SAVE SYMPHONY

A Call to SIHL Shareholders

Dear fellow SIHL Shareholders,

Asset Value Investors (AVI) is the largest independent shareholder of SIHL, having first invested in the Company in 2012 and owning a 15.4% stake today. We always seek to engage directly with boards in a constructive manner, rather than through intermediaries, and attempt to resolve shareholder grievances for the benefit of all shareholders. In the case of SIHL, we instructed legal counsel to support us after protracted, but ultimately futile, engagement with the executive directors. Since the first letter from our legal counsel in December 2019, we have received a series of slow and evasive responses proffering flimsy defences and justifications, and a refusal to acknowledge the indisputable problems at the Company. The Board also refused our request to appoint an external independent law firm to investigate the serious matters which we presented to them. We have therefore, with some reluctance, taken the decision to air our views in open forum.

We have each suffered from the poor performance of SIHL. This has persisted long enough.

In airing our long-held and deep concerns in a public forum, we seek to:

(i) **ensure all shareholders are fully informed**
as to our concerns regarding the stewardship of SIHL and the independence of the Board, which in our view is inherently conflicted and whose actions have failed to protect shareholder interests ahead of those of the management team;

(ii) **gather together sufficient support (at least 30%, including our own 15.4% stake) to requisition an EGM** to consider and approve resolutions to:
   a. remove the current directors; and
   b. replace the Board with new directors willing and able to properly represent the interests of shareholders.

Following their appointment, the ***new Board would be given a mandate to consult widely with shareholders to build a consensus for the optimal path forward to maximise value for the benefit of all shareholders.***

Our key concerns, which are outlined in greater detail below are (click to jump to section):

We, the shareholders, have suffered years of poor performance overseen by the SIHL Board. Set against market comparators, the absolute NAV returns have been extremely poor. The impact upon shareholder returns is further exacerbated by the persistently poor share performance and wide discount of share price to NAV (averaging c.40% over the Company's life). In an evergreen structure such as SIHL's, shareholders have no means to access NAV and so the share price is the only meaningful measure of shareholder returns. Whilst shareholders have suffered patiently and without a voice, management has prospered. Eye-watering sums of money have been paid by the Company to the investment manager and connected persons.

It is our view that chronic conflicts of interest lie at the heart of the Company. The purportedly "independent" directors have done nothing to address this. As we further explain in Section [5] below, the Company is managed in a way which disregards good corporate governance standards.

We also highlight below what we view as the misrepresentation of the Company's performance in annual reports and in the 2012 prospectus. Finally, we set out the facts surrounding the forced sales of shares in the Company's key asset, Minor International, in early 2020 at distressed prices: facts which were not transparently disclosed to shareholders. The errors of judgement made by the Board in relation to the Minor International holding raise serious questions concerning the competence of the management team and the "independent" directors.

From our investigations, there are serious questions as to whether decisions taken by the Board have put the interests of the investment manager above the interests of shareholders.

We invite all concerned SIHL shareholders to please get in touch with us at tom.treanor@assetvalueinvestors.com.

The Board's Likely "Defence"?

Following lengthy correspondence with the Board in respect of our concerns we are now well versed in the Board's likely defences to our allegations.

(i) **Alignment**

The Board will claim that Management is aligned with shareholders by virtue of the Manager and the directors holding large share interests in SIHL. However:

- a substantial portion of the Management shareholding was acquired at zero risk through off-market Management compensation schemes; and
- the Manager continues to earn Management fees at a current run rate of ~$9m per year.

The Board effectively has the power to close the discount from share price to NAV at any time of their choosing through certain corporate actions. However, the Board has consistently failed to do so, allowing the Manager to continue to earn significant fees. There is no meaningful alignment between shareholders and the investment manager.

(ii) **Disclosure in 2007 and 2012 Prospectuses**

The Board will claim that the management fees and share options were all fully disclosed. However, shareholders are entitled to expect the Board to protect shareholders' interests and hold the Manager to account for its performance. In contrast, history suggests the Board has rather facilitated the maximisation of Management's value extraction by putting in place Management share options entitled to dividends, and then paying large dividends ahead of their expiry.

(iii) **Cap on Management Fee**

The Board will claim the changes to the Management fee structure announced in Sep-20[1] demonstrates the Manager's commitment to shareholder value. This change was limited to a reduction in the minimum annual fee from $8m to $6m. Given the base fee remained at 2.25% of net assets, this change amounted to less than a $0.5m annual run-rate reduction, based on the net assets at the time of the announcement and ***translates to no actual change whatsoever in the management fee at current net asset levels.*** Please also note that this change was announced after we had informed the Board/Manager of our intention to publicise our grievances.

(iv) **"Independent Committee"**

The Board will state that a purportedly "Independent Committee" formed to investigate our allegations found no case to answer. Given that this "Independent Committee" was comprised of the very "independent" directors whose lack of independence lies at the heart of our allegations, we do not accept the findings and it is difficult to see how any robust investigation can have been carried out. It is certainly noteworthy that no director contacted us to discuss our concerns. The Board refused our request for an independent external law firm to be appointed to investigate matters.

(v) **Special Dividend in September 2017**

Our view is that the special dividend declared in September 2017 outside the usual timetable was intended to avoid triggering the discount-contingent wind-up vote. The Board will claim that "*there was insufficient liquidity for the Company to pay the extraordinary dividend in April 2017*" but that this position had changed by Sep-17 "*following the partial exit of shares and warrants held in [Minor International]*". We find this difficult to accept given that the Manager chose:

- not to generate liquidity ahead of the usual dividend timetable in Apr-17; and
- then chose to do so later in the year.

"*Liquidity*" is not an exogenous factor when your portfolio is substantially comprised, as SIHL's portfolio was then, of listed securities[2].

(vi) **Investment Objective**

The Board will claim that SIHL's investment objective was made clear in the 2007 and 2012 prospectuses - "*To increase [SIHL's NAV]…through strategic longer-term investments in consumer-related businesses*" - and that any change in approach is therefore invalid. This ignores a key responsibility of the Board to determine whether an investment objective continues to be in the best interests of shareholders. The Association of Investment Companies (AIC)'s Corporate Governance Code states a key role of boards as "*regularly reviewing the structure, objectives, investment policy, target audiences, service providers (particularly the Manager) and continued relevance of the Company*".

Almost 200 London-listed closed-end funds have adopted realisation polices over the last ten years. This represents clear evidence that investment objectives are not set in stone and that properly functioning boards acting in the best interests of shareholders do alter the objectives to reflect changing circumstances and shareholder wishes. The dire returns delivered to SIHL shareholders under the long-standing investment objective suggests that a change is well overdue.

(vii) **An attack on AVI**

The Board will claim that AVI is seeking to "*extract value*" and in some way pursuing our own short-term narrow agenda, and that our interests are not aligned with other shareholders.

[1] https://www.investegate.co.uk/symphony-int-hdgs--sihl-/rns/letter-to-shareholders-from-the-manager/202009301536586535A/

[2] Q-17 Shareholder Update shows listed securities accounting for almost 70% of NAV at 31-Mar-17: http://static1.1.sqspcdn.com/static/f/1271582/27548421/1493790975220/SIHL+Shareholder+Update+Q1+2017+-+Final.pdf?token=JZbYqduDIJ8IV9HiM56w%2F7d%2FKnY%3D

<u>To be clear, AVI's interests are firmly and 100% aligned with other (non-Management) shareholders. We have been a shareholder for over eight years. It is our view that it is the Management team/Board whose interests are at odds with the interests of independent shareholders.</u>

Contrary to AIC guidance[3], we do not believe that any meaningful consultation or dialogue has ***<u>ever</u>*** taken place between the Company's independent directors and its independent shareholders. We fail to see how the Board could judge whether other shareholders share our view.

In our own experience, the CEO of the Manager, Anil Thadani, has effectively discouraged shareholders from engaging with the "independent" directors. We have heard similar accounts from other shareholders that correspond with our experience.

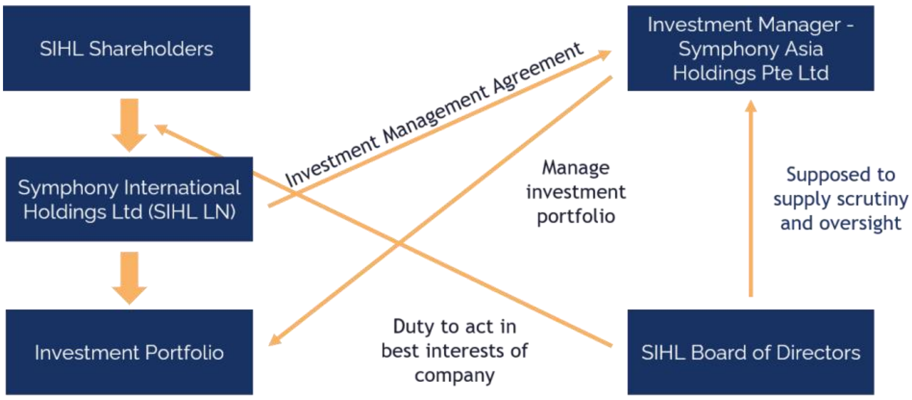
In our correspondence with the Board, we have suggested new approaches that include modifying the investment policy to focus on realising value from existing investments and returning capital to shareholders. Contrary to what the Board will likely claim, this would not equate to a "*fire-sale*". To re-iterate, a focus on realising investments is just one possible option that would be pursued under a new Board only if approved by a majority of shareholders.

Who is Asset Value Investors (AVI)?

Asset Value Investors (AVI) was established in 1985 to take over the management of one of the oldest listed investment companies in London, now called AVI Global Trust. Our distinctive approach of investing in family-controlled companies, closed-end funds (CEFs) and asset backed situations is still a unique combination 35 years later. Constructive engagement with investee Boards to improve governance and reduce discounts is central to our investments in CEFs.

SIHL's History/Structure

SIHL is a closed-end fund (CEF), incorporated and domiciled in the British Virgin Islands (BVI) and listed on the London Stock Exchange. CEFs have a rich and long history, with one of their key attractions over



other collective investment schemes being an independent Board of directors representing shareholders' best interests. As is the case with SIHL, most CEFs outsource management of the fund's assets to an external Manager under a contract.

[3] https://www.theaic.co.uk/sites/default/files/documents/AIC2019AICCodeofCorporateGovernanceFeb19.pdf; "*In addition to formal general meetings, the chair should seek regular engagement with major shareholders in order to understand their views on governance and performance against the Company's investment objective and investment policy. The chair should ensure that the board as a whole has a clear understanding of the views of shareholders.*"

SIHL was formed in 2004 with an investment objective of "*increas[ing]…Net Asset Value through long-term strategic private equity investments in consumer-related businesses, primarily in the Hospitality, Healthcare and Lifestyle…sectors in the Asia-Pacific region, in particular South-East Asia and India, as well as through investments in special situations and structured transactions*". In 2007, SIHL listed on the London Stock Exchange (LSE), taking advantage of a regulatory window open (briefly) at the time that allowed non-UK domiciled investment companies to list on the LSE's Main Market with few investor protections[4]. ***It is our understanding that all other CEFs that listed under this short-lived regulatory regime have since wound up or migrated to a higher standard of listing.***

The two key principals of the Management Team, Mr. Thadani and Mr. Chandiramani sit on the Board. Of the three "independent" directors at IPO, two still serve on the Board and therefore fail any objective test of independence. The third IPO "independent" director has retired from his previous role as "Independent" Chairman, but now enjoys the vaguely defined office of Chairman Emeritus.

Anil Thadani
Manager/Director

Sunil Chandiramani
Manager/Director

The ability of shareholders to effect change is limited by the high hurdle of 30% to requisition an EGM (this compares to 5% for the UK and 10% for Guernsey, the two most common domiciles for London-listed CEFs).

Furthermore, SIHL's directors have never been subject to election by shareholders. Under SIHL's articles, directors are elected for a fixed term by a resolution of their fellow directors. In addition, the Manager has the right to nominate two Key Persons to the Board and the Board is compelled to accept these nominations. Finally, there are only very limited circumstances under which the Management contract can be terminated.

It is clear that the Managers and Board draw considerable comfort from these protections which help explain - but certainly do not justify - their apparent disregard for shareholders' interests. As we will later explain, this comfort is misplaced.

In common with many BVI-domiciled companies, SIHL's shareholders own depositary interests to facilitate settlement in the Company's shares. This renders traditional routes to identifying the shareholder register ineffective; one purpose of this public letter is to help us connect with other shareholders to finally bring this egregious situation to an end.

[4] SIHL listed under the prevailing "Chapter 14" Listing rules, a lower standard of listing open to overseas issuers for a brief period in 2007/08.

AVI owns a 15.4% stake in SIHL on behalf of institutional clients. Having first invested in 2012 in the Company's rights issue, we have now concluded that an approach of constructive engagement has no prospects of success. We are seeking to work with other shareholders whose holdings when combined with our own hit the 30% threshold required to requisition an EGM at which we will seek the removal of the current Board and its replacement with new directors willing and able to properly represent the interests of shareholders. Following their appointment, these new directors would have a mandate to then consult widely with shareholders to build a consensus for the optimal path forward to maximise value. ***We are confident that our concerns are shared widely across the SIHL shareholder base.***

The advice we have received from our experienced BVI legal counsel and a leading English Silk is that SIHL's Memorandum of Association and Articles do not effectively disapply the fundamental right of shareholders to remove and replace directors. While it would be imprudent to elaborate too much at this stage in a public forum, we are confident there are remedies to the current management structure.

Next Steps

We will be consulting with our fellow shareholders over the next few weeks.

We ask concerned SIHL shareholders to please get in touch with us at tom.treanor@assetvalueinvestors.com.

We believe that together shareholders can bring about real change at SIHL.

1. Disastrous NAV and Share Price Performance

SIHL listed on the London Stock Exchange in Aug-2007 with the stated investment objective of "***increas[ing] our Net Asset Value*** *through long-term strategic private equity investments in consumer-related businesses…..as well as through investments in special situations and structured transactions, which have the potential to generate* ***attractive returns and to enhance our Net Asset Value."***

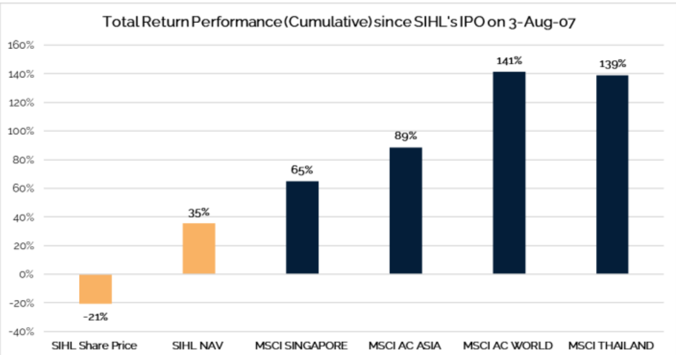
While the 2007 prospectus made no reference to any indices against which SIHL's performance should be benchmarked, quarterly shareholder updates from 2009 onwards reported the returns of four indices alongside those of SIHL in both charts and investment commentary:

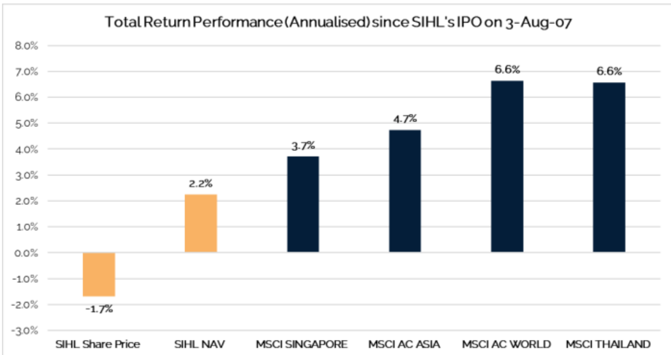
- MSCI AC Asia;
- MSCI AC World;
- MSCI Thailand; and
- MSCI Singapore.

As the charts below demonstrate, whilst SIHL has indeed increased its NAV per share in absolute terms (over a 13.5y period at a rate of just over +2% annualised), this return could in no way be described as "*attractive*" in the context of the far superior performance achieved by the indices against which the Company compares its performance[5]. If SIHL has simply held US Treasury Bills for the period the return would have been 10.5%[6].

Note that these stated performance figures reflect the experience of the average shareholder who invested at the IPO in 2007 and took up the pro-rata share of their entitlement in the 2012 dilutive rights issue. Shareholders who were unable or unwilling to take part in the rights issue have experienced materially worse returns than those shown here.

More pertinently, in the case of a listed CEF such as SIHL with a perpetual evergreen structure, shareholders have no practical means of realising NAV. As such, the share price is the far more relevant measure and is the metric used by shareholders to value their investment in SIHL. ***With a negative share price return for shareholders of -21% since its 2007 inception, SIHL's performance is nothing short of catastrophic.***

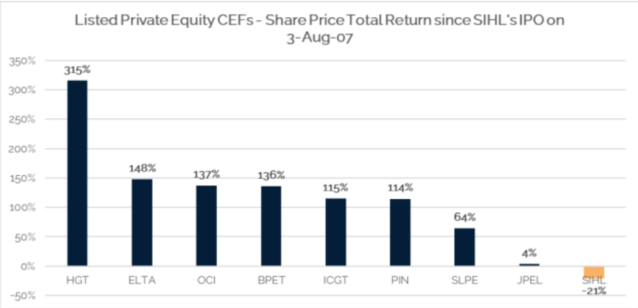


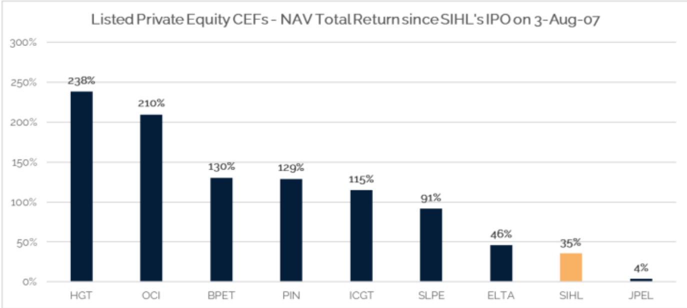


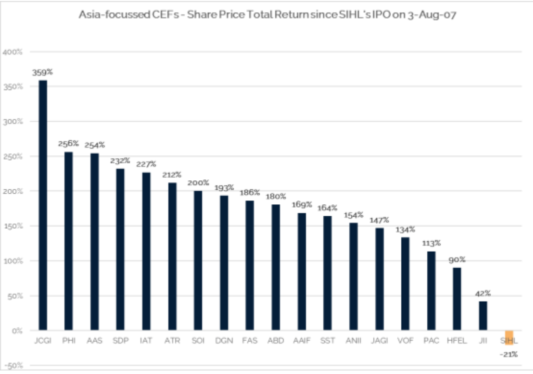
Was the period from 2007 to 2021 a particularly poor period for active Managers? Does SIHL fares better when compared to other London-listed CEFs? Sadly for SIHL's shareholders, this is far from the case. SIHL's mixture of listed and unlisted securities argues for its performance to be assessed against CEFs

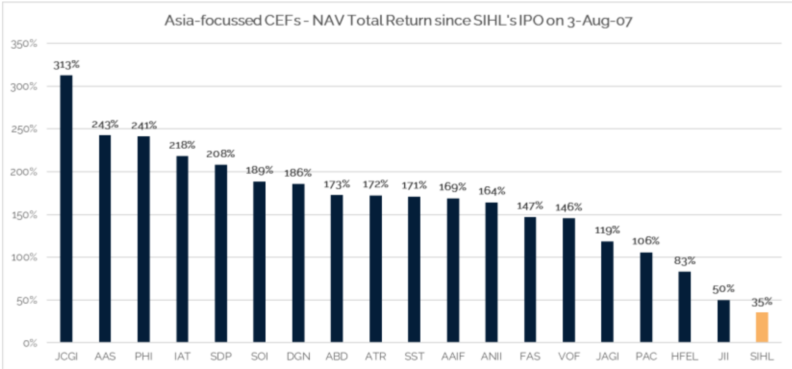
[5] SIHL share price and NAV performance calculated in USD with dividends reinvested at closing share price/NAV on ex-dividend dates; end date of 16-Apr-21 used for share price ($0.375) and estimated NAV ($0.7649); estimated NAV based on last reported NAV of $0.7384 at 31-Dec-20 adjusted for share price change in Minor International, currency impacts, and estimated fees to date; adjustment made for 2012 rights issue - rights issue adjustment factor of 0.8158 used for pre-Oct-12 share prices/NAVs. Index performance sourced from Bloomberg; total return in USD, with net dividends reinvested.
[6] Return calculated using data from Bloomberg and based on buying 3 month US treasury bill at inception of SIHL (3-Aug-07) and reinvesting proceeds into new bills upon each maturity.

focussed on either private equity or listed Asian equities. As the charts below make clear, SIHL's track record is extremely poor against each[7].









However SIHL's performance is analysed, in our view it is clear that its Manager has failed to deliver acceptable returns for shareholders.

[7] Performance figures for peers sourced from Morningstar

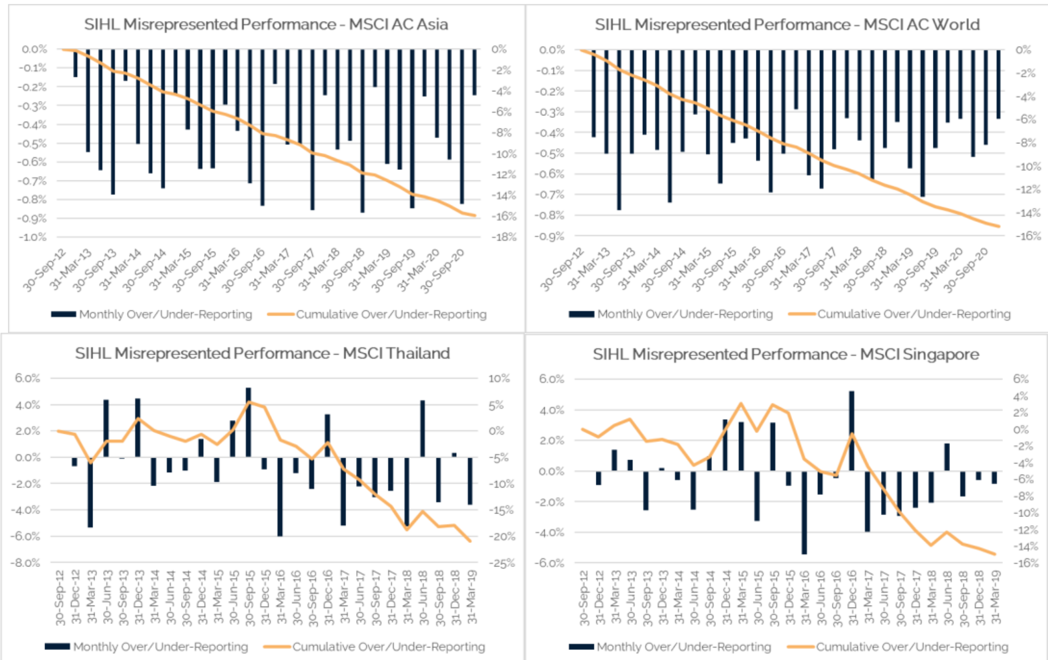
2. Misrepresented Performance and Material Non-Disclosure

Our analysis of the public announcements and Shareholder Updates published since the IPO indicates that performance figures have been consistently inaccurately stated by the Board/Manager and have therefore shown SIHL's relative returns in a more flattering light than we consider to be the actual case. We draw shareholders' attention to the following:

• All quarterly Shareholder Updates[8] published since IPO use price (i.e. not adjusting for dividends) figures for indices rather than total return figures (which inflates SIHL's relative returns); detail the impact of dividends on the Company's NAV but provide no such adjustments or caveats for the index comparisons; and calculate returns for the MSCI Thailand and MSCI Singapore indices in different currencies to SIHL's returns.

• This is despite the CFA Institute's Global Investment Performance Standards (GIPS) requiring that performance figures be presented on a total return basis, with its handbook simply stating "*total returns must be used*"[9]. We are unaware of any other London-listed fund that reports performance metrics in this fashion. Compounding the problem is the lack of any disclosure of the fact that that these figures are not being reported on a standard basis, meaning that it is likely that persons reading the Shareholder Updates would assume these are total return figures.

• The charts below show the material impact of the inaccurate benchmark performance figures cited by the Manager in the Shareholder Updates. These compare the actual total return performance for each index calculated in USD, versus the figures reported by the Manager using price[10].



• We note the presentation of performance figures in this manner is not limited to the Shareholder Updates, with at least one annual report stating relative performance through additional methods to those outlined above (e.g. calculating NAV performance using non-like-for-like starting and opening NAVs).

[8] As seen at http://www.symphonyasia.com/publications

[9] https://www.cfainstitute.org/-/media/documents/code/gips/2020-gips-standards-asset-owners.ashx "*22.A.5 Total returns must be used… 24.A.1.f The total return for the benchmark for each annual period and for all other periods for which total fund or composite returns are presented, unless the asset owner determines there is no appropriate benchmark*."

[10] Note the figures shown for all indices are on a net total return basis, i.e. with net dividends reinvested; a gross dividend reinvested basis would be even less flattering to the Company).

• We also have significant concerns due to the fact that the Company's $100m capital raise *via* a rights issue in 2012 was conducted on the back of inaccurate performance figures published in the prospectus. ***Despite specifically stating that the index figures shown were calculated on a total return basis, based on our analysis of the figures presented, this was not the case.*** Further, the "*Company's Relative Performance*" figure are calculated based on a ratio of the Company's returns to the index returns rather than the conventional approach of subtracting one percentage return from another. We can see no rational explanation for the approach used other than to show the Company's relative returns in a more flattering light than would be the case using the conventional approach.

symphony
INTERNATIONAL HOLDINGS LIMITED

Symphony International Holdings Limited

(incorporated in the British Virgin Islands on 5 January 2004 and voluntarily re-registered on 17 November 2006 as a BVI Business Company with registration number 1064910)

0.481 for 1 Rights Issue of 166,665,997 New Ordinary Shares at U.S.$0.60 per New Ordinary Share

Panmure Gordon (UK) Limited

Sole Underwriter, Bookrunner and Broker

5. Investment Performance and Share Price

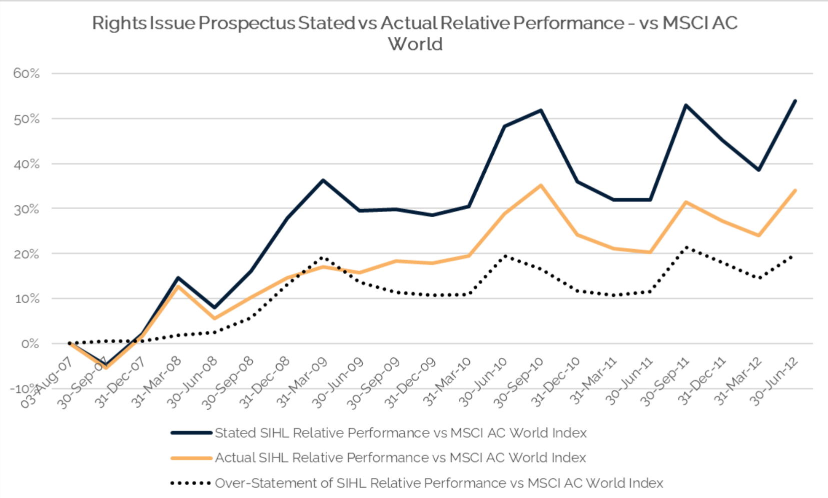
From the date of the IPO until 30 June 2012, the NAV per Share has increased from approximately U.S.$1.00[5] to approximately U.S.$1.24, representing an increase of approximately 24.1 per cent. over such period or an annualised increase of approximately 4.5 per cent. This compares to a decrease in the MSCI AC World and MSCI AC Asia Indices by 19.3 and 24.5 per cent., respectively, over such period or an annualised loss of 4.3 and 5.6 per cent., respectively.

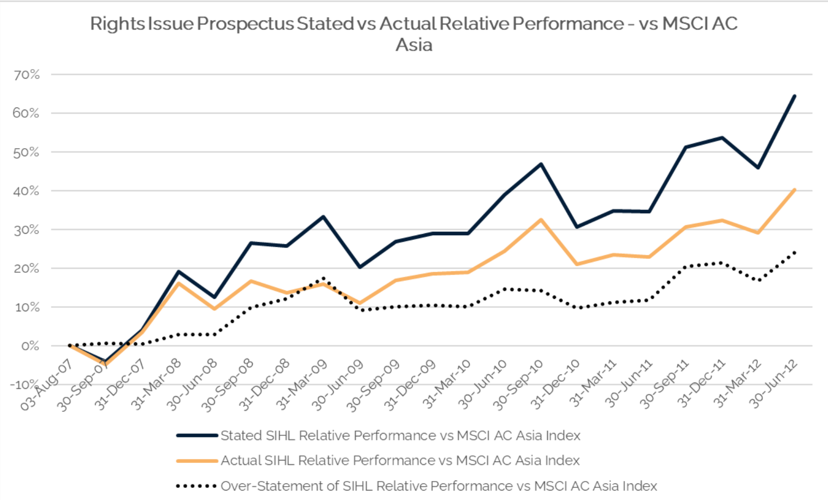
The following table sets out the NAV per Share total return compared against the MSCI AC World and MSCI AC Asia Indices total return, from the IPO until 30 June 2012:

Date	NAV per Share	MSCI AC World Index (rebased)	Company's relative performance	MSCI AC Asia Index (rebased)	Company's relative performance
	(U.S.$)		*(%)*		*(%)*
03/08/2007	1.0000	1.0000	0.00	1.0000	0.00
30/09/2007	1.0132	1.0648	(4.84)	1.0570	(4.14)
31/12/2007	1.0652	1.0424	2.19	1.0240	4.02
31/03/2008	1.0788	0.9409	14.65	0.9060	19.07
30/06/2008	0.9921	0.9187	7.99	0.8816	12.53
30/09/2008	0.8843	0.7620	16.05	0.6986	26.57
31/12/2008	0.7523	0.5885	27.82	0.5978	25.84
31/03/2009	0.7122	0.5223	36.36	0.5343	33.29
30/06/2009	0.8196	0.6330	29.47	0.6814	20.28
30/09/2009	0.9640	0.7425	29.84	0.7595	26.93
31/12/2009	0.9953	0.7740	28.59	0.7723	28.89
31/03/2010	1.0372	0.7946	30.53	0.8037	29.05

Date	NAV per Share	MSCI AC World Index (rebased)	Company's relative performance	MSCI AC Asia Index (rebased)	Company's relative performance
	(U.S.$)		*(%)*		*(%)*
30/06/2010	1.0278	0.6934	48.23	0.7399	38.92
30/09/2010	1.1981	0.7888	51.88	0.8160	46.82
31/12/2010	1.1618	0.8547	35.94	0.8897	30.58
31/03/2011	1.1719	0.8883	31.93	0.8697	34.75
30/06/2011	1.1660	0.8836	31.96	0.8656	34.71
30/09/2011	1.1096	0.7254	52.95	0.7339	51.19
31/12/2011	1.1239	0.7742	45.17	0.7311	53.72
31/03/2012	1.1935	0.8616	38.53	0.8179	45.93
30/06/2012	1.2414	0.8068	53.87	0.7552	64.39

We show in the charts below the figures calculated correctly, with the dotted line showing the scale of the misrepresentation.





The Board had the following to say in response to our raising of these points:

AVI alleges that the Company misstated its NAV and relative NAV performance in shareholder updates. The Company has considered these allegations carefully. It is satisfied that the allegations are unfounded and that, in many ways AVI has presented the allegations in a tendentious manner. The Board is content that past comparisons with relevant indices were properly made on the correct bases, and that there has not been any material misstatement of the Company's NAV performance.

The facts speak for themselves. Shareholders should form their own judgment on who is being "*tendentious*" on this issue. We noted the reference solely to "*shareholder updates*" in the Board's response, and so we followed up on the issue of the misrepresented figures in the Rights Issue prospectus. We consider the Board's response, as shown below, to be inadequate in this regard:

Alleged misrepresentation of NAV:

(i) The Company can confirm that it does not consider that there were any material misstatements in the prospectus for SIHL's rights issue in 2012.

On this specific issue of the figures in the Rights Issue prospectus, we will not only leave it to shareholders to form their own view, ***but also the Financial Conduct Authority in its regulation of the UK primary markets.***

We note that despite being advised of these misleading figures, the Company's Shareholder Updates continue to show benchmark index returns on a non-total-return basis.

A prospectus must contain all relevant information concerning the relevant issuer and the securities being offered. The original SIHL prospectus was dated 31 July 2007 (the **"2007 IPO Prospectus"**).

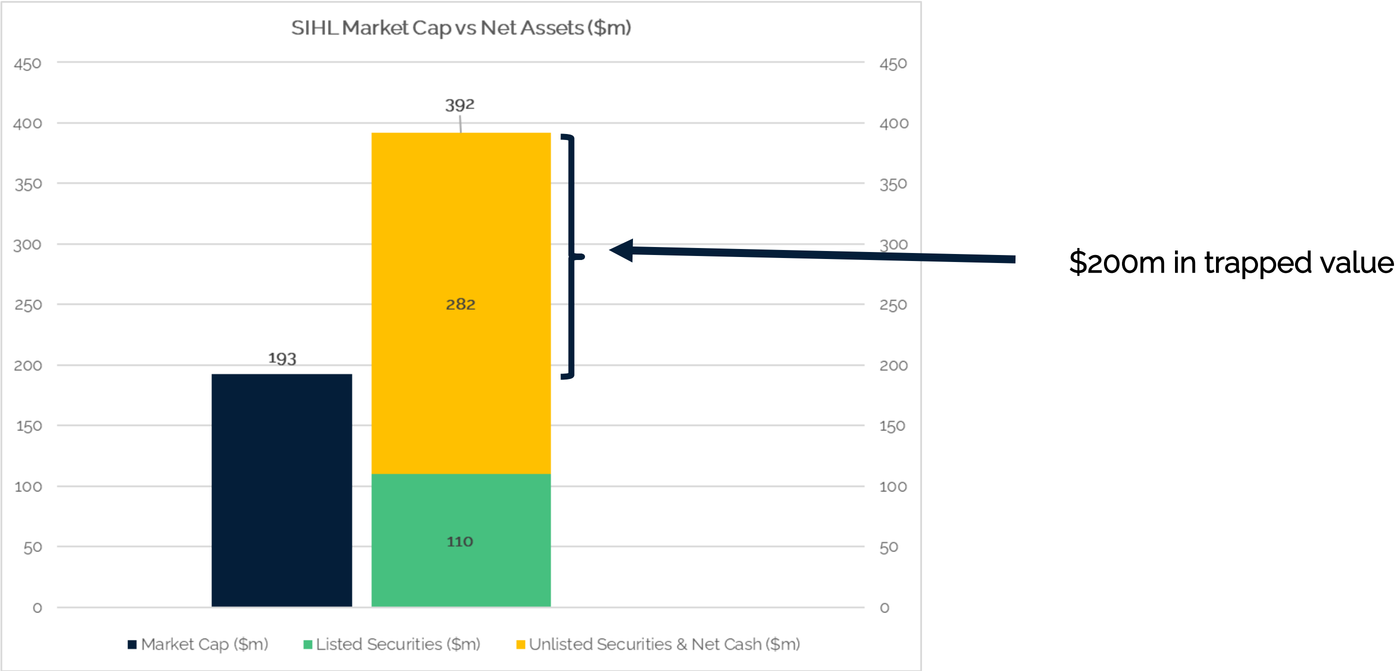
On 26 July 2007 proceedings were issued by the SEC in the Southern District of New York US District Court against, amongst others, Pierangelo Bottinelli, chairman of SIHL at the time of its IPO, (case no. 98 Civ 7347 (DLC) - Securities and Exchange Commission v. Euro Security Fund and others) in relation to certain share trades in the common stock of Elsag Bailey Process Automation, N.V. (**"Elsag"**) in the days ahead of an announcement on October 14, 1998 that ABB Asea Brown Boveri made a friendly cash tender offer for all outstanding shares of Elsag, alleging insider dealing (the **"Elsag Insider Dealing Proceedings"**).

It is a surprise that the 2007 IPO Prospectus makes no mention of the proceedings issued against Pierangelo Bottinelli a few days before. We struggle to understand how the directors of SIHL and Merrill Lynch, acting as the Global Coordinator, Bookrunner and Lead Manager for the 2007 IPO could reach a conclusion that the fact of the Elsag Insider Dealing Proceedings against the chairman of SIHL at the time of its IPO did not constitute relevant information to be disclosed to prospective investors of SIHL. Even if this can be attributed to timing between issue and service of proceedings, no market announcement of such proceedings was made in the days between the issue of the 2007 IPO Prospectus and commencement of dealings in SIHL's securities (or, indeed, subsequently).

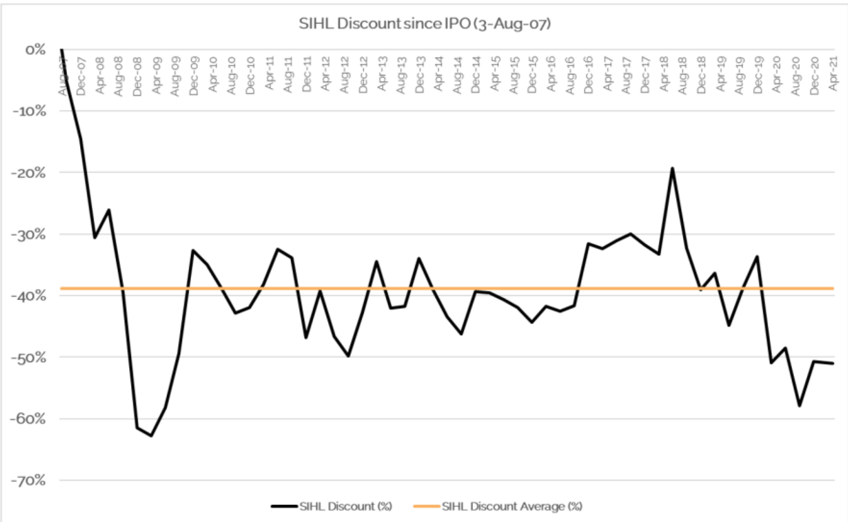
It is acknowledged that the Elsag Insider Dealing Proceedings against Pierangelo Bottinelli were subsequently dismissed without prejudice to the SEC's rights to revive such a claim and, so far as we are aware, have not been revived. We are of a view that the fact that such matters were not contained within the 2007 Prospectus or any supplemental prospectus constitutes material non-disclosure of information and believe that it constitutes a breach of the Listing Rules.

3. Persistently Wide Discount to NAV

Over its life, SIHL has traded at an average discount to NAV of almost 40%[11]. ***Today, SIHL trades at a discount in excess of 50% to our estimated NAV***[12]. Shareholders who may understandably wish to exit their investment in SIHL are forced to accept less than 50c on the dollar to do so.



Whilst SIHL is not the only listed CEF to trade at a discount to NAV, our detailed analysis confirms that SIHL in an underperforming outlier in terms of both the size and the persistency of the discount. ***It is our view that the substantial discount at which SIHL trades represents the market's view as to the Company's performance track record, investment proposition, its governance, its Manager, and its Board.***



(i) SIHL's 51% discount in the context of all investable closed-end funds (CEFs)

[11] Quarterly average from 3-Aug-07 inception up to and including 16-Apr-21; discount to estimated NAV used for 16-Apr-21; estimated NAV based on last reported NAV of $0.7384 at 31-Dec-20 adjusted for share price change in Minor International, currency impacts, and estimated fees to date

[12] Estimated NAV based on last reported NAV of $0.7384 at 31-Dec-20 adjusted for share price change in Minor International, currency impacts, and estimated fees to date

There are 284 London-listed CEFs with a market capitalisation greater or equal to £100m[13]. We treat these 284 CEFs as the comparator class of potential investments.

• The rating at which these funds trade ranges from a premium to NAV of 44% to a discount of 83%.

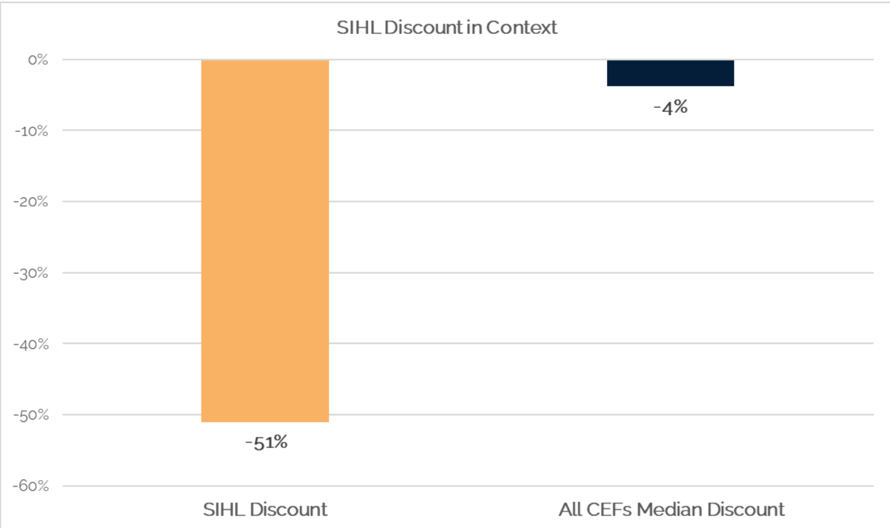
• 98 of these funds trade at premia to NAV.

• Almost three-quarters (74%) trade at a discount of less than 10%.

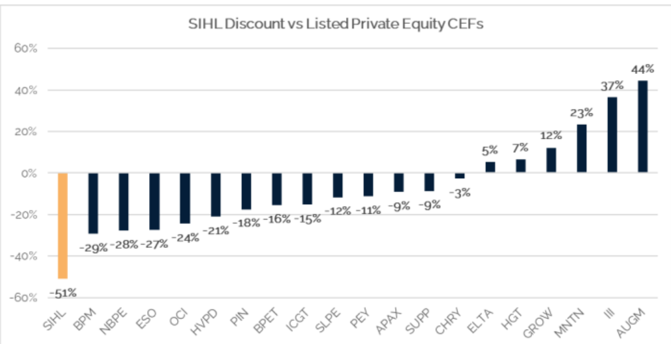
• The median discount is just 4%.

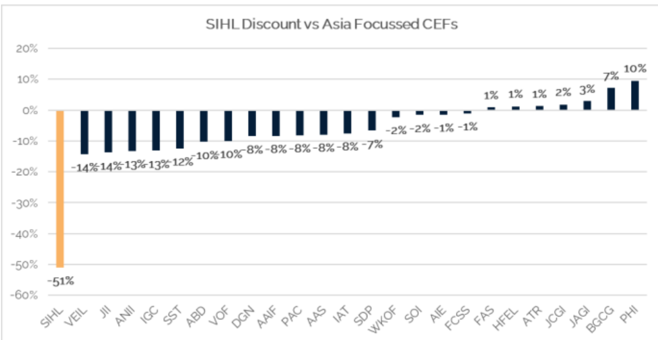
• SIHL ranks as 282 out of 284 funds with the third widest discount.

• Of the other the two funds ostensibly on a wider discount than SIHL:
  - one is a fund with a NAV inflated by stale valuations; and
  - the other is a fund with well-publicised corporate governance issues and which provides no voting rights at all for public shareholders.



As with the performance analysis above, we can look at SIHL's discount against different peers.





[13] Statistics for peers sourced from *Numis Investment Companies Datasheet, 22-Apr-21*. Figures as at 21-Apr-21. Excludes C-Shares, Units, and secondary currency listings (i.e. avoids duplication)

Based on our extensive analysis we have been unable to identify any peer group against which SIHL's discount can be considered as anything other than extreme. ***We would expect such a discrepancy to be a source of considerable embarrassment to a properly functioning Board and Management team.***

The Association of Investment Companies' Corporate Governance Code[14] (the **AIC Code**) sets out accepted good governance practice for companies such as SIHL. The AIC Code states that:

1. *"Boards should monitor the level of the share price discount or premium (if any) and, if appropriate, take steps to reduce it."*

   …and…

2. *"Boards should consider the Company's absolute and relative level of discount or premium and its volatility, the share price and asset performance and ways in which future share price performance might be enhanced."*

Public comments on SIHL's discount from the Board or Manager have been limited over the years, certainly when considering its scale and persistence. However a statement was included in the 2012 prospectus (when the Company was seeking to raise $100m) that "*the Directors are confident that the discount to NAV per Share at which the Shares trade can be narrowed over time*". This has not happened.

Subsequent comments from members of the Management team and Board in our view appear to suggest either a persistent failure to appreciate the gravity and magnitude of the Company's discount problem, or an attempt to gloss over it. In a Sep-19 response to us Anil Thadani stated that "*you will be aware that the shares of closed-end funds like SIHL typically trade at a discount to NAV*." This was very much in keeping with the longstanding approach of the Board. Whilst the statement is true in the narrow sense that two-thirds of the universe we analyse above do indeed trade on discounts, the statement fails to address the fact that:

- a substantial number of funds trade at a premium to NAV;
- the median discount is just 4%; and
- SIHL is in the 99th centile.

This is not something of which the SIHL Board should be proud. There is a massive divergence between the discounts of SIHL and those of the typical CEF. SIHL is a clear outlier: the discount is simply too great and has persisted for far too long.

In our correspondence with the Board, one of their defences to our grievances regarding the discount was to blame "*market forces*". While discounts can prove volatile in the short term, we do not consider that such an argument is credible or sustainable in the context of a discount as persistent and extreme as that of SIHL's which sets it apart from almost all of its peers. The Board also stated that it does not "*consider that benchmarking against the respective share prices / NAV discounts of the 'peers' which you have identified would be meaningful*". It is unclear to us how the Board has reached such a conclusion.

The Board's attempted rebuttals also fall back upon the dividends paid out and the short-lived 2017 buyback programme as evidence of their attempts to tackle the discount. However, as we make clear in this letter, we believe all these were decisions made not for the purpose of tackling the discount but rather to protect the position of Management. ***We re-iterate yet again our belief that the actions taken by***

[14] https://www.theaic.co.uk/sites/default/files/documents/AIC2019AICCodeofCorporateGovernanceFeb19.pdf

the Board are and have been driven by the Manager's interests rather than any benefit accruing to shareholders.

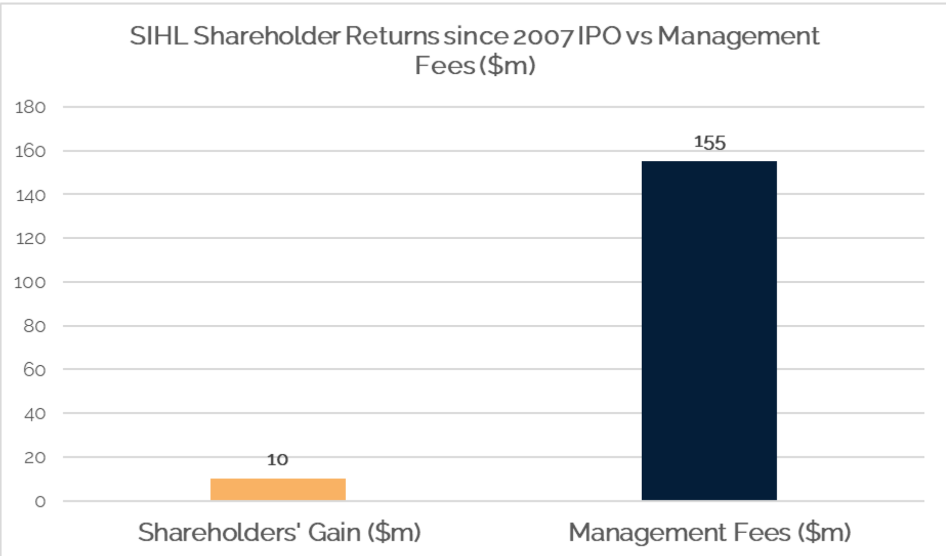
4. Manager Compensation dwarfing Shareholder Returns

Anil Thadani
Chairman of SIHL's Manager
Executive Director of SIHL

Sunil Chandiramani
Director of SIHL's Manager
Executive Director of SIHL

SIHL's Manager charges a headline fee of 2.25% of net assets (with a cap of $15m and floor of $6m). From our investigations, we believe that this is the highest base management fee charged to ***any*** of the ~400 funds listed on the London Stock Exchange. The weak NAV performance and the sustained deep discount of share price to NAV puts this extremely high level of compensation in sharp focus.

As the chart below shows very starkly, Management has prospered and extracted over $150m in base management fees whilst those shareholders who invested in SIHL at its 2007 IPO and followed their money in the rights issue five years later have, together, registered a mere $10m gain[15]. The calculation below does not assume reinvestment of dividends. If dividends were indeed reinvested at the prevailing share prices at the time of payment, shareholders would have experienced a negative return to date.



Notwithstanding this disparity between shareholder gains and management fees, in order for the true extent of Management enrichment at the expense of shareholders to be considered, the impact of additional share-based compensation must also be taken into account.

[15] Management Fees calculated as total amounts in dollars summed from the accounts from 3-Aug-07 IPO date to 31-Dec-20; with AVI estimate used for Q1-21 period. Shareholders' Gains uses 190m shares issued on 3-Aug-07 at $1 per share and 166.7m shares issued on 4-Oct-12 at $0.60; share price of $0.375 on 16-Apr-21; $0.4385 of dividends per share; and $37.2m spent on share repurchases.

The 2007 IPO and 2012 Rights Issue Prospectuses each included a statement that SIHL's Share Options and Management Shares result in a greater alignment of interest between the Manager and shareholders than in more traditional carried interest/performance fee structures. ***We believe this assertion is demonstrably untrue***.

> As a result, and in contrast to the carried interest payment on net realised gains paid in a typical private equity vehicle, the Investment Manager will be penalised for any reduction in the price of the Company's Shares and the NAV by virtue of the adverse effect such reductions would have on the value of the Investment Manager's Share Options and Management Shares. The Investment Manager

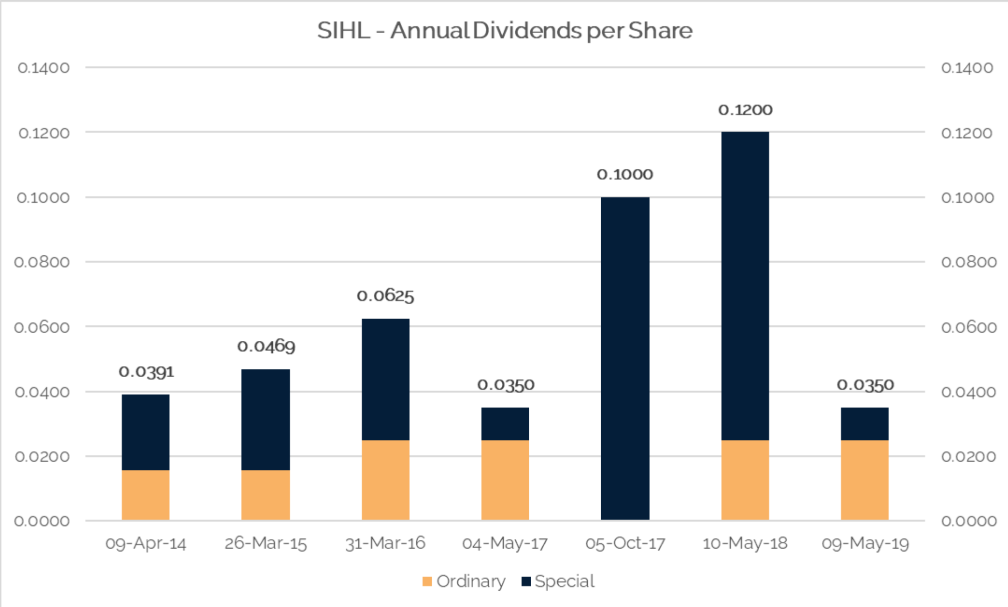
> Shareholders. For example, as the Initial Share Options are currently exercisable only at the exercise price of U.S.$1.00, they will have no value for so long as the price of the Company's Shares remains below that price. As the Future Share Options are currently exercisable only at U.S.$1.25, they will

At IPO, SIHL's Management team were granted, at zero cost, options over 82.8m shares at a strike price of $1 per share. The number of options was designed to cover 20% of the share capital following the issuance of said options.

In mid-2012 with the share price in the mid-$0.60s and trading at a deep discount (45-50%) to NAV, the IPO options were hugely underwater. SIHL then launched a rights issue at $0.60, as part of which Management were granted 41.7m new options covering 25% of the new shares being issued with a strike price of $0.60.

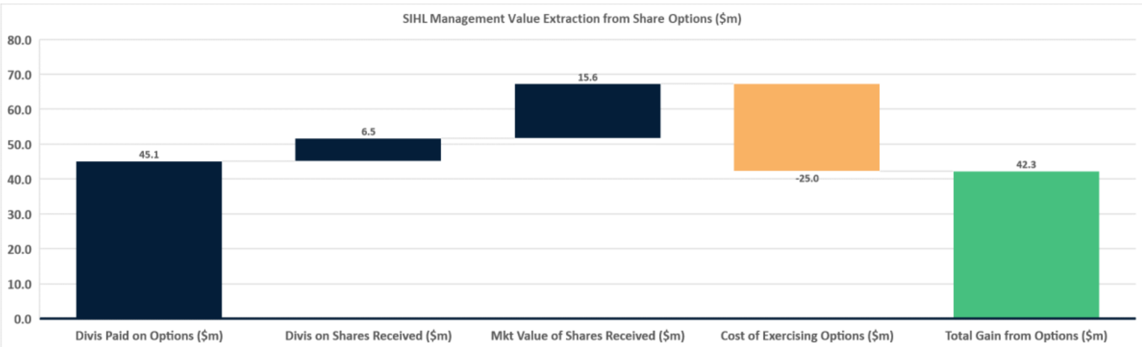
The IPO prospectus had argued that the options provided an incentive for Management to grow the NAV/share price and, implicitly, to tackle any discount that emerged on the shares, and that the options therefore resulted in an alignment of interest between the Manager and shareholders. However, what the rights issue showed was that rather than taking action to reduce the discount, the Manager could simply issue more shares and in doing so essentially "reset their high-water-mark" by receiving new options with a strike price set at a deep discount to NAV (and, indeed, at a material discount to the prevailing share price prior to the announcement of the rights issue).

A highly unusual, if not unique, characteristic of the options was their entitlement to receive dividends. In our view this feature further limits any real alignment between the Manager and shareholders. We note that between 2014 and 2018 the Company paid out dividends that increased dramatically in size ahead of the expiry of the out-of-the-money $1 strike options. ***<u>Once these options had expired in Aug-18, dividend payments were then reduced.</u>***



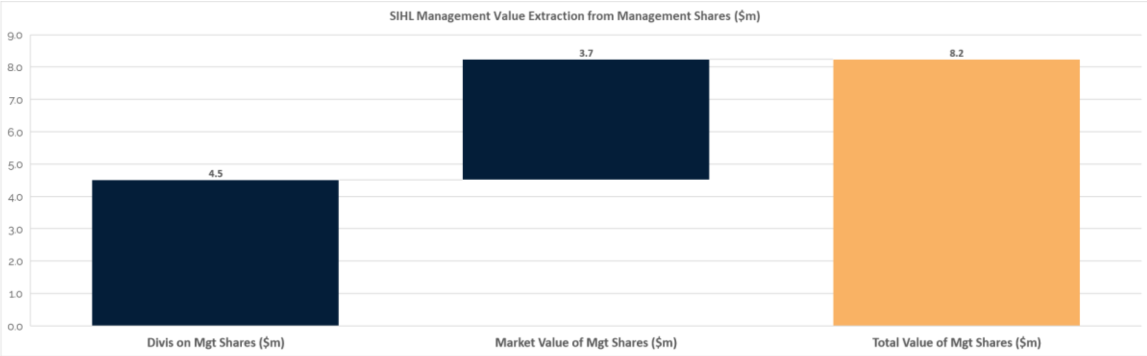
Despite SIHL's share price never trading above the strike price of $1, the Manager received $33m of dividend payments on these options (in addition to the $12m received in dividends paid on the $0.60 strike options). This also provided the Manager with capital to exercise its $0.60 options without having to use their own resources. Indeed, under the terms of the share options, SIHL's share price could have traded below the lower strike ($0.60) on the other set of options for the entirety of their life yet the Manager would still have received the full value of dividend payments paid on them[16].

Based on the above we consider that there was no true alignment of interests as a result of the Share Options, nor did the Manager bear any risk, with the Share Option providing another route by which the Manager was enriched at shareholders' expense. We calculate that, in total, the Manager has profited to the tune of $42m from the Share Options scheme[17].

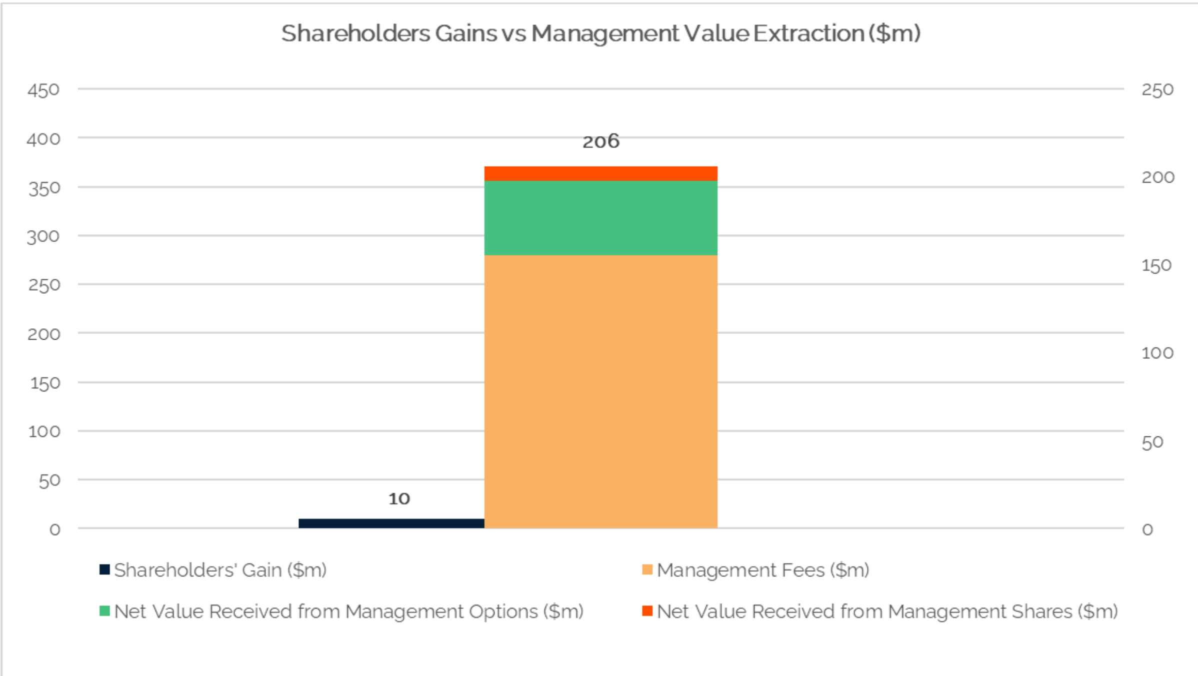


In addition to both the Management Fees and the amounts received pursuant to the Share Options, it is necessary to also add the $8.4m of value received from the 10.3m "Management Shares" issued to the Manager at no cost since IPO.

[16] While the terms of the share options require at least 50% of dividend proceeds paid on them (the "Designated Amount") to be used to exercise the options, the Prospectus stipulates that if the market price is below the exercise price, the Company will retain the Designated Amount and - if the market price is still below the exercise price – use it to acquire shares in the market to be distributed to the option holders (Management).
[17] $45.1m of dividends paid on options; $6.5m of subsequent dividends paid on shares received from exercising options; $15.6m market value of shares received from exercising options (41.7m * 16-Apr-21 share price of $0.375); less cost of exercising options (41.7m * $0.60 strike price)



<u>*We have calculated that the Manager has extracted $206m of value from SIHL since its IPO. This is over 20x the returns experienced by shareholders and exceeds today's market capitalisation of SIHL. We consider this level of disparity to be insupportable.*</u>



In our view no objectively "independent" director focussed on shareholder value would have sanctioned a distribution policy that represented a huge transfer of value away from shareholders into Management's pockets in this way. While we consider that shareholders' interests would have been far better served if the entire dividend programme had been replaced by share buybacks, focussing more narrowly on the decision to declare the 2018 dividend we believe illustrates in particular that the "independent" directors' did not have sufficient regard for their own responsibilities and for shareholders' interests: <u>*If the Board had deferred the 2018 special dividend by just three months to beyond the expiry date of the otherwise worthless $1 strike Management options, shareholders would be $10m better off (5% of current market cap).*</u>

In addition, the directors of SIHL have collectively received $4.8m of fees since the Company's inception. Our analysis of directors' remuneration packages for over 152 London-listed funds investing in public equity and/or private equity finds the average salary to be $39,000. The independent directors of SIHL in comparison each earn an annual salary of $100,000. We are only aware of one other fund which has a higher average rate of pay per independent director.

Pierangelo Bottinelli
Chairman Emeritus

Rajiv K. Luthra
"Independent" Director

Georges Gagnebin
"Independent" Chairman

Georges Makhoul
Former "Independent" Director

Samer Z. Alsaifi
"Independent" Director

Oliviero Bottinelli
"Independent" Director

5. Conflicted Board

One of the key strengths of the London-listed closed-end fund market is the presence of independent directors, persons there to act as guardians of the interest of shareholders and able to hold the management team to account. Wide discounts rarely persist for sustained periods as directors take appropriate action, be it on the demand side (e.g. changing the Manager, changing investment policies to better reflect investor interest), or the supply side (e.g. aggressive buybacks, tender offers, redemptions at NAV, hard discount targets, continuation votes, wind-up votes, etc.) of the equation.

There is an inherent conflict between many of the measures typically used to tackle discounts and the interests of the Manager which will typically earns fees on assets under management. This is precisely why independent Boards (ideally fully independent, but at least majority independent) are of such importance. We note the AIC's Code of Corporate Governance clearly stipulates:

"At least half the board, excluding the chair, should be non-executive directors whom the board considers to be independent. The majority of the board should be independent of the Manager. There should be a clear division of responsibilities between the board and the Manager."[18]

SIHL's articles of association define an "Independent Director" as a director "*who has, with the exception of his directorship of the Company, no relationship with the Company, its related companies (including subsidiaries) or its officers that could interfere, or be reasonably perceived to interfere, with the Director's independent business judgment with a view to the best interest of the Company*".

We are of the view that none of the "independent" directors of SIHL satisfy the Company's ***own test of independence*** set out in the Articles. ***Each of the "independent" directors has relationships that can reasonably be perceived to interfere with independent business judgement.***

SIHL claims that each of Samer Z. Alsaifi, Oliviero Bottinelli, Rajiv K. Luthra and Georges Gagnebin fulfil the role of independent directors. Is this true? Do these persons satisfy any reasonable test of independence? The test of independence contained within the AIC Code is in our view a suitable one against which to measure these persons. That code sets out circumstances which are likely to impair, or could appear to impair, a non-executive director's independence, including whether a director:

- has, or has had within the last three years, a material business relationship with the company or the manager (we consider that Samer Z. Alsaifi does not meet the independence test based on this criteria);

- has close family ties with any of the company's advisers, directors or the manager (we consider that Oliviero Bottinelli does not meet the independence test based on this criteria)

- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies (we consider that Samer Z. Alsaifi does not meet the independence test based on this criteria);

- has had tenure for over nine years (we consider that neither Rajiv K. Luthra nor Georges Gagnebin meet the independence test based on this criteria).

An earlier version of the AIC Code[19] explained that "*the key point is that a board should not become ossified with a large number of directors all serving for very long periods together.*"

We note that two of the four "independent" directors have served on SIHL's Board since the Company listed on the London market in 2007, and the previous Chairman stepped down in Nov-19, apparently in favour of his son, after 14 years on the Board into a newly created role of Chairman Emeritus. There are therefore serious questions regarding the independence of each of the supposedly "independent" directors of the SIHL Board.

We set out clearly below why, we believe the current "independent" directors do not meet the necessary criteria.

Factors mitigating against the independence of the SIHL "independent" directors

"Independent" Chairman? "Independent" Director?

[18] https://www.theaic.co.uk/sites/default/files/documents/AIC2019AICCodeofCorporateGovernanceFeb19.pdf
[19] https://www.theaic.co.uk/sites/default/files/hidden-files/AICCodeofCorporateGovernanceJUL16_0.pdf

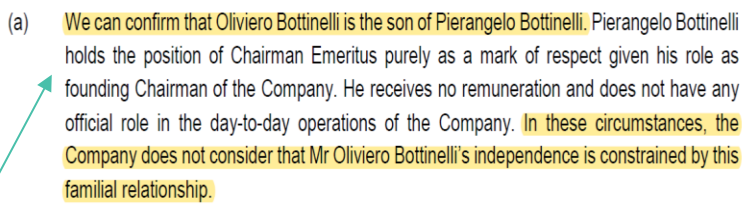
Georges Gagnebin

- Excessive tenure (>13 years).
- Salary $100k per year, far in excess of averages for CEF non-exec directors.

Rajiv K. Luthra

- Excessive tenure (>13 years).
- Salary $100k per year, far in excess of averages for CEF non-exec directors
- His law firm, L&L Partners (fka Luthra & Luthra), acted as Indian legal advisors to SIHL for its 2007 IPO
- Currently embroiled in a high-profile legal dispute with equity partner at L&L Partners; allegations made by equity partner questioning professional integrity.
- •Made first and only ever purchase of SIHL shares ahead of the 2017 discount contingent vote.

"Independent" Director?



(a) We can confirm that Oliviero Bottinelli is the son of Pierangelo Bottinelli. Pierangelo Bottinelli holds the position of Chairman Emeritus purely as a mark of respect given his role as founding Chairman of the Company. He receives no remuneration and does not have any official role in the day-to-day operations of the Company. In these circumstances, the Company does not consider that Mr Oliviero Bottinelli's independence is constrained by this familial relationship.

Oliviero Bottinelli

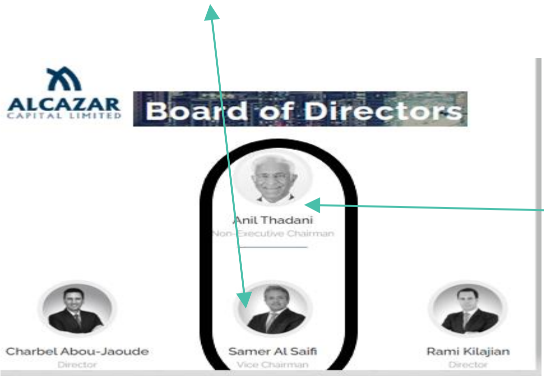
- Replaced his father on the Board, who had served for ~14 years and is now Chairman Emeritus.
- Familial relationship was not noted in his biography in the regulatory announcement of his appointment; later confirmed in legal correspondence (shown to the right) when challenged
- AIC Corporate Governance Code cites "*close family ties with any of the Company's advisers, directors or the Manager*" as a factor "*likely to impair, or could appear to impair, a non-executive director's independence*".[20]

"Independent" Director?

[20] https://www.theaic.co.uk/sites/default/files/documents/AIC2019AICCodeofCorporateGovernanceFeb19.pdf

Samer Z. Alsaifi

- Executive Vice-Chairman of Alcazar Capital[21], a Dubai-based Company chaired by Anil Thadani, Manager of SIHL.
- Former "independent" director, Georges Makhoul, served as a director of Alcazar Capital until Oct-16[22] and now serves as a director of Alacazar Energy[23], a Company launched and funded by individuals associated with Alcazar Capital.



Anil Thadani

SIHL "Independent" Director from Apr-13 to Nov-18

Honorary "Chairman Emeritus"

[21] https://www.alcazar-capital.com/the-firm/board-of-directors/
[22] https://www.difc.ae/public-register/alcazar-capital-limited/
[23] https://alcazarenergy.com/who-we-are/board-of-directors/

Pierangelo Bottinelli

- Excessive tenure (>13 years).
- Salary $100k per year, far in excess of averages for CEF non-exec directors.

- The Securities & Exchange Commission (SEC) filed a suit against defendants including SIHL's Chairman Emeritus, Pierangelo Bottinelli, in the days immediately preceding the SIHL IPO in 2007 alleging illegal insider trading. The stated claim of 26 July 2007 can be read at https://www.sec.gov/litigation/complaints/2007/comp20211.pdf. No mention of the claim was made in the 31 July 2007 SIHL prospectus. The case against Mr. Bottinelli was "dismissed without prejudice", meaning that the SEC remained free to revive the claim. We do not believe that the SEC has brought the case again. However, after this time Mr Bottinelli departed from Schroders.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

SECURITIES AND EXCHANGE COMMISSION,

Plaintiff,

v.

EURO SECURITY FUND, MARIO MERELLO, FABRIZIO PESSINA, COIM SA, FRANCESCO MAROTTA, PICTET & CIE GENEVA, GIOVANNI PIACITELLI, PIERRE BOTTINELLI, RON SLEEGERS, INTERNATIONAL STRUCTURES CONSULTING B.V., URS

NATURE OF THE ACTION

1. This is an insider trading case involving substantial purchases of call options and common stock of Elsag Bailey Process Automation, N.V. ("Elsag") through multiple foreign accounts over the several weeks before it was announced on October 14, 1998 that ABB Asea Brown Boveri ("ABB") had agreed to make a friendly cash tender offer for all outstanding shares of

Inc. in New York. On October 13, 1998, the day before the public announcement, defendant Piacitelli also secretly bought 10,000 shares of Elsag stock at a cost of almost $200,000 for himself through an account at Banco del Gottardo. On the same day, defendant Pierre Bottinelli, defendant Piacitelli's supervisor at Schroder, bought 5,000 shares of Elsag stock at a cost of $98,000 for himself. While the SEC has identified certain defendants in The Netherlands and Switzerland, the

In relation to the links between Mr. Alsaifi, Mr. Thadani, and ex-director Mr. Makhoul, we note the AIC Code's guidelines that a non-executive director's independence could be questioned if they have "*a material business relationship with the Company or the Manager, either directly or as a partner, shareholder, director or senior employee of a body that has such a relationship with the Company or the Manager*". Similarly, we note that the AIC Code also stipulates holding "*cross-directorships*" or having "*significant links with other directors through involvement in other companies or bodies*" as another independence-compromising factor.

In our correspondence, the Board's defence to these charges of conflicts of interest is in our view wholly insufficient. They claim:

(i) The lack of compensation received by Mr. Thadani in his role as non-executive chairman of Alcazar Capital translates to no conflict of interest for Mr. Alsaifi.

Whether paid or unpaid (we have not been able to independently verify whether or not Mr. Thadani receives compensation from his role at Alcazar Capital) his position there involves overseeing executives including Mr. Alsaifi whose role at SIHL, in turn, involves overseeing Mr. Thadani as the Manager of SIHL. There is clear scope for conflicts of interest at the expense of shareholders' best interests.

(ii) Pierangelo Bottinelli's lack of compensation in his role as Chairman Emeritus and the absence of any "*official role in the day-to-day operations of the Company*" leads the Board to "*not consider that Mr Oliviero Bottinelli's independence is constrained by this familial relationship*".

While we do not rule out the possibility that the appointment of the former Chairman's offspring was the coincidental result of an extensive search for specific skill sets and experience properly conducted by an external search consultancy or *via* open advertising in line with AIC guidance[24], we find this interpretation difficult to accept and we consider therefore that Oliviero Bottinelli's independence is compromised by this familial relationship with the former Chairman who served for almost 14 years and continues in an honorary role. It is notable that this relationship was not noted in the public announcement of the appointment.

We note the lack of ***any*** attempt by the Board in our correspondence to justify the excessive tenure of "independent" directors.

In our view no objective observer could conclude the supposedly "independent" directors are in fact independent given their business and familial relationships, excessive tenure, and above market standard salaries.

In this context, the Board's establishment of an "Independent Committee" comprised of "independent" directors to investigate our various allegations is in our view wholly insufficient. Shareholders will be unsurprised to hear this "Independent Committee" concluded there was no case to answer.

[24] https://www.theaic.co.uk/sites/default/files/documents/AIC2019AICCodeofCorporateGovernanceFeb19.pdf: "*Open advertising and/or an external search consultancy should generally be used for the appointment of the chair and non-executive directors*".

Without prejudice to the comments set out in this letter, to provide your client with further comfort that its concerns are carefully considered by the Company, the Board has set up a committee comprised of its independent directors only, to consider and address the concerns raised by AVI on behalf of the Company (the "**Independent Committee**"). We can confirm that this letter has been reviewed by the Independent Committee, and is sent with their approval and at their direction.

6. The 2017 Wind-Up Vote That Wasn't - Shareholder Exit Frustrated

As a closed-end fund without an end date, one of the few protections afforded to the Company's shareholders was the prospect of a shareholder vote to wind-up the Company that was to take place in 2017 (contingent on discount), a decade after the IPO. Those protections were dramatically undermined by a series of decisions made that year by the board and the Manager. ***Serious questions surround the events of 2017 and the circumstances in which the conditions to offering the winding up vote were, in the end, not satisfied.***

The 2012 rights issue prospectus noted:

"Whilst the Directors are confident that the discount to NAV per Share at which the Shares trade can be narrowed over time, the Directors intend that if at the time of publication of the NAV as at 30 September 2017:

(i) the volume weighted average closing price of the Shares for the trading days over the three months prior to 30 September 2017 is shown to represent a discount of more than 35 per cent. of the NAV per Share as at 30 September 2017; and

(ii) the Directors reasonably consider that if the investments of the Company were sold for cash through an orderly sale process the aggregate sale proceeds (net of costs, fees and expenses associated with such sales) would be at least 80 per cent. of the NAV as at 30 September 2017,

they will, as soon as is reasonably practicable, put a resolution to the Shareholders to propose a sale of sufficient assets so as to enable a distribution in cash to Shareholders of an aggregate amount of at least 80 per cent. of the NAV as at 30 September 2017."

The criteria to trigger this wind-up and distribution event were not met, as noted in SIHL's Q3-17 Shareholder Update:

"As the volume weighted average closing price of Symphony's shares for the trading days over the three months prior to 30 September 2017 represents a discount of 27.7% to the 30 September NAV per share, there is no need for the Directors to put a resolution to shareholders as provided for in Part 1, sub-section 5 on page 69 of the Rights Issue Prospectus dated 4 October 2012."

However, our analysis of the events of 2017 suggests the criteria were only not met due to actions taken by the Board (both executive and "independent" directors) that served to artificially and temporarily reduce the discount to NAV and thus avoid triggering the wind-up vote.

To no avail, AVI had been impressing upon Management for several years the need to implement a share buyback programme to (i) take advantage of the deep discount to NAV to capture risk-free NAV per share accretion for the benefit of ongoing shareholders; (ii) clear any overhang(s)/excess supply of shares; and (iii) demonstrate that Management/the Board recognised the severe undervaluation of the shares.

Our records show that Management only started taking a firm interest in the idea in mid-2016 when the discount was over 40% with the discount-contingent wind-up vote drawing closer. We believe the share buyback programme was motivated by Management's self-interest in protecting its fee income rather than to act in shareholders' best interests.

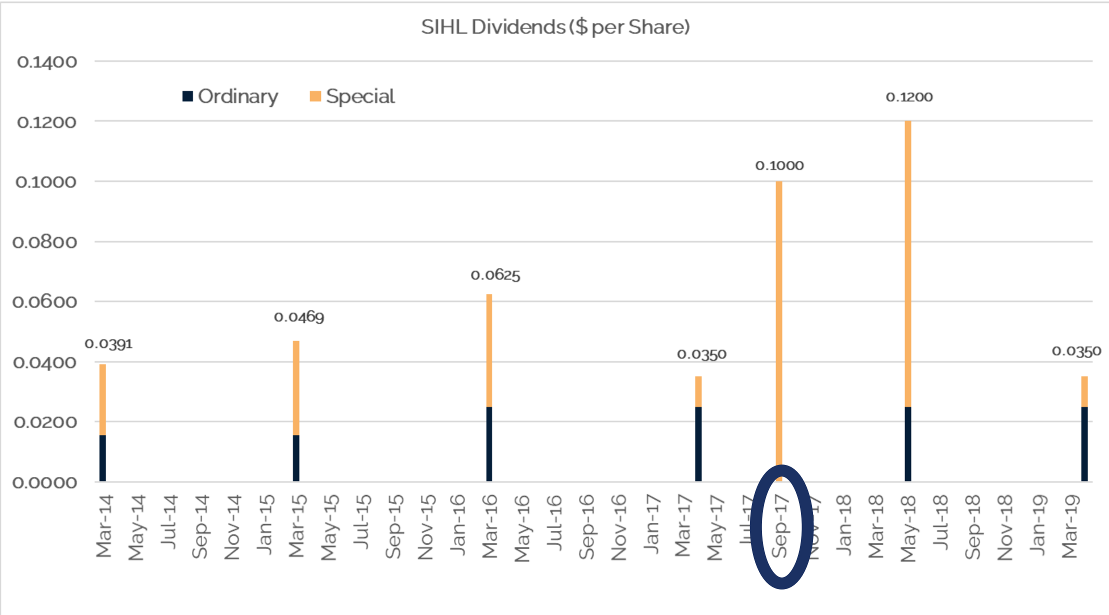
(i) Apr-17: - Board cuts dividend and lays cover for delayed payment later in year

SIHL began paying an annual dividend in 2014. For the first three years, these consisted of an ordinary and special dividend declared in March of each year, and the total dividend grew each year as the chart below illustrates.

The dividend declared in Apr-17 was different. Not only was the total amount cut for the first time, down by 44% from \$0.0625 to \$0.035, but the language that accompanied every previous dividend announcement had an additional line appended to it: "*The Board will consider paying, if appropriate, an incremental extraordinary dividend during 2017*"[25].

With the discount in April prior to the declaration of the dividend averaging 34%, the Board appears to have decided to hold back a portion of the annual dividend until the crucial third quarter when it could be deployed to reduce the discount if that were required to avoid triggering the wind-up vote.

On 22-Sep-17, towards the end of the third quarter measurement period for the discount-contingent wind-up vote with the vote looking likely to be triggered, the Board declared the additional dividend alluded to back in April, SIHL's largest-ever special dividend.



This special dividend significantly affected the discount test in two ways: Firstly, under IFRS accounting, dividends are accrued for from the date they were declared, thus reducing SIHL's 30-Sep-17 NAV. Given share prices do not adjust until the ex-dividend date, this had the effect of artificially (and materially) reducing SIHL's discount to this 30-Sep-17 NAV. Secondly, the declaration of such a large dividend led to an increase in the share price, further suppressing the discount.

The Board's response to our questions regarding these circumstance is that "*there was insufficient liquidity for the Company to pay the extraordinary dividend in April 2017*" but that this had changed by Sep-17 "*following the partial exit of shares and warrants held in [Minor International]*". We find this difficult to accept given that: the Manager ***chose not to*** generate liquidity ahead of the usual dividend timetable in Apr-17 and ***chose to do so*** later in the year. "*Liquidity*" is not an exogenous factor when your portfolio is substantially comprised - as SIHL's portfolio was back then - of listed securities[26].

(ii) Write-Down in 30-Jun-17 NAV

At the time that the third quarter discount test was drawing closer, with SIHL's discount very much in the danger zone (we estimate an average discount for Q2 of 34%), the Board proceeded to significantly write-down the carrying value of an investment acquired less than a year previously.

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[25] https://www.investegate.co.uk/symphony-int-hdgs--sihl-/rns/dividend-declaration/201704240700090115D/
[26] Q-17 Shareholder Update shows listed securities accounting for almost 70% of NAV at 31-Mar-17: http://static1.1.sqspcdn.com/static/f/1271582/27548421/1493790975220/SIHL+Shareholder+Update+Q1+2017+-+Final.pdf?token=JZbYqduDIJ8IV9HiM56w%2F7d%2FKnY%3D

In May-16, SIHL had announced the acquisition of a stake in Christian Liaigre Group (CLG), a high-end luxury furniture designer[27]. We note that SIHL was a co-investor alongside Navis Capital Partners[28]. Despite the investment being more than 5% of SIHL's NAV and thus exceeding the threshold above which specific valuation information should be disclosed under the Company's long-standing policy, the 30-Jun-16 Shareholder Update did not provide a valuation for the CLG stake citing "*strategic concerns*".

Notwithstanding the limited information provided by the Board in this regard, our analysis of sector exposures and other disclosures suggests that SIHL's investment in CLG was comprised of approximately \$50m in equity and \$25m in debt as at 31-Mar-17 for a total of \$75m. ***This investment appeared to have been written down to just \$34m as at 30-Jun-17, a 55% write-down. If we assume the debt was left unimpaired, this translates to an 82% cut in the equity value.***

Our checks with reliable third-party sources indicate that Navis Capital Partners made a small write-down of between just -5% and -8% to their share of the investment in CLG in late 2017. We also note what appears to be a subsequent material write-up in CLG in SIHL's 31-Dec-18 NAV upon an investment in the business by the Pierre Chen family.

While the Board have responded to our concerns by noting that the investment was fair valued for the first time after being held at cost for 12 months, we note that the Company's policy is to value unlisted investments "*at cost for a 12 month period from the date of investment* ***except….if there is a potential diminution in the value of the investment***".

In summary, at the start of the quarter during which the discount test was to take place, SIHL took a huge write-down to their investment in CLG made just a little over a year previously. If the Company's valuation policy were adhered to, the drivers of this write-down must have suddenly come to light in the 1 to 3 months immediately before the write-down was made. We note our checks suggest their equal partner in the investment made only a small reduction to their own valuation of the same investment. Furthermore, we note the lack of disclosure on the investment's valuation despite the CLG stake meeting the materiality threshold (>5% of NAV) for disclosure outlined in the Company's prospectus[29]. ***This dramatic write-down of an investment had the effect of reducing SIHL's NAV by -6% in the period leading up to the winding up vote.***

(iii) Acceleration of Buyback in Q3-17

A significant increase in buyback activity occurred in Q3-17. ***The amount spent on the buyback in the third quarter was more than the first two quarters combined. In Q4 (after the relevant date for triggering the winding-up vote had passed) buyback activity was dialled back to a record low in Q4 before the buyback programme was then halted for good.***

(iv) Director Share Purchases

We note the increase in purchases of SIHL shares by the Board in 2017 compared to the previous year (we estimate from disclosures a sum of \$2.7m for 2017 vs \$1.6m for 2016). Whilst not at a level sufficient to have a material impact on the share price/discount, it is notable that Mr. Luthra made his first purchase of SIHL shares in Q2-17: at that point, he had sat on the Board for ten years and had never purchased a single share in the Company. As far as we are aware, that purchase remains his only investment in SIHL

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[27] http://otp.investis.com/clients/uk/symphony_asia1/rns/regulatory-story.aspx?cid=392&newsid=713767

[28] https://www.naviscapital.com/documents/10192/893986/Navis+Press+Release-13June2016.pdf/c10056f6-21e6-409e-82bf-bec545a347f3

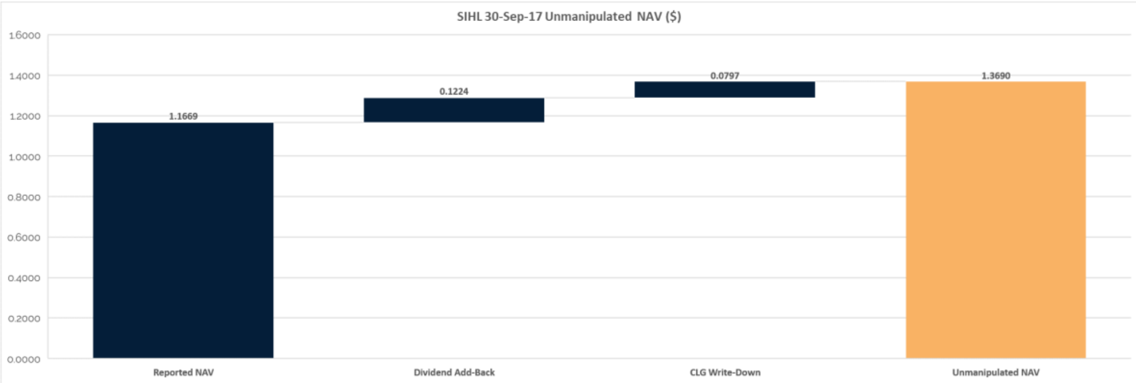
[29] SIHL's 2012 Rights Issue Prospectus: "***Limited Disclosure for Investments in Unlisted Privately Held Companies -*** *Where the Company invests in an unlisted privately held Company and such investment constitutes less than 5 per cent. of the NAV at the time the investment is made, the Company will disclose the name and a brief description of the relevant Company but it will not typically disclose pricing and valuation information (both at the time of investment and also on an ongoing basis)*".

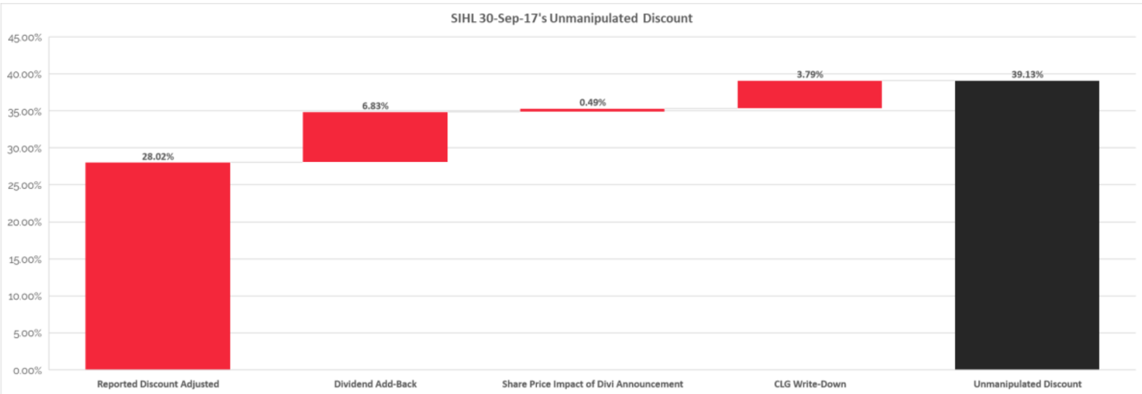
to this date. This raises further serious questions as to the role of the Board in reducing SIHL's discount ahead of the potential winding-up vote.

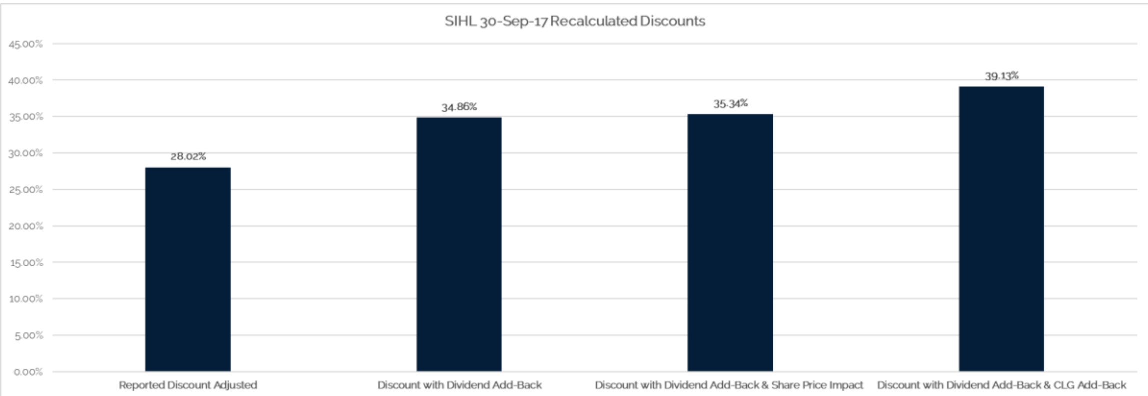
(v) The Net Effect: Wind-up Vote Not Triggered

As the charts below make clear, the discount test for triggering the wind-up vote would have been clearly satisfied without the activities described above[30].

The impact from the dividend declaration alone (reducing the NAV and temporarily increasing the share price[31]) was sufficient to ensure the wind-up vote did not go ahead; the write-down in CLG gave even more headroom.







7. Forced Partial Sale of Minor International investment at Distressed Prices

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[30] The Company's 30-Sep-17 Shareholder Update stated that "the volume weighted average closing price of Symphony's shares for the trading days over the three months prior to 30 September 2017 represents a discount of 27.7% to the 30 September NAV per share". This implies a volume weighted average closing share price of $0.8437. However, our calculations using Bloomberg's data result in a figure of $0.8399 which we have used in the analysis above. Note that this does not alter whether the discount test would have been triggered or not, nor change our conclusions.

[31] Share price impact from dividend announcement calculated using adjusted share prices from 22-Sep-17 (the ex-date) to 29-Sep-17; adjustment made by applying discount at close on the day prior to the ex-date to the estimated NAVs on these dates.

In Aug-19, we learned from the Company's interim report that at some point between 1-Jan-19 and 30-Jun-19, SIHL took on $57.7m of secured bank debt. Over six months later, the Company's final results disclosed that this amount had increased to $67.5m as at 31-Dec-19, and that the loan was secured against the Company's listed securities.

We note that following the sale of IHH Healthcare (IHH) in Jan-20, the only listed securities owned by SIHL were and remain the shares held in the long-standing investment in Minor International (MINT), a Thai-listed owner-operator of international hotels and restaurants on whose Board Mr. Thadani sits.

The Subsequent Events section of SIHL's final results to 31-Dec-20 disclosed the sale of part of the position in MINT. ***Our fears that these sales were related to a margin call on the loan were confirmed in the annual report to 31-Dec-20 released just over a month later.***

We estimate that 44% of the position in MINT was sold in H1-20 at distressed prices; given MINT's subsequent partial recovery to a current share price 50% higher than the average sale price achieved by SIHL, we estimate SIHL's NAV would be +10% higher if these sales had not been forced upon it.

These events raise serious questions as to the risk controls and governance at SIHL, with the penalty for such reckless imprudence being borne by shareholders in the form of a permanent loss of capital.

We make the following points:

(i) At 31-Dec-19, the loan to listed holdings value ratio was 24%. MINT accounted for 98% of the value of listed holdings at this date and 100% from 20-Jan-20 once IHH was sold.

(ii) We note the comment from Mr. Thadani in the Q1-2020 Update that "*nobody could have predicted the impact of the unprecedented market conditions caused by the Covid-19 pandemic*". While this is true in very specific relation to COVID-19, MINT has been through many and varied crises over the years due to the industry and region in which it operates. Indeed, MINT's presentations frequently feature an entire slide listing adverse macro events with which it has had to contend over the years:

(iii) We also note that following the acquisition of NH Hotels by MINT in late 2018, MINT had been operating with a materially higher level of debt than in the past. For SIHL's directors to then knowingly apply further leverage at the SIHL level secured on an already leveraged asset seems particularly imprudent.

(iv) We note the lack of transparency and selective disclosure of information around this episode.

It is notable that neither the Chairmen's Statement[32], nor the Investment Manager's Report as contained in the Company's 2019 Accounts contains any commentary surrounding the MINT shares disposal. We consider that this omission represents the failure to disclosure highly material and pertinent information to shareholders, which should not simply be relegated to a statutory disclosure in the Notes to the accounts. The Chairmen's Statement should include detail of all key matters which have occurred during the year under consideration and up to the date to publication. We find it difficult to accept that to charge a key asset during the year and then, after the year end, to dispose of a large part of such asset could not be considered a matter of significance and interest to shareholders.

In the same vein, we also note that the Q1-20 Shareholder Update discloses (i) the sale of MINT shares, but without providing a rationale; and (ii) the reduction in borrowings,but fails to explain any connection between it and the sale of MINT shares.

Further opportunities to discuss the chain of events arose in the Q2-20 and Q3-20 Shareholder Updates, the Aug-20 Letter from the Manager and Portfolio Update, the Half-year report, and the Annual Report but again the disclosure in this regard was limited.

(v) To be clear, and contrary to the rather facetious response we have received on this issue from the Company's lawyers, we are not suggesting Management/the Board are at fault for failing to forecast COVID-19. Rather, our grievance is that leveraging up the Company's sole listed asset (a leveraged business vulnerable to exogenous shocks) to fund investments in illiquid unlisted investments raises serious questions regarding the business judgement and regard for due risk controls by the Company's Management and Directors, particularly when coupled with the lack of fulsome disclosure in this regard.

Next Steps

We will be consulting with our fellow shareholders over the next few weeks. We ask all concerned SIHL shareholders to please get in touch with us at tom.treanor@assetvalueinvestors.com.

Yours faithfully,

Tom Treanor, CFA
AVI Director / Head of Research

[32] In our experience the fact that this statement is issued in conjunction with Management is a highly unusual approach with regard to the usual "Chairman's Statement" that accompanies other CEF annual reports. The Chairman's Statement is an opportunity for the Chairman to speak directly to shareholders to share his or her views on the Company and we would not typically expect to see Management's involvement in this regard.