

LF Woodford Equity Income Fund (the “Fund”)

Background:

Link Fund Solutions Limited (“LFS”) as the Authorised Corporate Director of the Fund, obtained the agreement of the Funds' Depositary to suspend dealing in shares in the Fund, with effect from 3 June 2019. On 1 July 2019, 29 July 2019, 23 August 2019 and again on 23 September 2019 we took the decision in conjunction with the Funds' Depositary to extend the period of suspension. This will be reviewed again before the end of the next 28 day period.

After consideration of all relevant circumstances relating to the Fund's assets, LFS, in conjunction with Woodford Investment Management Limited (“Woodford”), the appointed Investment Manager, came to the conclusion it was in the best interests of all investors in the Fund to suspend the issue, cancellation, sale, redemption and transfer of shares in the Fund. Following an increased level of redemptions, this period of suspension was intended to protect the investors in the fund by allowing Woodford, as previously communicated to investors, time to reposition the element of the fund's portfolio invested in unquoted and less liquid stocks, in to more liquid investments.

We anticipate that the suspension of dealing is likely to last until early December while we implement the strategy to re-position the portfolio in order for the Fund to be re-opened at that time, and which is conditional upon achieving the target fund profile. In our view, this is a realistic amount of time for Woodford to complete a measured and orderly re-positioning of the Fund's portfolio of assets ensuring that there is adequate liquidity whilst preserving or realising the value of the assets.

We have concluded that this approach would represent the best outcome in terms of value, time and equal treatment for all investors. Importantly, it would allow all investors to choose, whether they wish to remain invested in or to withdraw their investments from the Fund. The work that is underway to re-position the portfolio is designed to ensure that there are liquid assets available for these purposes, while continuing with the objectives and investment strategy of the Fund.

When LFS elects to resume dealing in the shares of the Fund, we will write to all investors informing them of this fact.

Investors have been informed of this suspension and both LFS and Woodford have placed notices on their respective websites.

The original Investor Letter was issued on Tuesday 4 June 2019 and investors were notified of the continuation of the suspension on 1 July 2019, 29 July 2019, 23 August 2019 and 23 September 2019.

Questions and answers

What is a fund suspension?

When a fund is suspended, requests from investors to buy, sell or transfer shares will not be accepted. However the fund manager can continue to actively manage the portfolio on behalf of investors as normal.

Why have you decided to suspend the Fund?

Link Fund Solutions (Link), as ACD for the Fund, has made the decision following an increased level of redemptions. The move is designed to protect the investors in the Fund by allowing Woodford time to reposition the element of the Fund's portfolio invested in unquoted and less liquid stocks, into more liquid investments.

Why has the suspension been extended? (Updated 23 September 2019)

Since the Fund was originally suspended on 3 June 2019, we have been taking steps to reposition the Fund's portfolio to realise the unquoted and less liquid stocks and invest in more liquid investments. The portfolio will continue to reflect the same investment strategy and the Fund will continue to be positioned to meet its stated investment objectives.

After consideration of all current circumstances relating to the Fund, Link has, in conjunction with the Fund's Depositary concluded that it remains in the best interests of all investors in the Fund to continue the suspension of all investor dealing in the Fund. This was communicated to investors in the Fund on 1 July 2019, 29 July 2019, 23 August 2019 and again on 23 September 2019.

How long will the Fund be suspended for? (Updated 29 July 2019)

Link continues to monitor the situation on a daily basis to consider whether the exceptional circumstances that gave rise to the suspension of dealing have changed.

In accordance with the Fund's Prospectus, Link and the Depositary will formally review the suspension at least every 28 days and will inform the FCA of the review and any change to the information given to Shareholders.

We anticipate that the suspension of dealing is likely to last until early December while we implement the strategy to re-position the portfolio in order for the Fund to be re-opened at that time, and which is conditional upon achieving the target fund profile. In our view, this is a realistic amount of time for Woodford to complete a measured and orderly re-positioning of the Fund's portfolio of assets ensuring that there is adequate liquidity whilst preserving or realising the value of the assets. We have concluded that this approach would represent the best outcome in terms of value, time and equal treatment for all investors. Importantly, it would allow all investors to choose, whether they wish to remain invested in or to withdraw their investments from the Fund. The work that is underway to re-position the portfolio is designed to ensure that there are liquid assets available for these purposes, while continuing with the objectives and investment strategy of the Fund.

We will keep investors updated in relation to the suspension, including its likely duration.

Will I get my money back?

The Fund has been suspended temporarily. Investors will be able to access their investments once the suspension is lifted. When this happens your investment value will be dependent on the share prices of the portfolio's underlying holdings at that time.

Important note: In the event the share price of those stocks has risen, your investment will be worth more than it is today. If the value of those underlying assets has fallen, your investment will do too.

Will you continue to charge a management fee while investor dealing in the Fund is suspended? (Added 13 June 2019)

The company will continue to charge a management fee as we focus on repositioning the portfolio, to cover the infrastructure and resource costs associated with running an actively managed fund.

How will the Fund's dividend income be affected by the suspension? (Added 7 June 2019)

The treatment of dividend income from the Fund will be unaffected by the suspension in investor trading.

Investors holding accumulation shares will continue to see distributable income added to the capital element of the share class and reflected in the net asset value. Investors holding income shares will continue to receive their income according to the existing quarterly payment schedule. The reinvestment of this income for the purchase of additional shares, will not be possible during the suspension, however.

Will I still be able to purchase/sell shares if I have a regular payment/redemption set up?

No, investors who have a direct debit set up to automatically invest in the Fund every month will not have their investment processed during the suspension. Investors will be able to purchase or sell shares again once the temporary suspension is lifted.

Investors should check with their platform or IFA on their individual circumstances, but we understand that most investors will have their money collected as usual and held in cash.

Is the Fund still going to price daily?

We will be publishing price data for information purposes, during the period in which investor trading in the Fund is suspended.

The last price at which the Fund traded was as at midday Friday, 31 May 2019. Any orders placed after that dealing cut-off point have been rejected. All affected investors have been informed accordingly. When the suspension is lifted, investors will be required to resubmit their dealing instructions.

Will deals received prior to the dealing cut off point on Friday 31 May be settled as normal?

Yes.

Will any exceptions be considered for the placing of deals?

No exceptions are envisaged at this stage, but if the situation changes, we will let you know.

Are Transfers between platforms allowed? (Updated 23 September 2019)

Transfers in or out of the Fund are suspended. However, transfers that do not change the beneficial ownership of an existing holding are possible – for example, within a platform nominee account or a switch between platforms where the same underlying investor remains invested in the Fund.

Transfers between platforms across all share classes, but not share class conversions, will now be allowed with immediate effect (10 July 2019). This includes where the receiving platform does not currently have access to the share class being transferred. (They will be able to open a new account in that class to support the transfer) This is intended to facilitate cross platform transfers where there is no change to the beneficial owner. This supports investors by providing them with the freedom to move their investments between platforms.

Important note: The total cost of owning the Fund can vary between platforms, even where two platforms offer the same share class. You may wish to consider the different platform fees and any potential discounts on offer before deciding to transfer. Please contact your platform or your IFA for further details.

Is Woodford a forced seller?

No. While investor trading in the Fund is suspended, Woodford have the time and space to deliver on their strategy to place the unquoted parts of the portfolio with interested buyers.

Will you be building a cash position in the Fund ready to meet redemptions when the suspension is lifted?

We cannot comment on specific future trading intentions on the portfolio for regulatory reasons, other than to reiterate that the suspension is intended to protect the investors in the Fund by allowing Woodford, as previously communicated to investors, time to reposition the element of the Fund's portfolio invested in unquoted and less liquid stocks, in to more liquid investments.

As such, this represents management of the portfolio, rather than a liquidation of the portfolio.

Are Woodford going to continue publishing the full portfolio holdings on their website? (Updated 23 September 2019)

During the period of the LF Woodford Equity Income Fund's suspension and subsequent repositioning of its portfolio, Woodford will no longer publish details of the holdings in the portfolio. The interim report and accounts of the fund to 30 June 2019 included a list of holdings as at that date. It is firmly believed that this is in the best interests of investors.

Is the FCA investigating your practices in any way? (Added 2 July 2019)

We can confirm we have been contacted by the FCA regarding its investigation relating to the events that led to the suspension of the LF Woodford Equity Income Fund and will be co-operating fully with its investigation. This does not impede Woodford's ability to manage the Fund in any way.

How much liquidity will you need to create in the portfolio to meet potential redemptions when the Fund reopens? (Added 2 July 2019)

In conjunction with Link, we are considering various options that will help us quantify the likely level of redemptions ahead of lifting the suspension and re-opening the Fund for dealing. Based on what we learn through this process, the Fund will be positioned in such a way as to ensure there is a sufficient level of liquidity to give investors their money back, without damaging the interests of investors who wish to remain invested in the Fund. It should also be remembered that the reshaped portfolio will intentionally be invested in more liquid assets.

Have unquoted holdings ever exceeded 10%? Could you confirm the current weighting? (Update 23 August 2019)

Woodford has always provided month end data for investors and at no time was there a month-end passive breach. The FCA reference to breaches in February and March 2018, relates to two inadvertent intra-month passive breaches, both resolved before month end.

As at 30 April 2019, the level of unquoted assets in the LF Woodford Equity Income Fund was 8.6%.

Please also refer to the statement (Added on 31 July) below on the delisting from The International Stock Exchange which explains the circumstances that occurred on 30 July 2019 and 1 August 2019.

Is the value of the less liquid / unquoted portion of the portfolio likely to be written down in value significantly due to do the circumstances in which you are looking to sell it? (Added 2 July 2019)

While investor trading in the Fund is suspended, Woodford has the time and space needed to deliver on their strategy to place the unquoted parts of the portfolio with interested buyers. Link's valuation process in relation to these fair-valued assets will not be affected by this transition. The process has already started and, although we cannot guarantee the value of any of the Fund's assets, they are confident that they will not need to sell them at hugely discounted prices. Engaging in this process over

time is especially important when managing the Fund in the best interests of existing investors.

How it is possible to sell down the unquoted exposure without losing significant value? (Updated 23 September 2019)

Although the Fund is suspended, nothing has changed from what Woodford said earlier this year about moving the unquoted holdings out of the LF Woodford Equity Income Fund at the best possible value for investors. The unquoted part of the Fund contains many high quality companies that are now maturing and either approaching commercialisation or explicitly now scaling as commercial businesses. The portfolio Woodford have created is unique, as is its scale, and we have already received a lot of expressions of interest for these assets. Woodford is working hard to achieve the highest possible price for these assets and are intent on achieving the best outcome for investors.

Can you confirm that the Fund will no longer invest in unquoted assets when it reopens? (Updated 29 July 2019)

As we announced earlier this year in March and reiterated in May, Woodford is repositioning the LF Woodford Equity Income Fund portfolio to reduce the Fund's exposure to less liquid and unquoted investments, down to zero. That process is already underway, but they are not a forced seller in the market. Although we cannot guarantee the value of any of the Fund's assets, they are confident that they will not need to sell them at hugely discounted prices.

The suspension gives Woodford time to execute this strategy in the best interests of investors. The capital will be redeployed into more liquid stocks in the FTSE 100 and FTSE 250, which fit in with their core investment strategy. We should also be clear that the Fund has not invested in a new unquoted company since June 2017.

Woodford commenced the process of reducing the fund's exposure to unquoted and less liquid assets in February 2019.

What investors will see when the fund re-opens, is a portfolio with more FTSE 100 and FTSE 250 companies **(80% of the proceeds from share sales since suspension have been reinvested in FTSE100 stocks)**, but still reflecting the same investment strategy. To reiterate, that strategy is founded on a belief that the global economic environment is not as robust as equity markets are implying.

Will Woodford's re-positioning of the assets within the Fund contradict his overall strategy up to this point? (Added 2 July 2019)

No, Woodford will pursue the same investment strategy and philosophy – investing with conviction in profoundly undervalued companies, through a focus on fundamentals and with a long-term investment horizon. However, the shift outlined will involve changing the market cap exposure of the Fund towards larger, more liquid companies.

Will Woodford still be able to run the fund? (Added 29 July 2019)

Woodford intentionally set up with a scalable cost structure when they started five years ago. Woodford state that this means their cost base is predominantly variable and can flex with changes in revenue. As you'd expect, given recent challenges, they have also looked at the remaining fixed costs and taken steps to reduce these too. There are many funds available in the market place that are viable with a fraction of the size of Woodford's AUM.

Delistings from The International Stock Exchange: what does it mean for the Fund? (Added 31 July 2019)

The 'unquoted limit' is a UCITS restriction on the maximum (10%) the fund is allowed to invest in securities not listed on or to be admitted to an eligible exchange. Following the announcement by Benevolent AI and Industrial Heat on 30 July 2019 regarding their delisting from The International Stock Exchange (TISE), the latter have announced they have taken the decision to de-list Ombu with effect from 1 August 2019, meaning an inadvertent passive breach of the fund's 10% limit will occur. The FCA's guidance, as for all UCITS limits, is that funds should be brought back into compliance following an inadvertent passive breach in a manner that is in the clients' best interests and within six months of the date of discovering the relevant breach.

The companies held in the LF Woodford Equity Income Fund that are, or have been, listed on TISE have always been classified as illiquid and valued by Link in line with its Fair Value Pricing policy (which is also adopted for valuing the fund's unquoted stocks). This continues to be the case.

Following the inadvertent passive breach, action to bring the fund back into compliance is already underway. On 3 May, we informed investors that the fund's exposure to unquoted securities would be significantly reduced – including those listed on exchanges where there is currently little or no trading activity. The decision by Benevolent AI and Industrial Heat to delist from TISE and the de-listing of Ombu by TISE will have no impact in how the assets are managed within the fund.

What future communications can investors expect to receive regarding the suspension and how frequently will this be issued? (Updated 23rd September 2019)

We will provide communication to investors as regularly as possible and as soon as additional information is available. Copies of all investor communications, including the suspension letters dated 4th June and the 28 day updates provided on 1 July 2019, 29 July 2019, 23 August 2019 and 23 September 2019 can be found on Link's website (see below). We will also provide updates on relevant websites:

<https://woodford.linkfundsolutions.co.uk>

www.linkfundsolutions.co.uk

www.woodfordfunds.com

LF Woodford Income Focus Fund

How will this impact the LF Woodford Income Focus Fund? (Added 7 June 2019)

Investor trading on the LF Woodford Income Focus Fund is not affected by this suspension. The liquidity and risk characteristics of the two funds are very different because the Income Focus Fund is invested in a more liquid set of assets and it is a much smaller fund. Woodford will, as it always has done, continue to monitor on a continuing basis the Income Focus Fund's liquidity characteristics very closely, as will the fund's ACD, Link

Woodford Patient Capital Trust

How will this impact the Woodford Patient Capital Trust? (Added 10 June 2019)

As a closed-ended investment trust, Woodford Patient Capital Trust can continue to be bought and sold on the London Stock Exchange as normal. Its share price, which reflects the balance of supply and demand from investors, came under immediate pressure when the suspension of investor trading in the LF Woodford Equity Income Fund was announced, causing the discount between the trust's share price and its net asset value to widen.

The trust's net asset value, however, should not be significantly impacted by the suspension. This is because there is a high proportion (more than three-quarters of gross assets) of unquoted assets in the portfolio, which are not subject to the swings in sentiment that affect quoted assets and are therefore considerably less volatile. Furthermore, there is a low level of overlap between the LF Woodford Equity Income Fund and Woodford Patient Capital Trust portfolios.