

CAPITAL GEARING TRUST PLC

INVESTOR DISCLOSURE DOCUMENT

IMPORTANT INFORMATION

Regulatory status of Capital Gearing Trust PLC (the “Company”)

Capital Gearing Trust PLC is an 'alternative investment fund' (“AIF”) for the purposes of the AIFMD. The Company has appointed CG Asset Management Limited (“CGAM” or the “AIFM”), to act as its alternative investment fund manager. CGAM is authorised and regulated by the FCA as a ‘full-scope UK AIFM’.

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

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

Limited purpose of this document

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

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

This document is not a prospectus and it is not intended to be an invitation or inducement to any person to engage in any investment activity. This document may not include (and it is not intended to include) all the information which investors and their professional advisers may require for the purpose of making an informed decision in relation to an investment in the Company and its shares.

No advice

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

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

Overseas investors

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

Prospective investors must inform themselves as to (a) the legal requirements within their own countries for the purchase, holding, transfer or other disposal of shares; (b) any foreign exchange restrictions applicable to the purchase, holding, transfer or other disposal of shares which they might encounter; and (c) the income and other tax consequences which may apply in their own countries as a result of the purchase, holding, transfer or other disposal of shares.

THE COMPANY

Investment Objectives

The Company's objective is to preserve, and over time to grow shareholders' real wealth.

Investment Policy & Strategy

The Company aims to achieve its investment objectives through long only investment in quoted closed-ended funds and other collective investment vehicles, bonds, commodities and cash, as considered appropriate.

Given the diverse attributes of closed-ended funds and other collective investment vehicles, as well as the lower-risk characteristics attached to the other asset classes in which the Company invests, a flexible approach to asset allocation is adopted. It is anticipated that under most market conditions, a broad mix of assets will be maintained and a maximum 80% exposure to either equity or fixed-interest securities (including index-linked securities and cash) may be held at any time.

The investment manager has the authority to invest in any geographical region and has no set limits on industry sector or country exposure. The Company will not invest more than 15% of its investment portfolio in any single investment.

The Company does not have a formal benchmark but uses the UK Retail Price Index (RPI) as the minimum target for returns to be achieved over the medium to longer term, thereby aiming to at least preserve the real value of shareholders' investments.

The Company, in pursuing total return, does not aim to invest for income to support any target dividend payment, since capital return is likely to be the largest component of the absolute return objective.

The maximum proportion of the Company's gross assets that can be held in other UK-listed investment companies (which do not have a stated investment policy to invest no more than 15% of their gross assets in other UK investment companies) is 10% in accordance with Listing Rule 15.2.5. It is, however, the aim of the Company to maintain a maximum 6% investment level in such companies in order to avoid any potential breach of this rule and to maintain investment flexibility.

The Company may invest in derivatives such as warrants, options, swaps and forward contracts for the purpose of efficient portfolio management, subject to prior Board approval. Investments in other funds managed by CG Asset Management, or by associates of CG Asset Management, will be considered by the Board on a case by case basis and are subject to Board approval.

Borrowing powers

The Company has the authority to borrow up to 20% of net assets, subject to prior Board approval.

Leverage

Circumstances in which leverage may be used

The Board have not ruled out the use of leverage but there are no plans to introduce it into the portfolio.

Types and sources of leverage permitted and risks

If leverage were to be applied, it may be used in the form of short term borrowed funds or exchange traded derivatives.

The company may also hedge the currency exposure of the portfolio.

Some of the financial instruments held by the Company are interest bearing. As such, the Company is exposed to interest rate risk resulting from fluctuations in the prevailing market rate.

The possible effects on fair value and cash flows that could arise as a result of changes in interest rates are taken into account when making investment and borrowing decisions.

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

As mentioned above, the Company is permitted to engage, to a limited extent, in leverage through the use of techniques permitted for the purposes of hedging the currency exposure of the portfolio. The maximum potential exposure created by such techniques and/or created through borrowing, shall not exceed 200 per cent under the gross method and 200 per cent under the commitment method of calculation set out in the AIFMD.

This maximum level has been set by the AIFM in consultation with the Board, in accordance with the AIFMD. In accordance with the management agreement, any changes to these limits will be agreed in advance between the AIFM and the Company.

The commitment leverage methodology allows for offsets of hedging transactions and other risk mitigation strategies involving derivatives, such as hedging and duration management. On the contrary, the gross leverage methodology does not allow for offsets of hedging transactions and other risk mitigation strategies involving derivatives, such as hedging and duration management.

Disclosure of information in relation to leverage

The Company will disclose on its website at the same time as it makes its annual report and accounts available to investors or more frequently at its discretion, the following:

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

Investment approach and investment techniques

The Company's annual report, which is available from its website, www.capitalgearingtrust.com, sets out the investment approach and techniques applied in managing the Company's portfolio.

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

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

ADMINISTRATION AND MANAGEMENT OF THE COMPANY

The AIFM

The AIFM is CG Asset Management Limited (the "AIFM"), a private limited company incorporated in England and Wales with registered number 04056163, whose registered office is at 20 King Street, London, EC2V 8EG. The AIFM is authorised and regulated by the FCA.

The AIFM has been authorised by the FCA to act as an alternative investment fund manager pursuant to the AIFMD and has been designated by the Company, under the terms of the management agreement, to perform the:

- Investment management function in respect of the Company which includes portfolio management and risk management;
- Valuation function in respect of the company's assets

The AIFM is also responsible for ensuring compliance with the AIFMD. The AIFM may delegate certain functions with respect to its duties to third parties in accordance with the delegation requirements of AIFMD. Notwithstanding any delegation the AIFM shall remain liable to the Company for the proper performance of the portfolio management, risk management and valuation.

Delegated management functions

The AIFM has not delegated any of its functions.

Fees

The AIFM is entitled to a fee which is based on the AIF's shareholders' funds, is 0.60 per cent on the first £120 million; 0.45 per cent between £120 million and £500 million; and 0.3 per cent thereafter.

The Depositary

Northern Trust Investor Services Limited (the "Depositary") has been appointed as the Company's depositary, as required by AIFMD. The Depositary holds or arranges for sub-custodians to hold, all of the cash, securities

and other assets of the Company and arranges and settles (directly or through sub-custodians) all transactions relating to those assets on behalf of the Company.

Under the terms of the depositary agreement between the Company, the Depositary and the AIFM, the Depositary may delegate the whole or any part of the Custody Services or Asset Verification Services to one or more Sub-custodians located in any part of the world, provided that:

- (a) any bank to which subscription moneys are paid by the Depositary pursuant to Instructions which are accepted as an Asset of the Company shall not while it holds such subscription moneys be a Sub-custodian of the Depositary for such purposes;
- (b) except in the case of Custody Assets transferred on a basis other than a full title transfer, any clearing broker with which contract and/or margin or premia on options or similar moneys or Other Assets are deposited in respect of any currency futures contracts or any other hedging contracts shall not be a Sub-custodian of the Depositary for such purposes; and
- (c) any Settlement System through which the Securities are delivered shall not be a Sub-custodian of the Depositary for such purposes.

The Depositary has not entered into any contractual arrangement to discharge itself of liability in accordance with Article 21(13) and 21(14) of the AIFMD and, therefore, the Depositary's liability is not affected by the delegation of its safe-keeping function as outlined above. Shareholders will be notified of any changes with respect to the discharge by the Depositary of its liability in accordance with Articles 21(13) and 21(14) through a Regulatory News Service.

Fees of the Depositary

The annual fee payable to the Depositary is based on the value of assets under management with the fee being 0.01 per cent of the net asset value of the Company, subject to a minimum fee of £50,000.

Custody Charges

In addition to the fees stated above the Depositary shall also be entitled to receive transaction and custody charges in relation to the transaction handling and safekeeping of the Company's assets ("Transaction Charges" and "Custody Charges" respectively). Transaction Charges are for the underlying securities traded in local market exchanges. Custody Charges are for the asset value under administration in each securities market.

The Auditor

The auditor of the Company is BDO LLP of 55 Baker Street, London, W1U 7EU. The auditor's responsibility is to audit and report on the Company's financial statements in accordance with applicable law and auditing standards for all accounting periods during its appointment.

The Auditor carries out its duties in accordance with applicable laws, rules and regulations, including the audit of the accounting information contained in the annual report of the Company. The Auditor's work has been undertaken so that they might state to the Company's members those matters they are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, the Auditor does not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for their audit work, for their audit report, or for the opinions they formed.

Fees of the Auditor

The fees payable to the Auditor shall be determined by the Directors. The Company's annual report and accounts detail the latest fees paid to the Auditor.

The Company Secretary & Administrator

The Board has appointed Juniper Partners Limited, a private limited company incorporated in Scotland with registered number SC366565, whose registered office is at 28 Walker Street, Edinburgh EH3 7HR, to provide company secretarial and administration services to the Company. Juniper Partners Limited is authorised and regulated by the FCA. In addition, the Company has delegated responsibility for managing its discount and premium control mechanism to the Administrator.

Fees of the Administrator and Company Secretary

In respect of administration and company secretarial services, Juniper Partners receives:

- a fixed fee of £145,000 per annum;
- plus 0.02 per cent of the value of Shareholders' funds up to and including £1 billion;
- plus 0.01 per cent of the value of Shareholders' funds over £1 billion up to and including £2 billion; and
- 0.00625 per cent of the value of Shareholders' funds on any amounts over £2 billion.

The Administrator is also entitled to receive a fee in connection with the operation of the Company's discount and premium control mechanism. Under the Administration Agreement, the Administrator receives:

- a fixed fee of £30,000 per annum;
- plus commission of:
 - (i) 0.1 per cent of the aggregate consideration paid in respect of any Ordinary shares bought back by the Company or received in respect of any Ordinary shares issued by the Company up to and including £250 million;
 - (ii) 0.075 per cent of the aggregate consideration paid in respect of any Ordinary shares bought back by the Company or received in respect of any Ordinary shares issued by the Company over £250 million up to and including £500 million; and
 - (iii) 0.05 per cent of the aggregate consideration paid in respect of any Ordinary shares bought back by the Company or received in respect of any Ordinary shares issued by the Company over £500 million.

The Registrar

The registrar to the Company is Computershare Investor Services, a public limited company incorporated in England & Wales, with registered number 3498808 and is authorised and regulated by the UK Financial Conduct Authority. The registered office is at The Pavilions, Bridgwater Road, Bristol BS13 8AE.

The duties of the registrar include:

- maintenance of the register of shareholders;
- certifying and registering transfers;
- dealing with routine correspondence from shareholders, the United Kingdom Listing Authority, CRESTCo and the Registrar of Companies; and
- maintaining dividend mandates and shareholder legal documentation.

Fees of the Registrar

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

Conflicts of interest that may arise from the delegation of functions by the AIFM

The Depositary and the AIFM may from time to time act as manager, administrator, custodian, alternative investment fund manager, investment manager or adviser or distributor in relation to, or be otherwise involved in, other funds or collective investment schemes which have similar investment objectives to those of

the Company. It is, therefore, possible that any of them may, in the due course of their business, have potential conflicts of interests with the Company. Each will at all times have regard in such event to its obligations under the Company's articles of association and/or any agreements to which it is party or by which it is bound in relation to the Company and, in particular, but without limitation, to its obligations to act in the best interests of the shareholders when undertaking any investments where conflicts of interest may arise and they will each respectively endeavour to ensure that such conflicts are resolved fairly and, in particular, the AIFM has agreed to act in a manner which the AIFM in good faith considers fair and equitable in allocating investment opportunities to the Company.

There is no prohibition on dealing in assets of the Company by entities related to the Depositary or the AIFM provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length and in the best interests of the shareholders. Permitted transactions are subject to (a) a certified valuation of a transaction by a person approved by the Depositary (or in the case of transactions involving the Depositary the Directors) as independent and competent; (b) the execution of transactions on best terms on organised investment exchanges under their rules and, (c) where (a) and (b) are not practical, execution on terms the Depositary (or in the case of transactions involving the Depositary the Directors) is satisfied conform to the principles of normal commercial terms negotiated at arm's length and in the best interests of the shareholders.

Employees or officers of the AIFM or its affiliates may directly or indirectly acquire Shares. Any acquisition or divestment of Shares by such individuals shall be on terms which are no more favourable than those applying to all shareholders. The AIFM will maintain internal procedures to ensure that the size and timing of any purchases or sales of Shares by such individuals shall not conflict with any duties owed to shareholders and the Company by the AIFM or its affiliates or any employees or officers thereof.

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

SHAREHOLDER INFORMATION

Copies of the Company's latest annual and interim reports may be accessed at www.capitalgearingtrust.com.

The latest net asset value of the Company may be accessed at www.capitalgearingtrust.com. The Company also publishes its net asset values on a daily basis via a Regulatory Information Service.

Valuation Policy

The Company's asset valuation policy, as stated in its accounting policies, is to value listed investments at bid market or last traded price, depending on the convention of the exchange on which the investment is quoted. Investment in unit trusts or OEICs are valued at the closing price released by the relevant investment manager.

The Company's AIFM acts as its "own valuer" and valuation is undertaken by the risk oversight committee such that valuation is confirmed independently of the portfolio managers and is conducted with due skill, care and diligence. In so doing, CGAM uses information provided by The Northern Trust Corporation and other independent sources in order to verify the valuations. At least once each year CGAM will undertake a full in-depth review of the value of the underlying assets of the Company. This review is undertaken, where possible, at the same time as the Company's Auditor's annual check of the existence of the holdings and validation of their prices.

Historical performance of the Company

Details of the Company's historical financial performance are provided in the Company's annual reports and accounts and quarterly newsletters, which are available at www.capitalgearingtrust.com.

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

Purchases and sales of shares by investors

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

The Company has a policy to ensure that its shares always trade at close to net asset value through a combination of share buybacks coupled to the issue of new shares at a small premium to net asset value where demand exceeds supply. This discount and premium control policy is enshrined in the Articles of Association of the Company.

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

Fair treatment of investors

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

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

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

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

Key information document

The key information document may be accessed at www.capitalgearingtrust.com

RISK FACTORS

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

Credit and counterparty risk

Credit risk is the risk that an issuer or counterparty will be unable or unwilling to meet a commitment that it has entered into with the Company. The Company's principal financial assets are investments, bank balances, cash and other receivables, which represent the Company's exposure to credit risk in relation to financial assets. The Company is exposed to potential failure by counterparties to deliver securities for which the Company has paid and to pay for securities which the Company has delivered. Risks relating to unsettled transactions are considered by the Company to be small as a result of the relatively short settlement period involved and the credit quality of the brokers used. Substantially all of the assets of the Company other than cash deposits are held by the Custodian. Bankruptcy or insolvency of the Custodian might cause the Company's rights in respect of the securities held by the Custodian to be delayed or limited. The credit risk on liquid funds and derivative financial instruments is limited as the counterparties are banks with high credit ratings, rated A or higher, assigned by international credit rating agencies. Bankruptcy or insolvency of any such financial institution may limit or delay the Company's ability to access cash placed on deposit.

Market price risk

The fair value of equity and other financial securities held in the Company's portfolio fluctuates with changes in market prices. Prices are themselves affected by movements in currencies and interest rates and by other financial issues including the market perception of future risks.

Interest rate risk

Some of the Company's financial instruments are interest bearing. As such, the Company is exposed to interest rate risk due to fluctuations in the prevailing market rates.

Foreign currency risks

Some of the Company's investments are in overseas securities. The Company accounts for its activities and reports its results in pounds sterling. Where the Company does not hedge its currency exposure, the movement of exchange rates may have a favourable or unfavourable effect on the gains and losses experienced on investments which are made or realised in currencies other than pounds sterling.

Details of the Company's key risks are also set out in the Company's annual report and accounts, which may be accessed on the Company's website.

RISK MANAGEMENT

Risk profile

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

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

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

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

The risk management systems which the AIFM employs to manage the risks which are most relevant to the Company will be disclosed periodically to investors by disclosure in the Company's annual report and accounts or more frequently at the AIFM's discretion.

Liquidity risk management

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

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

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

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

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

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

Professional negligence liability risks

The AIFM covers potential professional liability risks resulting from those activities the AIFM carries out pursuant to the AIFMD, as transposed by the AIFMD Regulations, by holding additional capital on its balance sheet as required by article 14 of the AIFMD level 2 regulations (additional own funds).

The AIFM also complies with the qualitative requirements addressing professional liability risks in article 13 of the AIFMD level 2 regulation (qualitative requirements addressing professional liability risks).

Brokerage practices and use of dealing commission

The Company does not employ a prime broker.

The depositary agreement provides that neither the Depositary nor its delegates shall reuse the Company's investments without the prior consent of the Company or of the AIFM acting on behalf of the Company.

The AIFM conducts portfolio management services on behalf of the Company. An important part of the role is to select brokers with whom orders can be placed to execute investment decisions on behalf of the Company. The AIFM trades with brokers using execution-only commission rates. The AIFM pays for research services directly under separate agreements in accordance with its inducements and research payment policy.

Amendment of this Document

The information in this document will be reviewed and updated (as necessary) at least annually. Any changes made to this document will be notified to investors by way of disclosure on the Company's website.