

# City of London Investment Group PLC Shareholder Presentation

February 2021



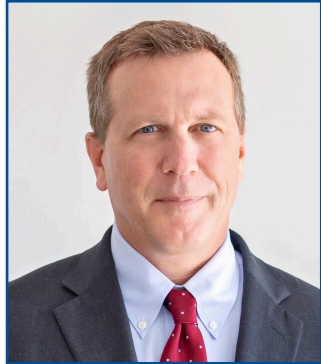
CITY OF LONDON  
Investment Group PLC

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# Presentation Team



Thomas Griffith  
*Chief Executive Officer*



Carlos Yuste  
*Head of Business Development*



Deepranjan Agrawal  
*Head of Finance*



Mark Dwyer  
*Group Director &  
Chief Investment Officer of CLIM*

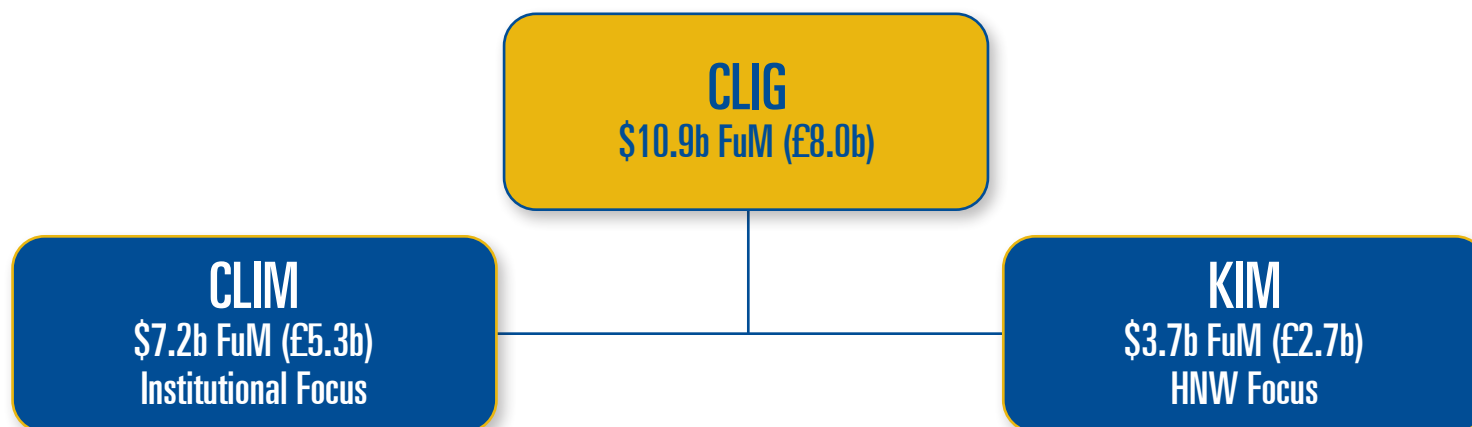


Dan Lippincott  
*Group Director &  
Chief Investment Officer of KIM*

# Snapshot as of 31st December 2020

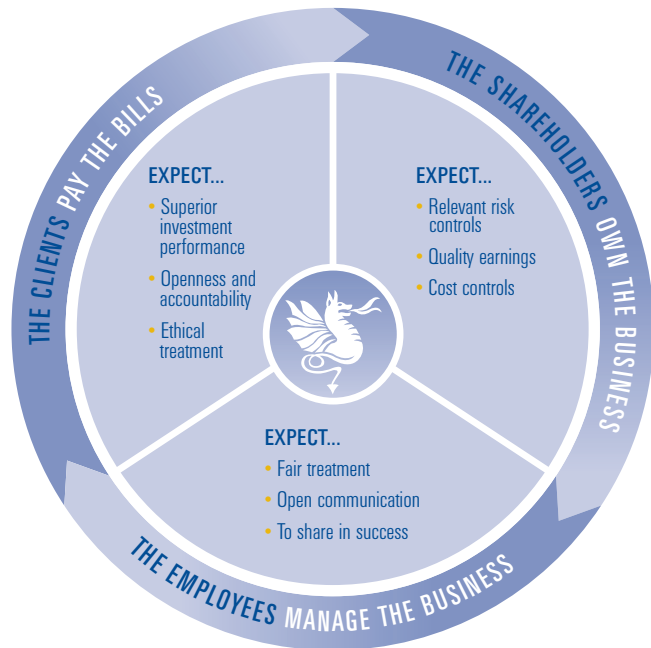
## An established and growing pure-play asset management business:

- ▶ \$10.9b (£8.0b) of Funds Under Management
  - Stable client base with a mix of Institutional and High Net Worth (“HNW”) clients
- ▶ CLIM and KIM\* focus on investing via closed-end funds (CEFs)
  - Track record of outperformance over multiple market cycles
  - Team approach to investing
  - CLIM’s client base institutional and primarily equity focused
  - KIM’s client base primarily HNW and fixed-income / balanced focused



*\*City of London Investment Management Company Limited is defined as “CLIM” and Karpus Management Inc., DBA Karpus Investment Management is defined as “KIM”*

# Our Strategy and Objectives



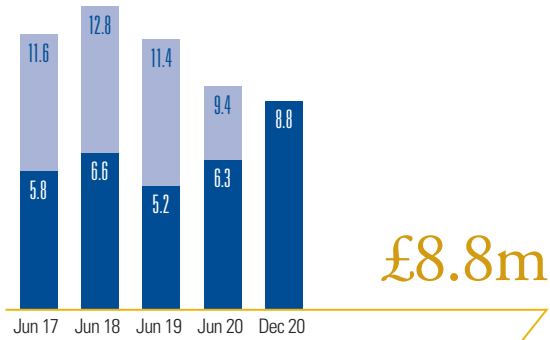
**Our strategy and objectives are to support the three stakeholders in our business:**

- 1) The Shareholders, who own the business*
- 2) The Employees, who manage the business*
- 3) The Clients, who pay the bills*

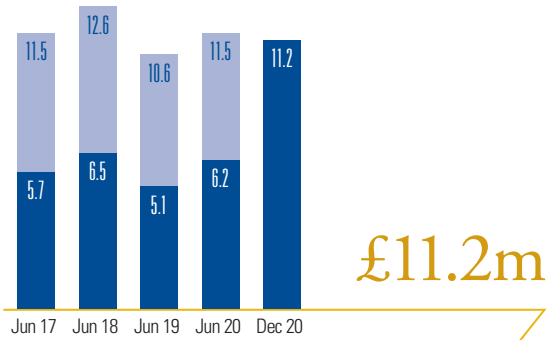
- ▶ **Outperform** - Add value through an investment cycle (5 years)
- ▶ **Retain Employees** - Long-term view with regard to remuneration
- ▶ **Increase FUM** - CLIM has an institutional focus, KIM has a HNW focus
- ▶ **Open Shareholder Dealings** - Remain available and accountable to our owners
- ▶ **Control Costs** - Maintain a strict cost structure
- ▶ **Business Growth & Diversification** - Enhance long-term value to shareholders
- ▶ **Corporate Citizenship** - Corporations have a responsibility for and within the community

# Financial Highlights

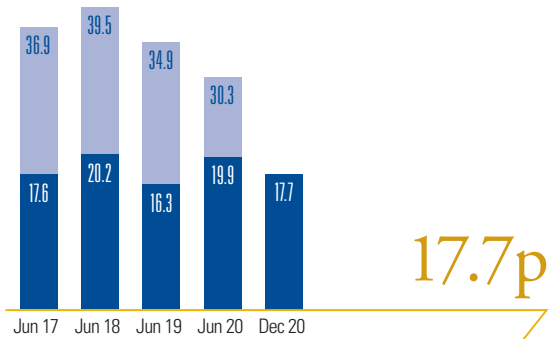
Profit before tax £m



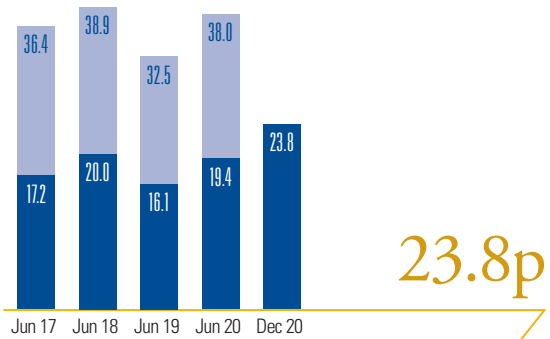
Underlying profit before tax\* £m



Basic earnings per share pence



Underlying earnings per share\* pence



■ First half year ■ Second half year

\* This is an Alternative Performance Measure (APM).

# Dividend Policy & History

- ▶ Established policy of distributing a proportion of net profits by way of ordinary dividends
- ▶ Adoption of a 1.20 coverage ratio over a rolling five-year period

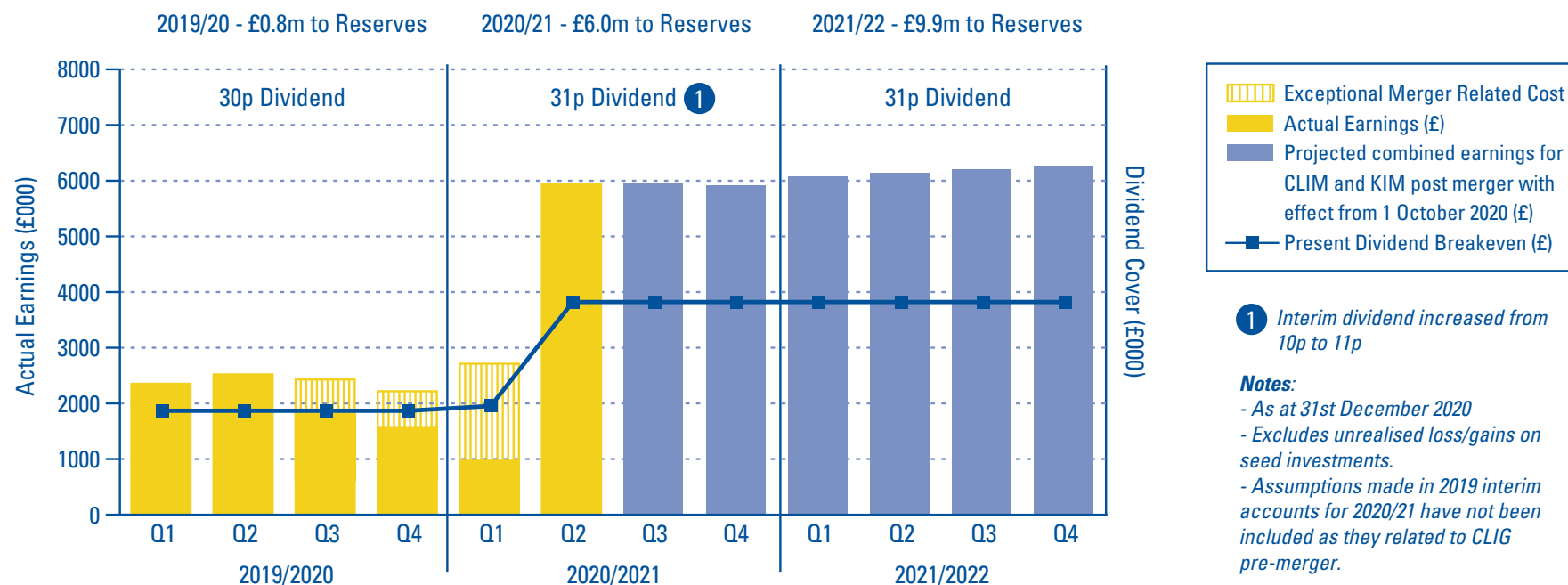
	2016-17		2017-18		2018-19		2019-20		2020-21	
	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)	Per Share	Total (£ k)
Interim	8p	2,027	9p	2,295	9p	2,270	10p	2,488	11p	4,762
Final	17p	4,331	18p	4,544	18p	4,505	20p	4,980		
Total	25p	6,358	27p	6,839	27p	6,775	30p	7,468		
Profit attributable to shareholders		9,290		10,060		8,799		7,560*		
Rolling 5 year average coverage ratio		1.09		1.17		1.26		1.24		
Special Dividend					13.5p	3,405				

*\*Profit attributable to shareholders are after charging exceptional costs of £1.2m in relation to KIM acquisition-related costs.*

# Dividend Cover

## CLIG Template – For Guidance Purposes Only\*

Dividend Cover – Actual and Assumed Over Three Financial Years



### Key Assumptions:

- Number of CLIG Shares in issue (26.6m) less those held by the Employee Benefit Trust (1.7m) as at 30 Sep 2020
- Number of CLIG Shares in issue (50.7m) less those held by the Employee Benefit Trust (1.4m) as at 31 Dec 2020
- Excludes unrealised loss/gains on seed investments
- Excludes amortisation of any intangibles arising on the merger

- Starting FuM as at:
- Net increase in FuM for the remainder of this financial year (straight-lined to June 2021):
- Net increase in FuM in 2021/2022 (straight-lined to June 2022):
- Market growth:
- Overheads for 2020/21:
- Overheads for 2021/22:
- Corporation tax based on an estimated average rate:
- Exchange rate assumed to be for entire period:

	CLIM 1-Jan-21	KIM 1-Jan-21
	zero	zero
	US\$250m	US\$135m
	0%	0%
	no change	no change
	+3% compared to 2020/21	no change
	21%	24%
	£1/\$1.37	£1/\$1.37

\*Any forward-looking statements are based on certain factors and assumptions that have not been independently verified, which may prove incorrect, and are subject to risks, uncertainties and assumptions relating to future events, the Group's operations, results of operations, growth strategy and liquidity.



# Karpus Management Inc (“KIM”) Merger

- ▶ KIM well known to CLIG management for several years
- ▶ KIM is now a 100% wholly owned subsidiary of CLIG
  - All share transaction, equated to total consideration of £102m / \$132m\*
  - KIM shareholders own 48% of CLIG via issuance of 24.1m new shares
  - George Karpus and concert party shareholders own c.38%\*\* of CLIG
  - Lock-up agreement for 12 months hard (plus 12 months soft)
- ▶ Merger completed on 1st October, 2020
- ▶ Reinforces Group’s presence in US and offers client & asset class diversification
- ▶ Group dividend policy unchanged

*\*Based on closing share price on 30th September, 2020 of £4.22, used for completion of Merger on 1st October, 2020.*

*\*\*Voting rights limited to 24.99%*

# KIM Merger - Integration Status

- ▶ Tom Griffith and Carlos Yuste appointed to KIM Board
- ▶ George Karpus retired as an executive at KIM on 30th September, 2020
- ▶ Management structure in place at KIM
- ▶ IT and Finance function integration in progress
- ▶ Investment Management teams remain independent and regulated separately
- ▶ CLIG Board appointed 2 Directors from KIM:
  - George Karpus - Non-Independent, Non-Executive Director
  - Dan Lippincott - Executive Director & Chief Investment Officer at KIM

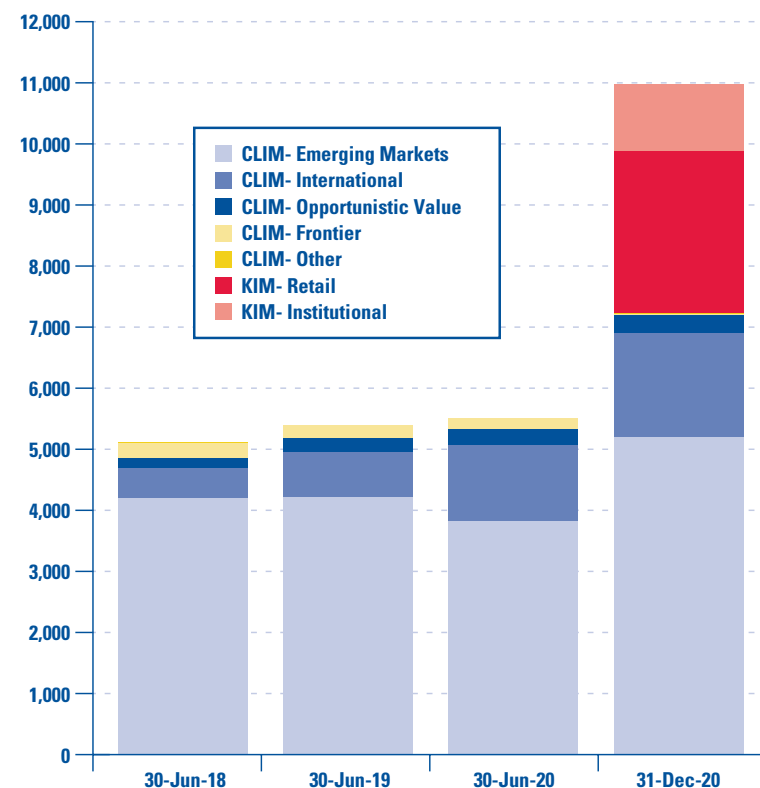
# CLIG - FuM by Line of Business

CLIM (\$m)	30-Jun-18		30-Jun-19		30-Jun-20		31-Dec-20	
	% of CLIM		% of CLIM		% of CLIM		% of CLIG	
	US\$m	Total*	US\$m	Total*	US\$m	Total*	US\$m	Total
Emerging Markets	4,207	83%	4,221	78%	3,828	69%	5,196	47%
International	480	9%	729	14%	1,244	23%	1,700	16%
Opportunistic Value	174	3%	233	4%	256	5%	306	3%
Frontier	245	5%	206	4%	175	3%	14	0%
Other / REIT	1	0%	7	0%	9	0%	13	0%
<b>CLIM Total</b>	<b>5,107</b>	<b>100%</b>	<b>5,396</b>	<b>100%</b>	<b>5,512</b>	<b>100%</b>	<b>7,229</b>	<b>66%</b>

KIM (\$m)	30-Jun-18		30-Jun-19		30-Jun-20		31-Dec-20	
	% of KIM		% of KIM		% of KIM		% of CLIG	
	US\$m	Total*	US\$m	Total*	US\$m	Total*	US\$m	Total
Retail	2,098	67%	2,291	67%	2,401	69%	2,630	24%
Institutional	1,019	33%	1,105	33%	1,087	31%	1,077	10%
<b>KIM Total</b>	<b>3,117</b>	<b>100%</b>	<b>3,396</b>	<b>100%</b>	<b>3,488</b>	<b>100%</b>	<b>3,707</b>	<b>34%</b>

**CLIG Total** **10,936** **100%**

\*Denotes pre-merger percentages.



# Net Investment Flows

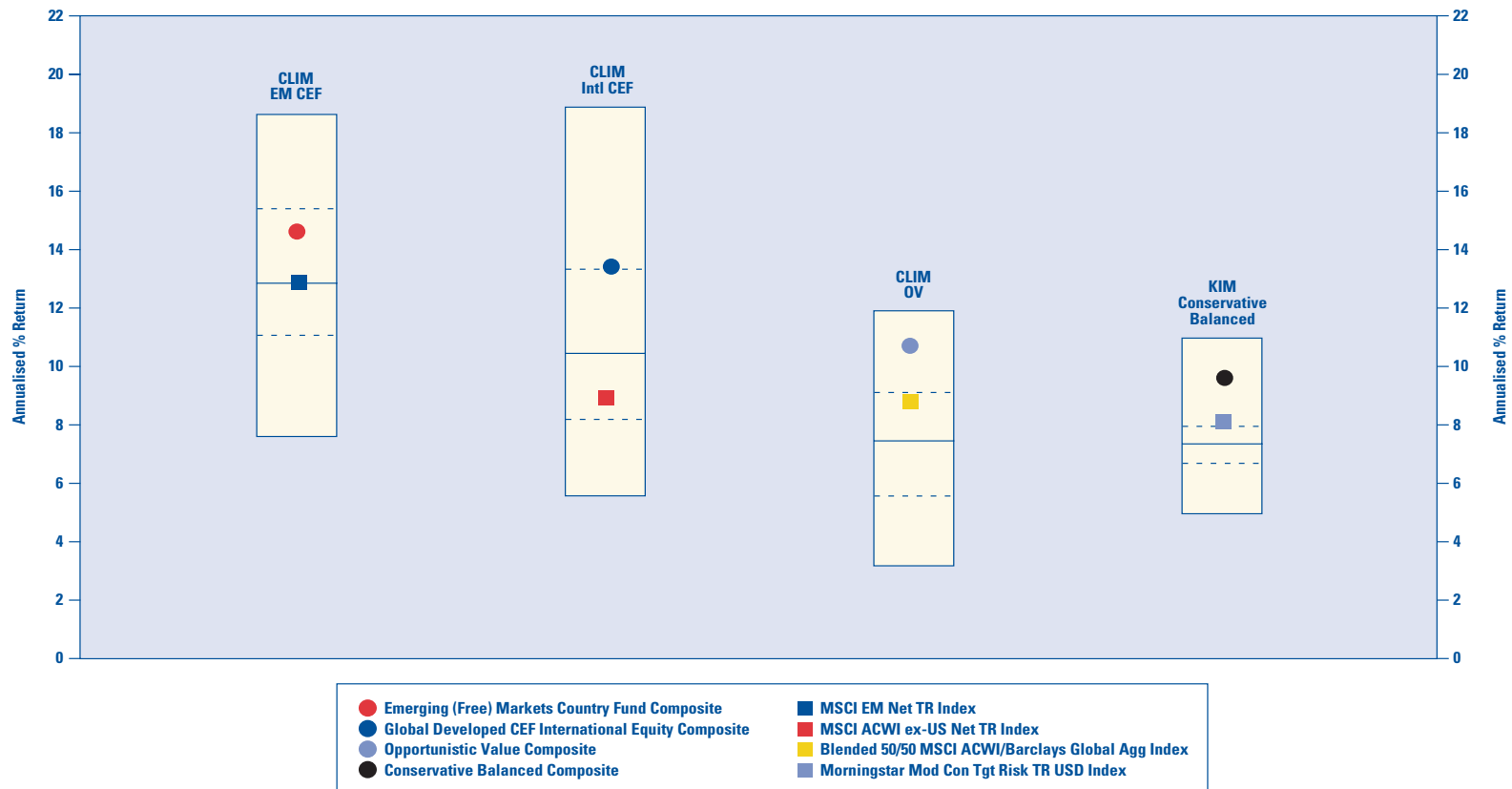
(US\$000's)	FYE June 2018	FYE June 2019	FYE June 2020	FY 2021, as of December 2020
Emerging Markets	(215,083)	(183,521)	(279,459)	(46,600)
International	279,394	252,883	551,102	(11,867)
Opportunistic Value	54,251	48,236	45,914	(5,015)
Frontier	67,000	(21,336)	16,178	(169,443)
REIT	-	6,000	4,600	-
<b>CLIM Total</b>	<b>185,562</b>	<b>102,262</b>	<b>338,335</b>	<b>(232,925)</b>

(US\$000's)	FYE June 2018	FYE June 2019	FYE June 2020	FY 2021, as of December 2020*
Retail	46,550	33,701	26,323	(62,441)
Institutional	(107,410)	9,050	(67,087)	(99,245)
<b>KIM Total</b>	<b>(60,860)</b>	<b>42,751</b>	<b>(40,764)</b>	<b>(161,686)</b>

\*Includes net investment flows for Retail – (24,407) and Institutional – (20,264) pertaining to period before 1 October 2020 (pre-merger)

# Five Year Peer Group\* Quartile Chart

► CLIG's subsidiary investment teams have produced solid long-term investment results for clients



\*CLIM and KIM returns are compared to their respective eVestment and Morningstar universes. The above returns are annualized and presented as gross of fees performance figures, which do not reflect the deduction of investment management fees. The Emerging (Free) Markets Country Fund Composite and MSCI EM Net TR Index are shown against the eVestment Global Emerging Markets Equity Universe of which 85.4% has been updated. The Global Developed CEF International Equity Composite and MSCI ACWI ex-US Net TR Index are shown against the eVestment All ACWI ex-US Equity Universe of which 92.8% has been updated. The Opportunistic Value Composite and the Blended 50/50 MSCI ACWI/Barclays Global Agg Index are shown against the eVestment All Global Balanced/TAA Universe of which 79.2% has been updated. The KIM Conservative Balanced Composite and Morningstar Mod Con Tgt Risk TR USD Index are shown against the Morningstar Separate Accounts - U.S. - Allocation--30% to 50% Equity Universe. Data is as of 31 December 2020. Past performance is no guarantee of future results.

Source: eVestment Analytics System, BNY Mellon, CLIM, MSCI, S&P, Barclays, Morningstar, KIM

# Growth Plans

- ▶ CLIM International and Opportunistic Value CEF Strategies ~\$2bn
  - Both strategies have achieved excellent performance
  - Growth focus in 2021
- ▶ Increase Range of covered investment markets, building on core expertise
  - CLIM hired experienced REIT team – EM & Intl REIT strategies seeded Jan 2019
  - Marketing focus in 2021/22
- ▶ KIM new marketing resources focussed on HNW individuals and the RIA channel in the US
- ▶ Recruiting, encouraging and retaining team talent

...while maintaining low risk profile and lean cost base

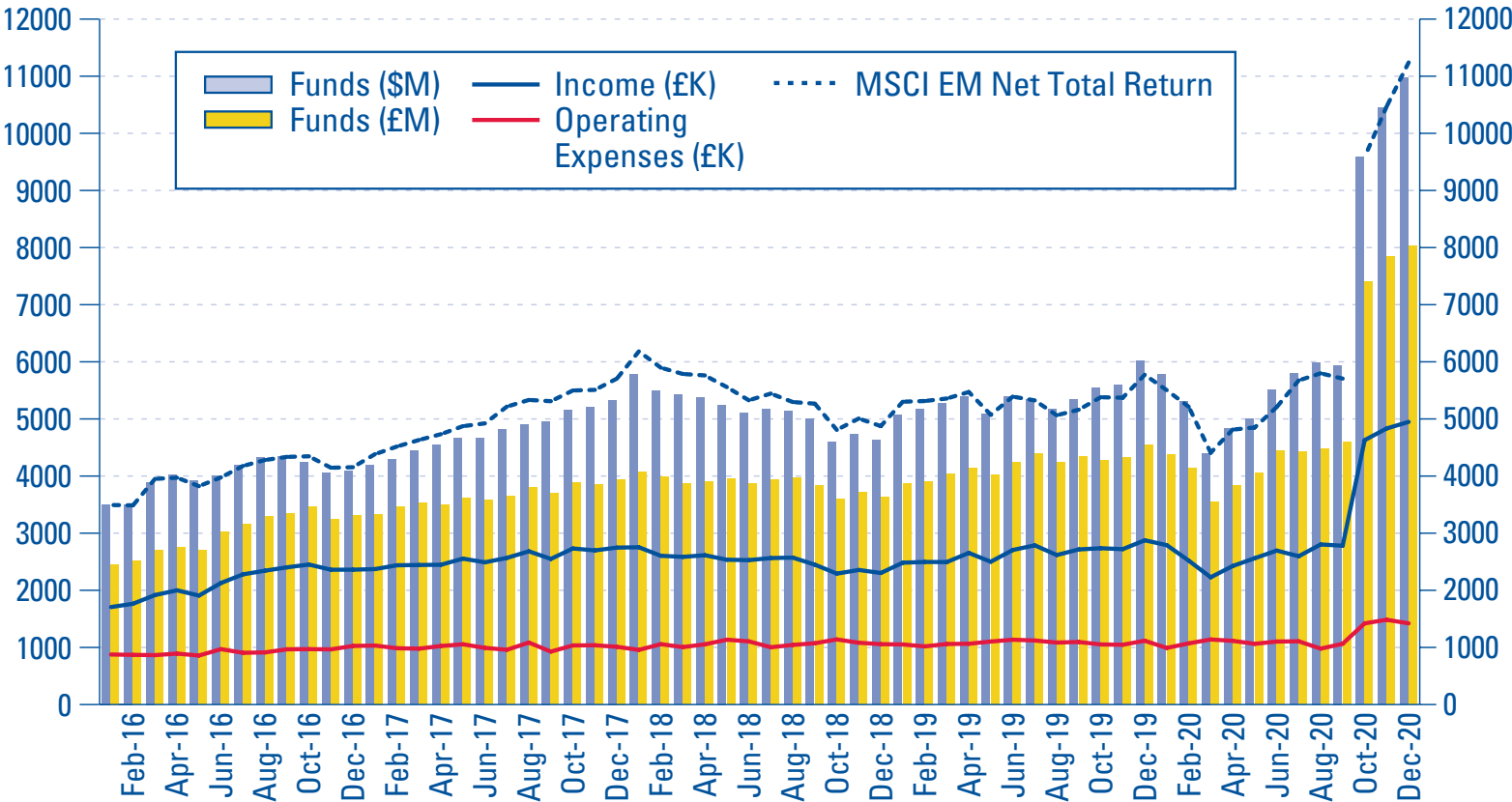
# Consolidated Income for Six Months to 31st December

	Half Year Ending		Full Year Ending		
	Dec-20	Dec-19	Jun-20	Jun-19	
<b>Funds under Management (at period end)</b>	<b>\$10.9b</b>	<b>\$6.0b</b>	<b>\$5.5b</b>	<b>\$5.4b</b>	
<b>Year end exchange rate USD/GBP</b>	<b>1.367</b>	<b>1.3257</b>	<b>1.2401</b>	<b>1.2696</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	
Gross fee income	23,734	17,318	33,263	31,933	
Finder's commission	(359)	(153)	(167)	(752)	
Custody & administration	(775)	(723)	(1,425)	(1,327)	
<b>Net fee income</b>	<b>22,600</b>	<b>16,442</b>	<b>31,671</b>	<b>29,854</b>	
Interest	(54)	(40)	(57)	89	
<b>Total net income</b>	<b>22,546</b>	<b>16,402</b>	<b>31,614</b>	<b>29,943</b>	
Total overheads	8,510	6,514	12,967	12,919	
<b>Operating profit</b>	<b>14,036</b>	<b>9,888</b>	<b>18,647</b>	<b>17,024</b>	
Profit-share	(3,423)	(3,256)	(6,180)	(5,580)	
EIP	(507)	(496)	(925)	(851)	
<b>Pre-tax profit before Investment (loss) / gain and exceptional item</b>	<b>10,106</b>	<b>6,136</b>	<b>11,542</b>	<b>10,593</b>	
Investment (loss) / gain	454	197	(887)	804	
Exceptional item: acquisition - related costs	(1,743)	0	(1,248)	0	
<b>Pre-tax profit</b>	<b>8,817</b>	<b>6,333</b>	<b>9,407</b>	<b>11,397</b>	
Tax	(2,242)	(1,276)	(2,041)	(2,352)	
<b>Post-tax profit</b>	<b>6,575</b>	<b>5,057</b>	<b>7,366</b>	<b>9,045</b>	
<b>Profit attributable to:</b>	<b>Non- controlling interests</b>	<b>12</b>	<b>62</b>	<b>(194)</b>	<b>246</b>
	<b>Equity shareholders</b>	<b>6,563</b>	<b>4,995</b>	<b>7,560</b>	<b>8,799</b>
<b>EPS</b>	<b>Basic</b>	<b>17.7p</b>	<b>19.9p</b>	<b>30.3p</b>	<b>34.9p</b>
	<b>Diluted</b>	<b>17.4p</b>	<b>19.4p</b>	<b>29.5p</b>	<b>34.1p</b>
<b>Dividend</b>	<b>Interim</b>	<b>11.0p</b>	<b>10.0p</b>	<b>10.0p</b>	<b>9.0p</b>
	<b>Special</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>13.5p</b>
	<b>Final</b>	<b>-</b>	<b>-</b>	<b>20.0p</b>	<b>18.0p</b>

# Relationship Between CLIG's Benchmark and FUM\*

## Rolling 60 Months Funds Under Management and Operating Profitability

(Excludes extraordinary items of income and expense)

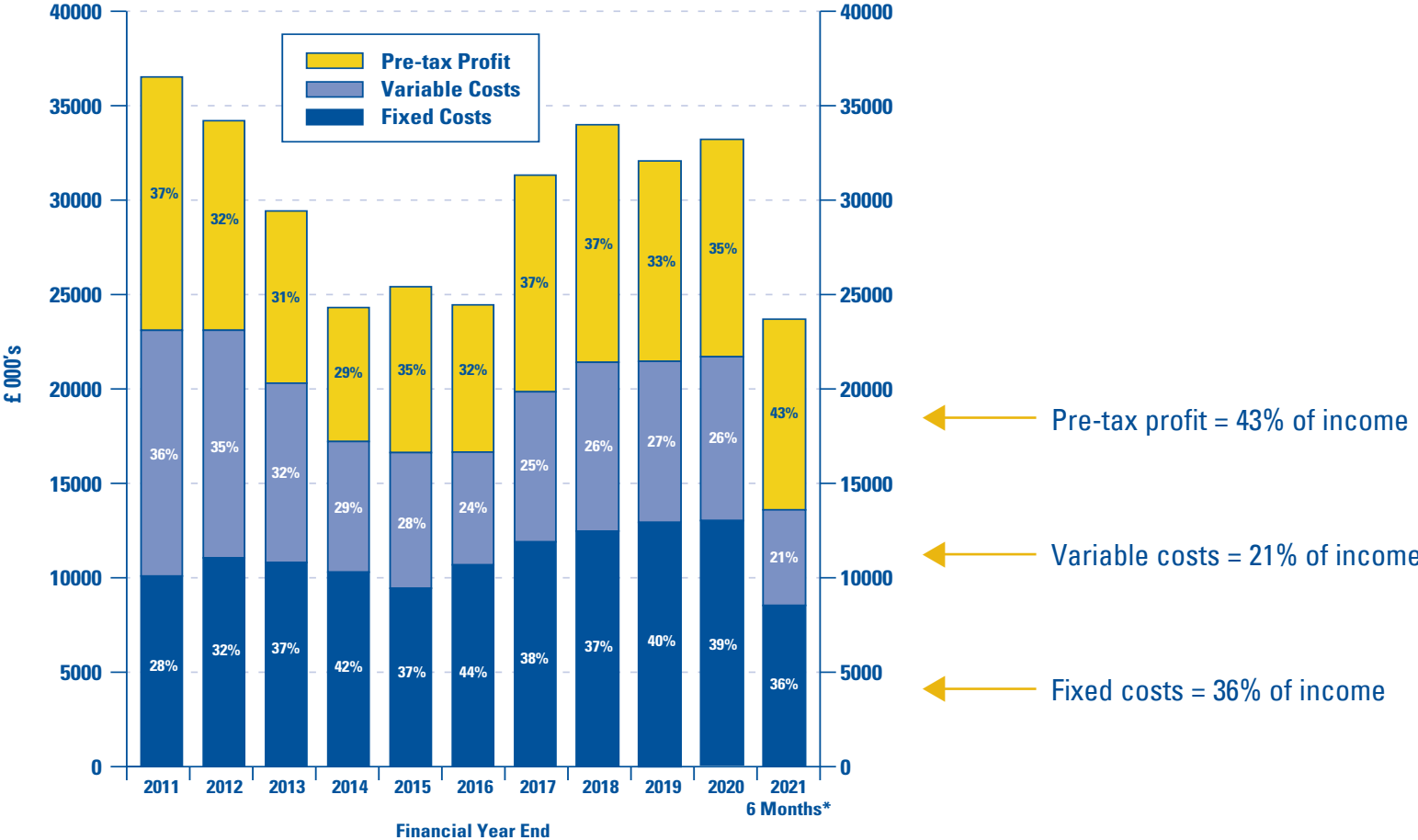


\*Beginning October 2020 consolidated FUM (CLIM-KIM) are shown and Index is rebased. Past performance is no guarantee of future results.

Source: CLIM, KIM, MSCI



# Fixed Versus Variable Costs



\*Includes 3 months of post-merger KIM costs

Note: Excludes extraordinary items of income and expense (including acquisition-related costs of £1.2m in 2020 and £1.7m in 2021)

# History

- ▶ **1989** – Established as part of Olliff & Partners, stockbrokers
- ▶ **1991** – Launched first fund, Emerging Markets Country Trust, a UK unit trust
- ▶ **1995** – Launched first US fund – The Emerging Markets Country Fund
  - US office opened on East Coast
- ▶ **1997** – Stockbroking activities discontinued
- ▶ **2000** – Singapore office opened
- ▶ **2006** – Group admitted to AIM
- ▶ **2007** – Dubai office opened
- ▶ **2009** – Launch of International CEF Strategy
- ▶ **2010** – Group admitted to Official List (Premium Segment)
- ▶ **2012 & 2013** – Granted Qualified Foreign Institutional Investors (QFII) scheme in China
- ▶ **2015** – Opened West Coast (US) office
- ▶ **2019** – Launch of EM and International REIT funds
- ▶ **2020** – Completed transaction with KIM for 100% ownership

# Shareholders

As at 31 December 2020

	%
George Karpus*	31.5%
Hargreaves Lansdown	6.4%
Aberforth Partners	3.9%
Barry Olliff	3.7%
BlackRock Inc.	2.9%
Interactive Investor	2.8%
Rochester Area Community Foundation*	2.8%
St Lawrence University*	2.0%
A J Bell Securities	1.7%
Other Directors, Staff & EBT	11.7%
<b>Subtotal</b>	<b>69.4%</b>
Other	30.6%
<b>Total</b>	<b>100.0%</b>

*The total number of ordinary shares in issue is 50,679,095.*

*\*Denotes concert party shareholder, as disclosed on Slide 8.*

*Source: Bloomberg for shareholder name. Shareholding % as per company's share register.*

#### **Important Notice**

City of London Investment Group plc (CLIG) (registered in England and Wales No. 2685257). City of London Investment Management Company Limited (CLIM) (registered in England and Wales No. 2851236) is a wholly owned subsidiary of CLIG. Both CLIM and CLIG have their registered office at 77 Gracechurch Street, London, EC3V 0AS, United Kingdom. CLIM is authorised and regulated by the Financial Conduct Authority (FCA), registered as an Investment Advisor with the Securities and Exchange Commission (SEC) and regulated by the Dubai Financial Services Authority (DFSA). Karpus Management Inc. (KIM) (registered in the State of New York No. 1136419) is registered as an Investment Advisor with the SEC and is a wholly owned subsidiary of CLIG.

All reasonable care has been taken in the preparation of this information. No responsibility can be accepted under any circumstances for errors of fact or omission. Values may fall as well as rise and you may not get back the amount invested.

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