CITY OF LONDON
Investment Management Company Limited

Annual Stewardship Report 2024

March 2025

City of London Investment Management Company Limited (CLIM) is a specialist investor in closed-end funds (CEFs). Promoting strong corporate governance at CEFs has been a central part of our investment process since the business was founded in 1991. CLIM believes that strong corporate governance is essential to ensure that CEFs remain competitive. CLIM's Corporate Governance and Proxy Voting Policy forms the basis for our engagement with CEF boards and it is set out below in the first section of this Annual Stewardship Report.

The second section describes CLIM's stewardship principles and our extensive engagement activity in 2024 in a format that is aligned with the twelve principles of the UK Stewardship Code.

CLIM is a signatory to the Principles for Responsible Investment (PRI) and fully supports the objectives of the UK Stewardship Code.

1. Corporate Governance and Proxy Voting Policy for Closed-end Funds

I. The Board

• The Chairman

The Chairman should not be a director of another fund with the same Manager. The Chairman's responsibilities include engaging with shareholders on behalf of the board, directors' appraisals, board succession planning, and overseeing the regular assessment of the Manager, ideally via a Management Engagement Committee (MEC).

• Independence

CEF directors are fiduciaries with a responsibility to act in the best interests of their shareholders. It therefore follows that CEF directors should be 100% independent of the Manager and CLIM will not support the election of directors connected to the Manager.

Board nominees should be selected by a committee of independent, non-executive directors, assisted by a specialist search firm. CLIM will normally oppose individuals who:

- are employed by the Manager or have been within the previous 5 years;
- have a financial link to the Manager within the previous 5 years;
- represent a shareholder, or a concert party of shareholders, with a significant holding in the Fund;
- hold more than five board positions;
- serve on multiple boards of funds with the same Manager; or
- have cross-directorships with executives of the Manager.

• Experience and Tenure

Due consideration should be given to board diversity. Requisite experience and understanding of CEFs is as important as knowledge of the relevant investment strategy.

Directors should submit for annual re-election individually by a simple majority and their tenure should not normally exceed nine years. CLIM does not normally support boards of US CEFs which employ the 'plurality' voting standard.

• Board Remuneration

Director remuneration should be sufficient to attract high quality individuals and should not be paid on a per-meeting basis.

• Safe Custody

Boards 'contract out' the physical safeguarding of securities to recognized global custodians. Boards should ensure that adequate steps are taken to recognize and control exposure to counter-party risks as part of the safeguarding process.

- **Control and Supervision**

The board is ultimately responsible for the adequacy of procedures to ensure proper control and supervision of ancillary service providers. Consideration should be given to outsourcing administration and secretarial services, which are often otherwise provided by the investment manager. Service contracts should be put out to tender periodically to ensure providers remain competitive.

II. Manager Oversight

- **Tenure**

Notice periods for investment managers should not exceed 3 months, unless within five years from a CEF's launch. Following an initial period from launch, shareholders should be offered periodic continuation votes. Boards should consider alternative management arrangements in the event of key staff departures from the investment manager.

- **Investment Management Fees**

Fees should be competitive with market norms for comparable institutional mandates. Shareholders should share in the scale economies as a fund grows, via a tiered fee structure. Fees should be calculated on net assets or on the lower of market capitalisation and net assets.

CLIM does not generally support performance fees. However, consideration may be given to symmetrical performance incentives, which provide for both downward and upward adjustment to the base fee. Fees should not be levied on cash, where such balances are substantial and have been held for periods longer than referenced in the Prospectus.

IM fees should include research and marketing expenses incurred by the Manager.

- **Investment Policy and Benchmark Index**

The investment policy and objective should be subject to annual review to ensure that it continues to meet shareholders' needs. Performance should be measured against a total return benchmark, based on an index that is investable, measurable and appropriate to the investment policy. Where applicable, boards should disclose the limit on out of benchmark exposure, including unlisted investments. CLIM discourages excessive leverage. In the interests of maintaining balance sheet flexibility, gearing should not be financed by long-term debt.

- **Performance Review**

Performance should be reviewed by the MEC primarily against the benchmark and excluding NAV accretion resulting from capital management. The MEC must satisfy itself that private and infrequently or subjectively valued investments are fairly valued and should disclose the valuation methodology, frequency and last valuation point.

The board should indicate a proposed course of action in response to underperformance. Performance that is behind benchmark over a three to five year investment cycle should trigger a tender offer so that shareholders can realise part or all of their holding at close to NAV. Performance conditional tender offers (CTOs) in these circumstances provide a fairer deal for long-term investors. CLIM believes that all CEFs should have a CTO.

Management arrangements should be reviewed in instances of underperformance over longer time periods.

- **Cross Shareholdings**

Investment into another Fund under the control of the same Manager should be limited to 5% of a Fund's voting equity and such investment should not incur double fees.

- **Launch of New Funds**

The board should be kept informed of the Manager's plans to launch new funds. A Manager should not launch a new CEF if their existing funds with comparable mandates trade at a discount. The board should ensure that the existing CEF benefits from improved terms introduced in newly launched funds.

III. Discount Control

- **A Fair Price**

Funds launch at NAV which is therefore the implied fair price. It is in shareholders' interests that a fund does not subsequently trade at a persistently wide discount. CLIM opposes directors' re-election where, in CLIM's opinion, prospectus commitments in respect of discount control are not met.

- **Policy Responsibility**

The board is responsible for developing and implementing a credible discount control policy. All CEFs should have a discount control mechanism. CEFs deemed too small for conventional discount control measures should seek merger partners or otherwise offer their shareholders redemption at NAV.

• Capital Management

CLIM supports boards whose objective is to grow the fund. A larger fund benefits investors via scale economies but a CEF can grow via share issuance only at NAV or above. Credible and sustainable discount control is thus necessary to achieve growth.

CEFs should not issue shares, including treasury shares, at a discount to NAV. In the event that a premium develops, consideration should be given to issuing shares including rights issues to prevent an excessive premium developing.

The share buyback is an essential discount control tool, is NAV accretive and provides shareholders with liquidity. Boards should clarify their policy for buying back shares to the maximum extent possible. Funds should repurchase their own shares in favour of re-investment when the discount is unacceptably wide. Buybacks should be disclosed promptly and treasury shares should be cancelled within 12 months from purchase.

• Continuation Votes

It is good practice for CEFs to offer shareholders regular continuation votes, as is common in the UK. Continuation votes should normally be accompanied by a commitment to an event such as a CTO as part of the ongoing discount management process.

• Tender Offers

Tender offers at close to NAV are a fair and effective means of removing persistent stock overhangs which adversely affect the discount.

IV. Shareholder Communication

• Contact with the Board

The Chairman should be readily accessible as a conduit for shareholder engagement, if necessary facilitated by the Manager. Boards should consult shareholders when considering, for example, changes to the Manager, benchmark, investment guidelines, and discount control measures.

• Shareholder Meetings

CEF's should take all reasonable measures to facilitate maximum participation by retail investors in shareholder meetings. Agendas should be circulated well in advance, allowing for potential delay in the distribution of materials by custodians. The text of the resolutions should be accompanied by the board's recommendation, including a rationale.

The Manager should recuse itself from voting shares when there is a clear conflict of interest. Voting rights of shareholders who have not voted, for example in UK savings schemes, should not be exercised.

The meeting outcome should be announced promptly, including the number of votes cast 'For', 'Against' and 'Abstentions' (where applicable). Approved resolutions should be implemented as soon as practicable.

• Portfolio Transparency

Transparency helps to reduce the discount. It is preferable that full portfolios are disclosed monthly but at least semi-annually. Monthly factsheets should be available on the CEF's website disclosing at least the top ten holdings and their weights, exposure to illiquid investments and exposure to securities outside the benchmark index. Bond funds should disclose their duration and credit quality versus benchmark and the weighted average life of the portfolio. Private investments should include valuation dates in their disclosures.

Derivative positions should be disclosed, including counterparty information in respect of OTC derivatives. Information on gearing should include the term of each facility, interest rates and fees, and relevant covenants. The Manager should also disclose future commitments or contingent liabilities.

• Environmental, Social and Governance

Managers should explain how ESG factors are considered in their investment process, including measures taken to mitigate climate change risks. CLIM encourages comprehensive disclosure of portfolio ESG characteristics, such as carbon intensity and ESG ratings. The management discussion in the Annual Report should disclose the investment rationale and engagement strategy for holdings with high ESG risks.

• Funds in Liquidation

Liquidation proposals should be supported by an expected schedule of asset realisations and capital distributions prior to the shareholder vote. The NAV should be published when the CEF enters liquidation and updated at least quarterly along with amendments to the distribution timetable.

• Dividend and Capital Gains Distribution Policies

Distribution policies should be fully disclosed including frequency and factors that will be considered to determine any distribution. Shareholders should always be given the option to receive distributions in cash and consideration given to quarterly or monthly distributions to appeal to income-oriented retail investors.

US CEFs should disclose the source or sources of distributions at the point the distribution is declared. Shares may be issued to satisfy dividend reinvestment plans (DRPs) but only at NAV or higher. If the CEF is at a discount to NAV, the DRP should be satisfied by market purchases.

• General Communication

Shareholders should automatically receive annual and interim reports and copies of other major announcements directly. These should be immediately available on the CEF's website.

The repurchase and issuance of shares should be disclosed promptly, including the number of shares and the price. Performance commentaries should identify separately the NAV accretion arising from such capital management.

The rationale for proposals that require shareholders' approval should be disclosed in the proxy mailing.

• Non-Public Information

CLIM is generally willing to be made 'inside' for a short period in order that a board can confirm sufficient shareholder support for a specific proposal.

• NAV Releases

NAVs for CEFs with portfolios of listed assets should be published daily as soon as possible following the relevant cut-off time, no later than the market open on the following day. Adequate procedures and controls are required to ensure the accuracy of the published NAV. Fair value pricing (FVP) procedures should be fully disclosed and, when invoked, a non-FVP NAV should be published alongside the official NAV.

V. Voting

• Voting Rights

Every share of stock issued by a CEF should have equal voting rights with every other voting stock. CLIM opposes any action by a CEF to disenfranchise or otherwise restrict the voting rights of certain shareholders. CLIM is opposed to US CEFs opting in to control share statutes.

• The Voting Process

CLIM does not use proxy advisers. Each proxy is reviewed by the relevant investment team which decides how to vote, including whether to abstain, in accordance with this published policy. Votes are submitted via a secure, web-based proxy voting service. Boards are usually given notice of an intention to vote against their recommendation, along with an explanation.

• Non CEF Securities

CLIM invests in holding companies and REITS and determines how to vote these securities by applying the same principles as for CEFs, where they are relevant. CLIM's voting decisions for holding companies are otherwise guided by the UK Corporate Governance Code and the best interests of its clients.

• Conflicts of Interest

CLIM will generally vote in accordance with this Statement on Corporate Governance and Proxy Voting Policy for Closed-End Funds. In the unlikely event of a material conflict of interest, the potential conflict may be disclosed to clients and direction sought regarding how the proxy should be voted. CLIM may engage an independent third-party to recommend how the proxy should be voted.

CLIM may establish informational barriers between the person(s) involved in the potential conflict and the person(s) making the voting decision in order to insulate the potential conflict from the decision-maker.

CLIM uses available resources to determine whether a potential conflict may exist, and a potential conflict will be deemed to exist only if one or more of CLIM's Investment Management Team knew, or reasonably should have known, of the potential conflict.

2. Stewardship Principles and 2024 Activity

2.1 CLIM's Purpose, Strategy and Culture

CLIM is a subsidiary of City of London Investment Group PLC (CLIG), a UK company that is listed on the London Stock Exchange. CLIM's purpose is to create successful investment outcomes for its clients by investing primarily in CEFs, capitalising on their discount inefficiencies. CEFs often trade at a meaningful discount or premium to their net asset values (NAVs), depending ultimately on the relevant supply and demand factors. CEFs typically exhibit persistent and significant discount volatility, with a tendency towards mean reversion. CLIM's process revolves around rigorous peer analysis of prevailing discounts compared to their historic averages.

CLIM has a strong, team-oriented culture and firmly rejects the cult of the individual or "star" fund manager. CLIM's risk averse, collegiate culture promotes robust and effective debate within the investment team. This culture is underpinned by CLIM's values of honesty, fairness and transparency to all stakeholders.

Effective stewardship is achieved by regular engagement with CEF boards and by exercising clients' voting rights to promote best practices in corporate governance. CLIM's Corporate Governance and Proxy Voting Policy which is set out above provides the template for this engagement.

The guiding principles of this policy are fully independent boards and transparency. CLIM considers the two key roles of a CEF board are oversight of the investment manager and discount management. A CEF's discount to NAV is an important and clearly visible measure of governance effectiveness. CLIM does not support boards that take insufficient action to address a persistently wide discount to NAV.

CLIM's engagement with CEF boards is undertaken by senior members of the investment management team which enhances the long term effectiveness of CLIM's stewardship activities. Favourable outcomes from this engagement in 2024 include the wider adoption of performance conditional tender offers (CTOs) by US and UK listed CEFs, increased share buyback activity as discounts widened, and several significant mergers described below (2.9).

2.2 CLIM's Governance, Resources and Incentives

CLIM's Investment Management Team includes 12 portfolio managers with 16 years average tenure. Portfolio Managers are responsible for implementing stewardship for their respective strategies with the assistance of a UK based governance and ESG specialist. This ensures a coordinated response where an asset is held across multiple strategies.

CLIM's Research Team conducts annual due diligence on the investment manager of each CEF investment. ESG issues, including climate change, are considered as part of this process, with the assistance of Sustainalytics' ESG Risk Ratings. This work is undertaken in order to understand better the sustainability performance of the underlying CEF portfolios. CLIM selects securities predominantly based on their discount to NAV but investment managers are encouraged to disclose ESG characteristics of their strategies, such as ESG ratings and carbon emissions.

CLIM's bonus scheme is linked to overall profitability and includes all employees. It does not target specific KPIs such as stewardship integration but improved ESG, particularly CEF governance, is a factor in this value chain where it results in better outcomes for client portfolios. The bonus scheme encourages employee share ownership via an option for a matched equity contribution which vests over three years. CLIM's remuneration policy aligns the interests of all stakeholders and its success at motivating all staff is evidenced by high employee retention rates: 56% of employees at the end of December 2024 had over ten years tenure with CLIM.

A standardised meeting agenda ensures that CLIM has a consistent approach to Manager due diligence. Board engagement is conducted by a senior team that generally includes the portfolio managers. CLIM believes that this approach maximises the impact of its stewardship activities and is effective at promoting high CEF governance standards. This is evidenced by the steady flow of corporate actions that CEFs have undertaken to address persistently wide discounts.

CLIM maintains policies to foster in its own business a culture of diversity, equity and inclusion which are supported by relevant training for all employees. A remote working policy enables each employee to achieve a more appropriate work / life balance. The gender and racial profile of CLIM employees as of 31 December 2024 is shown below.

	Female	Male	Total
Directors	0	3	3
Employees	26	46	72
TOTAL	**26**	**49**	**75**

	Caucasian	Asian	African	Other	Total
Directors	2	1	0	0	3
Employees	60	9	1	2	72
TOTAL	**62**	**10**	**1**	**2**	**75**

2.3 Conflicts of Interest

CLIM's approach to conflicts of interest is disclosed in its Form ADV Part 2A (Item 11) at https://citlon.com/form-adv-disclosures/. This Policy sets out the principles observed by CLIM in dealing with potential or actual conflicts of interest between CLIM (including employees) and its clients and between one client and another. CLIM has a fiduciary duty to clients that requires all employees to act in clients' best interests. CLIM maintains a Register of potential and actual conflicts. Both the Policy and the Register are reviewed at least annually by CLIM's Risk & Compliance Committee (RCC).

The RCC is co-chaired by CLIM's Head of Compliance and the US Chief Compliance Officer, membership includes CLIM's Executive Directors. CLIM's compliance team attends the RCC quarterly meetings. An identified conflict that cannot be satisfactorily managed is disclosed to clients.

CLIM has adopted a trade aggregation and allocation policy to ensure that clients are treated fairly. Employees are prohibited from purchasing for their personal account any security that is within CLIM's investable universe, excluding ETFs. CLIM's Code of Ethics requires staff to make quarterly declarations of any potential conflicts which, once determined to qualify as a conflict, are added to the Register.

CLIM's Code of Ethics further requires staff to avoid situations that have even the appearance of conflict or impropriety. This policy covers gifts received in the course of business, for which pre-approval must be sought if the value is in excess of set limits. Employees are not permitted to receive certain gifts such as cash, lodging and rail or air travel.

CLIM typically exercises control over clients' proxy voting and potential conflicts might arise where CLIG shareholders are also CEF managers. Clients' interests would be paramount but no such conflicts were identified in 2024.

CLIG has established an information barrier policy between itself and its two investment adviser subsidiaries including CLIM, so that both companies may continue to operate independently.

2.4 How CLIM Identifies and Responds to Market-Wide and Systemic Risk

Narrow discounts are the best indicator that CEF markets are functioning well. CLIM's stewardship policy encourages boards to specify what action they will take to protect their shareholders from wide discounts. This is regularly discussed with CEF boards and their response is an important factor when CLIM considers whether to support directors' re-election. In CLIM's view, credible discount management policies make an important contribution to the efficient functioning of the CEF sector of listed equities.

Identifying market wide and systemic risk is principally the responsibility of a macro research team which comprises three economists. Relevant research in 2024 included potential consequences for asset markets from the rising geopolitical risks between the US and China, escalating tensions in the Middle East and the growing concentration of mega-cap tech firms.

CLIM did not participate in 2024 in any industry initiative that specifically concerned market wide and systemic risks. CLIM is risk averse, especially in respect of risks that could exacerbate client loss in the event of market-wide and systemic crisis. Policies that demonstrate this risk averse approach include no stock lending and conservative counterparty exposure limits. Market counterparties are monitored via a comprehensive semi-annual review.

CLIM readily engages with regulators in markets where its clients are invested to promote investor rights. In 2024, for example, CLIM wrote to the US SEC urging the Commission to disapprove a proposed rule change to exempt US CEFs from the requirement to hold annual shareholder meetings. A decision is due in 2025. CLIM also co-signed a letter to the UK Treasury regarding cost disclosure requirements for UK Investment Trusts. A temporary exemption from the contested regulations was granted in September 2024 pending further consultation.

Climate change risks at the CEF level are considered at CLIM's annual CEF investment manager due diligence meetings. All CEFs are urged to disclose weighted average carbon intensity metrics versus a relevant benchmark, which at the end of 2024 was available from CEFs representing c. 43% of CLIM's AUM, versus 30% in 2023. CLIM does not encourage investment managers to invest in or to divest specific assets but promotes transparency.

CLIM supports moderate long term structural gearing but does not generally invest in equity CEFs that consistently use excessive gearing, considered to be in excess of 30%.

2.5 Reviewing Policies to Ensure Effective Stewardship

CLIM's stewardship, corporate governance and proxy voting policies are subject to annual review by a team that includes senior portfolio managers and compliance staff. Changes are subject to final approval by CLIM's senior management and compliance.

Proxy voting and corporate action decisions are determined by the investment team and implemented by CLIM's operations department. Proxies are voted electronically via a web-based platform.

CLIM's voting record is published monthly on its website. An internal log of engagement activities is maintained and a balanced selection of examples from 2024 is described in section 2.9.

CLIM's board is responsible for overseeing and approving the Firm's business processes, including those that are stewardship related. The board has delegated direct oversight of certain processes to sub-committees which report to the board.

2.6 Meeting Clients' Needs

CLIM had $6bn in assets under management (AUM) as of 31 December 2024 on behalf of clients, who are overwhelmingly US based institutions. Assets are comprised of segregated accounts, an Irish domiciled UCITS and several US domiciled pooled investment vehicles. CLIM does not market to retail investors. Assets are managed principally to the three CEF based strategies shown in the table below. The International Equity CEF strategy is predominantly focused on non-US developed markets and the Opportunistic Value strategy on global equity and fixed income markets.

AUM by Strategy^

Emerging Market Equity CEF	58%
International Equity CEF	35%
Opportunistic Value	5%
Other	3%

^As at 31 December 2024

Clients' exposure in each strategy is achieved primarily via CEFs that are listed in the UK or US (as at 31 December 2024 approximately 75% and 20% respectively of overall AUM).

AUM by Client Type*

Pension	21%
Foundation	29%
Endowment	15%
Healthcare	21%
Other	14%

**As at 31 December 2024. Clients include segregated accounts and investors in an Irish UCITS and CLIM's US domiciled pooled investment vehicles.*

CLIM's investment time horizon is three to five years which is commensurate with clients' investment objectives. Reporting is customised according to client requirements. Standard quarterly reporting includes valuations, geographical and/or sector exposures, portfolio detail regarding top holdings, average discounts and comprehensive portfolio and market commentary. Detailed bespoke performance and attribution data is also provided with appropriate commentary. CLIM responds promptly to ad hoc client requests.

Clients specify their reporting requirements at the outset. In person or teleconference updates are available on request and feedback is encouraged at these meetings on all aspects of CLIM's service. The Annual Stewardship Report is sent to all clients and is formally presented to clients that require such updates. CLIM conducts regular webinars for clients covering investment matters, including stewardship and an opportunity for questions.

A common approach to ESG issues for CEFs applies to all clients, subject to specific exclusion requirements for certain segregated clients. It is not possible because of the nature of CEF strategies for CLIM to accommodate all exclusion requests, for example a zero-carbon policy, and clients are advised where this is the case. CLIM's proxy voting responsibilities and policy are specified by the investment management agreements with both segregated clients and pooled investment vehicles.

2.7 Integrating Stewardship, Including ESG Factors

CEF corporate governance is a critical aspect of CLIM's investment process. Governance factors are monitored closely through the holding period and can provide a catalyst for exit, for example via redemption offers or tenders at close to NAV. In CLIM's opinion, the discount to NAV is a key indicator for CEFs of both value and governance effectiveness. CLIM's approach to investment and stewardship for CEFs is fully integrated precisely because a wide discount, over a period that is relevant to clients' investment horizons, triggers more active engagement.

In respect of the underlying CEF portfolio, CLIM's standard annual due diligence on CEF investment managers includes their processes for incorporating ESG and for mitigating climate change risks. CLIM believes that effective management of ESG risks results in better long-term shareholder returns. CEF investment managers are encouraged to be more transparent regarding the ESG aspects of their portfolios. CLIM uses Sustainalytics' data to monitor ESG characteristics of the underlying CEF portfolios, where available, during the holding period. This data provides the basis to challenge CEF investment managers directly on their ESG activities, including specific portfolio holdings that exhibit high ESG risks.

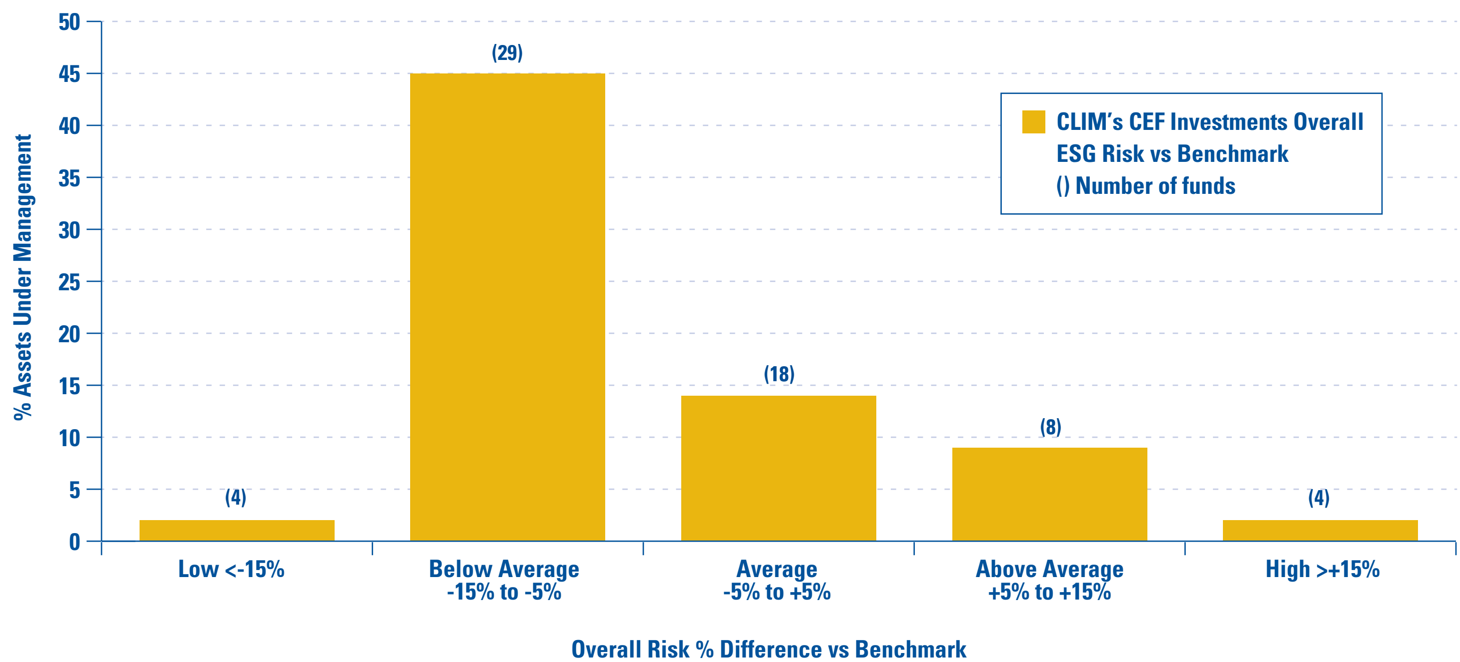
Overall Sustainalytics ESG risk scores for all CLIM portfolios as at end December 2024 were 5% lower than their respective benchmarks. Weighted average carbon intensity in those CEF investments which made the relevant disclosures was 48% lower than their respective benchmarks. CLIM does not set targets for these measures.

In 2024, 63 CEF portfolios were analysed (65 in 2023) using Sustainalytics data, representing 72% of CLIM's AUM at the calendar year end. In those CEF portfolios that were analysed, Sustainalytics covers 94% of the underlying securities on a size weighted basis.

Sustainalytics does not cover unlisted companies and has limited small cap coverage. Small cap securities tend to score poorly which, in CLIM's view, often reflects their weaker disclosure and a relative lack of resources available to develop relevant policies as opposed to poor ESG practices. Lower scores for smaller companies are not necessarily indicative of higher ESG risk. Given the fixed capital structure, CEF investment strategies generally have longer investment horizons and a majority employ active, fundamental, bottom-up processes that favour opportunities in smaller companies. Accordingly, CLIM's CEF portfolios are typically overweight smaller and mid cap securities.

The table below shows the distribution of securities held in client portfolios as at end 2024 according to their overall ESG risk compared to their specific benchmark.

CLIM's CEF Investments Overall ESG Risk vs Benchmark



Source: CLIM / Sustainalytics. AUM does not sum to 100% because not all CEFs can be analyzed by Sustainalytics.

2.8 Monitoring Service Providers

CLIM reviews the performance and fees of its service providers at least annually to ensure that they remain competitive. Market counterparties are reviewed in detail every six months, including research agreements, based on certain observable criteria from portfolio managers, traders and support staff.

2.9 Engagement

Board engagement helps to fulfil CLIM's commitment to responsible stewardship and is an essential element of the investment process. A consistent approach is followed in all jurisdictions via regular meetings with boards. Our engagement strategy is to be patient but persistent advocates of sound corporate governance principles that we believe will help create long term value for our clients. The overriding objective is to encourage boards to take action to address persistently wide discounts. This role is best performed by fully independent, non-executive boards. CLIM's focus is on effective measures that are appropriate to clients' three to five year investment horizon.

CLIM's board engagement continued apace in 2024, with 59 CEFs and 1 holding company. The table below shows the breadth of this activity, noting that engagement with each board frequently includes a mix of face-to-face meetings, emails or letters and phone calls.

Engagement Examples

- **Mergers**

CLIM believes that CEFs which become too small to be cost effective or to implement effective discount control should seek a merger partner. Merger activity has picked up in recent years because larger funds are favoured by investors for their scale economies and liquidity advantages.

In 2024, Asia Dragon initiated a strategic review, in response to a merger proposal from Ashoka WhiteOak, which ultimately resulted in a merger with Invesco Asia. A defining characteristic of this transaction was Invesco Asia's offer to propose an unconditional redemption option after three years which provides certainty regarding the eventual discount outcome.

Other mergers that received CLIM's backing last year included Fidelity China Special Situations' combination with abrdn China Investment Company and two in-house mergers: JPMorgan Japanese Investment Trust (JFJ) with JPMorgan Japan Small Cap Growth & Income (JSGI); and Henderson European Focus (HEFT) with Henderson Eurotrust (HNE). Further merger activity is expected in 2025.

2024 Board Engagement by Market Where Listed

Market Where CEF is Listed	Boards Engaged	Face-to-Face Meetings	Phone or Virtual Meeting	Email and/ or Letter
UK	40	33	17	1
US	14	4	19	
Canada	1		1	
Romania	2	1		1
South Korea	1			1
Sweden	2	1	1	
Total	**60**	**39**	**38**	**3**

Source: CLIM. Note that the engagements do not sum horizontally if boards were engaged by multiple means

• Conditional Tender Mechanisms

All CEFs should offer performance conditional tender offers (CTOs) which provide for a partial return of capital, typically 25%, at close to NAV in the event that NAV performance falls short of the target benchmark over a three to five year investment cycle. A CTO aligns shareholders' interests with those of the manager and provides shareholders with a fairer deal in the event of poor performance. CTOs are now a common feature in the UK and US as CEF boards accept their compelling logic.

Several new CTOs were announced in 2024 of which JPMorgan Emerging Markets was the most significant. Templeton Emerging Markets also renewed its CTO for a second five year term, having avoided a tender by outperforming over the previous five years. Henderson European Trust, the on-going entity that resulted from the HEFT – HNE combination, introduced a CTO as part of the merger terms. Finally, JPMorgan European Discovery (JEDT) implemented an immediate 15% tender with a further 15% CTO following a management change.

Baillie Gifford China Growth and Baillie Gifford European Growth (BGEU) went further to retain shareholder support: each proposed 100% CTOs over a four-year measurement period. Baillie Gifford UK Growth Trust proposed similar terms but over a five year period.

• Discount Management

The share buyback is an essential tool to manage discounts by addressing supply / demand imbalances, with the further advantage of improved shareholder returns by enhancing the NAV. CLIM does not support the re-election of directors at CEFs that make insufficient use of their buyback authority to address persistently wide discounts.

CLIM has urged boards to increase their buybacks as discounts have widened and the response has mostly been extremely positive. Buybacks reached a new record in 2024 but CLIM cannot claim all the credit. Saba's high profile activism campaign in the UK investment trust sector has been a wakeup call to all boards about the imperative for robust discount control.

We therefore expect buybacks to remain elevated to tackle the scourge of wide discounts but there is a further step to help buybacks achieve a more lasting impact. CLIM believes that effective discount control is best achieved by a transparent framework that includes an explicit maximum discount target. Too often discount targets are more honoured in the breach but targets are self-fulfilling, once credibility is earned and investors are confident that it is a reliable valuation floor.

We shall step up our efforts to encourage boards to embrace greater transparency with respect to their discount management and specifically to articulate mid-single digit discount targets. CEFs that take this route will be attractive merger partners and better positioned for growth when conditions are more favourable and shares can be issued at a premium.

• Tenders and Liquidations

Periodic redemption opportunities are the ultimate test that a CEF remains relevant and is meeting its shareholders' needs. They also help maintain narrow discounts. For example, CLIM engaged extensively with Vietnam Holding Ltd (VNH) to help develop an annual redemption facility which shareholders approved in December 2023. VNH' average discount over the subsequent year was 5%, in contrast to over 20% for its two UK listed peers. VNH has also been able to issue a modest number of shares at a premium since its first redemption opportunity in 2024.

Mergers have also resulted in exit opportunities at close to NAV. Examples include 15% exits offered by HEFT and HNE in their merger and 25% from JSGI in its merger with JFJ. JEDT's 15% tender was announced after a change to its portfolio management team.

• Listed Private Equity

Capital allocation policies at listed private equity CEFs have come under increased scrutiny in recent years as their discounts have widened dramatically. CLIM argues that in these circumstances preference should be given to returning capital to shareholders in favour of reinvestment. Harbourvest Global Private Equity (HVPE) announced in February 2024 a new distribution policy to allocate 15% of disposal proceeds to a distribution pool. The board subsequently indicated, after further engagement, that the size of this allocation may be reviewed upwards. An increase to 30% was announced in January 2025.

2.10 Collaborative Engagement

CLIM is frequently a significant shareholder on behalf of its clients' CEF investments. Board engagement contributes to investment performance and is often commercially sensitive. Hence, although CLIM is willing to collaborate with fellow shareholders in the interests of effective stewardship, this is not a routine part of our engagement strategy with CEF boards. However, as an escalatory step, CLIM will consider informing other shareholders of concerns regarding CEF governance, either on a selective basis or by making correspondence public.

CLIM's engagement with Samsung C&T is an example of collaboration with other shareholders. In 2024 CLIM submitted, jointly with other shareholders at Samsung C&T's AGM, proposals for an increased dividend and a share repurchase program. Although the proposals were not passed, despite the support of the major proxy advisory services, this action was an important step in the ongoing campaign, which has the Korean government's support, to encourage Korean companies to adopt more shareholder friendly capital allocation policies.

2.11 Escalating Stewardship Activities

CLIM takes a consistent approach to escalating its engagement activities, irrespective of jurisdiction. Concerns are initially communicated to boards in private meetings. If there is no satisfactory response the escalatory steps are to send the board a letter and finally a shareholder proposal. Engagement with Samsung C&T described above is an example of escalation.

CLIM's policy, in the event that constructive engagement does not bring results, is to oppose directors' re-election. For example, CLIM opposed directors' re-election at icapital.biz (ICAP), a Malaysian listed CEF, due to the board's refusal to engage regarding proposals that treat certain foreign shareholders unfairly.

In the event of escalation with a US-listed security in which our beneficial ownership exceeds 5% of the outstanding shares, we would also signal our intent to engage more prescriptively with the board by disclosing our position with a 13D filing.

2.12 Proxy Voting

CLIM does not use proxy advisers. Our aim is to vote every proxy according to the policy set out in Section 1 above, although this is not always practicable. For example, certain Latin American jurisdictions restrict voting rights of foreign shareholders and voting in other instances may be uneconomic because of the associated costs. Our standard investment management agreement provides for CLIM to exercise voting rights though, in rare instances, segregated clients can retain this responsibility. Investors in CLIM's pooled investment vehicles may not direct voting.

Although CLIM does not engage in stock lending, segregated clients may have their own stock lending programs and, in this event, CLIM does not normally recall lent stock for voting. CLIM monitors clients' voting rights via a web-based platform, which is updated daily by clients' custodians.

In 2024, clients' holdings were voted at over 95% of eligible meetings. The full record of how we voted at each meeting is published in the ESG section of our website at https://www.citlon.co.uk. Further information regarding the background of any meeting may be provided to clients upon request.

The US and UK are the primary market jurisdictions for CLIM's CEF investments. Priority is given to attending meetings with contentious agendas or when we disagree with management recommendations.

In total CLIM voted in 2024 on 1,993 resolutions at 243 meetings. We opposed 8% of resolutions, mostly against directors who lack independence due to excessive tenure or, less frequently, a connection with the investment manager.

The US accounted for over 90% of abstentions, reflecting the prevalence of plurality voting, where there is no option to vote 'against'. In these instances, CLIM withholds its votes. Many US boards have now adopted the majority standard in response to CLIM's representations and we continue to encourage all US CEFs that still use plurality voting to follow suit.

CLIM abstained, exceptionally, in respect of certain directors deemed connected parties (eg Vietnam Enterprise Investments and BGEU) but whose board contribution is otherwise judged to be helpful from a shareholder perspective.

CLIM voted on fourteen continuation resolutions that were proposed by UK listed CEFs in 2024 of which six were opposed. Following these votes two CEFs entered managed wind down, which in one instance had been recommended by the board, and a third CEF introduced a CTO after the vote deadline had passed. We abstained from continuation at one CEF after constructive engagement with its board and voted in favour of continuation at all CEFs that had adopted an acceptable performance conditional tender mechanism.

CLIM's Voting Record 2022 - 2024

	Resolutions Voted 2024		Resolutions Voted 2023		Resolutions Voted 2022	
	Number	%	Number	%	Number	%
For	1,691	82	2,586	85	2,719	86
Against	137	7	137	4	133	4
Abstain / Withhold	165	8	277	9	317	10
Total	**1,993**	**100**	**2,880**	**100**	**3,169**	**100**

CLIM's voting decisions are disclosed monthly on its website. Clients may obtain a copy of CLIM's proxy voting record upon request from their usual contact at the Firm or by email at either info@citlon.co.uk or client.servicing@citlon.com

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