



- *City of London Investment Management Company Limited (CLIM) is a specialist investor focusing primarily 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 provides an overview of our engagement activity in 2025.*
- *CLIM is a signatory to the Principles for Responsible Investment (PRI) and 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 and 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.

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 at UK CEFs where 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 therefore 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 only be reissued at a premium to NAV.

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 or issuance of shares should be disclosed promptly on the CEF website, including the number of shares, the price and the new total number of voting rights. 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.

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 2025 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 volatility and 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 includes rigorous peer analysis of prevailing discounts compared to their historic averages.

CLIM has a strong, team-oriented, research-based culture. CLIM's risk aware, collegiate approach, and deep experience promotes robust and effective debate within the investment team that has led to strong performance across numerous investment cycles since the firm's founding. 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 UK boards that take insufficient action to address a persistently wide discount to NAV.

Increased activist activity in recent years is a consequence of boards failing to adopt credible discount management policies. CLIM believes that CEFs with liquid underlying portfolios should set a formal objective that the discount will not exceed 5%. A credible policy means committing to take all possible action to achieve this target.

CLIM's engagement with CEF boards is focused primarily on discount outcomes. It is driven by senior members of the investment management team in order to maximise the long term effectiveness of CLIM's stewardship activities. In 2025 it resulted in the wider adoption of performance conditional tender offers (CTOs) by UK listed CEFs, significant share buyback activity, and several mergers which are described below (2.9).

2.2 CLIM's Governance, Resources and Incentives

CLIM's investment management team includes 12 portfolio managers with 17 years average tenure. Portfolio managers are responsible for implementing governance and stewardship initiatives for their respective strategies.

CLIM's Research Team conducts annual due diligence on CEF investment managers. ESG issues were considered as part of this process, with the assistance of Sustainalytics' ESG Risk Ratings.

This work is undertaken 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: 59% of employees at the end of December 2025 had over ten years tenure with CLIM.

A standard meeting agenda ensures a consistent approach to Manager due diligence. Board engagement is conducted by a senior team that includes portfolio managers. The effectiveness of this approach at delivering on CLIM's stewardship objectives, to promote high CEF governance standards, is evidenced by the steady flow of CEF corporate actions 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 2025 is shown below.

	Female	Male	Total
Directors	0	3	3
Employees	26	42	68
TOTAL	26	45	71

	Caucasian	Asian	African	Other	Total
Directors	2	1	0	0	3
Employees	58	8	0	2	68
TOTAL	60	9	0	2	71

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 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.

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 Promoting Well-Functioning CEF Markets

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 UK 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 2025 included potential consequences for asset markets from the ongoing geopolitical risks around the world, the US dollar weakening and large scale spending on AI-related hardware.

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 has readily engaged with regulators in markets where its clients are invested, to promote investor rights. There was no notable such engagement in 2025.

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 2025 was available from CEFs representing c. 39% of CLIM's AUM, versus 43% in 2024. 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 2025 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.

Records relating to proxy votes, policy implementation, conflicts review, and disclosures are maintained in accordance with applicable legal and regulatory requirements. Any issue that may affect beneficial ownership reporting, control-intent analysis, or engagement restrictions is referred to Compliance.

2.6 Meeting Clients' Needs

CLIM had \$7bn in assets under management (AUM) as of 31 December 2025 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 to the CEF based strategies shown in the table below. The Emerging Market Equity Strategy is predominantly focused on global emerging market equities, the International Equity CEF strategy on non-US developed markets and the Opportunistic Value strategy on global equity and fixed income markets. The Listed Private Equity (LPE) strategy invests in LPE CEFs and Investment Companies.

*AUM by Strategy	
Emerging Market Equity CEF	43%
International Equity CEF	36%
Opportunistic Value	5%
Listed Private Equity	3%
Other	13%

*As at 31 December 2025

Clients' exposure in each strategy is achieved primarily via CEFs that are listed in the UK or US, which typically represent approximately 75% and 20% respectively of overall AUM.

*AUM by Client Type	
Pension	20%
Foundation	31%
Endowment	15%
Healthcare	20%
Other	14%

*As at 31 December 2025. 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. 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.

CLIM follows a common ESG approach for all clients, subject to specific exclusion requirements for certain segregated clients. 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 monitors the ESG characteristics of the underlying CEF portfolios, where available, during the holding period.

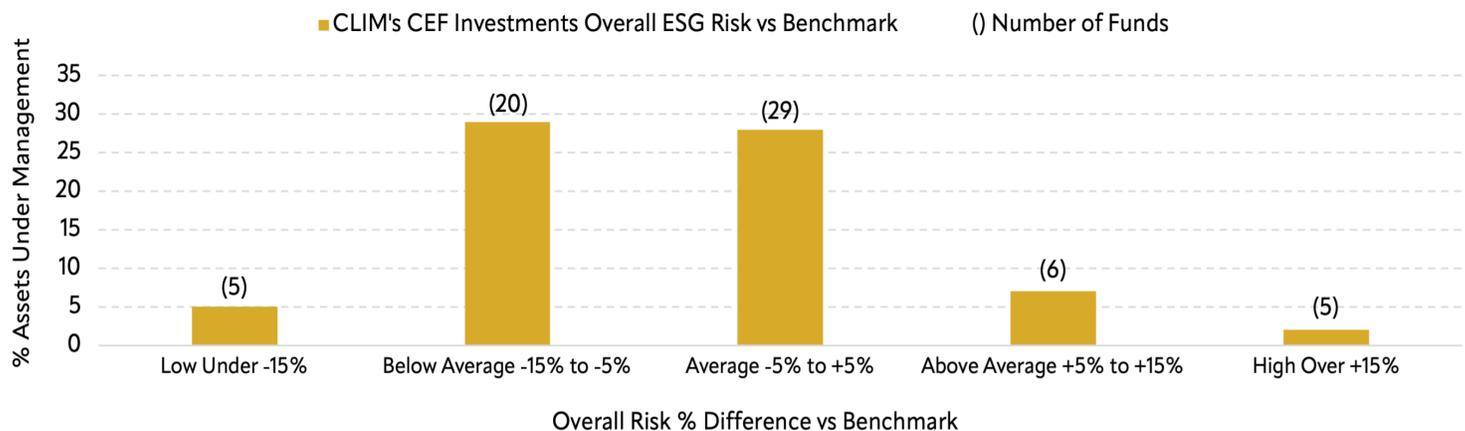
Overall, Sustainalytics ESG risk scores for all CLIM portfolios as at end December 2025 were 5% lower than their respective benchmarks. Weighted average carbon intensity in those CEF investments which made the relevant disclosures was 49% lower than their respective benchmarks. CLIM does not set targets for these measures.

In 2025, 65 CEF portfolios were analysed using Sustainalytics data (63 in 2024), representing 71% 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.

Figure 4 below shows the distribution of securities held in client portfolios as at end 2025 according to their overall ESG risk compared to their specific benchmark.

CLIM's CEF Investments Overall ESG Risk vs Benchmark



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 fulfil CLIM's commitment to responsible stewardship and is an essential element of the investment process. Our engagement strategy is to be patient but persistent advocates of sound corporate governance principles that we believe will create long term value for our clients. The overriding objective is to encourage UK 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.

In 2025 CLIM engaged with the boards of 49 CEFs and 1 holding company. The table below shows a summary 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 investors favour larger CEFs, on account of their scale economies and liquidity advantages.

In 2025, Asia Dragon completed its merger with Invesco Asia, with an unconditional redemption option after three years to provide certainty regarding the eventual discount outcome.

CLIM publicly supported AVI Japan Opportunity's (AJOT) proposed merger with Fidelity Japan Trust. FJV initially rebuffed

AJOT's approach but the transaction proceeded after FJV failed its continuation vote in May. AJOT's annual 100% redemption opportunity is a key feature that should underpin a narrow discount for ongoing shareholders in the combined company.

The boards of Hansa Investment Company and Ocean Wilsons, which have both historically traded on wide discounts, completed a merger in December, with CLIM's support. Both companies had previously rejected buybacks and the transaction included a commitment to a regular share buyback.

Conditional Tender Mechanisms

CLIM has long been a leading advocate for performance conditional tender offers. CTOs provide for a partial return of capital, typically 25%, at close to NAV, subject to NAV performance falling short of the target benchmark over a specified period, typically three to five years. 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. In 2025 JPMorgan Emerging Markets Income, Schroder Asia Pacific and Utilico adopted CTO policies, in each instance following extensive engagement with CLIM.

There has also been a growing trend towards 100% tender mechanisms, sometimes without any conditions. This measure tends to be a last resort for CEFs to retain shareholder support after prolonged poor performance or where a strategy has been out of favour. The key advantage for shareholders is a certain discount outcome. Baillie Gifford Shin Nippon, which has underperformed, and Barings Emerging EMEA Opportunities, which has outperformed but in countries with limited investor appetite, are two examples of 100% performance conditional redemptions.

2025 Board Engagement by Market where Listed

Markets where CEF is Listed	Boards Engaged	Face-to-Face Meetings	Phone or Virtual Meeting	Email and/ or Letter
UK	42	33	12	6
US	7	1	6	1
South Korea	1		1	
TOTAL	50	34	19	7

Note that the engagements do not sum horizontally if boards were engaged by multiple means

Source: CLIM

Discount Management

Buybacks increased last year to another record. The share buyback is an essential tool to manage discounts by addressing supply / demand imbalances, with the further advantage of an enhanced 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.

Activism in 2025 continued to put a spotlight on closed end fund discounts. CLIM has urged CEF boards, with liquid underlying strategies, to respond by adopting a 5% discount target. Tighter discount targets help open the route to a potential premium and therefore share issuance. NAV enhancement from capital management is a key advantage of the CEF structure.

CLIM believes that effective discount control is best achieved by a transparent framework, including 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.

A notable buyback in 2025 was the repurchase of 26% of outstanding shares by Fidelity Emerging Markets (FEML) from its largest shareholder at a 14% discount to NAV. This removed a perceived stock overhang and enhanced FEML's NAV by nearly 4%. The buyback was in addition to FEML's regular buyback.

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. As noted above a growing number of CEFs have proposed unconditional redemption opportunities.

Smithson Investment Trust (SSON) consulted with CLIM on proposals to manage its entrenched discount. CLIM's preference for an immediate significant tender alongside a 5% discount policy did not attract sufficient support from the largest shareholders and SSON open ended instead.

In contrast, Mobius Investment Trust (MMIT) responded positively to a suggestion from CLIM that its regular discretionary, but otherwise unconditional, redemption facility should move to a biennial cycle. MMIT's redemption facility has operated every three years since launch in 2018 and the revised policy was announced ahead of the November 2025 redemption.

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 has argued that in these circumstances preference should be given to returning capital to shareholders in favour of reinvestment. Harbourvest Global Private Equity (HVPE) announced in January 2025 an increased allocation to its distribution pool to 30% of disposal proceeds, previously 15%.

Pressure to address a discount problem led the board of Apax Global Alpha to propose rollover into a new unlisted vehicle with a cash alternative at a 17% discount to NAV. Petershill Partners, an alternative asset manager, also delisted after concluding that public markets failed to fairly value its assets.

Discounts in the private equity sector have narrowed but they remain relatively wide and CLIM expects further progress towards improved capital allocation.

2.10 Collaborative Engagement

Outside of the US, CLIM is willing to collaborate with fellow shareholders in the interests of effective stewardship but this is not a routine part of our engagement strategy. CLIM's clients are frequently significant shareholders. Board engagement contributes to investment performance and is often commercially sensitive. As an escalatory step, however, CLIM will consider informing other shareholders of concerns regarding CEF governance, either on a selective basis or by making correspondence public.

There was no collaborative engagement in 2025 though CLIM's engagement with Samsung C&T is an example of collaboration in recent years. In 2024 CLIM submitted, jointly with other shareholders at Samsung C&T's AGM, proposals for an increased dividend and a share repurchase program. This action was an important step in the campaign 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. 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. CLIM's public support for AJOT's proposal to merge with FJV, described above, is an example of an escalatory step in 2025.

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 Voting Procedures and Disclosure

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 when voting is uneconomic because of the associated costs. Our standard investment management agreement provides for CLIM to exercise voting rights though, exceptionally, certain segregated clients may 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.

In 2025, 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.

In total, CLIM voted in 2025 on 2,168 resolutions at 264 meetings. 4% of resolutions were opposed, mostly concerning directors who lack independence due to excessive tenure or, less frequently, a connection with the investment manager.

CLIM voted sixteen resolutions in connection with continuation, mostly proposed by UK listed CEFs and one by a Malaysian listed CEF. Continuation was opposed on six occasions. In one instance, Schroders Capital Global Innovation Trust, the board was recommending managed wind down. As described above, FJV was notable because its failed continuation vote resulted in merger proposals with AJOT, with CLIM's support.

CLIM supported continuation at two UK CEFs after constructive engagement with the relevant boards produced shareholders friendly proposals. Engagement continues with other CEFs where CLIM opposed or abstained from continuation.

The US accounted for approximately 90% of abstentions, reflecting the prevalence of plurality voting, where there is no option to vote 'against'. In these instances, CLIM withholds its votes.

In the UK CLIM abstains, exceptionally, in respect of certain directors deemed connected parties but whose board contribution is otherwise judged to be helpful from a shareholder perspective. However, abstentions in respect of director re-elections may also be an interim step to signal dissatisfaction with a board. This tactic was deployed successfully in 2025 to develop a transaction in shareholders' interests.

CLIM's Voting Records 2023-2025

	Resolutions Voted 2025		Resolutions Voted 2024		Resolutions Voted 2023	
	Number	%	Number	%	Number	%
For	1,912	88	1,691	85	2,586	85
Against	77	4	137	7	137	4
Abstain/Withhold	161	7	165	8	277	9
TOTAL	2,168	100	1,993	100	3,049	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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Past performance is no guarantee of future results.