income Tax Act 2007 and (in the case of UK Corporate Shareholders) Part 15 of the Corporation Tax Act 2010, which give powers to HMRC to cancel tax advantages derived from certain transactions in securities.

**If any Shareholder is in doubt as to their taxation position, they are strongly recommended to consult an independent professional adviser without delay.**



## **PART 8**

### **GENERAL INFORMATION**

#### **1. THE COMPANY**

- 1.1 The Company was incorporated with limited liability in Guernsey under the Companies Law on 6 February 2017 with registered number 63061 as a closed-ended company.
- 1.2 The principal place of business and the registered office of the Company is 3rd Floor, 1 Le Truchot, St Peter Port, Guernsey, GY1 1WD with telephone number +44 1481 749360.
- 1.3 The principal legislation under which the Company operates is the Companies Law and ordinances and regulations made thereunder. The Company is regulated by the Commission and registered as a Registered Closed-ended Investment Scheme pursuant to the POI Law and the RCIS Rules. The Company will not be regulated as a collective investment scheme by the FCA. However it is subject to the Prospectus Rules, the Disclosure Guidance and Transparency Rules and the Listing Rules (to the extent the Company has resolved voluntarily to comply with these).
- 1.4 Save for its entry into the material contracts summarised in paragraph 6 of this Part 8 and any steps taken by the Company in connection with Admission, the Company has not commenced operations since incorporation and, as at the date of this document, no financial statements have been made up and no dividends have been declared by the Company.
- 1.5 The accounting period of the Company will end on 30 June of each year. The first accounting period will end on 30 June 2018. The annual report and accounts of the Company will be prepared in U.S. Dollars according to accounting standards laid out under IFRS.
- 1.6 As at the Latest Practicable Date the Company has no subsidiaries, does not have any employees and does not own any premises.
- 1.7 The Company has been established with an indefinite life, subject to the passing of the Continuation Resolutions (further details of which are set out in paragraph 11 of Part 1 of this document) or to a special resolution being passed by Shareholders for its winding-up in accordance with the Companies Law.

#### **2. SHARE CAPITAL**

- 2.1 The authorised share capital of the Company on incorporation was represented by an unlimited number of Shares. Two Shares were issued at US\$1.00 each and are beneficially owned by the Investment Manager and will be transferred to investors as part of the Issue.
- 2.2 The issued share capital of the Company comprises two Shares and there has been no change in the issued share capital of the Company since incorporation.
- 2.3 On the assumption that the Initial Gross Proceeds are US\$150 million, the issued share capital of the Company will, at Admission, consist of 150 million Shares.
- 2.4 The effect of the Issue will be to increase the net assets of the Company. On the assumption that the Initial Gross Proceeds are US\$150 million, the fundraising is expected to increase the net assets of the Company by approximately US\$147 million. The Issue is expected to be earnings enhancing.
- 2.5 The Company has not repurchased any Shares since its incorporation and no Shares are held in treasury.
- 2.6 By way of, extraordinary and ordinary resolutions of the Company passed on 7 December 2017:
  - 2.6.1 the Directors were empowered to allot and issue, to grant rights to subscribe for, to convert and to make offers or agreements to allot and issue equity securities for cash as if the pre-emption rights contained in article 5.2 of the Articles in respect of such equity securities did not apply to any such allotment, provided that this power shall be limited to:
    - 2.6.1.1 the allotment and issue of up to 200 million Shares pursuant to the Issue;
    - 2.6.1.2 otherwise than pursuant to the authority described in paragraph 2.6.2.1 above, the allotment and issue of such number of Shares as is equal to up to 20 per cent. of

the number of Shares in issue immediately following completion of the Issue and, additionally, the allotment and issue of up to 200 million C Shares; and

- 2.6.1.3 the sale of such number of treasury shares as is equal to the number of Shares held in treasury at any time following the Issue,

and such authority will, unless previously revoked or varied, expire at the conclusion of the next annual general meeting of the Company to be held in 2018, save that the Company may, before such expiry, make an offer or agreement which would or might require Shares or C Shares convertible into Shares to be allotted and issued after such expiry and the Directors may allot and issue equity securities in pursuance of any such offer or agreement as if this power had not expired;

- 2.6.2 the Company was authorised in accordance with Companies Law to make market acquisitions (as defined in the Companies Law) of its own Shares either for cancellation or to hold as treasury Shares for future resale or transfer, provided that:

- 2.6.2.1 the maximum number of Shares authorised to be purchased shall be 14.99 per cent. of the Shares in issue immediately following completion of the Issue;

- 2.6.2.2 the minimum price which may be paid for a Share is US\$0.01;

- 2.6.2.3 the maximum price which may be paid for a Share shall be the higher of:

- 2.6.2.3.1 an amount equal to 105 per cent. of the average of the middle market quotations of a Share (as taken from the Daily Official List of the London Stock Exchange) for the five business days prior to the date the purchase is made; and

- 2.6.2.3.2 the higher of:

- (a) the price of the last independent trade; and
- (b) the highest current independent bid for Shares on the London Stock Exchange at the time the purchase is carried out.

This authority shall expire on the conclusion of the next annual general meeting of the Company or if earlier, 18 months from the date of passing of the resolution, save that the Directors shall be entitled to make offers or agreements before the expiry of such power which would or might require the purchase of Shares after such expiry pursuant to any such offer or agreement as if the power conferred by the resolution had not expired.

- 2.7 The Company is permitted to fund the payments for purchases of Shares in any manner permitted by the Companies Law and the Directors must reasonably believe that the Company meets the solvency tests prescribed by the Companies Law before making such purchases.
- 2.8 In accordance with the power granted to the Directors by the Articles, it is expected that the Shares will be allotted (conditionally upon Admission) in connection with the Issue pursuant to a resolution of the Board to be passed shortly before Admission in accordance with the Companies Law.
- 2.9 Save as disclosed in this paragraph 2, no share or loan capital of the Company has since the date of incorporation of the Company been issued or been agreed to be issued, fully or partly paid, either for cash or for a consideration other than cash, and no such issue is now proposed.
- 2.10 The Company has not granted any options over its share or loan capital which remain outstanding and has not agreed, conditionally or unconditionally to grant any such options and no convertible securities, exchangeable securities or securities with warrants have been issued by the Company.
- 2.11 All of the Shares will be in registered form and will be eligible for settlement in CREST. Temporary documents of title will not be issued.



### 3. INTERESTS OF DIRECTORS AND MAJOR SHAREHOLDERS

3.1 The Directors intend to subscribe for Shares pursuant to the Issue in the amounts set out below:

| <i>Director</i> | <i>Number of Shares</i> | <i>% of issued Share capital*</i> |
|-----------------|-------------------------|-----------------------------------|
| Robert King     | 35,000                  | 0.023                             |
| Stephen Le Page | 15,000                  | 0.010                             |
| Paul Barnes     | 5,000                   | 0.003                             |

\* Assuming Initial Gross Proceeds of US\$150 million.

- 3.2 The Investment Manager has indicated to the Company that it, its affiliates and/or any of their respective officers, directors and employees intend to subscribe for at least 4 per cent of the Initial Gross Proceeds pursuant to the Issue subject to a maximum of US\$5 million.
- 3.3 Save as disclosed in paragraph 3.1 above, immediately following Admission, no Director will have any interest, whether beneficial or non-beneficial, in the share or loan capital of the Company.
- 3.4 No Director has a service contract with the Company, nor are any such contracts proposed, each Director having been appointed pursuant to a letter of appointment. The Directors' appointments can be terminated in accordance with the Articles and without compensation. Each Director is subject to retirement and re-election at every annual general meeting in accordance with the Articles. There is no notice period specified in the letters of appointment or Articles for the removal of Directors. The Articles provide that the office of Director shall be terminated by, among other things: (i) written resignation; (ii) unauthorised absences from board meetings for 12 consecutive months or more; and (iii) written request of all of the other Directors.
- 3.5 Each of the Directors is entitled to receive a fee from the Company at such rate as may be determined in accordance with the Articles. Save for the Chairman of the Board, the initial fees will be £25,000 for each Director per annum plus an additional annual fee of £3,000 for the chairman of the audit committee. The Chairman's initial fee will be £30,000 per annum. The Directors are also entitled to reasonable out-of-pocket expenses incurred in the proper performance of their duties. The aggregate remuneration and benefits in kind of the Directors in respect of the accounting period of the Company ending on 30 June 2018 which will be payable out of the assets of the Company are not expected to exceed £88,000.
- 3.6 No amount has been set aside or accrued by the Company to provide pensions, retirement or other similar benefits.
- 3.7 The Company has not made any loans to the Directors which are outstanding, nor have they ever provided any guarantees for the benefit of any Director or the Directors collectively.
- 3.8 Over the five years preceding the date of this document, the Directors hold or have held the following directorships (apart from their directorships of the Company) or memberships of administrative, management or supervisory bodies and/or partnerships:

| <b>Name</b>        | <b>Current</b>   | <b>Previous</b>   |
|--------------------|--|---|
| <b>Robert King</b> | Liontrust Panthera Fund Limited<br>F&C Alternative Strategies Limited<br>F&C Warrior Fund Limited<br>F&C Warrior II Fund Limited<br>Thames River Guernsey Direct Property Holdings Limited<br>Thames River Property (Securities) SARL<br>F&C Property Growth and Income Fund<br>Golden Prospect Precious Metals Limited<br>KIC Global Strategy Fund Limited<br>Pembroke Heritage Fund Limited<br>Weiss Korea Opportunity Ltd<br>JPMorgan Senior Secured Loan Fund Limited (in voluntary liquidation)<br>Chenavari Capital Solutions Limited<br>Clarion ICC Limited<br>Clarion 5 IC Limited<br>Pera Capital Partners Advisory Limited | F&C Longstone Fund Limited<br>Thames River Legion Fund Limited<br>F&C Sentinel Fund Limited<br>Rhodium Stone PCC Limited<br>Centrix IX Fund Limited<br>Sentinel Redemption Limited<br>Warrior Redemption Limited<br>Warrior II Redemption Limited<br>Distressed Focus Redemption Limited<br>Clarion Test Trade IC Limited<br>Clarion 2 IC Limited<br>Clarion 3 IC Limited<br>West End London Property Investment Company Limited<br>WHC Limited<br>Thames River Africa Focus Fund Limited<br>Thames River Hillside Apex Fund II Limited<br>Hillside Apex Fund Limited<br>Astrum Holdings Limited<br>Legend Holdings Limited<br>Renaissance Russia Infrastructure Equities Limited<br>Thames River Distressed Focus Fund Limited<br>Clarion 6 IC Limited<br>Clarion 7 IC Limited<br>Clarion 8 IC Limited<br>Clarion 9 IC Limited<br>Clarion 10 IC Limited<br>Absolute Return Trust Limited<br>Clarion 1 IC Limited<br>Clarion 4 IC Limited<br>Jubilee Absolute Return Fund Limited<br>Jubilee Absolute Return Master Fund Limited<br>Infrastructure Debt Fund Limited<br>Thames River Hillside Apex Fund SPC<br>Etalon Group Limited<br>Etalon Developments Limited<br>Praetorian ZDP Limited<br>Praetorian Resources (GP) Limited<br>Duke Royalty Limited (formerly Praetorian Resources Limited)<br>Sienna Investment Company 2 Limited<br>Sienna Investment Company Limited<br>Sienna Investment Company 3 Limited<br>Sienna Investment Company 4 Limited<br>Threadneedle UK Select Trust Limited |

| <b>Name</b>            | <b>Current</b>   | <b>Previous</b>  |
|------------------------|--|--|
| <b>Stephen Le Page</b> | First Central Group Limited<br>St John Ambulance & Rescue Services LBG<br>Aventicum Real Estate Partners Europe GP Limited<br>AREP Europe CIP GP Limited<br>BTPS Insurance ICC Limited<br>BTPSI (No.1) IC Limited<br>Highbridge Multi-Strategy Fund Limited<br>Volta Finance Limited<br>CS Property Club Europe ICC Limited<br>CS Property Club Europe Cell 1 IC Limited<br>CS Property Club Europe Cell 2 IC Limited<br>CS Property Club Europe Cell 3 IC Limited<br>CS Property Club Europe Cell 4 IC Limited<br>CS Property Club Europe Cell 5 IC Limited<br>CS Property Club Europe Cell 6 IC Limited<br>MedicX Fund Limited<br>Genesis Asset Managers LLP<br>Princess Private Equity Holdings Limited<br>Channel Islands Property Fund Limited<br>Regency 1 Limited<br>Regency Court Property Limited<br>Seaton 1 Limited<br>Seaton Place Property Limited<br>Glategny 1 Limited<br>Glategny Holdings Limited<br>Carey House Holdings Limited<br>Commerce Holdings Limited<br>Fort Anne Holdings Limited<br>Vicarage House Holdings Guernsey<br>Property No 4 Limited | Equate Securities Holdings Limited<br>Financial Services Opportunity Fund Limited<br>Equate Securities Limited<br>Thames Office Holdings Limited<br>Apax Global Alpha Limited<br>Warsaw Residential Limited<br>Pricewaterhouse Coopers CI LLP<br>PwC Channel Islands Ltd<br>PwC Properties (Jersey) Ltd<br>PwC Pension Scheme Trustees Ltd<br>PwC Tax and Treasury Services Ltd<br>PwC Properties (Guernsey) Ltd<br>Midhurst Properties Ltd<br>Pembroke House Ltd<br>PricewaterhouseCoopers Services Channel Islands Limited |
| <b>Paul Barnes</b>     | None   | BNP Paribas Staff Benefits Trustee Limited   |

3.9 Save as set out in paragraph 3.8 above, the Directors in the five years before the date of this document:

- 3.9.1 do not have any convictions in relation to fraudulent offences;
- 3.9.2 have not been associated with any bankruptcies, receiverships or liquidations of any partnership or company through acting in the capacity as a member of the administrative, management or supervisory body or as a partner, founder or senior manager of such partnership or company; and
- 3.9.3 do not have any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) and have not been disqualified by a court from acting as a member of the administration, management or supervisory bodies of any issuer or from acting in the management or conduct of the affairs of any issuer.

3.10 The Company will maintain directors' and officers' liability insurance on behalf of the Directors at the expense of the Company.

- 3.11 As at the Latest Practicable Date, insofar as is known to the Company, there are no parties (other than the Investment Manager) known to have a notifiable interest under English or Guernsey law in the capital or voting rights of the Company.
- 3.12 All Shareholders have the same voting rights in respect of the Shares.
- 3.13 Pending the allotment of Shares pursuant to the Issue, the Company is controlled by the Investment Manager, as described in paragraph 2.1 of this Part 8 above. The Company and the Directors are not aware of any other person who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.
- 3.14 The Company and the Directors are not aware of any arrangements, the operation of which may at a subsequent date result in a change in control of the Company.

#### **4. THE MEMORANDUM AND ARTICLES OF INCORPORATION**

- 4.1 The Memorandum provides that the Company's objects are unrestricted and it shall therefore have the full power and authority to carry out any object not prohibited by the Companies Law or any other applicable laws.
- 4.2 The Articles, which were adopted on 24 February 2017, contain provisions, among others, to the following effect:

##### **4.2.1 *Dividends and other distributions***

The Directors may from time to time authorise dividends and distributions to be paid to Shareholders in accordance with the requirements set out in the Companies Law and subject to any Shareholder's rights attaching to their Shares.

Subject to the rights of any Shares which may be issued with special rights or privileges, the Shares carry the right to receive all income of the Company attributable to the Shares, and to participate in any distribution of such income made by the Company, such income shall be divided *pari passu* among the holders of Shares in proportion to the number of Shares held by them.

All unclaimed dividends and distributions may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. All dividends unclaimed on the earlier of:

- (a) a period of six years after the date when it first became due for payment; and
- (b) the date on which the Company is wound-up, shall be forfeited and shall revert to the Company without the necessity for any declaration or other action on the part of the Company.

##### **4.2.2 *Voting***

Subject to any special rights, restrictions or prohibitions as regards voting for the time being attached to any Shares, holders of Shares shall have the right to receive notice of and to attend and vote at general meetings of the Company.

Each Shareholder being present in person or by proxy or by a duly authorised representative (if a corporation) at a meeting shall upon a show of hands have one vote and upon a poll each such holder present in person or by proxy or by a duly authorised representative (if a corporation) shall have one vote in respect of each Share held by him.

The voting and other rights of the C Shares shall be set out in paragraph 4.2.16 of Part 8 of this document.

##### **4.2.3 *Capital***

As to a winding-up of the Company or other return of capital (other than by way of a repurchase or redemption of Shares in accordance with the provisions of the Articles and the Companies Law), the surplus assets of the Company attributable to the Shares remaining after payment of all creditors shall, subject to the rights of any Shares that may be issued with special rights or privileges, be divided *pari passu* among the holders of Shares in proportion to the number of Shares held by them.

#### 4.2.4 *Pre-emption rights*

There are no provisions of Guernsey law which confer rights of pre-emption in respect of the allotment of the Shares. However, the Articles provide that the Company is not permitted to allot (for cash) equity securities (being Shares and/or C Shares or rights to subscribe for, or convert securities into, Shares and/or C Shares) or sell (for cash) any Shares held in treasury, unless it shall first have offered to allot to each existing holder of Shares on the same or more favourable terms a proportion of those Shares the aggregate value of which (at the proposed issue price) is as nearly as practicable equal to the proportion of the Shares held by such Shareholder. These pre-emption rights may be excluded and disapplied or modified by extraordinary resolution of the Shareholders. Further, the pre-emption rights shall not apply to a particular allotment and issue of equity securities if these are, or are to be, wholly or partly paid otherwise than in cash or the allotment of bonus shares or to new Shares on the conversion of C Shares.

The pre-emption rights have been disapplied to the extent set out in the extraordinary resolution of the Company referred to in paragraph 2.6.2 of this Part 8.

#### 4.2.5 *Variation of rights*

Whenever the capital of the Company is divided into different classes of Shares, the rights attached to any class of Shares may (unless otherwise provided by the terms of issue of the Shares of that class) be varied or abrogated:

- (a) with the consent in writing of the holders of more than 75 per cent. in value of the issued Shares of that class (excluding any Shares held as treasury shares); or
- (b) with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the Shares of that class.

The necessary quorum at any separate class meeting shall be two persons present holding or representing by proxy at least one-third of the voting rights of the issued Shares of that class (excluding any Shares held as treasury shares) (provided that if any such meeting is adjourned for lack of a quorum, the quorum at the reconvened meeting shall be one person present holding Shares of that class or his proxy) provided always that where the class has only one member, that member shall constitute the necessary quorum and any holder of Shares of the class in question may demand a poll.

The rights conferred upon the holders of any shares or class of Shares issued with preferred, deferred or other rights shall (unless otherwise expressly provided by the conditions of issue of such Shares) be deemed not to be varied by:

- (a) the creation or issue of further Shares ranking *pari passu* therewith; or
- (b) the purchase or redemption by the Company of any of its Shares (or the holding of such Shares as treasury shares).

#### 4.2.6 *Disclosure of interests in Shares*

The Directors shall have power by notice in writing (a “**Disclosure Notice**”) to require a Shareholder to disclose to the Company the identity of any person other than the Shareholder (an interested party) who has any interest (whether direct or indirect) in the Shares held by the Shareholder and the nature of such interest or has been so interested at any time during the three years immediately preceding the date on which the Disclosure Notice is issued. Any such Disclosure Notice shall require any information in response to such Disclosure Notice to be given in writing to the Company within 28 days of the date of service (or 14 days if the Shares concerned represent 0.25 per cent. or more of the number of Shares in issue of the class of Shares concerned).

If any Shareholder is in default in supplying to the Company the information required by the Company within the prescribed period (which is 28 days after service of the notice or 14 days if the Shares concerned represent 0.25 per cent. or more in number of the issued Shares of the relevant class, or such other reasonable period as the Directors may determine), the Directors in their absolute discretion may serve a direction notice on the Shareholder (a “**Direction Notice**”). The Direction Notice may direct that in respect of the Shares in respect of which the default has occurred (the “**Default Shares**”) and any other Shares held by the Shareholder shall not be entitled to vote in general meetings or class meetings. Where the Default Shares represent at least 0.25 per cent. in number of the class of Shares concerned, the Direction Notice may additionally direct

that dividends on such Default Shares will be retained by the Company (without interest) and that no transfer of the Default Shares (other than a transfer authorised under the Articles) shall be registered until the default is rectified.

The Directors may be required to exercise their power to require disclosure of interested parties on a requisition of Shareholders holding not less than 1/10th of the total voting rights attaching to the Shares in issue at the relevant time.

In addition to the rights referred to above, the Board may serve notice on any Shareholder requiring that Shareholder to promptly provide the Company with any information, representations, certificates or forms relating to such Shareholder (or its direct or indirect owners or account holders) that the Board determines from time to time are necessary or appropriate for the Company to:

- (a) satisfy any account or payee identification, documentation or other diligence requirements and any reporting requirements imposed under or relevant to AEOI Rules that apply to the Company or any other entity in which the Company has an interest; or
- (b) avoid or reduce any tax otherwise imposed by AEOI Rules (including any withholding upon any payments to such Shareholder by the Company);
- (c) prevent a non-exempt prohibited transaction under ERISA or Section 4975 of the U.S. Code or prevent the Company from becoming subject to laws or regulations that are substantially similar to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the U.S. Code; or
- (d) permit the Company to enter into, comply with, or prevent a default under or termination of, an agreement of the type described in section 1471(b) of the U.S. Code or under any AEOI Rules.

If any Shareholder (a “**Defaulting Shareholder**”) is in default of supplying to the Company the information referred to above within the prescribed period (which shall not be less than 28 days after the service of the notice), the Defaulting Shareholder shall be deemed to be a Non-Qualified Holder.

#### 4.2.7 *Transfer of Shares*

Subject to the Articles (and the restrictions on transfer contained therein), a Shareholder may transfer all or any of his Shares in any manner which is permitted by the Companies Law or in any other manner which is from time to time approved by the Board.

A transfer of a certificated Share shall be in the usual common form or in any other form approved by the Board. An instrument of transfer of a certificated Share shall be signed by or on behalf of the transferor and, unless the Share is fully paid, by or on behalf of the transferee.

The Articles provide that the Board has power to implement such arrangements as it may, in its absolute discretion, think fit in order for any class of Shares to be admitted to settlement by means of an uncertificated system. If the Board implements any such arrangements, any provision of the Articles will not apply or have effect to the extent that it is in any respect inconsistent with:

- (a) the holding of Shares of the relevant class in uncertificated form;
- (b) the transfer of title to Shares of the relevant class by means of the relevant uncertificated system; or
- (c) the Uncertificated Securities (Guernsey) Regulations 2009 (as amended from time to time) (“**Regulations**”) or the rules applicable to the relevant uncertificated system (“**Rules**”).

Where any class of Shares is, for the time being, admitted to settlement by means of an uncertificated system such securities may be issued in uncertificated form in accordance with and subject to the Regulations and the Rules. Unless the Board otherwise determines, Shares held by the same holder or joint holders in certificated form and uncertificated form will be treated as separate holdings. Shares may be changed from uncertificated to certificated form, and from certificated to uncertificated form, in accordance with and subject to the Regulations and the Rules. Title to such of the Shares as are recorded on the register as being held in uncertificated form may be transferred only by means of the relevant uncertificated system.



The Board may, in its absolute discretion and without giving a reason, refuse to register a transfer of any Share in certificated form or uncertificated form subject to the Articles which is not fully paid or on which the Company has a lien provided that this would not prevent dealings in the Shares from taking place on an open and proper basis on the London Stock Exchange.

In addition, the Board may decline to transfer, convert or register a transfer of any share in certificated form or (to the extent permitted by the Regulations or the Rules) uncertificated form: (a) if it is in respect of more than one class of Shares; (b) if it is in favour of more than four joint transferees; (c) if applicable, if it is delivered for registration to the registered office of the Company or such other place as the Board may decide, not accompanied by the certificate for the Shares to which it relates and such other evidence of title as the Board may reasonably require; or (d) the transfer is in favour of any Non-Qualified Holder.

If any shares are owned directly, indirectly or beneficially by a person believed by the Board to be a Non-Qualified Holder, the Board may give notice to such person requiring him either:

- (a) to provide the Board within 30 days of receipt of such notice with sufficient satisfactory documentary evidence to satisfy the Board that such person is not a Non-Qualified Holder; or
- (b) to sell or transfer his Shares to a person who is not a Non-Qualified Holder within 30 days and within such 30 days to provide the Board with satisfactory evidence of such sale or transfer and pending such sale or transfer, the Board may suspend the exercise of any voting or consent rights and rights to receive notice of or attend any meeting of the Company and any rights to receive dividends or other distributions with respect to such shares. Where condition (a) or (b) is not satisfied within 30 days after the serving of the notice, the person will be deemed, upon the expiration of such 30 days, to have forfeited his Shares. If the Board in its absolute discretion so determines, the Company may dispose of the Shares at the best price reasonably obtainable and pay the net proceeds of such disposal to the former holder.

#### **4.2.8 General Meetings**

The first general meeting (being an annual general meeting) of the Company shall be held within a period of not more than 18 months from the date of the Company's incorporation and thereafter general meetings (which are annual general meetings) shall be held at least once in each calendar year and in any event, no more than 15 months since the last annual general meeting. All general meetings (other than annual general meetings) shall be called extraordinary general meetings. Extraordinary general meetings and annual general meetings shall be held in Guernsey or such other place as may be determined by the Board from time to time.

The notice must specify the date, time and place of any general meeting and the text of any proposed special, extraordinary and ordinary resolution. Any general meeting shall be called by at least 14 clear days' notice. A general meeting may be deemed to have been duly called by shorter notice if it is so agreed by all the members entitled to attend and vote thereat. The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive such notice shall not invalidate the proceedings at the meeting.

The Shareholders may require the Board to call an extraordinary general meeting in accordance with the Companies Law.

#### **4.2.9 Restrictions on voting**

Unless the Board otherwise decides, no member shall be entitled to vote at any general meeting or at any separate meeting of the holders of any class of shares in the Company, either in person or by proxy, in respect of any Share held by him unless all calls have been paid. No member of the Company shall, if the Directors so determine, be entitled in respect of any Share held by him to attend or vote (either personally or by representative or by proxy) at any general meeting or separate class meeting of the Company or to exercise any other right conferred by membership in relation to any such meeting if he or any other person appearing to be interested in such Shares has failed to comply with a Disclosure Notice (see paragraph 4.2.6 above) within 14 days, in a case where the Shares in question represent at least 0.25 per cent. of their class, or within 28 days, in any other case, from the date of such Disclosure Notice. These restrictions will continue until the information required by the notice is supplied to the Company or until the Shares in question are transferred or sold in circumstances specified for this purpose in the Articles.

#### 4.2.10 **Appointment, retirement and disqualification of Directors**

Unless otherwise determined by the Shareholders by ordinary resolution, the number of Directors shall not be less than two and there shall be no maximum number.

A Director need not be a Shareholder. A Director who is not a Shareholder shall nevertheless be entitled to attend and speak at Shareholders' meetings.

Subject to the Articles, Directors may be appointed by the Board (either to fill a vacancy or as an additional Director).

Subject to the Articles, at each annual general meeting of the Company each Director will retire from office and each Director may offer himself for election or re-election by the Shareholders.

If, at a general meeting at which a Director retires, the Company neither re-elects that Director nor appoints another person to the Board in the place of that Director, the retiring Director shall, if willing to act, be deemed to have been re-elected unless at the general meeting it is resolved not to fill the vacancy or unless a resolution for the re-election of the Director is put to the meeting and lost.

No person other than a Director retiring at a general meeting shall, unless recommended by the Directors, be eligible for election by the Company to the office of Director unless not less than seven and not more than 42 clear days before the date appointed for the meeting there shall have been left at the Company's registered office (or, if an electronic address has been specified by the Company for such purposes, sent to the Company's electronic address) notice in writing signed by a Shareholder who is duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election together with notice in writing signed by that person of his willingness to be elected and containing a declaration that he is not ineligible to be a Director in accordance with the Companies Law.

No person shall be or become incapable of being appointed a Director, and no Director shall be required to vacate that office, by reason only of the fact that he has attained the age of 70 years or any other age.

The office of a Director shall be vacated:

- (a) if he (not being a person holding for a fixed term an executive office subject to termination if he ceases from any cause to be a Director) resigns his office by giving written notice signed by him sent to or deposited at the Company's registered office;
- (b) if he dies;
- (c) if he shall have absented himself (such absence not being absence with leave or by arrangement with the Board on the affairs of the Company) from meetings of the Board for a consecutive period of 12 months and the Board resolves that his office shall be vacated;
- (d) if he becomes bankrupt or makes any arrangements or composition with his creditors generally;
- (e) if he ceases to be a Director by virtue of, or becomes prohibited from being a Director by reason of, an order made under the provisions of any law or enactment;
- (f) if he is requested to resign by written notice signed by all his co-Directors (being not less than two in number);
- (g) if the Company by ordinary resolution shall declare that he shall cease to be a Director; or
- (h) if he becomes ineligible to be a Director in accordance with the Companies Law.

Any Director may, by notice in writing, appoint any other person, who is willing and eligible to act as his alternate and may remove his alternate from that office.

Each alternate Director shall be eligible to be a Director under the Companies Law and shall sign a written consent to act. Every appointment or removal of an alternate Director shall be by notice in writing signed by the appointor and served upon the Company.

#### **4.2.11 *Proceedings of the Board***

The Board may meet for the despatch of business, adjourn and otherwise regulate its meetings as it thinks fit. The quorum necessary for the transaction of the business of the Board may be fixed by the Board and unless so fixed shall be two. Subject to the Articles, a meeting of the Board at which a quorum is present shall be competent to exercise all the powers and discretion exercisable by the Board.

The Board may elect one of their number as chairman. If no chairman is elected or if at any meeting the chairman is not present within five minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be chairman of the meeting.

Questions arising at any meeting shall be determined by a majority of votes. The chairman shall have a casting vote.

The Board may delegate any of its powers to committees consisting of one or more Directors as they think fit. Any committee so formed shall be governed by any regulations that may be imposed on it by the Board and (subject to such regulations) by the provisions of the Articles that apply to meetings of the Board.

#### **4.2.12 *Remuneration of Directors***

The Directors shall be entitled to receive fees for their services, such sums not to exceed in aggregate US\$300,000 in any financial year (or such larger sum as may be determined by ordinary resolution of the Company). The Directors may be paid all reasonable travelling, hotel and other out of pocket expenses properly incurred by them in attending board or committee meetings or general meetings, and all reasonable expenses properly incurred by them seeking independent professional advice on any matter that concerns them in the furtherance of their duties as a Director.

#### **4.2.13 *Interests of Directors***

Subject to and in accordance with the Companies Law, a Director must, immediately after becoming aware of the fact that he is interested in a transaction or proposed transaction with the Company, disclose that fact to the Directors (including the nature and extent of that interest).

Subject to the provisions of the Companies Law, and provided that he has disclosed to the Directors the nature and extent of any material interest of his, a Director notwithstanding his office:

- (a) may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director on such terms as to the tenure of office and otherwise as the Directors may determine;
- (b) may be a party to, or otherwise interested in, any transaction or arrangement with the Company or in which the Company is otherwise interested;
- (c) may be a director or other officer of, or employed by, or a party to any transaction or arrangement with, a shareholder of or otherwise interested in, any body corporate promoted by the Company or in which the Company is otherwise interested;
- (d) shall not, by reason of his office, be accountable to the Company for any remuneration or benefit which he derives from any such office or employment or from any such transaction or arrangement or from any interest in any such body corporate and no such transaction or arrangement shall be liable to be avoided on the ground of any such interest or benefit;
- (e) may act by himself or his firm in a professional capacity for the Company, other than as auditor, and he or his firm shall be entitled to remuneration for professional services as though he were not a Director of the Company; and
- (f) may be counted in the quorum present at any meeting in relation to any resolution in respect of which he has declared an interest (and he may vote thereon).

#### **4.2.14 *Winding-up***

If the Company shall be wound up, the liquidator may, with the sanction of an extraordinary resolution and any other sanction required by the Companies Law, divide the whole or any part of the assets of the Company among the Shareholders entitled to the same in specie and the

liquidator may for that purpose value any class or classes of assets as he or they deem fair and may determine how the division shall be carried out as between the members or different classes of members and, with the like sanction, may vest the whole or any part of the assets in trustees upon such trusts for the benefit of the Shareholders as he or they may determine, but no Shareholders shall be compelled to accept any assets upon which there is any outstanding liability.

Where the Company is proposed to be or is in the course of being wound up and the whole or part of its business or property is proposed to be transferred or sold to another company, the liquidator may, with the sanction of an ordinary resolution, receive in compensation shares, policies or other like interests for distribution or may enter into any other arrangements whereby the members may, in lieu of receiving cash, shares, policies or other like interests, participate in the profits of or receive any other benefit from the transferee.

#### 4.2.15 **Borrowing powers**

The Directors may exercise all of the powers of the Company to borrow money and to give guarantees, mortgage, hypothecate, pledge or charge all or part of its undertaking, property, assets or uncalled capital and to issue securities whether outright, or as collateral security for any debt, liability or obligation of the Company or of any third party.

#### 4.2.16 **C Shares**

The following definitions apply for the purposes of this paragraph 4.2.16:

- “Calculation Date”** means the earliest of the:
- (a) close of business on the date to be determined by the Directors after the day on which the Investment Manager shall have given notice to the Directors that at least 80 per cent. of the net proceeds attributable to the C Shares (or such other percentage as the Directors and Investment Manager shall agree) shall have been invested; or
  - (b) close of business on the date falling twelve calendar months after the allotment of the C Shares or if such a date is not a business day the next following Business Day; or
  - (c) close of business on the last Business Day prior to the day on which the Directors resolve that Force Majeure Circumstances have arisen or are imminent; or
  - (d) close of business on such date as the Directors may determine;
- “Conversion”** means, in relation to any class of C Shares, the conversion of that class of C Shares into New Shares of the relevant class in accordance with the Articles;
- “Conversion Date”** means a date which falls after the Calculation Date and is the date on which the admission of the New Shares arising on Conversion to trading on the London Stock Exchange becomes effective and which is the earlier of:
- (a) the opening of business on such Business Day as may be selected by the Directors provided that such day shall not be more than forty-five Business Days after the Calculation Date; and
  - (b) such earlier date as the Directors may resolve should Force Majeure Circumstances have arisen or the Directors resolve that such circumstances have arisen or are imminent;
- “Conversion Ratio”** for the C Shares of the relevant class, is A divided by B calculated to four decimal places (with 0.00005 being rounded upwards) where:

$$A = \frac{C}{D}$$

$$B = \frac{E}{F}$$

where:

“C” is the Net Asset Value of the relevant class of C Shares as at the Calculation Date

“D” is the number of C Shares of the relevant class in issue at the Calculation Date;

“E” is the Net Asset Value of the shares of the relevant class into which the relevant class of C Shares will convert as at the Calculation Date;

“F” is the number of shares of the relevant class into which the relevant class of C Shares will convert in issue at the Calculation Date (excluding any Shares of the relevant class held in treasury);

provided that the Directors shall make such adjustments to the value or amount of A and B as (i) the auditors shall report to be appropriate having regard among other things, to the assets of the Company immediately prior to the date on which the Company first receives the net proceeds relating to the C Shares of the relevant class and/or to the reasons for the issue of the C Shares of the relevant class or (ii) the Directors deem appropriate;

**“Force Majeure Circumstances”**

means in relation to any class of C Shares (i) any political and/or economic circumstances and/or actual or anticipated changes in fiscal or other legislation which, in the reasonable opinion of the Directors, renders Conversion necessary or desirable; (ii) the issue of any proceedings challenging, or seeking to challenge, the power of the Company and/or its Directors to issue the C Shares of the relevant class with the rights proposed to be attached to them and/or to the persons to whom they are, and/or the terms upon which they are, proposed to be issued; or (iii) the giving of notice of any general meeting of the Company at which a resolution is to be proposed to wind up the Company, whichever shall happen earliest; and

**“New Shares”**

means the ordinary shares of the relevant class arising on conversion of the C Shares.

The holders of the C Shares shall, subject to the rights of any C Shares which may be issued with special rights or privileges, have the following rights as to income:

- (a) the C Shares of each class carry the right to receive all income of the Company attributable to the C Shares, and to participate in any distribution of such income by the Company pro rata to the relevant Net Asset Values of each of the classes of C Share and within each such class income shall be divided *pari passu* amongst the holders of C Shares of that class in proportion to the number of C Shares of such class held by them;
- (b) the New Shares of the relevant class shall rank in full for all dividends and other distributions declared, made or paid by reference to a record date falling after the Calculation Date and otherwise *pari passu* with Shares of the relevant class in issue at the Calculation Date; and
- (c) no dividend or other distribution shall be made or paid by the Company on any of its shares between the Calculation Date and the Conversion Date (both dates inclusive) and no such dividend shall be declared with a record date falling between the Calculation Date and the Conversion Date (both dates inclusive).

At a time when any C Shares are for the time being in issue and prior to the Conversion Date, on a winding up of the Company or other return of capital (other than by way of a repurchase or redemption of C Shares in accordance with the provisions of the Articles and the Laws (as defined in the Articles)): the surplus capital and assets of the Company attributable to the C Shares remaining after payment of all creditors shall, subject to the rights of any C Shares that may be issued with any special rights and privileges, be divided amongst the holders of C Shares of each class pro rata to the relative Net Asset Values of each of the classes of C Share and within each such class, such assets shall be distributed *pari passu* amongst the holders of C Shares of that class in proportion to the number of C Shares of such class held by them.



As regards voting the C Shares shall carry the right to receive notice of and to attend, speak and vote (in accordance with article 20 of the Articles) at general meetings of the Company. The voting rights of holders of C Shares will be the same as that applying to other holders of shares as set out in the Articles.

Without prejudice to the generality of the Articles, for so long as there are C Shares in issue the consent of the holders of the Shares and the holders of the C Shares of the relevant class or classes, as appropriate, each as a separate class shall be required for, and accordingly the special rights attached to the Shares and the C Shares shall be deemed to be varied, inter alia, by:

- (a) any alteration to the Memorandum or the Articles which directly or indirectly affects the rights attaching to the C Shares as set out in the Articles;
- (b) any allotment or issue of any security convertible into or carrying a right to subscribe for any share capital of the Company other than the allotment or issue of further C Shares;
- (c) the passing of any resolution to wind-up the Company; and
- (d) any change being made to the Company's accounting reference date.

For the avoidance of doubt but subject to the rights or privileges attached to any other class of shares, the previous sanction of a special resolution of the holders of Shares and C Shares, of the relevant class or classes, as appropriate, as described above, shall not be required in respect of:

- (a) the issue of further shares ranking *pari passu* in all respects with the shares already in issue (otherwise than in respect of any dividend or other distribution declared, paid or made on the shares of the relevant class by the issue of such further shares); or
- (b) the sale of any shares held as treasury shares or the purchase or redemption of any shares by the Company (whether or not such shares are to be held in treasury).

For so long as one or more classes of C Shares are in issue and until Conversion, and without prejudice to its obligations under the Companies Law the Company shall in relation to each class or classes of Shares and C Shares (as appropriate):

- (a) procure that the Company's records and bank accounts shall be operated so that the assets attributable to the Shares and the C Shares of the relevant class or classes (as appropriate) can, at all times, be separately identified and separate cash accounts shall be created and maintained in the books of the Company for the assets attributable to the Shares and the C Shares of the relevant class or classes (as appropriate);
- (b) allocate to the assets attributable to the Shares and the C Shares of the relevant class or classes (as appropriate) such proportion of the expenses and liabilities of the Company as the Directors fairly consider to be attributable to the Shares and C Shares of the relevant class or classes (as appropriate); and
- (c) the Company shall give appropriate instructions to the Investment Manager and the Administrator to manage the Company's assets so that such undertaking can be complied with by the Company.

The C Shares are issued on such terms that they shall be redeemable by the Company in accordance with the terms set out in the Articles. At any time prior to Conversion, the Company may, subject to the provisions of the Laws (as defined in the Articles), at its discretion, redeem all or any of the C Shares then in issue by agreement with any holder(s) thereof in accordance with such procedures as the Directors may determine (subject, where applicable, to the facilities and procedures of any uncertificated system) and in consideration of the payment of such redemption price as may be agreed between the Company and the relevant holders of C Shares.

The C Shares of the relevant class shall be converted into New Shares of the corresponding class on the Conversion Date in accordance with the following provisions of this paragraph:

- (a) the Directors shall procure that:
  - (i) the Company (or its delegate) calculates, within ten Business Days after the Calculation Date, the Conversion Ratio as at the Calculation Date and the numbers of New Shares of the relevant class to which each holder of C Shares shall be entitled on Conversion; and
  - (ii) the auditors (or some other appropriately qualified person) shall be requested to certify, within three Business Days of the Calculation Date, that such calculations have been performed in accordance with the Articles and are arithmetically accurate whereupon such calculations



shall become final and binding on the Company and all shareholders, subject to the proviso immediately after the definition of “F” above.

The Directors shall procure that, as soon as practicable following such certificate, an announcement is made to a Regulatory Information Service, advising holders of C Shares of the relevant class of the Conversion Date, the Conversion Ratio and the aggregate number of New Shares of the relevant class to which holders of C Shares of the relevant class are entitled on Conversion.

Conversion shall take place on the Conversion Date. On Conversion:

- (a) each issued C Share of the relevant class shall automatically convert and be redesignated into such number of New Shares of the corresponding class as shall be necessary to ensure that, upon Conversion being completed, the number of New Shares of the relevant class equals the number of C Shares of the relevant class in issue at the Calculation Date multiplied by the Conversion Ratio (rounded down to the nearest whole New Share of the relevant class) (provided always that the Directors may deal in such manner as they think fit with fractional entitlements to New Shares of the relevant class, including, without prejudice to the generality of the foregoing, selling any such shares representing such fractional entitlements and retaining the proceeds for the benefit of the Company) and for such purposes any Director is hereby authorised as agent on behalf of the former holders of C Shares of the relevant class, in the case of a share in certificated form, to execute any stock transfer form and to do any other act or thing as may be required to give effect to the same including, in the case of a share in uncertificated form, the giving of directions to or on behalf of the former holders of any C Shares of the relevant class who shall be bound by them;
- (b) forthwith upon Conversion, any certificates relating to the C Shares of the relevant class shall be cancelled and the Company shall issue to each such former holder of C Shares of the relevant class new certificates in respect of the New Shares of the relevant class which have arisen upon Conversion unless such former holder of any C Shares of the relevant class elects to hold their New Shares of the relevant class in uncertificated form;
- (c) the Company will use its reasonable endeavours to procure that, upon Conversion, the New Shares are admitted to the trading on the London Stock Exchange; and
- (d) the Directors are authorised to effect such and any conversions and/or consolidations and/or subdivisions and/or combinations of the foregoing (or otherwise as appropriate) as may have been or may be necessary from time to time to implement the conversion mechanics for C Shares set out in the Articles or as they, in their discretion, consider fair and reasonable having regard to the interest of all shareholders.

## **5. THE CITY CODE**

### **5.1 *Mandatory bid***

The City Code applies to the Company. Under Rule 9 of the City Code, if:

- a person acquires an interest in Shares which, when taken together with Shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights in the Company; or
- a person who, together with persons acting in concert with him, is interested in not less than 30 per cent. and not more than 50 per cent. of the voting rights in the Company acquires additional interests in Shares which increase the percentage of Shares carrying voting rights in which that person is interested,

the acquirer and, depending on the circumstances, its concert parties, would be required (except with the consent of the Panel) to make a cash offer for the outstanding Shares at a price not less than the highest price paid for any interests in the Shares by the acquirer or its concert parties during the previous twelve months.

### **5.2 *Compulsory acquisition***

The Companies Law provides that if an offer is made for the shares or any class of shares in the capital of a company and if, within four months after the date of such offer, the offer is approved by shareholders comprising 90 per cent. in value of the shares affected (excluding any shares held as treasury shares) then the offeror may, no later than two months after the expiration of those four months, send an acquisition notice to any dissenting shareholders informing them that it wishes to

acquire their shares (an “**Acquisition Notice**”). Where an Acquisition Notice is given, the offeror is then entitled and bound to acquire those shares on the terms on which the original offer, approved by the shareholders comprising 90 per cent. in value of the shares affected was made.

## **6. MATERIAL CONTRACTS**

The following are all of the contracts, not being contracts entered into in the ordinary course of business that have been entered into by the Company since its incorporation and are, or may be, material or contain any provision under which the Company has any obligation or entitlement which is or may be material to it as at the date of this document:

### **6.1 The Investment Management Agreement**

The Investment Management Agreement dated 8 December 2017 between the Company, the Investment Manager and CarryCo pursuant to which the Company has appointed the Investment Manager to act as the Company’s alternative investment fund manager for the purposes of AIFMD and accordingly the Investment Manager is responsible for providing portfolio management and risk management services to the Company, subject to the overall control and supervision of the Directors.

Under the Investment Management Agreement, the Investment Manager will regularly review the Company’s investment policy, identify potential investments for the Company and perform and/or procure all due diligence in relation to potential investments for the Company. The Investment Manager has undertaken to carry out its role under the Investment Management Agreement with due skill and attention and ensure that sufficient and appropriately qualified and experienced staff are devoted to the affairs of the Company.

In addition, the Investment Manager will be responsible, inter alia, for procuring that each SPV enters into an asset management agreement with the Asset Manager and that the SPV appoints both a qualified and competent technical manager and a commercial manager on arms-length commercial terms and in accordance with good market practice.

The Investment Management Agreement is for an initial term of three years from Admission and thereafter, subject to termination on not less than twelve months’ written notice by either party. The Investment Management Agreement can be terminated at any time in the event of the insolvency of the Company or in the event that the Investment Manager ceases to be authorised and regulated by the FCA (including to act as the Company’s AIFM) (if required to be so authorised and regulated to continue to carry out its duties under the Investment Management Agreement).

The Investment Manager is entitled to receive from the Company: an investment management fee which is calculated and paid quarterly in arrears equal to: (i) 0.85 per cent. per annum of the prevailing Net Asset Value up to US\$250 million; (ii) 0.75 per cent. per annum of the prevailing Net Asset Value in excess of US\$250 million but not exceeding US\$500 million; and (iii) 0.65 per cent. per annum of the prevailing Net Asset Value in excess of US\$500 million. For the purposes of calculating the investment management fee payable to the Investment Manager, cash and cash equivalents held by the Company will be excluded from the Net Asset Value.

CarryCo is entitled to receive from the Company a performance fee in respect of a Calculation Period provided that the Total Return per Share at the end of the Calculation Period is greater than the High Watermark per Share (being the higher of the Hurdle and the Total Return per Share at the end of a Calculation Period when the performance fee was last paid). The performance fee due to CarryCo is an amount equal to 20 per cent. of the excess in Total Return per Share and the High Watermark per Share multiplied by the time weighted average number of Shares in issue during the Calculation Period.

CarryCo shall receive 50 per cent. of the performance fee within 30 days of the conclusion of the annual general meeting of the Company immediately following the end of the Calculation Period. The remaining 50 per cent. shall be retained by the Company and, subject to being adjusted to take into account any subsequent underperformance, shall be paid out the next time a performance fee is due. Half of all subsequent performance fees shall also be deferred in this manner.

No performance fee is payable if the Investment Manager’s appointment is terminated for cause. If the Investment Manager’s appointment is terminated other than for cause, the Investment Manager shall be entitled to receive all outstanding deferred performance fees (if any).

CarryCo is a party to the Investment Management Agreement solely for the purposes of receiving any performance fee payable.

The Investment Manager will not, in the absence of fraud, negligence, bad faith or wilful default on its part or on the part of its employees and/or delegates, be liable for any loss, damage, cost, claim or expenses sustained or suffered by the Company as a result, or in the course of, the discharge of its duties pursuant to the Investment Management Agreement. In addition, the Company has agreed to indemnify the Investment Manager and its employees from and against all claims by third parties (other than those resulting from fraud, negligence, bad faith or wilful default on the part of the Investment Manager or its employees or a breach by the Investment Manager or its employees of the Investment Management Agreement or the rules of the FCA) incurred in performing their obligations or duties pursuant to the Investment Management Agreement.

The Investment Management Agreement is governed by the laws of England and Wales.

## **6.2 The Placing Agreement**

The Placing Agreement dated 8 December 2017 between the Company, the Investment Manager, the Directors, Cenkos, Hudnall and N+1 Singer pursuant to which, subject to certain conditions, Cenkos, Hudnall and N+1 Singer have agreed to use their respective reasonable endeavours to procure subscribers for Shares at the Issue Price.

The Placing Agreement may be terminated by Cenkos, Hudnall and N+1 Singer in certain customary circumstances prior to Admission.

The obligation of the Company to issue the Shares and the obligation of Cenkos, Hudnall and N+1 Singer to use their respective reasonable endeavours to procure subscribers for Shares are conditional upon certain conditions that are typical for an agreement of this nature. These conditions include, among others: (i) Admission occurring and becoming effective by 8.00 a.m. on or prior to 20 December 2017 (or such later time and/or date, not being later than 31 January 2018, as the Company, the Investment Manager, Cenkos, Hudnall and N+1 Singer may agree); (ii) the Minimum Gross Proceeds being raised; and (iii) the Placing Agreement not having been terminated in accordance with its terms.

The Company and the Investment Manager have given warranties to Cenkos, Hudnall and N+1 Singer concerning, inter alia, the accuracy of the information contained in this document. The Company and the Investment Manager have also given indemnities to Cenkos, Hudnall and N+1 Singer. The warranties and indemnities given by the Company and the Investment Manager are standard for an agreement of this nature.

The Placing Agreement is governed by the laws of England and Wales.

## **6.3 The Administration Agreement**

The Administration Agreement dated 8 December 2017 between the Company, the Investment Manager and the Administrator pursuant to which the Administrator has agreed to act as administrator and secretary to the Company.

Under the terms of the Administration Agreement, the Administrator is entitled to administration fees on a sliding scale starting at 0.07 per cent. per annum of the prevailing Net Asset Value up to US\$150 million reducing to 0.01 per cent. per annum of the prevailing Net Asset Value in excess of US\$300 million subject to a minimum of £58,500 per annum. The Administrator shall also be entitled to a one off set up fee of £15,000. This fee is calculated and payable quarterly in arrears.

The Administration Agreement contains provisions whereby the Company will indemnify the Administrator (and any agent or delegate thereof or any associate or employees of the Administrator) from and against any and all material claims, liabilities, obligations, losses, damages, actions, proceedings, suits, reasonable costs and expenses properly incurred (including reasonable legal expenses properly incurred with the Company's prior written approval) and demands incurred by such parties relating to or arising from the failure by the Company to comply with its duties and responsibilities relating to the Administration Agreement except insofar as any liability is attributable to any bad faith, fraud, wilful default or negligence from any such person.

The Administration Agreement is terminable, inter alia, upon three months' written notice by the Company or the Administrator. The Administration Agreement is also terminable immediately upon

the occurrence of certain events including the insolvency of the Company or the Administrator or a party committing a material breach of the Administration Agreement (where such breach has not been remedied within thirty days of written notice being given).

The Administration Agreement is governed by the laws of Guernsey.

#### **6.4 The Registrar Agreement**

The Registrar Agreement dated 8 December 2017 between the Company and the Registrar pursuant to which the Registrar has agreed to act as registrar to the Company.

Under the terms of the Registrar Agreement, the Registrar is entitled to an annual fixed fee of £6,500 plus certain additional fees for services such as dividend and annual general meeting management. The Registrar is also entitled to reasonable expenses under the Registrar Agreement.

The Registrar Agreement may be terminated on the first anniversary of appointment or will continue thereafter until terminated by either party giving the other at least three months' written notice and is also terminable on service of written notice in the event of breach of the agreement (which has not been remedied within 21 days' written notice of such breach) or insolvency.

The Company has given certain market standard indemnities in favour of the Registrar in respect of the Registrar's potential losses in carrying on its responsibilities under the Registrar Agreement.

The Registrar Agreement is governed by the laws of Guernsey.

#### **6.5 The Receiving Agent Agreement**

The Receiving Agent Agreement dated 8 December 2017 between the Company and the Receiving Agent pursuant to which the Receiving Agent has agreed to act as receiving agent to the Company in connection with the Offer for Subscription.

The Receiving Agent Agreement provides for the payment by the Company of the fees and charges of the Receiving Agent. Under the terms of the Receiving Agent Agreement, the Receiving Agent is entitled to a fee of £4,500. The Receiving Agent will also be entitled to reimbursement of all reasonable out-of-pocket expenses reasonably incurred by it in connection with its duties. These fees will be for the account of the Company.

The Company has given certain market standard indemnities in favour of the Receiving Agent in respect of the Receiving Agent's potential losses in carrying on its responsibilities under the Receiving Agent Agreement.

The Receiving Agent Agreement is governed by the laws of England and Wales.

### **7. RELATED PARTY TRANSACTIONS**

Save for the entry into of the Investment Management Agreement, the Company has not entered into any related party transaction at any time during the period from incorporation to the Latest Practicable Date. Following Admission, the SPVs will enter into (i) asset management agreements with the Asset Manager (as further described at paragraph 4.2 of Part 4 of this document) (ii) may enter into other arrangements with the Asset Manager (as further described at paragraph 4.4 of Part 4 of this document) and (iii) corporate secretarial services agreements with Marine Services (IOM) Limited as further described at paragraph 2.4 of Part 4 of this document.

### **8. LITIGATION**

There have been no governmental, legal or arbitration proceedings, and the Company is not aware of any governmental, legal or arbitration proceedings pending or threatened, nor of any such proceedings having been pending or threatened at any time preceding the date of this document which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Company.

### **9. WORKING CAPITAL**

- 9.1 The Company is of the opinion that, on the basis that the Minimum Net Proceeds are raised, the working capital available to it is sufficient for its present requirements, that is for at least the next twelve months from the date of this document.

- 9.2 If the Minimum Net Proceeds are not raised, the Issue will not proceed and all application monies received under the Issue will be returned to applicants without interest at the applicants' risk.

#### **10. NO SIGNIFICANT CHANGE**

There has been no significant change in the financial or trading position of the Company since the date of its incorporation.

#### **11. CAPITALISATION AND INDEBTEDNESS**

- 11.1 As at the date of this document, the Company has no guaranteed, secured, unguaranteed or unsecured debt and no indirect or contingent indebtedness, and has not entered into any mortgage, charge or security interest. There have been no material changes to the Company's capitalisation from the date of incorporation to the date of this document.

- 11.2 The Company's issued share capital consists of two Shares, both fully paid.

#### **12. INVESTMENT RESTRICTIONS**

The Company will at all times invest and manage its assets with the objective of diversifying investment risk across Segments and in accordance with its published investment objective and policy as set out in Part 1 of this document.

#### **13. GENERAL**

- 13.1 No Director has any interest in the promotion of, or in any property acquired or proposed to be acquired by, the Company.
- 13.2 The Shares being issued in connection with the Issue are being issued at US\$1.00 per Share all of which will be reflected in the stated capital account of the Company.
- 13.3 No application is being made for the Shares to be dealt with in or on any stock exchanges or investment exchanges other than the London Stock Exchange.
- 13.4 Cenkos is acting as joint placing agent and financial adviser to the Issue. Cenkos has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 13.5 Hudnall is acting as joint placing agent and financial adviser to the Issue. Hudnall has given and not withdrawn its written consent to the inclusion in this document of the reference to its name in the form and context in which it appears.
- 13.6 N+1 Singer is acting as joint placing agent to the Issue. N+1 Singer has given and not withdrawn its written consent to the inclusion in this document of the reference to its name in the form and context in which it appears.
- 13.7 Tufton Oceanic Ltd. was incorporated as a private limited company on 25 July 1984 (registration number 1835984) and is authorised and regulated by the FCA. The registered office of the Investment Manager is Albemarle House, 1 Albemarle St, London W1S 4HA (tel. +44 (0)20 7518 6700). The Investment Manager accepts responsibility for the "Key Highlights" section, the paragraphs entitled "Investment Opportunity and Strategy", "Investment Manager's track record", "Illustrative Transactions" in Part I and the whole of Parts III and IV of this document and declares that, having taken all reasonable care to ensure that such is the case, the information for which it is responsible is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import. The Investment Manager has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 13.8 VesselsValue Limited has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears and has authorised the contents of the report set out at Part 2 of this document (the "**Report**") for the purposes of Prospectus Rule 5.5.3R(2)(f). VesselsValue accepts responsibility for the Report. To the best of the knowledge and belief of VesselsValue (who has taken all reasonable care to ensure that such is the case), the information contained in the Report is in accordance with the facts and contains no omission likely to affect the import of such information. VesselsValue was incorporated in England & Wales on 15 July 2010 as a private limited company under the Companies Act 2006 (registered



number 07316511). VesselsValue's registered office is at 7 St. Johns Road, Harrow, Middlesex, HA1 2EY.

- 13.9 The Asset Manager has given and not withdrawn its written consent to the inclusion in this document of references to its name in the form and context in which it appears.
- 13.10 The auditors of the Company are PricewaterhouseCoopers CI LLP and have been the only auditors of the Company since incorporation. PricewaterhouseCoopers CI LLP is a member of the Institute of Chartered Accountants in England and Wales.
- 13.11 Where third party information has been referenced in this document, the source of that third party information has been disclosed. All information in this document that has been sourced from third parties has been accurately reproduced and, as far as the Company and the Directors are aware and able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 13.12 Shareholders are obliged to comply, from Admission, with the shareholding notification and disclosure requirements set out in Chapter 5 of the Disclosure and Transparency Rules ("DTR 5"). As the Company is a **"non-UK issuer"** a Shareholder is required pursuant to Chapter 5 of the DTRs to notify the Company if, as a result of an acquisition or disposal of shares or financial instruments, the Shareholder's percentage of voting rights of the Company reaches, exceeds or falls below, five per cent. of the Company's voting rights or 10, 15, 20, 25, 30, 50 and 75 per cent. above that. However, pursuant to the Articles, DTR 5 is deemed to apply to the Company as though the Company were a UK "issuer" as such term is defined by DTR 5. As such, the relevant percentage thresholds that apply to the Company are 3, 4, 5, 6, 7, 8, 9, 10 per cent. and each 1 per cent. threshold thereafter up to 100 per cent., notwithstanding that in the absence of those provisions of the Articles such thresholds **would not apply to the Company**.

#### 14. AVAILABILITY OF THIS DOCUMENT

Copies of this document are available, for inspection only from the date of this document from the National Storage Mechanism ([www.morningstar.co.uk/uk/nsm](http://www.morningstar.co.uk/uk/nsm)) and may be obtained from the date of this document until Admission from the registered office of the Company.

#### 15. DOCUMENTS AVAILABLE FOR INSPECTION

- 15.1 Copies of the following documents will be available for inspection at the registered office of the Company and the offices of Gowling WLG (UK) LLP, 4 More London Riverside, London SE1 2AU during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this document until Admission:
- the Memorandum;
  - the Articles of Incorporation; and
  - this document.
- 15.2 Copies of the following documents may also be inspected or requested by a Shareholder (or a prospective Shareholder) from the Administrator at the Company's registered office:
- Memorandum;
  - the Articles of Incorporation;
  - the Investment Management Agreement;
  - the Administration Agreement;
  - the Registrar Agreement; and
  - the Receiving Agent Agreement.

Dated: 8 December 2017



## **PART 9**

### **TERMS AND CONDITIONS OF THE PLACING**

#### **1. INTRODUCTION**

Each investor which confirms its agreement to Cenkos, Hudnall and N+1 Singer (together the “**Joint Placing Agents**”) to subscribe for Shares under the Placing (for the purposes of this Part 8, a “**Placee**”) will be bound by these terms and conditions and will be deemed to have accepted them.

Each of the Company and the Joint Placing Agents, as applicable, may require a Placee to agree to such further terms and/or conditions and/or give such additional warranties and/or representations as it (in its absolute discretion) sees fit.

#### **2. AGREEMENT TO SUBSCRIBE FOR SHARES**

Conditional on: (i) Admission becoming effective by not later than 8.00 a.m. (London time) on 20 December 2017 (or such later time and/or date, not being later than 8.00 a.m. on 31 January 2018, as the Company, the Investment Manager and the Joint Placing Agents may agree); (ii) the Placing Agreement becoming otherwise unconditional in all respects, and not being terminated in accordance with its terms before Admission becomes effective; (iii) the Minimum Gross Proceeds being raised pursuant to the Issue; and (iv) a Joint Placing Agent confirming to the Placees their allocation of Shares, a Placee agrees to become a member of the Company and agrees to subscribe for those Shares allocated to it by the Joint Placing Agents at the Issue Price. To the fullest extent permitted by law, each Placee acknowledges and agrees that it will not be entitled to exercise any remedy of rescission at any time. This does not affect any other rights the Placee may have.

#### **3. PAYMENT FOR SHARES**

- 3.1 Each Placee must pay the Issue Price for the Shares issued to the Placee in the manner and by the time directed by the Joint Placing Agents. If any Placee fails to pay as so directed and/or by the time required, the relevant Placee’s application for Shares may, at the discretion of the Joint Placing Agents, either be rejected or accepted and in the latter case paragraph 3.2 of these terms and conditions shall apply.
- 3.2 Each Placee is deemed to agree that if it does not comply with its obligation to pay the Issue Price for the Shares allocated to it in accordance with paragraph 3.1 of these terms and conditions and the Joint Placing Agents elect to accept that Placee’s application, the Joint Placing Agents may sell all or any of the Shares allocated to the Placee on such Placee’s behalf and retain from the proceeds, for the Joint Placing Agent’s own account and profit, an amount equal to the aggregate amount owed by the Placee plus any interest due. The Placee will, however, remain liable for any shortfall below the aggregate amount owed by such Placee and it may be required to bear any tax or other charges (together with any interest or penalties) which may arise upon the sale of such Shares on such Placee’s behalf.

#### **4. REPRESENTATIONS AND WARRANTIES**

By agreeing to subscribe for Shares, each Placee which enters into a commitment to subscribe for Shares will (for itself and any person(s) procured by it to subscribe for Shares and any nominee(s) for any such person(s)) be deemed to represent and warrant to each of the Company, the Investment Manager, the Joint Placing Agents and the Registrar that:

- (a) in agreeing to subscribe for Shares under the Placing, it is relying solely on this document and any supplementary prospectus issued by the Company prior to the date of Admission and not on any other information given, or representation or statement made at any time, by any person concerning the Company, the Shares or the Placing. It agrees that none of the Company, the Investment Manager, the Joint Placing Agents or the Registrar, nor any of their respective officers, agents or employees, will have any liability for any other information or representation. It irrevocably and unconditionally waives any rights it may have in respect of any other information or representation;

- (b) if the laws of any territory or jurisdiction outside the United Kingdom are applicable to its agreement to subscribe for Shares under the Placing, it warrants that it has complied with all such laws, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with its application in any territory and that it has not taken any action or omitted to take any action which will result in the Company, the Investment Manager, a Joint Placing Agent or the Registrar or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction outside the United Kingdom in connection with the Placing;
- (c) it has carefully read and understands this document in its entirety and acknowledges that it is acquiring Shares on the terms and subject to the conditions set out in this Part 9 and the Articles as in force at the date of Admission;
- (d) it has not relied on a Joint Placing Agent or any person affiliated with a Joint Placing Agent in connection with any investigation of the accuracy of any information contained in this document or any supplementary prospectus issued by the Company prior to Admission;
- (e) the contents of this document and any supplementary prospectus issued by the Company prior to Admission are the responsibility of the Company and its Directors and none of the Joint Placing Agents nor any person acting on their respective behalf nor any of their respective affiliates are responsible for or shall have any liability for any information, representation or statement contained in this document, any such supplementary prospectus or any information published by or on behalf of the Company and will not be liable for any decision by a Placee to participate in the Placing based on any information, representation or statement contained in this document, such supplementary prospectus or otherwise;
- (f) it acknowledges that no person is authorised in connection with the Placing to give any information or make any representation other than as contained in this document and any supplementary prospectus issued by the Company prior to Admission and, if given or made, any information or representation must not be relied upon as having been authorised by the Company, the Investment Manager or a Joint Placing Agent;
- (g) it is not applying as, nor is it applying as nominee or agent for, a person who is or may be liable to notify and account for tax under the Stamp Duty Reserve Tax Regulations 1986 at any of the increased rates referred to in section 67, 70, 93 or 96 of the Finance Act 1986 (depository receipts and clearance services);
- (h) it accepts that none of the Shares have been or will be registered under the laws of the United States, Australia, Canada, Japan or the Republic of South Africa. Accordingly, the Shares may not be offered, sold, issued or delivered, directly or indirectly, within any of the United States, Australia, Canada, Japan or the Republic of South Africa unless an exemption from any registration requirement is available;
- (i) if it is within the United Kingdom, it is: (i) a person who falls within articles 49(2)(a) to (d) or 19(5) of the Financial Services and Markets Act 2000 (Financial Promotions) Order 2005 or it is a person to whom the Shares may otherwise lawfully be offered under such Order or, if it is receiving the offer in circumstances under which the laws or regulations of a jurisdiction other than the United Kingdom would apply, it is a person to whom the Shares may be lawfully offered under that other jurisdiction's laws and regulations; or (ii) a person who is a "professional client" or an "eligible counterparty" within the meaning of Chapter 3 of the FCA's Conduct of Business Sourcebook;
- (j) if it is a resident in the EEA (other than the United Kingdom), (a) it is a qualified investor within the meaning of the law in the relevant EEA Member State implementing article 2(1)(e)(i), (ii) or (iii) of the Prospectus Directive and (b) if that relevant EEA Member State has implemented the AIFMD, that it is a person to whom the Shares may lawfully be marketed under the AIFMD or under the applicable implementing legislation (if any) of that relevant EEA Member State;
- (k) in the case of any Shares acquired by a Placee as a financial intermediary within an EEA Member State (other than the United Kingdom) as that term is used in article 3(2) of the Prospectus Directive (i) the Shares acquired by it in the Placing have not been acquired on behalf of, nor have they been acquired with a view to their offer or resale to, persons in

any relevant EEA Member State other than qualified investors, as that term is defined in the Prospectus Directive, or in circumstances in which the prior consent of the Joint Placing Agents has been given to the offer or resale; or (ii) where Shares have been acquired by it on behalf of persons in any relevant EEA Member State other than qualified investors, the offer of those Shares to it is not treated under the Prospectus Directive as having been made to such persons;

- (l) if it is outside the United Kingdom, neither this document nor any other offering, marketing or other material in connection with the Placing constitutes an invitation, offer or promotion to, or arrangement with, it or any person whom it is procuring to subscribe for Shares pursuant to the Placing unless, in the relevant territory, such offer, invitation or other course of conduct could lawfully be made to it or such person and such documents or materials could lawfully be provided to it or such person and Shares could lawfully be distributed to and subscribed and held by it or such person without compliance with any unfulfilled approval, registration or other regulatory or legal requirements;
- (m) it does not have a registered address in, and is not a citizen, resident or national of, any jurisdiction in which it is unlawful to make or accept an offer of the Shares and it is not acting on a non-discretionary basis for any such person;
- (n) if the Placee is a natural person, such Placee is not under the age of majority (18 years of age in the United Kingdom) on the date of such Placee's agreement to subscribe for Shares under the Placing and will not be any such person on the date any such agreement to subscribe under the Placing is accepted;
- (o) it has complied and will comply with all applicable provisions of the Criminal Justice Act 1993 and the Market Abuse Regulation (EU) No. 596/2014 with respect to anything done by it in relation to the Placing and/or the Shares;
- (p) it has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other offering materials concerning the Placing or the Shares to any persons within the United States or to any U.S. Persons, nor will it do any of the foregoing;
- (q) it represents, acknowledges and agrees to the representations, warranties and agreements as set out under the heading "United States Purchase and Transfer Restrictions" in paragraph 5, below;
- (r) it acknowledges that none of the Joint Placing Agents nor any of their respective affiliates, nor any person acting on a Joint Placing Agent's behalf is making any recommendations to it or advising it regarding the suitability of any transactions it may enter into in connection with the Placing or providing any advice in relation to the Placing and its participation in the Placing is on the basis that it is not and will not be a client of a Joint Placing Agent and that none of the Joint Placing Agents has any duties or responsibilities to it for providing the protections afforded to its clients or for providing advice in relation to the Placing nor in respect of any representations, warranties, undertaking or indemnities otherwise required to be given by it in connection with its application under the Placing;
- (s) that, save in the event of fraud on the part of the relevant Joint Placing Agent, none of the Joint Placing Agents, their respective ultimate holding companies nor any direct or indirect subsidiary undertakings of such holding companies, nor any of their respective directors, members partners, officers and employees, shall be responsible or liable to a Placee or any of its clients for any matter arising out of the Joint Placing Agents' role as placing agents, financial adviser or otherwise in connection with the Placing and that were any such responsibility or liability nevertheless arises as a matter of law the Placee and, if relevant, its clients will immediately waive any claim against any of such persons which the Placee or any of its clients may have in respect thereof;
- (t) it acknowledges that where it is subscribing for Shares for one or more managed, discretionary or advisory accounts, it is authorised in writing for each such account; (i) to subscribe for the Shares for each such account; (ii) to make on each such account's behalf the representations, warranties and agreements set out in this document; and (iii) to receive on behalf of each such account any documentation relating to the Placing in the form provided by the Company and/or the Joint Placing Agents. It agrees that the provision of this paragraph shall survive any resale of the Shares by or on behalf of any such account;

- (u) it irrevocably appoints any director of the Company and any director of any one of the Joint Placing Agents to be its agent and on its behalf (without any obligation or duty to do so), to sign, execute and deliver any documents and do all acts, matters and things as may be necessary for, or incidental to, its subscription for all or any of the Shares for which it has given a commitment under the Placing, in the event of its own failure to do so;
- (v) it accepts that if the Placing does not proceed or the conditions to the Placing Agreement are not satisfied or the Shares for which valid applications are received and accepted are not admitted to trading on the Specialist Fund Segment for any reason whatsoever then none of the Joint Placing Agents, nor the Company, nor persons controlling, controlled by or under common control with any of them nor any of their respective employees, agents, officers, members, stockholders, partners or representatives, shall have any liability whatsoever to it or any other person;
- (w) in connection with its participation in the Placing, it has observed all relevant legislation and regulations, in particular (but without limitation) those relating to money laundering ("**Money Laundering Legislation**") and that its application is only made on the basis that it accepts full responsibility for any requirement to verify the identity of its clients and other persons in respect of whom it has applied. In addition, it warrants that it is a person: (i) subject to the Money Laundering Regulations 2007 in force in the United Kingdom; or (ii) subject to the Money Laundering Directive (2005/60/EC of the European Parliament and of the EC Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing) (the "Money Laundering Directive"); or (iii) subject to the Guernsey AML Requirements; or (iv) acting in the course of a business in relation to which an overseas regulatory authority exercises regulatory functions and is based or incorporated in, or formed under the law of, a country in which there are in force provisions at least equivalent to those required by the Money Laundering Directive;
- (x) it acknowledges that due to anti-money laundering requirements, the Joint Placing Agents and the Company may require proof of identity and verification of the source of the payment before the application can be processed and that, in the event of delay or failure by the applicant to produce any information required for verification purposes, the Joint Placing Agents and the Company may refuse to accept the application and the subscription moneys relating thereto. It holds harmless and will indemnify each Joint Placing Agent and the Company against any liability, loss or cost ensuing due to the failure to process such application, if such information as has been required has not been provided by it;
- (y) it acknowledges that any person in Guernsey involved in the business of the Company who has a suspicion or belief that any other person (including the Company or any person subscribing for Shares) is involved in money laundering activities, is under an obligation to report such suspicion to the Financial Intelligence Service pursuant to the Terrorism and Crime (Bailiwick of Guernsey) Law, 2002 (as amended);
- (z) it acknowledges and agrees that information provided by it to the Company, Registrar or Administrator will be stored on the Registrar's and the Administrator's computer system and manually. It acknowledges and agrees that for the purposes of the Data Protection (Bailiwick of Guernsey) Law 2001 (the Data Protection Law) and other relevant data protection legislation which may be applicable, the Registrar and the Administrator are required to specify the purposes for which they will hold personal data. The Registrar and the Administrator will only use such information for the purposes set out below (collectively, the Purposes), being to:
  - (a) process its personal data (including sensitive personal data) as required by or in connection with its holding of Shares, including processing personal data in connection with credit and money laundering checks on it;
  - (b) communicate with it as necessary in connection with its affairs and generally in connection with its holding of Shares;
  - (c) provide personal data to such third parties as the Administrator or Registrar may consider necessary in connection with its affairs and generally in connection with its holding of Shares or as the Data Protection Law may require, including to third parties outside the Bailiwick of Guernsey or the European Economic Area;

- (d) without limitation, provide such personal data to the Company, the Joint Placing Agents or the Investment Manager and their respective associates for processing, notwithstanding that any such party may be outside the Bailiwick of Guernsey or the European Economic Area; and
- (e) process its personal data for the Administrator's internal administration;
  - (aa) in providing the Registrar and the Administrator with information, it hereby represents and warrants to the Registrar and the Administrator that it has obtained the consent of any data subject to the Registrar and the Administrator and their respective associates holding and using their personal data for the Purposes (including the explicit consent of the data subjects for the processing of any sensitive personal data for the Purposes set out in paragraph (z) above). For the purposes of this document, "data subject", "personal data" and "sensitive personal data" shall have the meanings attributed to them in the Data Protection Law;
  - (bb) the Joint Placing Agents and the Company are entitled to exercise any of their rights under the Placing Agreement or any other right in their absolute discretion without any liability whatsoever to it;
  - (cc) the representations, undertakings and warranties contained in this document are irrevocable. It acknowledges that the Joint Placing Agents, the Company, the Investment Manager and the Registrar and their respective affiliates will rely upon the truth and accuracy of the foregoing representations and warranties and it agrees that if any of the representations or warranties made or deemed to have been made by its subscription of the Shares are no longer accurate, it shall promptly notify the Joint Placing Agents and the Company;
  - (dd) where it or any person acting on behalf of it is dealing with the Joint Placing Agents, any money held in an account with a Joint Placing Agent on behalf of it and/or any person acting on behalf of it will not be treated as client money within the meaning of the relevant rules and regulations of the FCA which therefore will not require the Joint Placing Agents to segregate such money, as that money will be held by the Joint Placing Agents under a banking relationship and not as trustee;
  - (ee) any of its clients, whether or not identified to the Joint Placing Agents, will remain its sole responsibility and will not become clients of a Joint Placing Agent for the purposes of the rules of the FCA or for the purposes of any other statutory or regulatory provision;
  - (ff) it accepts that the allocation of Shares shall be determined by the Joint Placing Agents (following consultation with the Company and the Investment Manager) at their absolute discretion and that the Joint Placing Agents may scale down any commitments for this purpose on such basis as they may determine;
  - (gg) it authorises the Joint Placing Agents to deduct from the total amount subscribed under the Placing the aggregate commission (if any) (calculated at the rate agreed with the Company) payable on the number of Shares allocated to it under the Placing;
  - (hh) time shall be of the essence as regards its obligations to settle payment for the Shares and to comply with its other obligations under the Placing; and
  - (ii) if it is in the Bailiwick of Guernsey, it is a person licensed under any of the Protection of Investors (Bailiwick of Guernsey) Law, 1987 (as amended), the Insurance Business (Bailiwick of Guernsey) Law, 2002 (as amended), the Banking Supervision (Bailiwick of Guernsey) Law, 1994 (as amended), or the Regulation of Fiduciaries, Administration Businesses and Company Directors, etc (Bailiwick of Guernsey) Law, 2000 (as amended).



## **5. UNITED STATES PURCHASE AND TRANSFER RESTRICTIONS**

5.1 By participating in the Placing, each Placee acknowledges and agrees that it will (for itself and any person(s) procured by it to subscribe for Shares and any nominee(s) for any such person(s)) be further deemed to represent and warrant to each of the Company, the Investment Manager, the Joint Placing Agents and the Registrars that:

- (a) it is not a U.S. Person, is not located in the U.S. and it is acquiring the Shares in an offshore transaction meeting the requirements of Regulation S and it is not acquiring the Shares for the account or benefit of a U.S. Person;
- (b) it acknowledges that the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold in the United States or to, or for the account or benefit of, U.S. Persons absent registration or an exemption from registration under the U.S. Securities Act;
- (c) it acknowledges that the Company has not registered under the U.S. Investment Company Act and that the Company has put in place restrictions for transactions not involving any public offering in the United States, and to ensure that the Company is not and will not be required to register under the U.S. Investment Company Act;
- (d) no portion of the assets used to purchase, and no portion of the assets used to hold, the Shares or any beneficial interest therein constitutes or will constitute the assets of (i) an “employee benefit plan” as defined in Section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a “plan” as defined in Section 4975 of the U.S. Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Code; or (iii) an entity which is deemed to hold the assets of any of the foregoing types of plans, accounts or arrangements that is subject to Title I of ERISA or Section 4975 of the U.S. Code. In addition, if a Placee is a governmental, church, non-US or other employee benefit plan that is subject to any federal, state, local or non-US law that is substantially similar to the provisions of Title I of ERISA or Section 4975 of the U.S. Code, its purchase, holding, and disposition of the Shares must not constitute or result in a non-exempt violation of any such substantially similar law;
- (e) if in the future the Placee decides to offer, sell, transfer, assign or otherwise dispose of its Shares, it will do so only in compliance with an exemption from the registration requirements of the U.S. Securities Act and under circumstances which will not require the Company to register under the U.S. Investment Company Act. It acknowledges that any sale, transfer, assignment, pledge or other disposal made other than in compliance with such laws and the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;
- (f) it is purchasing the Shares for its own account or for one or more investment accounts for which it is acting as a fiduciary or agent, in each case for investment only, and not with a view to or for sale or other transfer in connection with any distribution of the Shares in any manner that would violate the U.S. Securities Act, the U.S. Investment Company Act or any other applicable securities laws;
- (g) it acknowledges that the Company reserves the right to make inquiries of any holder of the Shares or interests therein at any time as to such person’s status under U.S. federal securities laws and to require any such person that has not satisfied the Company that holding by such person will not violate or require registration under U.S. securities laws to transfer such Shares or interests in accordance with the Articles;
- (h) it acknowledges and understands that the Company is required to comply with FATCA and the CRS and agrees to furnish any information and documents the Company may from time to time request, including but not limited to information required under FATCA or the CRS;
- (i) it is entitled to acquire the Shares under the laws of all relevant jurisdictions which apply to it, it has fully observed all such laws and obtained all governmental and other consents which may be required thereunder and complied with all necessary formalities and it has paid all issue, transfer or other taxes due in connection with its acceptance in any jurisdiction of the Shares and that it has not taken any action, or omitted to take any action, which may result in the Company, the Investment Manager, the Joint Placing Agents or their respective directors,



officers, agents, employees and advisers being in breach of the laws of any jurisdiction in connection with the Placing or its acceptance of participation in the Placing;

- (j) it has received, carefully read and understands this document, and has not, directly or indirectly, distributed, forwarded, transferred or otherwise transmitted this document or any other presentation or offering materials concerning the Shares to within the United States or to any U.S. Persons, nor will it do any of the foregoing; and
- (k) if it is acquiring any Shares as a fiduciary or agent for one or more accounts, the Placee has sole investment discretion with respect to each such account and full power and authority to make such foregoing representations, warranties, acknowledgements and agreements on behalf of each such account.

5.2 The Company, the Investment Manager, the Joint Placing Agents, the Registrar and their respective directors, officers, agents, employees, advisers and others will rely upon the truth and accuracy of the foregoing representations, warranties, acknowledgments and agreements.

5.3 If any of the representations, warranties, acknowledgments or agreements made by the Placee are no longer accurate or have not been complied with, the Placee will immediately notify the Company and the Joint Placing Agents.

## **6. SUPPLY AND DISCLOSURE OF INFORMATION**

If the Joint Placing Agents or the Company or any of their agents request any information about a Placee's agreement to subscribe for Shares under the Placing, such Placee must promptly disclose it to them.

## **7. MISCELLANEOUS**

7.1 The rights and remedies of the Company, the Investment Manager, the Joint Placing Agents and the Registrar under these terms and conditions are in addition to any rights and remedies which would otherwise be available to each of them and the exercise or partial exercise of one will not prevent the exercise of others.

7.2 On application, if a Placee is a discretionary fund manager, that Placee may be asked to disclose in writing or orally the jurisdiction in which its funds are managed or owned. All documents provided in connection with the Placing will be sent at the Placee's risk. They may be returned by post to such Placee at the address notified by such Placee.

7.3 Each Placee agrees to be bound by the Articles once the Shares, which the Placee has agreed to subscribe for pursuant to the Placing, have been acquired by the Placee. The contract to subscribe for Shares under the Placing and the appointments and authorities mentioned in this document and all disputes and claims arising out of or in connection with its subject matter or formation (including non-contractual disputes or claims) will be governed by, and construed in accordance with, the laws of England and Wales. For the exclusive benefit of the Company, the Investment Manager, the Joint Placing Agents and the Registrar, each Placee irrevocably submits to the jurisdiction of the courts of England and Wales and waives any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum. This does not prevent an action being taken against the Placee in any other jurisdiction.

7.4 In the case of a joint agreement to subscribe for Shares under the Placing, references to a "Placee" in these terms and conditions are to each of the Placees who are a party to that joint agreement and their liability is joint and several.

7.5 The Joint Placing Agents and the Company expressly reserve the right to modify the Placing (including, without limitation, the timetable and settlement) at any time before allocations are determined. The Placing is subject to the satisfaction of the conditions contained in the Placing Agreement and the Placing Agreement not having been terminated. Further details of the terms of the Placing Agreement are contained at paragraph 6.2 of Part 8 of this document.

## PART 10

### TERMS AND CONDITIONS OF APPLICATION UNDER THE OFFER FOR SUBSCRIPTION

#### 1. INTRODUCTION

Shares are available under the Offer at a price of US\$1.00 per Share.

Applications must be made on the Application Form attached at the end of this document or otherwise published by the Company. Commitments under the Offer for Subscription, once made, may not be withdrawn without the consent of the Board.

#### 2. EFFECT OF APPLICATION

Applications under the Offer must be for Shares with a minimum subscription amount of 1,000 Shares and thereafter in multiples of 100 Shares.

##### 2.1 *Offer to acquire Shares*

By completing and delivering an Application Form, you, as the applicant, and, if you sign the Application Form on behalf of another person or a corporation, that person or corporation:

- (a) offer to subscribe for such number of Shares at US\$1.00 per Share as may be purchased by the subscription amount specified in Box 1 on your Application Form (being a minimum of 1,000 Shares); or such smaller number for which such application is accepted, on the terms, and subject to the conditions, set out in this document, including these Terms and Conditions of Application and the Memorandum and the Articles;
- (b) agree that, in consideration of the Company agreeing that it will not, prior to the date of Admission, offer for subscription any Shares to any person other than by means of the procedures referred to in this document, your application may not be revoked (subject to any legal right to withdraw your application which arises as a result of the publication of a supplementary prospectus prior to Admission) and that this paragraph shall constitute a collateral contract between you and the Company which will become binding upon despatch by post to or, in the case of delivery by hand, on receipt by, the Receiving Agent of your Application Form;
- (c) undertake to pay the subscription amount specified in Box 1 on your Application Form in full on application and warrant that the remittance accompanying your Application Form will be honoured on first presentation and agree that if such remittance is not so honoured you will not be entitled to receive a share certificate for the Shares applied for in certificated form or be entitled to commence dealing in Shares applied for in uncertificated form or to enjoy or receive any rights in respect of such Shares unless and until you make payment in cleared funds for such Shares and such payment is accepted by the Receiving Agent (which acceptance shall not constitute an acceptance of your application under the Offer and shall be in its absolute discretion and on the basis that you indemnify the Receiving Agent, the Company, the Joint Placing Agents against all costs, damages, losses, expenses and liabilities arising out of, or in connection with, the failure of your remittance to be honoured on first presentation) and the Company may (without prejudice to any other rights it may have) avoid the agreement to allot the Shares and may allot them to some other person, in which case you will not be entitled to any refund or payment in respect thereof (other than the refund by way of a cheque in your favour at your risk, for an amount equal to the proceeds of the remittance which accompanied your Application Form, without interest);
- (d) agree, that where on your Application Form a request is made for Shares to be deposited into a CREST account (a “**CREST Account**”), (i) the Company may in its absolute discretion issue such Shares in certificated form registered in the name(s) of the holder(s) specified in your Application Form (and recognise that the Receiving Agent will so amend the form if there is any delay in satisfying the identity of the applicant or the owner of the CREST Account or in receiving your remittance in cleared funds) and (ii) the Receiving Agent, the Company or the Joint Placing Agents may authorise your financial adviser or whoever he or she may direct to send a document of title for or credit your CREST Account in respect of the

number of Shares for which your application is accepted, and/or a crossed cheque for any monies returnable, by post at your risk to your address set out on your Application Form;

- (e) agree, in respect of applications for Shares in certificated form (or where the Receiving Agent exercises its discretion pursuant to paragraph 2.1(d) above to issue Shares in certificated form), that any share certificate to which you or, in the case of joint applicants, any of the persons specified by you in your Application Form may become entitled or pursuant to paragraph 2.1(d) above (and any monies returnable to you) may be retained by the Receiving Agent:
- pending clearance of your remittance;
  - pending investigation of any suspected breach of the warranties contained in paragraphs 2.5(a), (b), (f), (h), (m), (n), (o), (p) or (q) below or any other suspected breach of these Terms and Conditions of Application; or
  - pending any verification of identity which is, or which the Receiving Agent considers may be, required for the purpose of the Guernsey AML Requirements and any other regulations applicable thereto,

and any interest accruing on such retained monies shall accrue to and for the benefit of the Company;

- (f) agree, on the request of the Receiving Agent to disclose promptly in writing to them such information as the Company and/or Receiving Agent may request in connection with your application and authorise the Receiving Agent to disclose any information relating to your application which they may consider appropriate;
- (g) agree that if evidence of identity satisfactory to the Receiving Agent is not provided to the Receiving Agent within a reasonable time (in the opinion of the Receiving Agent) following a request therefor, the Company may terminate the agreement with you to allot Shares and, in such case, the Shares which would otherwise have been allotted to you may be re-allotted or sold to some other party and the lesser of your application monies or such proceeds of sale (as the case may be, with the proceeds of any gain derived from a sale accruing to the Company) will be returned by a cheque drawn on a branch of a UK clearing bank to the bank account on which the payment accompanying the application was first drawn without interest and at your risk;
- (h) agree that you are not applying on behalf of a person engaged in money laundering or any sanctioned individual or entity;
- (i) undertake to ensure that, in the case of an application signed by someone else on your behalf, the original of the relevant power of attorney (or a complete copy certified by a solicitor or notary) is enclosed with your Application Form together with full identity documents for the person so signing;
- (j) undertake to pay interest at the rate described in paragraph 2.2 below if the remittance accompanying your Application Form is not honoured on first presentation;
- (k) authorise the Receiving Agent to procure that there be sent to you definitive certificates in respect of the number of Shares for which your application is accepted or if you have completed Section 2B on your Application Form, but subject to paragraph 2.1(d) above, to deliver the number of Shares for which your application is accepted into CREST, and/or to return any monies returnable by a cheque drawn on a branch of a UK or Channel Islands clearing house to the bank account name from which such monies were received without interest and at your risk;
- (l) confirm that you have read and complied with paragraph 2.7 below;
- (m) agree that all subscription cheques and payments will be processed through a bank account (the "Acceptance Account") in the name of "Computershare Investor Services PLC re: Tufton Oceanic Assets Limited – Offer for Subscription a/c" opened by the Receiving Agent;
- (n) agree that your Application Form is addressed to the Company and the Receiving Agent;
- (o) acknowledge that the offer to the public of Shares is being made only in the United Kingdom and represent that you are a United Kingdom resident (unless you are able to provide such

evidence as the Company may, in its absolute discretion, require that you are entitled to apply for Shares); and

- (p) agree that any application may be rejected in whole or in part at the sole discretion of the Company.

## **2.2 Acceptance of your offer**

The Receiving Agent may on behalf of the Company, accept your offer to subscribe (if your application is received, valid (or treated as valid), processed and not rejected) by the London Stock Exchange being notified through a Regulatory Information Service of the basis of allocation (in which case the acceptance will be on that basis).

The maximum number of Shares available under the Issue is 200 million. The basis of allocation will be determined by the Joint Placing Agents in consultation with the Company and the Investment Manager. The right is reserved notwithstanding the basis as so determined to reject in whole or in part and/or scale back any application. The right is reserved to treat as valid any application not complying fully with these Terms and Conditions of Application or not in all respects completed or delivered in accordance with the instructions accompanying the Application Form. In particular, but without limitation, the Company may accept an application made otherwise than by completion of an Application Form where you have agreed with the Company in some other manner to apply in accordance with these Terms and Conditions of Application.

The Receiving Agent will present all cheques and bankers' drafts for payment on receipt and will retain documents of title and surplus monies pending clearance of successful applicants' payments.

The Receiving Agent may, as agent of the Company, require you to pay interest or its other resulting costs (or both) if the payment accompanying your application is not honoured on first presentation. If you are required to pay interest you will be obliged to pay the amount determined by the Company to be the interest on the amount of the payment from the date on which all payments in cleared funds are due to be received until the date of receipt of cleared funds. The rate of interest will be the then published bank base rate of a clearing bank selected by the Company plus four per cent. per annum. The right is also reserved to reject in whole or in part, or to scale down or limit, any application.

Except as provided below, payments may be made by cheque or banker's draft in US Dollars drawn on a branch in the United Kingdom or the Channel Islands of a bank or building society that is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or that has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of either of those companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of an individual Applicant where they have sole or joint title to the funds, should be made payable to "Computershare Investor Services PLC re: Tufon Oceanic Assets Limited – Offer for Subscription a/c" and crossed "A/C Payee Only". Third party cheques may not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping/endorsing the cheque or banker's draft to that effect. The account name should be the same as that shown on the Application Form. Please note that, cheques will be presented for payment upon receipt and post-dated cheques will not be accepted.

For applicants sending subscription monies by electronic bank transfer (CHAPS/WIRE), payment must be made for value by no later than 11 a.m. on 15 December 2017. Computershare must receive full remittance of the amount the applicant is applying for and such applicant must therefore ensure that all charges have been taken into account. For full bank details, please contact Computershare by email at [OFSPAYMENTQUERIES@computershare.co.uk](mailto:OFSPAYMENTQUERIES@computershare.co.uk) or telephone the shareholder helpline on 0370 707 4040 (from within the UK) or on +44 (0) 370 707 4040 (if calling from outside the UK) for further information. Computershare will then provide you with a unique reference which must be used on the original Application Form and payment. The account that payment is made from must be the same as that shown on the Application form.

Applicants choosing to settle via CREST, that is DVP, will need to match their instructions to Computershare Investor Services PLC's Participant account 8RA30 by no later than 1 p.m. on

19 December 2017, allowing for the delivery and acceptance of Shares to be made against payment of the Issue Price per Share, following the CREST matching criteria set out in the Application Form.

### 2.3 **Conditions**

The contracts created by the acceptance of applications (in whole or in part) under the Offer for Subscription will be conditional, *inter alia*, upon:

- (a) Admission occurring by 8.00 a.m. (London time) on 15 December 2017 (or such later time and/or date, not being later than 8.00 a.m. on 31 January 2018, as the Company, the Investment Manager, the Joint Placing Agents may agree);
- (b) the Minimum Gross Proceeds being raised; and
- (c) the Placing Agreement not having being terminated in accordance with its terms.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation (including pre-contractual representations) at any time after acceptance. This does not affect any other right you may have.

### 2.4 **Return of application monies**

Where application monies have been banked and/or received, if any application is not accepted in whole, or is accepted in part only, or if any contract created by acceptance does not become unconditional, the application monies or, as the case may be, the balance of the amount paid on application will be returned without interest, and after the deduction of any applicable bank charges, by returning your cheque, or by crossed cheque in your favour, by post or by electronic transfer to the bank account from which it was received, at the risk of the person(s) entitled thereto, without interest as soon as reasonably practicable. In the meantime, application monies will be retained by the Receiving Agent in a separate account.

### 2.5 **Warranties**

By completing an Application Form, you:

- (a) undertake and warrant that, if you sign the Application Form on behalf of somebody else or on behalf of a corporation, you have due authority to do so on behalf of that other person and that such other person will be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions of Application and undertake to enclose your power of attorney or other authority or a complete copy thereof duly certified by a solicitor or notary;
- (b) represent and warrant that you have complied with the laws of all relevant territories, obtained all governmental and other consents which may be required, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action or omitted to take any action which will result in the Company or the Receiving Agent or any of their respective officers, agents or employees acting in breach of the regulatory or legal requirements, directly or indirectly, of any territory or jurisdiction in connection with the Offer for Subscription in respect of your application;
- (c) confirm that (save for advice received from your financial adviser (if any)) in making an application you are not relying on any information or representations in relation to the Company other than those contained in this document and any supplementary prospectus published by the Company prior to Admission (subject to your statutory right of withdrawal) (on the basis of which alone your application is made) and accordingly you agree that no person responsible solely or jointly for this document or such supplementary prospectus or any part thereof shall have any liability for any such other information or representation;
- (d) agree that, having had the opportunity to read this document, you shall be deemed to have had notice of all information and representations contained herein;
- (e) acknowledge that no person is authorised in connection with the Offer for Subscription to give any information or make any representation other than as contained in this document and any supplementary prospectus published by the Company prior to Admission and, if given or



made, any information or representation must not be relied upon as having been authorised by the Company, the Investment Manager, Joint Placing Agents or the Receiving Agent;

- (f) represent and warrant that you are not under the age of 18 on the date of your application;
- (g) agree that all documents and monies sent by post to, by, from or on behalf of the Company or the Receiving Agent, will be sent at your risk and, in the case of documents and returned application cheques and payments to be sent to you, may be sent to you at your address (or, in the case of joint holders, the address of the first named holder) as set out in your Application Form;
- (h) confirm that you have reviewed the restrictions contained in paragraph 2.7 below and warrant that you (and any person on whose behalf you apply) comply with the provisions therein;
- (i) agree that, in respect of those Shares for which your Application Form has been received and processed and not rejected, acceptance of your Application Form shall be constituted by the Company instructing the Registrar to enter your name on the Register;
- (j) agree that all applications, acceptances of applications and contracts resulting therefrom under the Offer for Subscription shall be governed by, and construed in accordance with, the laws of England and Wales and that you submit to the jurisdiction of the Courts of England and Wales and agree that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such applications, acceptances of applications and contracts in any other manner permitted by law or in any court of competent jurisdiction;
- (k) irrevocably authorise the Company and/or the Receiving Agent or any other person authorised by any of them, as your agent, to do all things necessary to effect registration of any Shares subscribed by or issued to you into your name and authorise any representatives of the Company and/or the Receiving Agent to execute any documents required therefor and to enter your name on the Register;
- (l) agree to provide the Company with any information which it, the Joint Placing Agents or the Receiving Agent may request in connection with your application or to comply with any other relevant legislation (as the same may be amended from time-to-time) including without limitation satisfactory evidence of identity to ensure compliance with the Guernsey AML Requirements;
- (m) represent and warrant that, in connection with your application, you have observed the laws of all requisite territories, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with your application in any territory and that you have not taken any action which will or may result in the Company, the Joint Placing Agents or the Receiving Agent acting in breach of the regulatory or legal requirements of any territory in connection with the Offer for Subscription or your application;
- (n) represent and warrant to the Company that (i) you are not a U.S. Person, are not located within the United States and are not acquiring the Shares for the account or benefit of a U.S. Person; (ii) you are acquiring the Shares in an offshore transaction meeting the requirements of Regulation S; (iii) you understand and acknowledge that the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, resold, transferred, delivered or distributed, directly or indirectly, into or within the United States or to, or for the account or benefit of, U.S. Persons; and (iv) you understand and acknowledge that the Company has not registered and will not register as an investment company under the U.S. Investment Company Act;
- (o) represent and warrant to the Company that if in the future you decide to offer, sell, transfer, assign or otherwise dispose of the Shares, you will do so only (i) in an offshore transaction complying with the provisions of Regulation S under the U.S. Securities Act to a person outside the United States and not known by the transferor to be a U.S. Person, by pre-arrangement or otherwise, or (ii) to the Company or a subsidiary thereof. You understand and acknowledge that any sale, transfer, assignment, pledge or other disposal made other than



in compliance with the above stated restrictions will be subject to the compulsory transfer provisions as provided in the Articles;

- (p) agree that the Receiving Agent is acting for the Company in connection with the Offer for Subscription and for no-one else and that it will not treat you as its customer by virtue of such application being accepted or owe you any duties or responsibilities concerning the price of the Shares or concerning the suitability of the Shares for you or be responsible to you for the protections afforded to their customers;
- (q) represent and warrant that you (i) are highly knowledgeable and experienced in business and financial matters as to be capable of evaluating the merits and risks of an investment in the Shares, (ii) fully understand the risks associated with such investment and (iii) are able to bear the economic risk of your investment in the Company and are currently able to afford the complete loss of such investment;
- (r) represent and warrant that you are not subscribing for the Shares using a loan which would not have been given to you or any associate or not given to you on such favourable terms, if you had not been proposing to subscribe for the Shares;
- (s) represent and warrant that the information contained in the Application Form is true and accurate; and
- (t) agree that if you request that Shares are issued to you on a date other than Admission and such Shares are not issued on such date that the Company and its agents and Directors will have no liability to you arising from the issue of such Shares on a different date.

## 2.6 **Money Laundering**

You agree that, in order to ensure compliance with the Guernsey AML Requirements and any other applicable regulations, the Receiving Agent may at its absolute discretion require verification of identity of you (the “**holder(s)**”) as the applicant lodging an Application Form and further may request from you and you will assist in providing identification of:

- (a) the owner(s) and/or controller(s) (the “**payor**”) of any bank account not in the name of the holder(s) on which is drawn a payment by way of banker’s draft or cheque; or
- (b) where it appears to the Receiving Agent that a holder or the payor is acting on behalf of some other person or persons.

Failure to provide the necessary evidence of identity may result in your application being rejected or delays in crediting CREST accounts or the despatch of documents.

If you use a building society cheque or banker’s draft you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the cheque or banker’s draft and adds its stamp.

If, in such circumstances, the person whose account is being debited is not a holder you will be required to provide for both the holder and the payor an original or a copy of that person’s passport or driving licence certified by a solicitor and an original or certified copy of the following no more than three months old, a gas, electricity, water or telephone (not mobile) bill, a recent bank statement or a council tax bill, in their name and showing their current address (which originals will be returned by post at the addressees’ risk) together with a signed declaration as to the relationship between the payor and you, the holder.

For the purpose of the Guernsey AML Requirements a person making an application for Shares will not be considered as forming a business relationship with the Company or the Receiving Agent but will be considered as effecting a one-off transaction with either the Company or with the Receiving Agent.

The person(s) submitting an application for Shares will ordinarily be considered to be acting as principal in the transaction unless the Receiving Agent determines otherwise, whereupon you may be required to provide the necessary evidence of identity of the underlying beneficial owner(s).

## 2.7 **Non-United Kingdom investors**

If you receive a copy of this document or an Application Form in any territory other than the United Kingdom you may not treat it as constituting an invitation or offer to you, nor should you, in any

event, use an Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to you or an Application Form could lawfully be used without contravention of any registration or other legal requirements. It is your responsibility, if you are outside the UK and wish to make an application for Shares under the Offer for Subscription, to satisfy yourself as to full observance of the laws of any relevant territory or jurisdiction in connection with your application, including obtaining any requisite governmental or other consents, observing any other formalities requiring to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

None of the Shares have been or will be registered under the laws of Canada, Japan, Australia, the Republic of South Africa or under the U.S. Securities Act or with any securities regulatory authority of any state or other political subdivision of the United States, Canada, Japan, Australia or the Republic of South Africa. If you subscribe for Shares you will, unless the Company and the Receiving Agent agree otherwise in writing, be deemed to represent and warrant to the Company that you are not a U.S. Person or a resident of Canada, Japan, Australia, the Republic of South Africa or a corporation, partnership or other entity organised under the laws of the U.S., Canada (or any political subdivision of either) or Japan or Australia or the Republic of South Africa and that you are not subscribing for such Shares for the account of any U.S. Person or resident of Canada, Japan, Australia or the Republic of South Africa and will not offer, sell, renounce, transfer or deliver, directly or indirectly, any of the Shares in or into the United States, Canada, Japan, Australia or the Republic of South Africa or to any U.S. Person or person resident in Canada, Japan, Australia or the Republic of South Africa. No application will be accepted if it shows the applicant, payor or a holder having an address in the United States, Canada, Japan, Australia or the Republic of South Africa.

Persons (including, without limitation, custodians, nominees and trustees) receiving this document should not distribute or send it to any U.S. Person or in or into Canada, Japan, Australia, the Republic of South Africa, the U.S. or any other jurisdiction where to do so would or might contravene local securities law or regulations.

The Company reserves the right to treat as invalid any agreement to subscribe for Shares pursuant to the Offer for Subscription if it appears to the Company or its agents to have been entered into in a manner that may involve a breach of the securities legislation of any jurisdiction.

## **2.8 *Miscellaneous***

To the extent permitted by law, all representations, warranties and conditions, express or implied and whether statutory or otherwise (including, without limitation, pre-contractual representations but excluding any fraudulent representations), are expressly excluded in relation to the Shares and the Offer for Subscription.

The rights and remedies of the Company, the Joint Placing Agents and the Receiving Agent under these Terms and Conditions of Application are in addition to any rights and remedies which would otherwise be available to any of them and the exercise or partial exercise of one will not prevent the exercise of others.

The Company reserves the right to extend the closing time and/or date of the Offer for Subscription from 11.00 a.m. on 15 December 2017. In that event, the new closing time and/or date will be notified to applicants.

The Company may terminate the Offer for Subscription in its absolute discretion at any time prior to Admission. If such right is exercised, the Offer for Subscription will lapse and any monies will be returned as indicated without interest and at your risk.

You agree that the Joint Placing Agents and the Receiving Agent are acting for the Company in connection with the Issue and for no-one else, and that none of the Joint Placing Agents nor the Receiving Agent will treat you as its customer by virtue of such application being accepted or owe you any duties concerning the price of the Shares or concerning the suitability of the Shares for you or otherwise in relation to the Issue or for providing the protections afforded to their respective customers.

Save where the context requires otherwise, terms used in these Terms and Conditions of Application bear the same meaning as where used in the Prospectus.

## PART 11

### DEFINITIONS AND GLOSSARY

#### DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

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| <b>Administration Agreement</b>              | the administration agreement between the Company, the Investment Manager and the Administrator, a summary of which is set out in paragraph 6.3 of Part 8 of this document   |
| <b>Administrator</b>                         | Maitland Administration (Guernsey) Limited in its capacity as the Company's administrator and/or the secretary to the Company (as the context requires)   |
| <b>Admission</b>                             | admission of the Shares issued and to be issued pursuant to the Issue to trading on the SFS becoming effective in accordance with the LSE Admission Standards   |
| <b>AEOI Rules</b>                            | (i) sections 1471 through 1474 of the U.S. Internal Revenue Code 1986, the Treasury Regulations thereunder, and official interpretations thereof, (ii) any legislation, regulations or guidance enacted in or adopted by any jurisdiction that seeks to implement legislation described in (i) above or a similar tax reporting or withholding tax regime, including without limitation any legislation, regulations or guidance relating to the CRS, (iii) any governmental agreement, treaty or other agreement entered into in order to comply with, facilitate, supplement or implement any legislation, regulations or guidance described in (i) or (ii) above; and (iv) any legislation, regulations or guidance that gives effect to any matter described in (i) through (iii) above |
| <b>AIC</b>                                   | the Association of Investment Companies   |
| <b>AIFM Directive or AIFMD</b>               | the EU Directive on Alternative Investment Fund Managers (No. 2011/61/EU)   |
| <b>AIF</b>                                   | an alternative investment fund  |
| <b>AIFM</b>                                  | an alternative investment fund manager  |
| <b>AIFM Rules</b>                            | the AIFM Directive and all applicable rules and regulations implementing the AIFM Directive in the UK   |
| <b>Application Form</b>                      | the application form attached to this document for use in connection with the Offer for Subscription  |
| <b>Articles of Incorporation or Articles</b> | the articles of incorporation of the Company, as amended from time-to-time  |
| <b>Asset Manager</b>                         | Oceanic Marine Management Limited   |
| <b>Auditor</b>                               | PricewaterhouseCoopers CI LLP   |
| <b>Board</b>                                 | the Directors from time to time   |
| <b>Business Day</b>                          | any day (other than a Saturday or Sunday) on which clearing banks are open for a full range of transactions in the City of London   |

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| <b>Calculation Period</b>                                 | <p>(a) the period starting on Admission and ending on the earlier of: (i) 30 June 2024; (ii) the commencement of the winding up of the Company; and (iii) the termination of the Investment Manager's appointment (other than for cause); and</p> <p>(b) if the previous Calculation Period ended on 30 June of the previous Year, each successive period starting on 1 July and ending on the earlier of: (i) 30 June three years later; (ii) the commencement of the winding up of the Company; and (iii) the termination of the Investment Manager's appointment (other than for cause)</p> |
| <b>capital gains tax</b>                                  | UK taxation of capital gains or corporation tax on chargeable gains, as the context may require  |
| <b>C Shares</b>   | C shares of no par value in the capital of the Company of such classes (denominated in such currencies) as the Directors may determine   |
| <b>CarryCo</b>  | Tufton ODF Partners LP   |
| <b>Cenkos</b>   | Cenkos Securities plc  |
| <b>certificated or in certificated form</b>               | not in uncertificated form   |
| <b>City Code</b>  | the City Code on Takeovers and Mergers   |
| <b>COB Rules</b>  | the FCA's Conduct of Business sourcebook   |
| <b>Companies Law</b>                                      | the Companies (Guernsey) Law, 2008 as amended  |
| <b>Company</b>  | Tufton Oceanic Assets Limited (Guernsey registered number 63061) which, when the context so permits, shall include any intermediate holding company of the Company and the SPVs  |
| <b>CPI</b>  | consumer price index   |
| <b>CRA Regulations</b>                                    | means Regulation (EC) No 1060/2009 on credit rating agencies   |
| <b>CRS</b>  | the Organisation for Economic Co-operation and Development's "Common Reporting Standard"   |
| <b>CREST</b>  | the computerised settlement system operated by Euroclear which facilitates the transfer of title to shares in uncertificated form  |
| <b>CREST Account</b>                                      | has the meaning given to it in Part 10 of this document  |
| <b>CREST member</b>                                       | a person who has been admitted by Euroclear as a system member (as defined in the CREST Regulations)   |
| <b>CREST Participant</b>                                  | a person who is, in relation to CREST, a system participant (as defined in the CREST Regulations)  |
| <b>CREST Regulations</b>                                  | the Uncertificated Securities (Guernsey) Regulations, 2009   |
| <b>CREST Sponsored Member</b>                             | a CREST member admitted to CREST as a sponsored member   |
| <b>DCF</b>  | discounted cash flow   |
| <b>Directors or Board</b>                                 | the board of directors of the Company  |
| <b>Disclosure Guidance and Transparency Rules or DTRs</b> | the disclosure guidance and transparency rules made by the Financial Conduct Authority under Section 73A of FSMA   |
| <b>EEA Member State</b>                                   | the member states which comprise the European Economic Area  |
| <b>ERISA</b>  | U.S. Employee Retirement Income Security Act of 1976, as amended   |
| <b>EU</b>   | the European Union   |

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| <b>EU Member State</b>                 | the member states which comprise the European Union  |
| <b>EU Savings Tax Directive</b>        | means the European Union Savings Directive (Council Directive 2003/48/EC)  |
| <b>Euro</b>                            | the lawful currency of the EU  |
| <b>Euroclear</b>                       | Euroclear UK & Ireland Limited, being the operator of CREST  |
| <b>European Commission</b>             | the European Commission, the representative body of the EU   |
| <b>Eurozone</b>                        | the member states of the EU which have adopted the Euro as their lawful currency   |
| <b>FATCA</b>                           | the U.S. Foreign Account Tax Compliance Act, as amended from time to time  |
| <b>FCA</b>                             | the Financial Conduct Authority  |
| <b>Financial Reporting Council</b>     | the UK Financial Reporting Council   |
| <b>Financial Stability Board</b>       | the Bank of England Financial Stability Board  |
| <b>FSMA</b>                            | the Financial Services and Markets Act 2000 and any statutory modification or re-enactment thereof for the time being in force   |
| <b>GFSC or Commission</b>              | the Guernsey Financial Services Commission   |
| <b>Guernsey AML Requirements</b>       | the Criminal Justice (Proceeds of Crime) (Bailiwick of Guernsey) Law, 1999 (as amended), ordinances, rules and regulations made thereunder, and the GFSC's Handbook for Financial Services Business on Countering Financial Crime and Terrorist Financing (as amended, supplemented and/or replaced from time to time) |
| <b>HMRC</b>                            | Her Majesty's Revenue and Customs  |
| <b>Hurdle</b>                          | US\$1.00 (Issue Price) increased by 12 per cent. compounded annually and expressed as a percentage   |
| <b>IFRS</b>                            | international financial reporting standards  |
| <b>Initial Gross Proceeds</b>          | the gross proceeds of the Issue  |
| <b>Investment Management Agreement</b> | the investment management agreement between the Company, the Investment Manager and CarryCo, a summary of which is set out in paragraph 6.1 of Part 8 of this document   |
| <b>Investment Committee</b>            | the investment committee established by the Investment Manager   |
| <b>Investment Manager or Tufton</b>    | Tufton Oceanic Ltd.  |
| <b>IRR</b>                             | internal rate of return  |
| <b>ISA</b>                             | UK individual savings account  |
| <b>ISDA</b>                            | International Swaps and Derivatives Association, Inc. the global trade association for over-the-counter derivatives and maintainer of the industry standard ISDA documentation   |
| <b>ISIN</b>                            | International Securities Identification Number   |
| <b>Issue</b>                           | the Placing and Offer for Subscription   |
| <b>Issue Price</b>                     | US\$1.00 per Share   |
| <b>Joint Placing Agents</b>            | Cenkos, Hudnall and N+1 Singer   |
| <b>KPI</b>                             | key performance indicator  |
| <b>Latest Practicable Date</b>         | 6 December 2017 (the latest practicable date prior to the publication of this document)  |

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| <b>LIBOR</b>                            | the London interbank offered rate  |
| <b>Listing Rules</b>                    | the listing rules made by the UKLA pursuant to Part VI of FSMA   |
| <b>London Stock Exchange or LSE</b>     | London Stock Exchange plc  |
| <b>LSE Admission Standards</b>          | the rules issued by the London Stock Exchange in relation to the admission to trading of, and continuing requirements for, securities admitted to the SFS  |
| <b>member account ID</b>                | the identification code or number attached to any member account in CREST  |
| <b>Main Market</b>                      | the main market for listed securities operated by the London Stock Exchange  |
| <b>Market Abuse Regulation or MAR</b>   | Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse   |
| <b>Memorandum</b>                       | the memorandum of association of the Company   |
| <b>Minimum Gross Proceeds</b>           | the minimum gross proceeds of the Issue, being US\$80 million  |
| <b>Minimum Net Proceeds</b>             | the minimum net proceeds of the Issue, being US\$78.4 million  |
| <b>Net Asset Value or NAV</b>           | the value, as at any date, of the assets of the Company after deduction of all liabilities of the Company and in relation to a class of shares in the Company, the value, as at any date of the assets attributable to that class of shares after the deduction of all liabilities attributable to that class of shares determined in accordance with the accounting policies adopted by the Company from time-to-time   |
| <b>Net Asset Value or NAV per Share</b> | at any date, the Net Asset Value attributable to the Shares of the relevant class divided by the number of Shares of such class in issue (other than Shares of the relevant class held in treasury) at the date of calculation   |
| <b>Non-Qualified Holder</b>             | any person whose ownership of Shares may: (i) cause the Company's assets to be deemed "plan assets" for the purposes of the U.S. Plan Asset Regulations or the U.S. Code; (ii) cause the Company to be required to register as an "investment company" under the U.S. Investment Company Act or to lose an exemption or status thereunder to which it might otherwise be entitled, (iii) cause the Company to register under the U.S. Exchange Act, the U.S. Securities Act or any similar legislation; (iv) cause the Company not to be considered a "foreign private issuer" as such term is defined in rule 36-4(c) under the U.S. Exchange Act; (v) result in a person holding Shares in violation of the transfer restrictions put forth in any prospectus published by the Company from time to time; (vi) cause the Company to be a "controlled foreign corporation" for the purposes of the U.S. Code; (vii) cause the Company to suffer any pecuniary disadvantage or (viii) result in any Shares being owned, directly or indirectly, by any person who is deemed to be a Non-Qualified Holder in accordance with article 10.7 of the Articles |
| <b>N+1 Singer</b>                       | Nplus1 Singer Advisory LLP   |
| <b>Offer or Offer for Subscription</b>  | the offer for subscription of Shares at the Issue Price on the terms set out in this document  |
| <b>Official List</b>                    | the official list of the UK Listing Authority pursuant to Part VI of FSMA  |



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| <b>Overseas Persons</b>                  | a potential investor who is not resident in, or who is not a citizen of, the UK  |
| <b>Panel</b>                             | the Panel on Takeovers and Mergers   |
| <b>Paris Memorandum of Understanding</b> | the Paris Memorandum of Understanding on Port State Control, the official document in which the 27 participating maritime authorities agree to implement a harmonized system of port state control   |
| <b>Placing</b>                           | the conditional placing of Shares by the Joint Placing Agents at the Issue Price as described in this document   |
| <b>Placing Agreement</b>                 | the placing agreement between the Company, the Directors, the Investment Manager, the Joint Placing Agents, a summary of which is set out in paragraph 6.2 of Part 8 of this document  |
| <b>POI Law</b>                           | the Protection of Investors (Bailiwick of Guernsey) Law, 1987, as amended  |
| <b>Portfolio</b>                         | the Company's portfolio of investments from time to time   |
| <b>Prospectus Directive</b>              | the EU Prospectus Directive 2003/71/EC   |
| <b>Prospectus Rules</b>                  | the prospectus rules made by the UKLA pursuant to Part VI of FSMA (as amended from time to time)   |
| <b>RCIS Rules</b>                        | the Registered Collective Investment Schemes Rules 2015  |
| <b>Receiving Agent or Computershare</b>  | Computershare Investor Services PLC, in its capacity as the Company's receiving agent  |
| <b>Receiving Agent Agreement</b>         | the receiving agent agreement between the Company and the Receiving Agent, a summary of which is set out in paragraph 6.5 of Part 8 of this document   |
| <b>Register</b>                          | the register of members of the Company   |
| <b>Registrar</b>                         | Computershare Investor Services (Guernsey) Limited, in its capacity as the Company's registrar   |
| <b>Registrar Agreement</b>               | the registrar agreement between the Company and the Registrar, a summary of which is set out in paragraph 6.4 of Part 8 of this document   |
| <b>Regulation S</b>                      | Regulation S promulgated under the U.S. Securities Act   |
| <b>Regulatory Information Service</b>    | a service authorised by the UKLA to release regulatory announcements to the London Stock Exchange  |
| <b>Relevant Member State</b>             | a member state of the European Economic Area which has implemented the Prospectus Directive  |
| <b>SDRT</b>                              | stamp duty reserve tax   |
| <b>SFS or Specialist Fund Segment</b>    | the Specialist Fund Segment of the Main Market (previously known as the Specialist Fund Market or SFM)   |
| <b>Segment</b>                           | classifications of vessels within the shipping industry including, inter alia, Tankers, General Cargo, Containerships and Bulkers  |
| <b>Shareholder</b>                       | a holder of Shares   |
| <b>Shares</b>                            | ordinary shares of no par value in the capital of the Company of such classes (denominated in such currencies) as the Directors may determine and, for the purposes of this document, the Shares which are the subject of the Issue shall be denominated in US Dollars |
| <b>SIPPs</b>                             | self invested personal pensions  |

|  |  |
|--|--|
| <b>SPV or Special Purpose Vehicle</b>                  | corporate entities, formed and wholly owned (directly or indirectly) by the Company, specifically to hold one or more vessels, and including (where the context permits) any intermediate holding company of the Company   |
| <b>SSAS</b>  | a small self-administered scheme as defined in Regulation 2 of the UK Retirement Benefits Schemes (Restriction on Discretion to Approve) (Small Self-Administered Schemes) Regulations 1991  |
| <b>Takeover Code</b>                                   | the UK City Code on Takeovers and Mergers  |
| <b>Term and Conditions of Application</b>              | the terms and conditions to which the Offer for Subscription is subject as set out in Part 10 of this document   |
| <b>Total Return per Share</b>                          | the Net Asset Value per Share at the end of a Calculation Period plus any dividends and/or distributions paid since Admission and taking into account the prevailing Net Asset Value of any C Shares in issue at the time. For the avoidance of doubt no enhancement to Net Asset Value per Share through the issue or buyback of Shares will be taken into account  |
| <b>TRACS</b>   | Tufton Realtime Activity Capture System  |
| <b>Tufton Group</b>                                    | Tufton Oceanic Finance Group Limited and its subsidiaries, including the Investment Manager  |
| <b>Tufton ABI</b>                                      | the Asset-Backed Investments business of the Tufton Group  |
| <b>UK Corporate Governance Code</b>                    | the UK Corporate Governance Code as published by the Financial Reporting Council from time-to-time   |
| <b>UKLA or UK Listing Authority</b>                    | the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA  |
| <b>United Kingdom or UK</b>                            | the United Kingdom of Great Britain and Northern Ireland   |
| <b>United States of America, United States or U.S.</b> | the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia  |
| <b>U.S. Code</b>                                       | U.S. Internal Revenue Code, as amended   |
| <b>U.S. Exchange Act</b>                               | the United States Securities Exchange Act of 1934, as amended  |
| <b>U.S. Investment Company Act</b>                     | U.S. Investment Company Act of 1940, as amended  |
| <b>U.S. Person</b>                                     | any person who is a U.S. person within the meaning of Regulation S adopted under the U.S. Securities Act   |
| <b>U.S. Plan Asset Regulations</b>                     | the regulations promulgated by the U.S. Department of Labor at 29 CFR 2510.3-101, as modified by section 3(42) of ERISA  |
| <b>U.S. Plan Investor</b>                              | (i) an “employee benefit plan” as defined in section 3(3) of ERISA that is subject to Title I of ERISA; (ii) a “plan” as defined in Section 4975 of the U.S. Code, including an individual retirement account or other arrangement that is subject to Section 4975 of the U.S. Code; or (iii) an entity whose underlying assets are considered to include “plan assets” by reason of investment by an “employee benefit plan” or “plan” described in the preceding clause (i) or (ii) in such entity pursuant to the U.S. Plan Asset Regulations |
| <b>U.S. Securities Act</b>                             | U.S. Securities Act of 1933, as amended  |
| <b>U.S. \$ or U.S. Dollar</b>                          | the lawful currency of the United States of America  |
| <b>VAT</b>   | value added tax  |
| <b>VesselsValue</b>                                    | VesselsValue Limited   |

**WACC**

the weighted average cost of capital

**£** or **Sterling**

the lawful currency of the United Kingdom

## **GLOSSARY**

|  |   |
|--|---|
| <b>Bareboat Charter</b>                        | a Charter where the shipowner effectively relinquishes the commercial and technical control of his vessel to the charterer, usually for a long-term period  |
| <b>Bulker</b>                                  | a vessel that carries a variety of dry cargo in bulk form (e.g. handysize bulkers, supramax bulkers)  |
| <b>Car Carrier</b>                             | a vessel that carries cars and trucks   |
| <b>Charter</b>                                 | a vessel employment contract  |
| <b>Charter-Free Value</b>                      | the market value of one or more vessels excluding the value of any existing Charters in respect of such vessel or vessels   |
| <b>COA</b>                                     | a Charter where the shipowner and the charterer agree the terms for the carriage of a designated volume of a given commodity on a specified route (or routes), with such shipments being carried out on a regular basis |
| <b>Containers</b>                              | modular metal boxes of standardized dimensions  |
| <b>Containership</b>                           | a vessel that carries industrial and consumer goods in Containers.  |
| <b>DRC</b>                                     | depreciated replacement cost  |
| <b>FFA</b>                                     | forward freight agreement, being derivatives used for hedging against the freight market exposure   |
| <b>General Cargo</b>                           | a vessel that carries general cargo, breakbulk, project cargo and wheeled cargo (including Ro-Ro and Car Carriers)  |
| <b>Heavy Lift Geared Multi-Purpose Vehicle</b> | a vessel that specialises in the transport of extremely heavy or bulky objects such as large industrial components  |
| <b>ILO</b>                                     | International Labour Organisation   |
| <b>IMO</b>                                     | International Maritime Organisation   |
| <b>ISM Code</b>                                | International Safety Management Code  |
| <b>KGs</b>                                     | German limited partnerships via which German high net worth and mass affluent individuals became a very important source of capital for the shipping industry   |
| <b>P/DRC</b>                                   | price / depreciated replacement cost ratio  |
| <b>Ro-Ro</b>                                   | a Roll-on/Roll-off vessel, designed to carry wheeled cargo, such as cars, trucks, semi-trailer trucks, trailers, and railroad cars  |
| <b>SOLAS</b>                                   | Safety of Life at Sea Convention  |
| <b>Spot Charter</b>                            | a Charter where the shipowner hires his vessel to the charterer for just a single voyage, carrying a designated quantity of cargo   |
| <b>Spot Market</b>                             | the market in which vessels are employed with Spot Charters.  |
| <b>Tanker</b>                                  | a vessel that carries crude oil, oil products, chemicals and gases in bulk form (e.g. suezmax tankers)  |
| <b>Time Charter</b>                            | a Charter where the shipowner hires his vessel to the charterer for either a single trip or a designated period   |

## NOTES ON HOW TO COMPLETE THE APPLICATION FORM

Applications should be returned by post to the Receiving Agent, Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE so as to be received by no later than 11 a.m. (London time) on 15 December 2017.

**HELP DESK:** If you have a query concerning completion of this Application Form please call Computershare Investor Services PLC from within the UK on 0370 707 4040 or on +44 (0) 370 707 4040 if calling from outside the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls from outside the United Kingdom will be charged at the applicable international rate. Lines are open 9.00 a.m. to 5.30 p.m. (London time) Monday to Friday excluding public holidays in England and Wales. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. The helpline cannot provide advice on the merits of the Issue nor give any financial, legal or tax advice.

### 1. APPLICATION

Fill in (in figures) in Box 1 the amount of money being subscribed for Shares. The amount being subscribed must be a minimum of 1,000 Shares multiplied by US\$1.00 and thereafter in multiples of 100 Shares multiplied by US\$1.00. Financial intermediaries who are investing on behalf of clients should make separate applications or, if making a single application for more than one client, provide details of all clients in respect of whom application is made in order to benefit most favourably from any scaling back should this be required.

### 2A. HOLDER DETAILS

Fill in (in block capitals) the full name and address of each holder. Applications may only be made by persons aged 18 or over. In the case of joint holders only the first named may bear a designation reference and the address given for the first named will be entered as the registered address for the holding on the share register and used for all future correspondence. A maximum of four joint holders is permitted. All holders named must sign the Application Form at Section 3.

### 2B. CREST

If you wish your Shares to be deposited in a CREST Account enter in Section 2B the details of that CREST Account. If you are not a CREST Participant or CREST Sponsored Member, you should leave Section 2B blank and you will automatically receive a share certificate for your Shares.

### 3. SIGNATURE

All holders named in Section 2A must sign Section 3 and insert the date. The Application Form may be signed by another person on behalf of each holder if that person is duly authorised to do so under a power of attorney. The power of attorney (or a copy duly certified by a solicitor or a bank) must be enclosed for inspection (which originals will be returned by post at the addressee's risk). A corporation should sign under the hand of a duly authorised official whose representative capacity should be stated and a copy of a notice issued by the corporation authorising such person to sign should accompany the Application Form.

### 4. SETTLEMENT

#### (a) *Cheques/Bankers' draft*

Payments must be made by cheque or banker's draft in US Dollars drawn on a branch in the United Kingdom or the Channel Islands of a bank or building society which is either a member of the Cheque and Credit Clearing Company Limited or the CHAPS Clearing Company Limited or which has arranged for its cheques or bankers' drafts to be cleared through the facilities provided for members of any of these companies. Such cheques or bankers' drafts must bear the appropriate sort code in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have a sole or joint title to the funds, should be made payable to "Computershare Investor Services PLC: Tufton Oceanic Assets Limited – Offer for Subscription a/c" and crossed "A/C Payee Only". Third party cheques may not be accepted with the exception of building society cheques or bankers' drafts where the building society or bank has confirmed the name of the account holder by stamping and endorsing the cheque/banker's draft to such effect.

The account name should be the same as that shown on the application. Please note, cheques will be presented upon receipt and post-dated cheques will not be accepted.

(b) **Electronic Bank Transfers**

For applicants sending subscription monies by electronic bank transfer (CHAPS/WIRE), payment must be made for value by no later than 11 a.m. on 15 December 2017. Computershare must receive full remittance of the amount the applicant is applying for and such applicant must therefore ensure that all charges have been taken into account. For full bank details, please contact Computershare by email at [OFSPAYMENTQUERIES@computershare.co.uk](mailto:OFSPAYMENTQUERIES@computershare.co.uk) or telephone the shareholder helpline on 0370 707 4040 (from within the UK) or on +44 (0) 370 707 4040 (if calling from outside the UK) for further information. Computershare will then provide you with a unique reference which must be used on the original Application Form and payment. The account that payment is made from must be the same as that shown on the Application form.

(c) **Crest Settlement**

The Company will apply for the Shares issued pursuant to the Offer for Subscription in uncertificated form to be enabled for CREST transfer and settlement with effect from Admission (the “**Settlement Date**”). Accordingly, settlement of transactions in the Shares will normally take place within the CREST system.

The Application Form in the Appendix contains details of the information which Computershare will require from you in order to settle your application within CREST, if you so choose. If you do not provide any CREST details or if you provide insufficient CREST details for Computershare to match to your CREST account, Computershare will deliver your Shares in certificated form provided payment has been made in terms satisfactory to the Company.

The right is reserved to issue your Shares in certificated form should the Company, having consulted with Computershare, consider this to be necessary or desirable. This right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST or any part of CREST or on the part of the facilities and/or system operated by Computershare in connection with CREST.

The person named for registration purposes in your Application Form (which term shall include the holder of the relevant CREST account) must be: (i) the person procured by you to subscribe for or acquire the relevant Shares; or (ii) yourself; or (iii) a nominee of any such person or yourself, as the case may be. Neither Computershare nor the Company will be responsible for any liability to stamp duty or stamp duty reserve tax resulting from a failure to observe this requirement. Computershare, on behalf of the Company, will input a DVP instruction into the CREST system according to the booking instructions provided by you in your Application Form. The input returned by you or your settlement agent/custodian of a matching or acceptance instruction to our CREST input will then allow the delivery of your Shares to your CREST account against payment of the Issue Price per Share through the CREST system upon the Settlement Date.

By returning the Application Form you agree that you will do all things necessary to ensure that you or your settlement agent/custodian's CREST account allows for the delivery and acceptance of Shares to be made prior to 8 a.m. on 20 December 2017 against payment of the Issue Price per Share. Failure by you to do so will result in you being charged interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling plus 2 per cent. per annum.

To ensure that you fulfil this requirement it is essential that you or your settlement agent/custodian follow the CREST matching criteria set out below:

|                       |                                 |
|-----------------------|---------------------------------|
| Trade Date:           | 18 December 2017                |
| Settlement Date:      | 20 December 2017                |
| Company:              | Tufton Oceanic Assets Limited   |
| Security Description: | ordinary shares of no par value |
| SEDOL:                | BDFC164                         |
| ISIN:                 | GG00BDFC1649                    |



Should you wish to settle DVP, you will need to match your instructions to Computershare's Participant account 8RA30 by no later than 1.00 p.m. on 19 December 2017.

You must also ensure that you or your settlement agent/custodian has a sufficient "debit cap" within the CREST system to facilitate settlement in addition to your/its own daily trading and settlement requirements.

In the event of late CREST settlement, the Company, after having consulted with Computershare, reserves the right to deliver Shares outside CREST in certificated form provided payment has been made in terms satisfactory to the Company and all other conditions in relation to the Offer for Subscription have been satisfied.

## **5. RELIABLE INTRODUCER DECLARATION**

Applications will be subject to Guernsey's verification of identity requirements. This will involve you providing the verification of identity documents listed in Section 6 of the Application Form UNLESS you can have the declaration provided at Section 5 of the Application Form given and signed by a firm acceptable to the Receiving Agent. In order to ensure your application is processed timely and efficiently all applicants are strongly advised to have the declaration provided in Section 5 of the Application Form completed and signed by a suitable firm.

## **6. IDENTITY INFORMATION**

Applicants need only consider Section 6 of the Application Form if the declaration in Section 5 cannot be completed. Notwithstanding that the declaration in Section 5 has been completed and signed the Receiving Agent reserves the right to request of you the identity documents listed in Section 6 and/or to seek verification of identity of each holder and payor (if necessary) from you or their bankers or from another reputable institution, agency or professional adviser in the applicable country of residence. If satisfactory evidence of identity has not been obtained within a reasonable time your application might be rejected or revoked. Where certified copies of documents are provided such copy documents should be certified by a senior signatory of a firm which is either a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm which is itself subject to regulation in the conduct of its business in its own country of operation and the name of the firm should be clearly identified on each document certified.

## **7. CONTACT DETAILS**

To ensure the efficient and timely processing of your Application Form, please provide contact details of a person the Receiving Agent may contact with all enquiries concerning your application. Ordinarily this contact person should be the person signing in Section 3 on behalf of the first named holder. If no details are provided here but a regulated person is identified in Section 5, the Receiving Agent will contact the regulated person. If no details are entered here and no regulated person is named in Section 5 and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

**INSTRUCTIONS FOR DELIVERY OF COMPLETED APPLICATION FORMS** – Completed Application Forms should be returned, by post to the Receiving Agent, Computershare Investor Services PLC, Corporate Actions Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE so as to be received by no later than 11 a.m. (London time) on 15 December 2017, together in each case with payment in full in respect of the application. If you post your Application Form, you are recommended to use first class post and to allow at least two days for delivery. Application Forms received after this date may be returned.

## APPENDIX – APPLICATION FORM

Please send this completed form by post to the Receiving Agent, Computershare Investor Services PLC, Corporate Action Projects, Bristol, BS99 6AH or by hand (during normal business hours only) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS13 8AE so as to be received by no later than 11 a.m. (London time) on 15 December 2017.

The Directors may, with the prior approval of the Joint Placing Agents, alter such date and thereby shorten or lengthen the offer period. In the event that the offer period is altered, the Company will notify investors of such change.

Important: Before completing this form, you should read the Prospectus dated 8 December 2017 and the Terms and Conditions of the Offer for Subscription set out in Part 10 of the Prospectus and accompanying notes to this form.

To: Tufton Oceanic Assets Limited and the Receiving Agent

Box 1

(minimum of 1,000 Shares multiplied by US\$1.00 and thereafter in multiples of 100 Shares multiplied by US\$1.00)

US\$

### 1. APPLICATION

I /We the person(s) detailed in Section 2A below offer to subscribe the amount shown in Box 1 for Shares subject to the Terms and Conditions of the Offer for Subscription set out in the Prospectus dated 8 December 2017 and subject to the memorandum and articles of incorporation of the Company in force from time-to-time.

### 2A. DETAILS OF HOLDER(S) IN WHOSE NAME(S) SHARES WILL BE ISSUED

(BLOCK CAPITALS)

|                       |                       |                      |
|-----------------------|-----------------------|----------------------|
| 1:                    | Mr, Mrs, Ms or Title: | Forenames (in full): |
| Surname/Company name: |                       |                      |
| Address (in full):    |                       |                      |
|                       |                       | Postcode:            |
| Designation (if any): |                       |                      |
| 2:                    | Mr, Mrs, Ms or Title: | Forenames (in full): |
| Surname/Company name: |                       |                      |
| 3:                    | Mr, Mrs, Ms or Title: | Forenames (in full): |
| Surname/Company name: |                       |                      |
| 4:                    | Mr, Mrs, Ms or Title: | Forenames (in full): |
| Surname/Company name: |                       |                      |



**2B. CREST ACCOUNT DETAILS INTO WHICH SHARES ARE TO BE DEPOSITED  
(IF APPLICABLE)**

Only complete this Section if Shares allotted are to be deposited in a CREST Account.

(BLOCK CAPITALS)

CREST Participant ID:

|  |  |  |  |  |
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|  |  |  |  |  |
|--|--|--|--|--|

CREST Member Account ID:

|  |  |  |  |  |  |  |  |
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**3. SIGNATURE(S): ALL HOLDERS MUST SIGN**

By completing box 3 below you are deemed to have read the Prospectus and agreed to the terms and conditions in Part 10 of the Prospectus (Terms and Conditions of Application under the Offer for Subscription) and to have given the warranties, representations and undertakings set out therein.

|                             |  |      |
|-----------------------------|--|------|
| First Applicant Signature:  |  | Date |
| Second Applicant Signature: |  | Date |
| Third Applicant Signature:  |  | Date |
| Fourth Applicant Signature: |  | Date |

Execution by a Company

|  |  |      |
|--|--|------|
| Executed by (Name of Company):                             |  | Date |
| Name of Director:  | Signature:                               | Date |
| Name of Director/Secretary:                                | Signature:                               | Date |
| If you are affixing a company seal,<br>please mark a cross | <b>&amp;</b> Affix Company<br>Seal here: |      |

**PLEASE TICK THE RELEVANT BOX CONFIRMING YOUR METHOD OF PAYMENT FROM OPTIONS  
4A, 4B OR 4C BELOW:**

**4A. CHEQUE/BANKER'S DRAFT**

If you are subscribing for Shares and paying by cheque or banker's draft, pin or staple to this form your cheque or banker's draft for the exact amount shown in Box 1 made payable to "Computershare Investor Services PLC re: Tufton Oceanic Assets Limited – Offer for Subscription a/c" and crossed "A/C Payee Only". Cheques and banker's payments must be drawn in US Dollars on an account at a bank branch in the United Kingdom or the Channel Islands and must bear the appropriate bank sort code number in the top right hand corner. If you use a banker's draft or a building society cheque you should ensure that the bank or building society issuing the payment enters the name, address and account number of the person whose account is being debited on the reverse of the banker's draft or cheque and adds its stamp. Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has confirmed the name of the account holder by stamping/endorsing the cheque or banker's draft to that effect. The account name should be the same as that shown on the Application Form. Please note, cheques will be presented for payment upon receipt and post-dated cheques will not be accepted.

**4B. ELECTRONIC BANK TRANSFER**

If you are subscribing for Shares and sending subscription monies by electronic bank transfer (CHAPS/WIRE), payment must be made for value by 11 a.m. on 15 December 2017. Computershare must receive full remittance of the amount the applicant is applying for and such applicant must therefore ensure that all charges have been taken into account. For full bank details, please contact Computershare by email at [OFSPAYMENTQUERIES@computershare.co.uk](mailto:OFSPAYMENTQUERIES@computershare.co.uk) or telephone the shareholder helpline on 0370 707 4040 (from within the UK) or on +44 (0) 370 707 4040 (if calling from outside the UK) for further information. Computershare will then provide you with a unique reference which must be used on the

original Application Form and payment. The account that payment is made from must be the same as that shown on the Application form.

**4C. SETTLEMENT BY DELIVERY VERSUS. PAYMENT (DVP)**

Only complete this Section if you choose to settle your application within CREST, that is delivery versus payment (DVP).

Please indicate the CREST Participant ID from which the DEL message will be received by the Receiving Agent for matching, which should match that shown in 2B above, together with the relevant Member Account ID.

(BLOCK CAPITALS)

CREST Participant ID: 

|  |  |  |  |  |
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CREST Member Account ID: 

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You or your settlement agent/custodian’s CREST account must allow for the delivery and acceptance of Shares to be made against payment at the Issue Price per Share, following the CREST matching criteria set below:

Trade Date: 18 December 2017  
Settlement Date: 20 December 2017  
Company: Tufton Oceanic Assets Limited  
Security Description: ordinary shares of no par value  
SEDOL: BDFC164  
ISIN code: GG00BDFC1649

Should you wish to settle DVP, you will need to match your instructions to Computershare Investor Services PLC’s Participant account 8RA30 by not later than 1 p.m. on 19 December 2017.

You must also ensure that you or your settlement agent/custodian have a sufficient “debit cap” within the CREST system to facilitate settlement in addition to your/their own daily trading and settlement requirements.



## 5. RELIABLE INTRODUCER DECLARATION

Completion and signing of this declaration by a suitable person or institution may avoid presentation being requested of the identity documents detailed in Section 6 of this form.

The declaration below may only be signed by a person or institution (such as a governmental approved bank, stockbroker or investment firm, financial services firm or an established law firm or accountancy firm) (the “**firm**”) which is itself subject in its own country to operation of “know your customer” and anti-money laundering regulations no less stringent than those which prevail in Guernsey.

### DECLARATION:

To the Company and the Receiving Agent

With reference to the holder(s) detailed in Section 2A, all persons signing at Section 3 and the payor identified in Section 6 if not also a holder (collectively the “subjects”) WE HEREBY DECLARE:

1. we operate in the United Kingdom and/or Guernsey, or in a country where money laundering regulations under the laws of that country are, to the best of our knowledge, no less stringent than those which prevail in Guernsey and our firm is subject to such regulations;
2. we are regulated in the conduct of our business and in the prevention of money laundering by the regulatory authority identified below;
3. each of the subjects is known to us in a business capacity and we hold valid identity documentation on each of them and we undertake to immediately provide to you copies thereof on demand;
4. we confirm the accuracy of the names and residential business address(es) of the holder(s) given at Section 2A and if a CREST Account is cited at Section 2B that the owner thereof is named in Section 2A;
5. having regard to all local money laundering regulations we are, after enquiry, satisfied as to the source and legitimacy of the monies being used to subscribe for the Shares mentioned; and
6. where the payor and holder(s) are different persons we are satisfied as to the relationship between them and reason for the payor being different to the holder(s).

The above information is given in strict confidence for your own use only and without any guarantee, responsibility or liability on the part of this firm or its officials.

|  |       |                        |
|--|-------|------------------------|
| Signed:  | Name: | Position:              |
| Name of regulatory authority:                                |       | Firm's licence number: |
| Website address or telephone number of regulatory authority: |       |                        |
| STAMP of firm giving full name and business address:         |       |                        |

## 6. IDENTITY INFORMATION

If the declaration in Section 5 cannot be signed, please enclose with this Application Form the documents mentioned below, as appropriate. Please also tick the relevant box to indicate which documents you have enclosed, all of which will be returned by the Receiving Agent to the first named Applicant.

In accordance with internationally recognised standards for the prevention of money laundering, the documents and information set out below must be provided:

A. For each holder being an individual enclose:

- (1) an original or a certified clear photocopy of one of the following identification documents which bear both a photograph and the signature of the person: current passport – Government or Armed Forces identity card – driving licence; and
- (2) an original or certified copies of at least two of the following documents no more than 3 months old which purport to confirm that the address given in Section 2A is that person's residential address: a recent gas, electricity, water or telephone (not mobile) bill – a recent bank statement – a council rates bill – or similar document issued by a recognised authority; and
- (3) if none of the above documents show their date and place of birth, enclose a note of such information; and
- (4) details of the name and address of their personal bankers from which the Receiving Agent may request a reference, if necessary.

| Holders |  |  |  | Payor |
|---------|--|--|--|-------|
|         |  |  |  |       |

Tick here for documents provided

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B. For each holder being a company (a "holder company") enclose:

- (1) a certified copy of the certificate of incorporation of the holder company; and
- (2) the name and address of the holder company's principal bankers from which the Receiving Agent may request a reference, if necessary; and
- (3) a statement as to the nature of the holder company's business, signed by a director; and
- (4) a list of the names and residential addresses of each director of the holder company; and
- (5) for each director provide documents and information similar to that mentioned in A above; and
- (6) a copy of the authorised signatory list for the holder company; and
- (7) a list of the names and residential/registered address of each ultimate beneficial owner interested in more than five per cent. of the issued share capital of the holder company and, where a person is named, also complete C below and, if another company is named (hereinafter a "beneficiary company"), also complete D below. If the beneficial owner(s) named do not directly own the holder company but do so indirectly via nominee(s) or intermediary entities, provide details of the relationship between the beneficial owner(s) and the holder company.

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C. For each person named in B(7) as a beneficial owner of a holder company enclose for each such person documents and information similar to that mentioned in A(1) to (4).

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D. For each beneficiary company named in B(7) as a beneficial owner of a holder company enclose:

- (1) a certified copy of the certificate of incorporation of that beneficiary company; and
- (2) a statement as to the nature of that beneficiary company's business signed by a director; and
- (3) the name and address of that beneficiary company's principal bankers from which the Receiving Agent may request a reference, if necessary; and
- (4) a list of the names and residential/registered address of each beneficial owner owning more than 5 per cent. of the issued share capital of that beneficiary company.

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E. If the payor is not a holder and is not a bank providing its own cheque or banker's payment on the reverse of which is shown details of the account being debited with such payment (see note 5 on how to complete this form) enclose:

- (1) if the payor is a person, for that person the documents mentioned in A(1) to (4); or
- (2) if the payor is a company, for that company the documents mentioned in B(1) to (7); and
- (3) an explanation of the relationship between the payor and the holder(s).

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The Receiving Agent reserves the right to ask for additional documents and information.

## 7. CONTACT DETAILS

To ensure the efficient and timely processing of this application please enter below the contact details of a person the Receiving Agent may contact with all enquiries concerning this application. Ordinarily this contact person should be the person signing in Section 3 on behalf of the first named holder. If no details are provided here but a regulated person is identified in Section 5, the Receiving Agent will contact the regulated person. If no details are entered here and no regulated person is named in Section 5 and the Receiving Agent requires further information, any delay in obtaining that additional information may result in your application being rejected or revoked.

Contact name:

E-mail address:

Contact address:

Postcode:

Telephone No:

Fax No:



