



THE CAPITAL HOLDINGS FUNDS PLC

(an umbrella fund with segregated liability between sub-funds)

This circular (the "**Circular**") is sent to you as a shareholder ("**Shareholder**") of the Capital Holdings Funds plc (the "**Company**"). **It is important and requires your immediate attention. If you do not fully understand the contents of this Circular or if you are in any doubt as to the action to be taken, you should immediately consult your stockbroker, solicitor or attorney or other professional advisor.**

The directors of the Company (the "**Directors**") have taken all reasonable care to ensure that, as at the date of this Circular, the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the importance of such information. The Directors accept responsibility for the information contained in this Circular.

Unless otherwise defined, all capitalised terms in this Circular, including in the schedules attached herewith, shall have the meanings ascribed to them in the version of the prospectus of the Company effective as of the date of this Circular (the "**Prospectus**").

CIRCULAR TO SHAREHOLDERS
OF
THE CAPITAL HOLDINGS FUNDS PLC
(AN UMBRELLA FUND WITH SEGREGATED LIABILITY BETWEEN SUB-FUNDS)

DATED: 4 September 2024

Directors (nationality): N Meaden Grenham (Ireland), Chair, A Foglia (Switzerland), C Gardiner (Switzerland), P Soldini (Italy), R Sopher (UK), D van Duijn (Netherlands), A Zuaier (USA)

Registered Office: The Exchange, George's Dock, IFSC, Dublin 1, Ireland
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4 September 2024

Proposed termination of the Company's sub-funds, namely Leveraged Capital Holdings, Asian Capital Holdings and Discovery Capital Holdings (collectively, the "Funds" and each a "Fund")

Dear Shareholders,

Due to investment and commercial considerations, the board of Directors (the "**Board**"), has considered and resolved that it is in the best interest of all Shareholders to terminate the Company and the Funds, subject to Shareholders' and Central Bank's approvals, in accordance with the Prospectus and the memorandum and articles of association of the Company (the "**Articles**").

Since their inception, the Funds have delivered overall positive returns. The Funds have collectively generated approximately \$3.0 billion of net gains after fees to investors and the net asset value per share of the oldest fund, Leveraged Capital Holdings, has risen 169 times since inception in 1969¹. Recent performance has also been positive, with year to date and 2023 performance of (+5.2% and +7.7% (LCH), +4.7% and +8.9% (ACH) and +3.0% and +7.6% (DCH))². However, despite the positive returns of each of the Funds, both over the long term and in the past two years, it has generally proved difficult to generate as strong performance, both on an absolute basis and relative to market indices, in the period since the Global Financial Crisis of 2007-2008. There are several reasons for this.

The major part of the Funds' assets have been allocated to equity long/short managers whose performance, relative to market indices, has been held back by their short selling and hedging; while these operations were designed to protect capital, this cautious approach has generally been a drag on performance in a rising market. The diversified nature of the managers' equity holdings has also been a constraint on performance, as market gains in recent years have been driven by a narrow range of stocks. Additionally, the low interest rate environment during much of this period removed the rebate received from short-selling and also made stock selection more difficult in other ways.

Furthermore, in earlier periods, the Fund invested in managers who typically took large contrarian bets and held them to a successful outcome, without the short-term pressures of "risk-control" imposed on them by institutional investors that came to dominate the area over the past two decades. All this resulted in returns of the Funds that compared less favourably to earlier periods, both in absolute and relative terms. Moreover, although returns had fallen, the level of fees payable to underlying hedge fund managers remained stubbornly high and, combined with the second layer of fees of a fund of hedge funds, this also adversely affected net returns to our shareholders.

The demand for fund of hedge funds in the form in which we offered them has also waned. We have observed a strong tendency among our investor base to prefer highly liquid (UCITS) funds, including those linked to indices

¹the net gains include those from the following funds which were absorbed by LCH in 2020: European Capital Holdings (launched in 1998) and Trading Capital Holdings (launched in 2003).

² up to 31 July 2024. Source: Administrator.

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or baskets, over the less liquid offshore funds offered by most of the world's greatest money managers. As a result, the Fund's assets have fallen to levels where it may prove difficult in the future for the Funds to access the world's greatest money managers.

Although there are some reasons to expect an improvement in conditions, a prospect which is supported by recent performance, we therefore recommend that the assets managed by the Company are returned to shareholders in the Funds so that they can deploy them elsewhere.

We have always regarded it important to maintain a portfolio which we considered would remain liquid, even in crisis conditions. As a result of this approach, we have been able to meet redemption requests in full and in cash in each of the Funds since their inception. We are pleased to report that if the Shareholder Resolutions are passed on 26 September, investors could normally expect to receive a substantial majority of each Fund in cash as an Initial Payment by mid-November. The assets that remain in the Fund post the Dealing Day of 30 September 2024 will continue to be exposed to market movements until they are realised.

Accordingly, the Board has resolved, in accordance with the Prospectus and the Articles, to propose and recommend to Shareholders to:

- a) resolve to terminate the Funds, such that:
 - a. all assets of the Funds be liquidated, such that they are converted to cash which will facilitate redemption of Shareholders;
 - b. all Shareholders be redeemed effective as of the Dealing Day of 30 September 2024 (the "**Final Redemption Date**");
 - c. The Net Asset Value as at the Final Redemption Date will factor in all known liabilities of the Funds, including those accrued or contingent upon the termination of the Company and the Funds and a provision for estimated liabilities up to liquidation of the Company;
 - d. resulting cash be distributed to Shareholders, such that Shareholders receive their redemption proceeds through an initial payment ("**Initial Payment**") of a substantial majority of the net asset value as at the Final Redemption Date and later payment(s) after that (collectively, the "**Settlement**"); and
 - e. the revocation of the Central Bank's authorisation of the Funds be effected,(collectively referred to as the "**Proposal**").

It is expected that the Initial Payment be paid by mid November 2024 and a 2nd payment in May 2025.

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The Settlement can only be paid to the bank account of record provided as of the subscription into the relevant Fund. Accordingly, you are advised to check that your bank account of record (provided to the Administrator as of the subscription date into the relevant Fund) is still the correct account. Please contact TCHIR@citco.com should this not be the case.

The Proposal is being tabled by way of a Special Resolution at an extraordinary general meeting of the Company to be held on 26 September 2024 (the "EGM"). To this effect, please see attached a notice of the EGM in Schedule 1 and a proxy form in Schedule 2.

In conclusion, we would like to thank the members of our investment committees, many of whom have served for decades, members of the Board of the Company, and especially our investors for their support over the past 55 years.

Yours faithfully,

Director

for and on behalf of
THE CAPITAL HOLDINGS FUNDS PLC

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SCHEDULE 1

The Exchange
George's Dock
IFSC
Dublin 1
Ireland

4 September 2024

(Unless otherwise defined, all capitalised terms in this notice (the "Notice"), shall have the meanings ascribed to them in the Circular and the Prospectus)

NOTICE IS HEREBY GIVEN that the EGM be held at 35 Shelbourne Road, Ballsbridge, Dublin 4, Ireland **at 11.00am (Irish time) on 26 September 2024** for the purposes of transacting the following business of the Company:

Special Business

Considering and, if thought fit, passing the following Special Resolution (as defined in the Prospectus of the Company):

- *To approve the proposal to terminate the Funds, such that:*
 - *all assets of the Funds be liquidated, such that they are converted to cash which will facilitate redemption of Shareholders;*
 - *all Shareholders be redeemed effective as of the Dealing Day of 30 September 2024 (the "Final Redemption Date");*
 - *The Net Asset Value as at the Final Redemption Date will factor in all known liabilities of the Funds, including those accrued or contingent upon the termination of the Company and the Funds and a provision for estimated liabilities (which may include a certain buffer for unknown liabilities) up to liquidation of the Company;*
 - *resulting cash be distributed to Shareholders, such that Shareholders receive their redemption proceeds through an initial payment ("Initial Payment") of a substantial majority of their redemption proceeds and later payment(s) after that (collectively, the "Settlement"); and*
 - *the revocation of the Central Bank's authorisation of the Funds be effected,*

(collectively referred to as the "Proposal").

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By order of the Board

Eoin Ó Caoiláin

**For and on behalf of
Clifton Fund Consulting Limited (trading as KB Associates)
Company Secretary**

Note: A Shareholder entitled to attend, speak and vote is entitled to appoint a proxy to attend, speak and vote on his behalf. A proxy need not be a Shareholder.

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SCHEDULE 2

PROXY FORM

(Unless otherwise defined, all capitalised terms in this proxy form, shall have the meanings ascribed to them in the Notice, the Circular and the Prospectus)

I/We _____

of _____

being a Shareholder, hereby appoint Aisling Farrell, 35 Shelbourne Road, Ballsbridge, Dublin 4, Ireland or failing him or her Roderick Swan, 35 Shelbourne Road, Ballsbridge, Dublin 4, Ireland, or failing him or her

as my / our proxy to vote for me/us and on my/our behalf at the EGM to be held on **26 September 2024 at 11.00am (Irish time)** and at any adjournment thereof.

Please indicate in below 'For' or 'Against' box how many shares you are voting for in relation to the resolution. Please also state the name of the sub-fund you are voting for.

If you want to vote for more than 1 sub-fund then please submit one form for each sub-fund. In the event that you do not specify a preference the proxy may vote as it thinks fit:

	<u>Please state the name of the sub-fund:</u>	<u>For</u> (state the number of shares)	<u>Against</u> (state the number of shares)
1.	<i>To approve the Proposal, as set out at Schedule 1 hereto and as further set out in the circular to Shareholders dated 4 September 2024.</i>		

Signed this _____ day of _____ 2024

Signature: _____

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NOTES:

- a) To be effective this proxy form must be completed, signed and emailed to the Company Secretary afarrell@waystone.com. To be valid, completed and signed proxies must be received by the Company Secretary, not less than 48 hours before the time appointed for the holding of the meeting.
- b) In the case of joint Shareholders, the signature of the first named Shareholder will suffice.
- c) In the case of a corporation, the proxy form must be either executed under its seal or under the hand of an officer or attorney duly authorised.

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