



5th Floor, Valiant Building
14 South Parade
Leeds LS1 5QS

0113 244 1000
info@yfmeq.com
yfmeq.com

Shareholder Questions – AGM 2020

How will you establish a quorum to allow the AGM to go ahead?

The quorum is two people. The Chairman and a YFM director/shareholder will have a socially-distanced meeting at the venue to pass the resolutions.

What effect does the Board anticipate the current crisis is likely to have on the companies the fund is invested in and consequently on the net asset value of the fund and future dividend prospects?

At the start of lockdown YFM started working closely with all of the portfolio companies to help them understand how the restrictions on movement impacted, or not, their businesses and where appropriate prepare revised forecasts. To date only minimal additional funding has been required to be invested. Only a small proportion of the portfolio representing 2% of the net asset value operates in the most impacted part of the economy which is the retail and hospitality sector.

On announcing results at the end of March the board declared an increased dividend of 2 pence per share which was paid on 12 May and it remains the Board's objective to pay dividends from the returns delivered by the portfolio. We intend to announce the results for the quarter ended 31 March 2020 in the week commencing 22 June.

Does the Board anticipate any significant need to provide additional finance to companies in the portfolio as a consequence of the Covid crisis?

As part of the process of working with the portfolio companies to identify their needs over the coming months. The Company is well funded and currently anticipates that the overall level of liquidity is more than sufficient to meet the funding needs of the portfolio.

Are there any major holdings in the portfolio causing concern to the Board as a consequence of the crisis?

The Fund Manager works closely with the investments at all times assisting them to adapt and take advantages of opportunities as they arise. Many of the businesses provide services or have software based products which has meant in recent months adapting working practices to operate within Government guidance. We have had a long-term policy of ensuring that investments do not seek to leverage themselves by taking on debt which we hope mitigates financing risks giving a resilience in times of crisis. We believe this stands all the portfolio in good stead.

I am deeply uncomfortable with the AIC code of governance and in particular the provisions which permit directors to regularly serve more than 9 years. Shareholders in the VCT sector rely on their board to monitor the

performance of the investment manager. In the event of prolonged poor performance, or a loss of faith in the manager's ability to provide satisfactory future performance, the board should be able to take the difficult decision to replace the managers. I believe that this is less likely to happen, and directors are less able to take an objective view, when they have been working closely with the managers for many years. Moreover, a lack of turnover in the board is a barrier to greater diversity of thought and challenge. I have been a member of various boards and committees over the last 15 years and have always found that the appointment of new board members brings a valuable new perspective and a new energy to boards. Setting maximum terms of office of 9 years helps to ensure that new board members are regularly brought in. I acknowledge that you recruited one new board member in 2019, but note that the remaining two directors have served on the board since 2010. Please could you explain why you believe this is really in the interests of your shareholders, and whether further changes to the Board are planned?

We are in the process of bringing the business in line with standard corporate governance guidelines. In May last year our long serving chairman, Richard Last, left the company and was replaced by Roger McDowell following a comprehensive recruitment process. We are currently engaged with a recruitment consultancy to replace Bob Pettigrew, also a long serving member of the BSC2 board, with a new candidate and but for the intervention of Covid-19 it would have happened by now as we have shortlisted four candidates, two male and two female, from over 100 applicants. We too believe new people with new approaches balanced with a level of continuity is good for decision making within a board. We hope this addresses the concern you raise and thank you for your question.