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If you have sold or otherwise transferred all of your Zero Dividend Shares, Income Shares, Capital Shares, Income & Growth Units or Package Units in M&G High Income Investment Trust P.L.C. (the "Company"), you should pass this document, together with the accompanying documents, but not any accompanying personalised Forms of Proxy or Forms of Election, as soon as possible to the person through whom the sale or transfer was effected for transmission to the purchaser or transferee. However, such documents should not be forwarded in or into the United States, Canada, Australia or Japan or into any other jurisdictions if to do so would constitute a violation of the relevant laws and regulations in such other jurisdictions. Shareholders and Unitholders who are resident in, or citizens of, territories outside the United Kingdom, the Channel Islands and the Isle of Man should read the section headed "Overseas Holders" in Part II of this document.

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M&G HIGH INCOME INVESTMENT TRUST P.L.C.

(Incorporated in England and Wales with registered number 03297698)

Recommended Proposals for

the Reconstruction and Winding-Up of the Company

and Notices of

General Meetings of each of the Zero Dividend Shareholders, Income Shareholders and the Capital Shareholders and Notices of General Meetings of Shareholders

The Proposals described in this document are conditional, *inter alia*, on Shareholder approvals. Notices of the General Meeting of Income Shareholders, the General Meeting of Capital Shareholders and the General Meeting of Zero Dividend Shareholders and the First GM, each to be held on 9 March 2017 and the Second GM to be held on 17 March 2017 at Governor's House, Laurence Pountney Hill, London EC4R 0HH, are set out at the end of this document.

Shareholders and Unitholders (other than Restricted Persons) who hold their Shares or Units in certificated form will find enclosed with this document a Form of Proxy for use in connection with the Proposals. To be valid, Forms of Proxy must be completed and returned by Shareholders and Unitholders in accordance with the instructions printed thereon by post or by hand (during normal business hours) to the Company's registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible, but in any event so as to be received no later than 48 hours before the appointed time for the relevant Meeting. Shareholders and Unitholders who hold their Shares or Units in uncertificated form will not receive a Form of Proxy and may appoint a CREST Proxy in accordance with the section headed "CREST Proxies" in Part II of this document. To be valid, CREST Proxies must be appointed no later than 48 hours before the appointed time for the relevant Meeting.

Electing Shareholders who hold their Electing Securities in certificated form will also find enclosed with this document a Form of Election (and those with a UK registered address only, a reply-paid envelope) for use in connection with the Proposals. To be effective, the Form of Election must be returned by post or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA United Kingdom so as to arrive as soon as possible and in any event not later than 6.00 p.m. on 6 March 2017. Electing Shareholders who hold their Electing Securities in uncertificated form will not receive a Form of Election and may make CREST Elections in accordance with the section headed "CREST Elections" in Part II of this document.

All Elections will be irrevocable. Failure to make a valid Election will result in the relevant Electing Shareholder being deemed to have elected for the M&G UK Income Distribution Fund Option.

Restricted Persons will not be provided with a Form of Election, the Prospectus in relation to JPMorgan Elect or the KIIDs in relation to the M&G Rollover Funds and will be deemed to have elected for the Cash Option under the Scheme.

Your attention is drawn to Part II of this document entitled "Action to be Taken" and to the section of this document entitled "Risk factors relating to the Proposals", which can be found in Part I, and the risk factors relating to each of the Rollover Funds which can be found in the Prospectus in relation to JPMorgan Elect and the KIIDs in relation to the M&G Rollover Funds enclosed with this document.

The definitions used in this document are set out on pages 59 to 66 of this document.

Dated 19 January 2017

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SUMMARY OF THE PROPOSALS

This summary should be read in conjunction with the full text of this circular.

This document should be read in light of the definitions set out on pages 59 to 66 of this document.

Background to the Proposals

The Company was launched as a closed-ended investment trust on 23 December 1996 with a planned winding-up date of 17 March 2017. Under the Articles, the Directors are obliged to convene a general meeting on 17 March 2017, at which a resolution to place the Company into members' voluntary liquidation must be proposed. Liquidation without rollover options would result in all Shareholders and Unitholders receiving cash for their investment (where due) and, depending on their individual circumstances, incurring a potential liability to capital gains tax or realising an allowable loss.

The Proposals

The Proposals, which the Directors consider to be in the best interests of Shareholders as a whole, envisage a reconstruction of the Company under which the Company will be placed into a members' voluntary liquidation with Shareholders being offered the choice between continuing to be invested in securities by electing for one or more of the rollover options described below and/or realising some or all of their investment for cash under the cash option.

Under the Proposals:

- Electing Shareholders will be able to elect to receive in respect of some or all of their investment:
 - securities in one or more of the Rollover Funds; and/or
 - cash.
- Capital Shareholders will receive any entitlements in the liquidation of the Company as cash payments and will not be able to elect for securities in the Rollover Funds. As at the Latest Practicable Date the Capital Shares have no value and it is reasonably expected that this will be the case at the Calculation Date. As such, the Board does not consider it appropriate to offer the option to receive Securities in the Rollover Funds to Capital Shareholders.
- Income Shareholders should note that based on the attributable value as at the Latest Practicable Date, the entitlement of 70 pence per Income Share is not fully met and it is reasonably expected that this will be the case as at the Calculation Date.

Securities in the Rollover Funds will be issued at the relevant Rollover Price. Rolling into the Rollover Funds should not, under current UK law and practice, crystallise a gain or loss for UK capital gains tax purposes for Electing Shareholders who are UK tax resident.

The Rollover Funds

Electing Shareholders have the option to roll over into one or more of the Rollover Funds set out below:

- JPMorgan Elect – an investment trust company whose shares are admitted to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. Electing Shareholders will be entitled to elect for one or more of the three JPMorgan Elect share classes: JP Morgan Elect Managed Growth Shares, JP Morgan Elect Managed Income Shares and JP Morgan Elect Managed Cash Shares, each with distinct investment policies, objectives and underlying investment portfolios. Each share class is listed separately and traded on the London Stock Exchange.
 - The objective of the Managed Growth portfolio is to achieve long-term capital growth from investing in a range of investment trusts and open-ended funds managed principally by JPMAM.

- The objective of the Managed Income portfolio is to achieve a growing income return with potential for long-term capital growth by investing in equities, investment companies and fixed income securities.
- The objective of the Managed Cash portfolio is to provide preservation of capital with a yield based on short-term interest rates by investing in a range of sterling liquidity funds, selected for their yield and credit rating, and short-dated AAA-rated UK or G7 government securities hedged into sterling.
- The M&G UK Income Distribution Fund – a sub-fund of M&G Investment Funds (2), an OEIC incorporated in England and Wales, managed since May 2002 by Richard Hughes (also the fund manager with primary responsibility for the day-to-day management of the Company's portfolio), and which aims to grow its income distributions and targets a yield above that of the FTSE All-Share Index.
- The M&G UK Income Distribution Fund also aims to grow capital. The fund invests in UK equities (at least 70%) and sterling-denominated corporate bonds. The securities to be issued under the Scheme will be M&G UK Income Distribution Fund R Income Shares.
- The M&G Strategic Corporate Bond Fund – an OEIC incorporated in England and Wales, which aims to deliver income and capital growth by investing mainly in investment grade, or high quality, corporate bonds issued anywhere in the world. A portion of the fund may also be invested in fixed income securities issued by governments and high yield fixed income securities. The securities to be issued under the Scheme will be M&G Strategic Corporate Bond Fund R Income Shares.
- The M&G Dividend Fund – a sub-fund of M&G Investment Funds (3), an OEIC incorporated in England and Wales, which aims to deliver growing income distributions and to provide a dividend yield above that of the FTSE All-Share Index. The M&G Dividend Fund also aims to deliver capital growth. The fund invests in UK equities (at least 70%) but may also invest in the shares of non-UK companies. The securities to be issued under the Scheme will be M&G Dividend Fund R Income Shares.

Further details of the Options can be found in:

- the Letter from the Chairman in Part I;
- the Details of the Proposals in Part III;
- the Key Features of JPMorgan Elect in Part V;
- the enclosed Prospectus in relation to JPMorgan Elect; and
- the enclosed key investor information documents ("**KIIDs**") in relation to each of the M&G UK Income Distribution Fund, the M&G Strategic Corporate Bond Fund and the M&G Dividend Fund.

Default Option

Electing Shareholders who do not make valid Elections for the purposes of the Proposals will be deemed to have elected for the M&G UK Income Distribution Fund Option.

In the event that the conditions to JPMorgan Elect's participation in the Scheme are not satisfied (see the section headed "Further conditions to the JPMorgan Elect Options" in Part I below), Elections made under the Scheme for the JPMorgan Elect Options will be deemed to be Elections for the M&G UK Income Distribution Fund Option.

Costs and expenses

The Company has limited its exposure to the costs of the Proposals by entering into arrangements with M&G Securities and JPMF. In calculating Shareholders' and Unitholders' entitlements under the Scheme an amount of £350,000 has been deducted from the Net Assets of the Company to reflect a reasonable

estimate of the costs which the Company would have needed to incur had the Scheme not been put forward and the Company simply been placed into liquidation at the end of its fixed life. M&G Securities and JPMF will meet the substantial additional Scheme costs to be incurred by the Company above those of a simple liquidation as a result of putting forward the Rollover Options. In the event the Scheme does not proceed and the Company is placed into simple liquidation M&G Securities will meet any additional costs of such liquidation.

The Company, and indirectly Shareholders and Unitholders, will bear additional sundry costs and expenses as set out in Part IV of this document.

Those Shareholders and Unitholders who choose to receive JPMorgan Elect Shares for some or all of their investment will also incur costs equal to the amount of a premium to be applied on the price at which JPMorgan Elect Shares are issued pursuant to the Scheme, details of which are set out in the section headed "Costs and expenses" in Part I of this document.

Dividends

The Directors have declared a Second Interim Dividend of 1.55 pence per Income Share for the four-month period to the end of December 2016, expected to be paid on 24 February 2017 to Income Shareholders, including those who hold their Income Shares within Income & Growth Units and Package Units, on the Register on 27 January 2017.

Furthermore, the Directors currently intend to declare a Third Interim Dividend for the period ending 17 February 2017, for distribution prior to the Scheme taking effect, equal to the revenue profits of the Company for that period plus the accumulated revenue reserves. The Third Interim Dividend is expected to be paid on or about 15 March 2017 to Income Shareholders, including those who hold their Income Shares within Units, on the Register on 3 March 2017.

Any balance remaining in or accruing to the Company's revenue reserve after the Third Interim Dividend has been declared (if any) will be taken into account when calculating the Terminal Asset Value of the Shares. Where the Terminal Asset Value of a Zero Dividend Share is less than its final entitlement provided for under the Articles, any amount of undistributed revenue profits of the Company will be attributed to the Zero Dividend Shareholders in accordance with the Articles. To the extent any undistributed revenue reserves remain following the satisfaction of the entitlements of the Zero Dividend Shareholders, such revenue reserves shall be distributed among the Income Shareholders (including those who hold Income Shares within Income & Growth Units and Package Units).

Risk factors relating to the Proposals

Before making an Election under the Proposals for the JPMorgan Elect Options, Electing Shareholders should consider the risk factors set out in Part VI *Risk Factors Relating to the Proposals* and in the Prospectus.

Before making an Election under the Proposals for any of the M&G Rollover Funds, Electing Shareholders should consider the risk factors set out in set out in Part VI *Risk Factors Relating to the Proposals* and the relevant KIIDs.

If Shareholders and Unitholders are in any doubt as to the contents of this document or as to what action to take, they should immediately consult their stockbroker, bank manager, solicitor, accountant or other financial adviser who is authorised under the Financial Services and Markets Act 2000.

SUMMARY OF ACTION TO BE TAKEN

Planholders

Individuals who hold shares through an M&G ISA (“**Planholders**”) should refer to documentation sent separately by M&G which advises Planholders of their options and steps to be taken by them.

Shareholders and Unitholders (other than Restricted Persons)

Shareholders and Unitholders (other than Restricted Persons) who hold their Shares and/or Units in certificated form will find enclosed with this document various Forms of Proxy and Forms of Election. The forms to be used by Shareholders and Unitholders holding in certificated form can be identified by the colours described below.

Shareholders and Unitholders (other than Restricted Persons) whose Shares and/or Units are held in uncertificated form will not find enclosed a Form of Proxy or a Form of Election. Shareholders and Unitholders who hold their Shares and/or Units in uncertificated form can appoint a proxy in accordance with the section headed “CREST Proxies” in Part II of this document. Shareholders and Unitholders who hold their Shares and/or Units in uncertificated form may make a CREST Election in accordance with the section headed “CREST Elections” in Part II below.

Package Unitholders		<p data-bbox="676 887 981 920"><u>To vote on the Proposals:</u></p> <ul data-bbox="676 936 1412 1301" style="list-style-type: none"><li data-bbox="676 936 1412 1003">• a yellow Form of Proxy in respect of the General Meeting of Income Shareholders;<li data-bbox="676 1025 1412 1093">• a pink Form of Proxy in respect of the General Meeting of Capital Shareholders;<li data-bbox="676 1115 1412 1182">• a green Form of Proxy in respect of the General Meeting of Zero Dividend Shareholders;<li data-bbox="676 1205 1412 1238">• a blue Form of Proxy in respect of the First GM; and<li data-bbox="676 1261 1412 1301">• a lilac Form of Proxy in respect of the Second GM. <p data-bbox="676 1323 927 1357"><u>To make an Election:</u></p> <ul data-bbox="676 1373 1043 1400" style="list-style-type: none"><li data-bbox="676 1373 1043 1400">• a white Form of Election
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Income & Growth Unitholders		<p data-bbox="676 1514 981 1547"><u>To vote on the Proposals:</u></p> <ul data-bbox="676 1563 1412 1839" style="list-style-type: none"><li data-bbox="676 1563 1412 1630">• a yellow Form of Proxy in respect of the General Meeting of Income Shareholders;<li data-bbox="676 1653 1412 1720">• a pink Form of Proxy in respect of the General Meeting of Capital Shareholders;<li data-bbox="676 1742 1412 1776">• a blue Form of Proxy in respect of the First GM; and<li data-bbox="676 1798 1412 1839">• a lilac Form of Proxy in respect of the Second GM. <p data-bbox="676 1861 927 1895"><u>To make an Election:</u></p> <ul data-bbox="676 1910 1034 1939" style="list-style-type: none"><li data-bbox="676 1910 1034 1939">• a grey Form of Election
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Income Shareholders



To vote on the Proposals:

- a yellow Form of Proxy in respect of the General Meeting of Income Shareholders;
- a blue Form of Proxy in respect of the First GM; and
- a lilac Form of Proxy in respect of the Second GM.

To make an Election:

- a yellow Form of Election
-

Capital Shareholders



To vote on the Proposals:

- a pink Form of Proxy in respect of the General Meeting of Capital Shareholders;
 - a blue Form of Proxy in respect of the First GM; and
 - a lilac Form of Proxy in respect of the Second GM.
-

Zero Dividend Shareholders



To vote on the Proposals:

- a green Form of Proxy in respect of the General Meeting of Zero Dividend Shareholders;
- a blue Form of Proxy in respect of the First GM; and
- a lilac Form of Proxy in respect of the Second GM.

To make an Election:

- a green Form of Election
-

EXPECTED TIMETABLE

Friday 27 January 2017	6.00 p.m.	Record date for entitlements to the Second Interim Dividend
Thursday 23 February 2017		Expected declaration of the Third Interim Dividend
Friday 24 February 2017		Expected payment date for Second Interim Dividend
Thursday 2 March		Date after which it is advised that dealings in Shares should only be for cash settlement and immediate delivery of documents of title
		Ex dividend date for the Third Interim Dividend
Friday 3 March 2017	6.00 p.m.	Record date for entitlements to the Third Interim Dividend expected to be paid on or about 15 March 2017
Monday 6 March 2017	6.00 p.m.	Latest time and date for receipt of Forms of Election and CREST Elections from Electing Shareholders
	6.00 p.m.	Record Date for entitlements of Shareholders and Unitholders under the Proposals
	6.00 p.m.	The Company's Register closes
Tuesday 7 March 2017	11.00 a.m.	Latest time and date for receipt of Forms of Proxy and CREST Proxies for the General Meeting of the Income Shareholders
	11.05 a.m.	Latest time and date for receipt of Forms of Proxy and CREST Proxies for the General Meeting of Capital Shareholders
	11.10 a.m.	Latest time and date for receipt of Forms of Proxy and CREST Proxies for the General Meeting of Zero Dividend Shareholders
	11.15 a.m.	Latest time and date for receipt of Forms of Proxy and CREST Proxies for the First GM
Thursday 9 March 2017	11.00 a.m.	General Meeting of Income Shareholders
	11.05 a.m. ⁽¹⁾	General Meeting of Capital Shareholders
	11.10 a.m. ⁽¹⁾	General Meeting of Zero Dividend Shareholders
	11.15 a.m. ⁽¹⁾	First GM
Wednesday 15 March 2017		Expected payment date for Third Interim Dividend
	10.00 a.m.	Latest time and date for receipt of Forms of Proxy and CREST Proxies for Second GM
		Calculation Date
	5.00 p.m.	Calculation of the issue price of JPMorgan Elect Shares to be issued pursuant to the Scheme
Thursday 16 March 2017	8.00 a.m.	Opening of the Company's register of Shareholders and dealings in Reclassified Shares on the London Stock Exchange expected to commence

Friday 17 March 2017	Effective Date for the implementation of the Proposals
	7.30 a.m. Dealings in Reclassified Shares suspended
	10.00 a.m. Second GM
	Company placed into liquidation
	12.00 noon Calculation of the issue price for the M&G UK Income Distribution Fund Shares, M&G Strategic Corporate Bond Fund Shares and the M&G Dividend Fund Shares
	Issue of the M&G UK Income Distribution Fund Shares, the M&G Strategic Corporate Bond Fund Shares and the M&G Dividend Fund Shares
Monday 20 March 2017	Confirmation letters despatched for Securities issued in uncertificated form in respect of the M&G UK Income Distribution Fund Option, the M&G Strategic Corporate Bond Fund Option and the M&G Dividend Fund Option
Tuesday 21 March 2017 (or as soon as practicable thereafter)	JPMorgan Elect Shares in certificated form issued pursuant to the Scheme
	JPMorgan Elect Shares issued in uncertificated form credited to the stock accounts in CREST of the persons entitled thereto in respect of the JPMorgan Elect Option
	CREST accounts credited with cash in respect of the Cash Option
	Cheques despatched in respect of the Cash Option
Monday 27 March 2017 (or as soon as practicable thereafter)	Certificates despatched for JPMorgan Elect Shares issued in certificated form in respect of the JPMorgan Elect Option
By Friday 28 April 2017	Listing on the London Stock Exchange of Reclassified Shares cancelled

Note:

(1) or as soon thereafter as the immediately preceding meeting shall have concluded or been adjourned.

In this document, unless otherwise indicated, references to 13 January 2017 are to such date as being the date which is the latest practicable date prior to the publication of this document.

PART I - LETTER FROM THE CHAIRMAN

M&G HIGH INCOME INVESTMENT TRUST P.L.C.

(Incorporated in England and Wales with registered number 03297698)

Directors:

Fred Carr (Chairman)
Alexander Murray
Andrew Martin Smith
William Nott

Registered Office:

Laurence Pountney Hill
London
United Kingdom
EC4R 0HH

19 January 2017

To the Zero Dividend Shareholders, Income Shareholders and Capital Shareholders (together "Shareholders"), and Income & Growth Unitholders and Package Unitholders (together "Unitholders")

Dear Sir or Madam,

RECOMMENDED PROPOSALS FOR THE RECONSTRUCTION AND WINDING-UP OF THE COMPANY

Introduction to the Proposals

The Board of M&G High Income Investment Trust P.L.C. (the "**Company**") has today announced recommended proposals for the reconstruction and winding-up of the Company.

The Company was launched as a closed-ended investment trust on 23 December 1996 with a planned winding-up date of 17 March 2017.

The Company is a split capital investment trust with three share classes having the following entitlements upon winding-up and, for illustrative purposes as at 13 January 2017, the following attributable values:

	Final entitlements	Per Share
Zero Dividend Shares	122.83224p per Share (or such lesser sum as remains after payment of the Company's costs and liabilities)	122.83224 p
Income Shares	70p per Share plus any balance standing to the Company's revenue reserve (both only after the final entitlement of the Zero Dividend Shares has been met in full)	55.04492 p
Capital Shares	The balance of the Net Assets after the final entitlement of the Zero Dividend Shares and Income Shares have been met in full	0.00000 p
Per Income & Growth Unit comprising one Income Share and one Capital Share		55.04492 p
Per Package Unit comprising one of each		177.87716 p

Under the Articles, the Directors are obliged to convene a general meeting on 17 March 2017, at which a resolution to place the Company into members' voluntary liquidation must be proposed. Liquidation without rollover options would result in all Shareholders and Unitholders receiving cash for their investment and, depending on their individual circumstances, incurring a potential liability to capital gains tax or realising an allowable loss.

In the annual report and accounts for the year ended 31 May 2016, the Board noted its intention to offer Shareholders at least one rollover option alongside the liquidation of the Company that would allow a tax efficient rollover for those wishing to continue with their investment. The Board also noted that it expected to consider both open-ended and closed-ended investment vehicles for this purpose.

The Board, conscious that some Shareholders may favour maintaining their investment in a closed-ended structure has, along with its financial adviser Winterflood, conducted an extensive review of potential closed-ended rollover options. After considering a number of proposals, the Board agreed terms with JPMorgan Elect to act as the closed-ended rollover option in connection with the Scheme and the summary proposals from JPMorgan Elect were announced on 10 November 2016. JPMorgan Elect provides investors access to a number of different investment strategies, including one focused on UK equity income, through a multi-share class structure and the Board believe this will appeal to the Shareholders and Unitholders.

The Board is also pleased to have agreed with M&G Investments ("**M&G**"), that M&G will make available as rollover options the following open-ended investment companies it manages: 1) M&G UK Income Distribution Fund; 2) M&G Strategic Corporate Bond Fund; and 3) M&G Dividend Fund.

The Board believes the four different options (six if you consider JPMorgan Elect has three distinct share classes) provide an attractive range of alternatives to cash. Further details on each of the Rollover Funds is included below.

I am writing to provide you with details of the Proposals and to seek your approval for the Resolutions required to implement them.

The Proposals

Electing Shareholders will have a choice between continuing to be invested in securities by electing for one or more of the rollover options listed below and/or realising some or all of their investment for cash under the Cash Option.

The Options for Electing Shareholders are as follows:

For those that wish to remain invested in a closed-ended investment vehicle:

- the JPMorgan Elect Managed Growth Shares Option – to receive JPMorgan Elect Managed Growth Shares; and/or
- the JPMorgan Elect Managed Income Shares Option – to receive JPMorgan Elect Managed Income Shares; and/or
- the JPMorgan Elect Managed Cash Shares Option – to receive JPMorgan Elect Managed Cash Shares.

For those that wish to be invested in an open-ended investment vehicle:

- the M&G UK Income Distribution Fund Option – to receive M&G UK Income Distribution Fund R Income Shares; and/or
- the M&G Strategic Corporate Bond Fund Option – to receive M&G Strategic Corporate Bond Fund R Income Shares; and/or
- the M&G Dividend Fund Option – to receive M&G Dividend Fund R Income Shares.

For those that no longer wish to be invested:

- the Cash Option – to receive cash in the liquidation of the Company.

Under the Scheme, M&G are offering Electing Shareholders the R Income shares (also known as the Sterling Class R Shares) in the M&G Rollover Funds, which have a lower annual management charge than the standard Sterling Class A Shares for retail investors. Sterling Class R Shares are normally only available to intermediaries or where the deal has been arranged by a financial adviser. Shareholders should note that new investments made subsequent to the Scheme will be subject to M&G's standard terms and conditions and may only be eligible for participation in the Sterling Class A Shares. Electing Shareholders who elect for one or more M&G Rollover Funds should note that M&G's standard terms and conditions will apply to holdings in the M&G Rollover Funds, including in relation to M&G policies in respect of minimum holding amounts.

Capital Shareholders will receive any entitlements in the liquidation of the Company as cash payments and will not be able to elect for Securities in the Rollover Funds. As at the Latest Practicable Date the Capital Shares have no value and it is reasonably expected that this will be the case at the Calculation Date. As such, the Board does not consider it appropriate to offer Securities in the Rollover Funds to Capital Shareholders. Income Shareholders should note that based on the attributable value as at the Latest Practicable Date the entitlement of 70 pence per Income Share is not fully met and it is reasonably expected that this will be the case as at the Calculation Date.

Advantages of the Proposals

The Directors believe that the Proposals are in the best interests of Shareholders and Unitholders taken as a whole because they offer:

- greater choice and flexibility than if the Company were simply wound up, since the Proposals enable Electing Shareholders to roll some or all of their investment (in a tax efficient manner under current UK law and practice for UK resident Shareholders and Unitholders) into one or more of the Rollover Funds in addition to being able to realise some or all of their investment for cash under the Cash Option;
- the opportunity to elect for one or more of three classes of JPMorgan Elect Shares, enabling Electing Shareholders to maintain their investment within a listed closed-ended investment trust following, in the case of the JPMorgan Elect Managed Income Shares, a similar investment strategy to that of the Company;
- the potential to avoid certain dealing and other costs associated with a share purchase in the secondary market;
- an opportunity to invest in the M&G UK Income Distribution Fund invested in UK equities and bonds with a similar investment strategy to that of the Company (focused on achieving an above average and increasing income while also seeking to achieve capital growth), managed by the same portfolio manager as the Company, Richard Hughes. The similarities between the Company and the M&G UK Income Distribution Fund also mean that the opportunity for in-specie transfer of assets is maximised, thereby reducing transaction costs; and
- for further optionality in open-ended funds, the opportunity to elect for a total return focused fund that invests only in bonds through the M&G Strategic Corporate Bond Fund or an income focused fund that invests only in equities through the M&G Dividend Fund.

The Rollover Funds

Under the Proposals, Zero Dividend Shareholders, Income Shareholders and Unitholders have the choice of electing for Securities in one or more of the Rollover Funds. Information on each of these Rollover Funds is set out below and the key features of JPMorgan Elect are set out in Part V of this document. In addition, full details of JPMorgan Elect are set out in the enclosed Prospectus and details of the M&G Rollover Funds are set out in the enclosed KIIDs. The information contained in this document relating to JPMorgan Elect has been provided by JPMF and the information contained in this document relating to the M&G Rollover Funds has been provided by M&G Securities.

JPMorgan Elect

JPMorgan Elect is an investment trust company incorporated in England and Wales whose shares are admitted to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. JPMorgan Elect has three share classes, JPMorgan Elect Managed Growth Shares, JPMorgan Elect Managed Income Shares and JPMorgan Elect Managed Cash Shares, each with distinct investment policies, objectives and underlying investment portfolios. Each share class is listed separately and traded on the London Stock Exchange.

Shareholders in JPMorgan Elect may convert between each class of JPMorgan Elect Shares in February, May, August and November in each year without incurring a liability for capital gains tax. In addition, JPMorgan Elect Managed Cash shareholders may also elect to have their shares repurchased by JPMorgan Elect on each quarterly conversion date at a price close to net asset value.

JPMorgan Elect employs JPMF as its Alternative Investment Fund Manager, which, in turn, delegates portfolio management to JPMorgan Asset Management (UK) Limited to manage its assets actively.

Further details of JPMorgan Elect Shares which are being offered under the Scheme are set out below and in Part V of this document.

JPMorgan Elect Managed Growth Shares

The objective of the Managed Growth portfolio is to achieve long term capital growth from investing in a range of investment trusts and open-ended funds managed principally by JPMAM.

As at the Latest Practicable Date, the unaudited value of the Managed Growth portfolio was approximately £243.86 million, the NAV per JPMorgan Elect Managed Growth Share (unaudited) was 723.05 pence and the market capitalisation of the JPMorgan Elect Managed Growth Shares was approximately £238.43 million.

As at 31 December 2016, the performance of the JPMorgan Elect Managed Growth Shares has been as follows:¹

	1 Year	3 Years	5 Years
Share Price	13.07%	29.15%	99.40%
NAV	13.05%	29.72%	98.10%
Benchmark	23.09%	34.30%	82.34%

¹ Past performance is not a guide to future performance. Source: Morningstar, Inc/JPMAM. The Managed Growth portfolio's benchmark is a composite comprising 50 per cent. FTSE All-Share Index and 50 per cent. FTSE World Index (ex-UK).

The table below sets out the yearly performance of the JPMorgan Elect Managed Growth Shares for the past five years to 31 December in each year:¹

	12 months to 31 December 2016	12 months to 31 December 2015	12 months to 31 December 2014	12 months to 31 December 2013	12 months to 31 December 2012
Share Price	13.07%	8.12%	5.65%	34.54%	14.76%
NAV	13.05%	8.53%	5.73%	33.41%	14.47%
Benchmark	23.09%	2.62%	6.33%	21.44%	11.80%

¹ Past performance is not a guide to future performance. Source: Morningstar, Inc/JPMAM. The Managed Growth portfolio's benchmark is a composite comprising 50 per cent. FTSE All-Share Index and 50 per cent. FTSE World Index (ex-UK).

Over the 12 months to 31 December 2016, the JPMorgan Elect Managed Growth Shares have traded between a discount of 3.99 per cent. and a discount of 2.24 per cent. (on a month end to month end basis).

JPMorgan Elect Managed Income Shares

The objective of the Managed Income portfolio is to achieve a growing income return with potential for long term capital growth by investing in equities, investment companies and fixed income securities.

As at the Latest Practicable Date, the unaudited value of the Managed Income portfolio was approximately £76.34 million, the NAV per JPMorgan Elect Managed Income Share (unaudited) was 110.51 pence and the market capitalisation of the JPMorgan Elect Managed Income Shares was approximately £74.61 million.

As at 31 December 2016, the performance of the JPMorgan Elect Managed Income Shares has been as follows:¹

	1 Year	3 Years	5 Years
Share Price	7.06%	18.69%	69.02%
NAV	7.41%	18.61%	68.06%
Benchmark	15.06%	18.68%	56.53%

¹Past performance is not a guide to future performance. Source: Morningstar, Inc./JPMAM. The Managed Income portfolio's benchmark is a composite comprising 85 per cent. FTSE All-Share Index and 15 per cent. Barclays Capital Global Corporate Bond Index (hedged) in sterling terms.

The table below sets out the yearly performance of the JPMorgan Elect Managed Income Shares for the past five years to 31 December in each year:¹

	12 months to 31 December 2016	12 months to 31 December 2015	12 months to 31 December 2014	12 months to 31 December 2013	12 months to 31 December 2012
Share Price	7.06%	2.77%	7.87%	24.87%	14.05%
NAV	7.41%	7.10%	3.10%	25.00%	13.35%
Benchmark	15.06%	0.92%	2.20%	17.57%	12.19%

¹Past performance is not a guide to future performance. Source: Morningstar, Inc./JPMAM. The Managed Income portfolio's benchmark is a composite comprising 85 per cent. FTSE All-Share Index and 15 per cent. Barclays Capital Global Corporate Bond Index (hedged) in sterling terms.

Over the 12 months to 31 December 2016, the JPMorgan Elect Managed Income Shares have traded between a discount of 3.72 per cent. and a discount of 1.55 per cent. (on a month end to month end basis).

JPMorgan Elect Managed Cash Shares

The objective of the Managed Cash portfolio is to provide preservation of capital with a yield based on short term interest rates by investing in a range of sterling liquidity funds, selected for their yield and credit rating, and short dated AAA-rated UK or G7 government securities hedged into sterling.

As at the Latest Practicable Date, the unaudited value of the Managed Cash portfolio was approximately £4.21 million, the NAV per JPMorgan Elect Managed Cash Share (unaudited) was 101.51 pence and the market capitalisation of the JPMorgan Elect Managed Cash Shares was approximately £4.21 million.

As at 31 December 2016, the performance of the JPMorgan Elect Managed Cash Shares has been as follows:¹

	1 Year	3 Years	5 Years
Share Price	0.85%	1.05%	1.71%
NAV	0.56%	1.36%	2.12%

¹Past performance is not a guide to future performance. Source: Morningstar, Inc./JPMAM

The table below sets out the yearly performance of the JPMorgan Elect Managed Cash Shares for the past five years to 31 December in each year:¹

	12 months to 31 December 2016	12 months to 31 December 2015	12 months to 31 December 2014	12 months to 31 December 2013	12 months to 31 December 2012
Share Price	0.85%	-0.15%	0.35%	0.15%	0.50%
NAV	0.56%	0.46%	0.33%	0.42%	0.33%

¹ Past performance is not a guide to future performance. Source: Morningstar, Inc/JPMAM.

Over the 12 months to 31 December 2016, the JPMorgan Elect Managed Cash Shares have traded at between a discount of 1.16 per cent. and a premium of 1.63 per cent. (on a month end to month end basis).

Shareholders and Unitholders should note that the past performance of the JPMorgan Elect Shares set out above is not a guide to the future. The performance data set out above has been calculated on a NAV to NAV basis, including ongoing charges and any applicable fees, with any income reinvested, in sterling.

Further information on JPMorgan Elect is set out in the Prospectus. The audited reports and accounts of JPMorgan Elect for the years ended 31 August 2016, 31 August 2015 and 31 August 2014 are available at <https://am.jpmorgan.com/gb/en/asset-management/gim/per/products/d/jpmorgan-elect-plc-managed-income-gb0034080217###Documents>.

M&G UK Income Distribution Fund

The M&G UK Income Distribution Fund – a sub-fund of M&G Investment Funds (2) and an OEIC incorporated in England and Wales, managed since May 2002 by Richard Hughes (also the fund manager with primary responsibility for the day-to-day management of the Company's portfolio), and which aims to grow its income distributions and targets a yield above that of the FTSE All-Share Index. The M&G UK Income Distribution Fund also aims to grow capital. The fund invests in UK equities (at least 70%) and sterling denominated corporate bonds. The fund focuses on good-quality but undervalued stocks that offer a higher income than the FTSE All-Share by identifying those companies that exhibit the following qualities: strong business operations, good cash flows and attractive dividend growth prospects. Derivatives may be used to seek to reduce risk, minimise costs and generate additional capital and/or income. To date, derivatives have not been used by the M&G UK Income Distribution Fund. The securities to be issued will be the M&G UK Income Distribution Fund R Income Shares.

As at 31 December 2016 the net asset value of M&G UK Income Distribution Fund was £407.4 million and the distribution yield of M&G UK Income Distribution Fund R Income Shares was 4.37 per cent. The M&G UK Income Distribution Fund distributes its income to shareholders quarterly with pay dates typically in January, April, July and October of each year. Please note that the distribution to be paid in April 2017 will not be payable to Electing Shareholders choosing the M&G UK Income Distribution Option.

Prior to 16 December 2016 the M&G UK Income Distribution Fund was known as the M&G Extra Income Fund. M&G Investment Funds (2) has been established for an unlimited duration and the M&G UK Income Distribution Fund does not have a planned termination date.

As at 31 December 2016, the performance of M&G UK Income Distribution Fund R Income Shares has been as follows:¹

	1 Year	3 Years	Since launch of Share Class (3 August 2012)
Share Price	12.35%	22.12%	48.68%
Comparative index	14.64%	22.05%	40.74%

¹ Past performance is not a guide to future performance. The comparative index is a composite index comprising 2/3 FTSE All-Share and 1/3 FTSE Government UK Gilts All Stocks Index.

The above performance information has been sourced from Morningstar, Inc. and has been calculated on Accumulation Share Classes on a price to price basis.

The table below sets out the yearly performance of M&G UK Income Distribution Fund R Income Shares in each year since their launch on 3rd August 2012:¹

	12 months to 31 December 2016	12 months to 31 December 2015	12 months to 31 December 2014	12 months to 31 December 2013	3 August 2012 to 31 December 2012
Share Price	12.35%	2.03%	6.54%	17.42%	3.69%
Comparative index	14.64%	1.07%	5.34%	12.12%	2.85%

¹ Past performance is not a guide to future performance. The comparative index is a composite index comprising 2/3 FTSE All-Share and 1/3 FTSE Government UK Gilts All Stocks Index.

The above performance information has been sourced from Morningstar, Inc. and has been calculated on Accumulation Share Classes on a price to price basis.

M&G Strategic Corporate Bond Fund

The M&G Strategic Corporate Bond Fund – an OEIC incorporated in England and Wales, which aims to deliver income and capital growth by investing mainly in investment grade, or high quality, corporate bonds issued anywhere in the world. A portion of the fund may also be invested in fixed income securities issued by governments and high yield fixed income securities. Derivatives may be used to meet the fund's investment objective, reduce risk, minimise costs and generate additional capital and/or income. The securities to be issued will be M&G Strategic Corporate Bond Fund R Income Shares.

As at 31 December 2016 the net asset value of the M&G Strategic Corporate Bond Fund was £3,807.6 million and the historic yield of M&G Strategic Corporate Bond Fund R Income Shares was 4.02 per cent. The M&G Strategic Corporate Bond Fund distributes its income to shareholders quarterly with pay dates typically in January, April, July and October of each year. Please note that the distribution to be paid in April 2017 will not be payable to Electing Shareholders choosing the M&G Strategic Corporate Bond Fund Option.

The M&G Strategic Corporate Bond Fund does not have a planned termination date.

As at 31 December 2016, the performance of M&G Strategic Corporate Bond Fund R Income Shares has been as follows:¹

	1 Year	3 Years	Since launch of Share Class (3 August 2012)
Share Price	7.49%	16.85%	22.67%
Comparative sector	9.13%	20.23%	27.29%

¹ Past performance is not a guide to future performance. The comparative sector is the IA £ Corporate Bond sector.

The above performance information has been sourced from Morningstar, Inc. and has been calculated on Accumulation Share Classes on a price to price basis.

The table below sets out the yearly performance of M&G Strategic Corporate Bond Fund R Income Shares in each year since their launch on 3 August 2012:¹

	12 months to 31 December 2016	12 months to 31 December 2015	12 months to 31 December 2014	12 months to 31 December 2013	3 August 2012 to 31 December 2012
Share Price	7.49%	-0.19%	8.92%	1.14%	3.80%
Comparative sector	9.13%	-0.19%	10.30%	0.98%	4.75%

¹ Past performance is not a guide to future performance. The comparative sector is the IA £ Corporate Bond sector.

The above performance information has been sourced from Morningstar, Inc. and has been calculated on Accumulation Share Classes on a price to price basis.

M&G Dividend Fund

The M&G Dividend Fund – a sub-fund of M&G Investment Funds (3) and an OEIC incorporated in England and Wales, which aims to deliver growing income distributions and to provide a dividend yield above that of the FTSE All-Share Index. The M&G Dividend Fund also aims to deliver capital growth. The fund invests in UK equities (at least 70%) but may also invest in the shares of non-UK companies. The fund manager selects stocks with different drivers of dividend growth to construct a fund that has the potential to cope in a variety of market conditions. Derivatives may be used to reduce risk, minimise costs and generate additional capital and/or income. To date derivatives have not been used by the M&G Dividend Fund. The securities to be issued will be the M&G Dividend Fund R Income Shares.

As at 31 December 2016 the net asset value of the M&G Dividend Fund was £1,263.6 million and the historic yield of M&G Dividend Fund R Income Shares was 4.52 per cent. The M&G Dividend Fund distributes its income to shareholders semi-annually with pay dates typically in February and August of each year. Please note that the distribution to be paid in February 2017 will not be payable to Electing Shareholders choosing the M&G Dividend Fund Option.

The M&G Dividend Fund does not have a planned termination date.

As at 31 December 2016, the performance of M&G Dividend Fund R Income Shares has been as follows:¹

	1 Year	3 Years	Since launch of Share Class (3 August 2012)
Share Price	7.98%	17.57%	45.65%
Comparative index	16.75%	19.29%	50.77%

¹ Past performance is not a guide to future performance. The comparative index is the FTSE All-Share Index.

The above performance information has been sourced from Morningstar, Inc. and has been calculated on Accumulation Share Classes on a price to price basis.

The table below sets out the yearly performance of M&G Dividend Fund R Income Shares in each year since their launch on 3 August 2012:¹

	12 months to 31 December 2016	12 months to 31 December 2015	12 months to 31 December 2014	12 months to 31 December 2013	3 August 2012 to 31 December 2012
Share Price	7.98%	7.84%	0.96%	18.22%	4.79%
Comparative index	16.75%	0.98%	1.18%	20.81%	4.63%

¹ Past performance is not a guide to future performance. The comparative index is the FTSE All-Share Index.

The above performance information has been sourced from Morningstar, Inc. and has been calculated on Accumulation Share Classes on a price to price basis.

Default Option

All Electing Shareholders are encouraged to make a valid Election. Electing Shareholders who do not make valid Elections for the purposes of the Proposals will be deemed to have elected for the M&G UK Income Distribution Fund Option.

In the event that the conditions to JPMorgan Elect's participation in the Scheme are not satisfied (see the section headed "Further conditions to the JPMorgan Elect Options" below), Elections made by Electing Shareholders for the JPMorgan Elect Option will instead be deemed to be Elections for the M&G UK Income Distribution Fund Option.

In nominating the default option, the Board was cognisant of the significant holding that the M&G ISA has in the Package Units and the Income & Growth Units.

Costs and expenses

The Company has limited its exposure to the costs of the Proposals by entering into arrangements with M&G Securities and JPMF. In calculating Shareholders' and Unitholders' entitlements under the Scheme an amount of £350,000 has been deducted from the Net Assets of the Company to reflect a reasonable estimate of the costs which the Company would have needed to incur had the Scheme not been put forward and the Company simply been placed into liquidation at the end of its fixed life. M&G Securities and JPMF will meet the substantial additional costs to be incurred by the Company above those of a simple liquidation as a result of putting forward the Rollover Options. In the event the Scheme does not proceed and the Company is placed into simple liquidation M&G Securities will meet any additional costs of such liquidation.

The Company, and indirectly Shareholders and Unitholders, will also bear additional sundry costs and expenses to be incurred by the Company while in liquidation as set out in Part IV of this document.

For the avoidance of doubt, none of the Company, M&G or JPMF shall contribute to any direct costs associated with the reinvestment or transfer in specie of the Company's portfolio into the Rollover Funds such as stamp duty, SDRT and brokers' commissions, which in each case shall be borne by the relevant Rollover Fund and in the case of the M&G OEIC Options is incorporated within the M&G OEIC Issue Price.

Share Premium on Issue of JPMorgan Elect Shares

Those Shareholders and Unitholders who choose to receive JPMorgan Elect Shares for some or all of their investment will also incur costs equal to an issue premium (the "**JPMorgan Elect Issue Premium**") applied to the price of JPMorgan Elect Shares issued pursuant to the Scheme. This JPMorgan Elect Issue Premium is intended to defray the costs which will be incurred by JPMorgan Elect in respect of its participation in the Scheme. The level of the JPMorgan Elect Issue Premium will depend on the value of the assets to be transferred to JPMorgan Elect under the Scheme. If the value of these assets is less than £40 million then the JPMorgan Elect Issue Premium will be set at 1.0 per cent. However, if their value equals or exceeds £40 million, the JPMorgan Elect Issue Premium will reduce on a straight line basis such that if their value equals £70 million (or more) then the JPMorgan Elect Issue Premium will be set at 0.65 per cent.

Dividends

The Directors have declared a Second Interim Dividend of 1.55 pence per Income Share for the four-month period to the end of December 2016, expected to be paid on 24 February 2017 to Income Shareholders on the Register on 27 January 2017, including those who hold their Income Shares within Income & Growth Units and Package Units.

Furthermore, under the Proposals the Directors currently intend to declare a Third Interim Dividend for the period ending 17 February 2017, for distribution prior to the Scheme taking effect equal to the revenue profits of the Company for that period plus the accumulated revenue reserves. The Third Interim Dividend is expected to be paid on or about 15 March 2017 to Income Shareholders, including those who hold their Income Shares within Units, on the Register on 3 March 2017.

Any balance remaining in or accruing to the Company's revenue reserve after the Third Interim Dividend has been declared (if any) will be taken into account when calculating the Terminal Asset Value of the Shares. Where the Terminal Asset Value of a Zero Dividend Share is less than its final entitlement provided for under the Articles, any amount of undistributed revenue profits of the Company will be attributed to the Zero Dividend Shareholders in accordance with the Articles. To the extent any undistributed revenue reserves remain following the satisfaction of the entitlements of the Zero Dividend Shareholders, such revenue reserves shall be distributed among the Income Shareholders (including those who hold Income Shares within Income & Growth Units and Package Units).

Shareholder meetings

Shareholders are being asked to vote on the Proposals because the Directors are required to obtain the consent of the Shareholders to the Proposals pursuant to the Articles.

At the General Meeting of the Income Shareholders, the Income Shareholders and Unitholders (with respect to the Income Shares comprised in the Income & Growth Units and the Package Units) will be asked to vote on a Special Resolution to approve the passing of the Special Resolution at the First GM, the Special Resolution at the Second GM and any variation to the special rights attached to their Income Shares resulting from the amendments to the Articles proposed pursuant to the Proposals. The Special Resolution will require the approval of 75 per cent. or more of the votes cast at the Meeting, whether in person or by proxy.

At the General Meeting of the Capital Shareholders, the Capital Shareholders and Unitholders (with respect to the Capital Shares comprised in the Income & Growth Units and the Package Units) will be asked to vote on a Special Resolution to approve the passing of the Special Resolution at the First GM, the Special Resolution at the Second GM and any variation to the special rights attached to their Capital Shares resulting from the amendments to the Articles proposed pursuant to the Proposals. The Special Resolution will require the approval of 75 per cent. or more of the votes cast at the Meeting, whether in person or by proxy.

At the General Meeting of the Zero Dividend Shareholders, the Zero Dividend Shareholders and Package Unitholders (with respect to the Zero Dividend Shares comprised in the Package Units) will be asked to vote on a Special Resolution to approve the passing of the Special Resolution at the First GM, the Special Resolution at the Second GM and any variation to the special rights attached to their Zero Dividend Shares resulting from the amendments to the Articles proposed pursuant to the Proposals. Each Special Resolution will require the approval of 75 per cent. or more of the votes cast at the relevant Meeting, whether in person or by proxy.

At the First GM, at which all Shareholders and Unitholders are entitled to vote, a Special Resolution will be proposed to: (i) reclassify the Shares in accordance with the Elections (made or deemed to be made) and to amend the Articles of the Company for the purposes of implementing the Scheme; and (ii) sanction the Scheme and authorise its implementation by the Liquidators. The Special Resolution will require the approval of 75 per cent. or more of the votes cast at the Meeting, whether in person or by proxy.

At the Second GM, at which all Shareholders and Unitholders are entitled to vote, a Special Resolution will be proposed which, if passed, will place the Company in liquidation and instruct the Secretary to hold the books to the Liquidators' order, appoint the proposed Liquidators and provide them with appropriate powers and remuneration. In accordance with the Articles there shall be weighted voting rights for the winding-up Special Resolution at the Second GM such that those Shareholders who vote in favour of the winding-up Special Resolution shall collectively have such total number of votes on a poll as is one more than the number of votes which are required to be cast on such poll for the winding-up Special Resolution to be carried.

If any of the Special Resolutions to be proposed at the General Meetings or the Special Resolution to be proposed at the First GM is not passed or if the Scheme does not become unconditional, the winding-up Special Resolution will, in any event, be put to Shareholders at the Second GM. The Second GM will be convened for 17 March 2017 and as set out above there shall be weighted voting rights for the winding-up Special Resolution and the vote of those Shareholders entitled to vote shall be taken on a poll. In these circumstances, all Shareholders will receive cash distributions in the Company's liquidation to the

extent they are entitled to such distributions under the Articles. **Further details of the Proposals and the Scheme pursuant to which Shareholders will receive their entitlements under the Proposals are set out in Parts III and IV of this document.**

Conditions to the Proposals

The Scheme is conditional, inter alia, upon:

- the passing by the Shareholders of all Resolutions to be proposed at the General Meetings, at the First GM and at the Second GM (or at any adjournments thereof);
- the UK Listing Authority consenting to the amendment to the Official List to reflect the reclassification of the Shares as Reclassified Shares; and
- the Directors not resolving to abandon the Scheme.

Further conditions to the JPMorgan Elect Options

The availability of the JPMorgan Elect Options element of the Proposals only, is additionally conditional upon *inter alia*, on the passing of the JPMorgan Elect Resolutions. The necessary meetings of JPMorgan Elect Shareholders to pass the enabling resolutions have been convened for 27 February 2017.

In the event that the conditions to JPMorgan Elect's participation in the Scheme are not satisfied, all Elections under the Scheme for a JPMorgan Elect Option will instead be deemed to be Elections for the M&G UK Income Distribution Fund Option.

Risk factors relating to the Proposals

Before making an Election under the Proposals for a JPMorgan Elect Option, Electing Shareholders should consider the risk factors relating to the JPMorgan Elect Options set out in Part VI *Risk Factors Relating to the Proposals* and in the Prospectus.

Before making an Election under the Proposals for any of the M&G Rollover Funds, Electing Shareholders should consider the risk factors relating to the M&G OEIC Options set out in Part VI *Risk Factors Relating to the Proposals* and the relevant KIID.

Taxation

As explained more fully in the section headed "Taxation" in paragraph 4 of Part VII of this document, the rollover of the Shares and Units into Securities of the Rollover Funds under the Proposals should not, on the basis of current UK legislation and HMRC practice, trigger a disposal of the Shares for the purposes of UK capital gains tax (or corporation tax on chargeable gains) where these Shares are held as an investment by UK tax resident Shareholders or Unitholders.

A subsequent sale, redemption or other disposal of the Securities acquired will, however, constitute a disposal for the purposes of capital gains tax (or corporation tax on chargeable gains) and may, depending on a Shareholder's particular circumstances, give rise to a liability to such tax or to an allowable loss.

Shareholders who are UK resident individuals benefit from an annual exemption, which for the 2016/17 tax year exempts the first £11,100 of any gains from the charge to capital gains tax. **You are advised to read carefully the section headed "Taxation" in paragraph 4 of Part VII of this document and to immediately consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000 if you are in any doubt as to your circumstances.**

Action to be taken

Details of the action to be taken by Shareholders and Unitholders in relation to the Proposals are set out in Part II of this document. It is important that Shareholders and Unitholders read Part II carefully and return their Forms of Proxy (for certificated holders) or CREST Proxies (for uncertificated holders) as soon as possible and in any case no later than 48 hours before the appointed time for the relevant Meeting.

In addition, Electing Shareholders with certificated holdings wishing to return their Forms of Election should do so for receipt not later than 6.00 p.m. on 6 March 2017. Shareholders with uncertificated holdings intending to make CREST Elections must similarly do so not later than 6.00 p.m. on 6 March 2017. Failure to make a valid Election will result in the relevant Electing Shareholder being deemed to have elected for the M&G UK Income Distribution Fund Option.

Restricted Persons

Restricted Persons will not be entitled to make Elections under the Proposals and will therefore not receive a Form of Election or be entitled to submit a valid CREST Election. Restricted Persons will be deemed to have elected for the Cash Option under the Scheme and will (unless the Directors determine otherwise) receive cash in accordance with the Scheme directly from the Company in respect of their entire holding of Shares or Units unless they have satisfied the Directors and, in the case of JPMorgan Elect Options, the directors of JPMorgan Elect, that it is lawful for the Rollover Funds to issue Securities to them under any relevant overseas laws and regulations.

Directors' intention as to Elections

Penultimately, I would like to comment on the independent Directors' intentions as to which Options we intend to choose in respect of our own shareholdings. This is not intended to be guidance for Shareholders in any sense and is simply a reflection of our personal preferences and financial circumstances.

Both Andrew Martin Smith and I have long standing connections with the investment trust industry and will therefore choose one or more of the JP Morgan Elect Shares. Alex Murray, who works in business publishing and has been a non-executive director of this trust since inception, intends to choose the M&G UK Income Distribution Fund Option. Shareholders in any doubt as to the appropriate course of action should seek independent professional advice.

Finally, we bid you all farewell and wish you Godspeed. It has been a privilege to be Directors of one of the very best split capital investment trusts, one that safely and sensibly navigated the collapse of several over-gearred and under-diversified "splits" in the early 2000s and the financial crisis of 2007/8.

On behalf of the Board I thank you warmly for your support and encouragement over the last 20 years.

Recommendation

Your Board, which has been advised by Winterflood Securities, considers the Proposals to be in the best interests of Shareholders taken as a whole and recommends that Shareholders vote in favour of all the Resolutions to be proposed at the Meetings. In providing advice to the Directors, Winterflood Securities has taken into account the Directors' commercial assessment of the Proposals.

Your Directors intend to vote in favour of all of the Resolutions to be proposed in relation to the Proposals in respect of their beneficial holdings representing, in aggregate, 212,905 Zero Dividend Shares, 205,040 Income Shares and 185,040 Capital Shares.

Yours faithfully

Fred Carr

Chairman

PART II - ACTION TO BE TAKEN

Shareholders should read the following sections of this document carefully. If Shareholders are unsure as to the contents of this document or as to what action they should take, they are recommended to immediately consult their stockbroker, bank manager, solicitor, accountant or other independent financial adviser who is authorised under the Financial Services and Markets Act 2000.

IN THIS DOCUMENT, WHERE THE CONTEXT SO REQUIRES, UNITHOLDERS SHOULD TREAT REFERENCES TO “SHAREHOLDERS”, “ZERO DIVIDEND SHAREHOLDERS”, “INCOME SHAREHOLDERS” AND “CAPITAL SHAREHOLDERS” AS APPLYING TO THEM IN THEIR CAPACITY AS A HOLDER OF ZERO DIVIDEND SHARES, INCOME SHARES OR CAPITAL SHARES CONTAINED WITHIN THEIR UNITS, AS APPLICABLE.

The Meetings

The following table shows the entitlement of each Shareholder to participate and vote at the Meetings, all to be held at Governor's House, Laurence Pountney Hill, London EC4R 0HH:

	General Meeting of Income Shareholders <i>11:00 am 9 March 2017</i>	General Meeting of Capital Shareholders <i>11:05 am 9 March 2017</i>	General Meeting of Zero Dividend Shareholders <i>11:10 am 9 March 2017</i>	First General Meeting <i>11:15 am 9 March 2017</i>	Second General Meeting <i>10:00 am 17 March 2017</i>
Zero Dividend Shareholders	X	X	✓	✓	✓
Income Shareholders	✓	X	X	✓	✓
Capital Shareholders	X	✓	X	✓	✓
Income & Growth Unitholders	✓	✓	X	✓	✓
Package Unitholders	✓	✓	✓	✓	✓

The notices convening each Meeting are set out at the end of this document.

At each of the General Meetings of Zero Dividend Shareholders, Income Shareholders and Capital Shareholders, the relevant Shareholders will be asked to vote on a Special Resolution to approve the passing of the Resolutions at the First GM and the Second GM and to any variation to the special rights attached to their Shares resulting from the amendments to the Articles proposed pursuant to the Proposals.

At the First General Meeting a Special Resolution will be proposed to: (i) reclassify the Shares in accordance with Elections and to amend the Articles for the purposes of implementing the Scheme; and (ii) sanction the Scheme and authorise its implementation by the Liquidators.

At the Second General Meeting a Special Resolution will be proposed to approve the winding-up of the Company on the Effective Date, appoint the Liquidators and confer the appropriate powers on them to implement the Scheme and put the Company into liquidation.

At each Meeting a Special Resolution will be put requiring the approval of 75 per cent. or more of the votes cast at the relevant Meeting, whether in person or by proxy. At the Second General Meeting, Shareholders entitled to vote and who vote in favour of the winding-up Special Resolution shall collectively have such total number of votes on a poll as is one more than the number of votes required to be cast on such poll for the said resolution to be carried.

Quorum

The necessary quorum for the General Meeting of each of the Zero Dividend Shareholders, the Income Shareholders and the Capital Shareholders shall be two persons present in person at least holding or representing by proxy at least one-third in nominal value of the Shares to which that meeting relates (but at any adjourned meeting any Shareholder of the relevant class present in person or by proxy shall be a quorum). On a vote by show of hands, every Shareholder of the relevant class present in person or by proxy shall have one vote. On a poll vote, every member present in person or by proxy shall have one vote for each Share held by him/her.

The necessary quorum for the First General Meeting shall be two persons present in person or by proxy. On a vote by show of hands, every member present in person or by proxy shall have one vote. On a poll vote every member present in person or by proxy shall have one vote for each Share held by him/her.

The necessary quorum for the Second General Meeting shall be two persons present in person or by proxy. On a poll vote, Shareholders entitled to vote and who vote in favour of the winding-up Special Resolution shall collectively have such total number of votes as is one more than the number of votes which are required to be cast on such poll for the said resolution to be carried.

Adjournment of Meetings

In respect of each of the Meetings, if a quorum is not present within five minutes from the time appointed for holding the Meeting, or if during the meeting a quorum ceases to be present, the Meeting shall stand adjourned at such other time and place as the Board may determine. No notice of adjournment need be given if a Meeting is adjourned for less than 30 days or a new time is specified for the adjourned meeting. Forms of Proxy and CREST Proxies will also be valid at any adjourned Meeting.

Forms of Proxy

Whether or not Shareholders intend to attend the relevant Meetings, Shareholders who hold Shares in certificated form should complete and return the reply paid Forms of Proxy to the address set out thereon so as to arrive not later than 48 hours before the appointed time of the relevant Meeting.

Completion and return of the relevant Forms of Proxy will not prevent Shareholders who hold Shares in certificated form entitled to attend and vote at their respective Meetings from attending and voting in person at their respective Meetings, should they wish to do so. Shareholders should refer to the "Summary of Action to be Taken" on pages 7 and 8 for details instructions on the relevant Form(s) of Proxy for the class of Shares and/or Units which they hold.

CREST Proxies

Whether or not Shareholders intend to attend the relevant Meetings, Shareholders who hold Shares in uncertificated form should appoint a proxy by way of an electronic KPIN message, in accordance with the CREST Manual. CREST Proxies should be submitted no later than 48 hours before the appointed time of the relevant Meeting. Uncertificated Shareholders will not receive a Form of Proxy in the post, but uncertificated Shareholders can request a Form of Proxy is sent to them if necessary by contacting the Registrars Shareholder Helpline on 0333 207 6520 from within the UK, or +44 121 415 0904 if calling from outside the UK, between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline can provide information only regarding the completion of Forms of Proxy, submitting proxies electronically and/or completion of Forms of Election but cannot provide you with investment or tax advice.

Forms of Election

Electing Shareholders holding their Shares in certificated form (other than Restricted Persons) will find enclosed with this document a Form of Election enabling such Shareholder to elect for the various Options available under the Scheme. Electing Shareholders wishing to make an Election should read the applicable Form of Election carefully, complete the appropriate boxes and return the Form of Election by post in the

enclosed reply paid envelope for Shareholders and Unitholders with a UK registered address only or by post or by hand using your own envelope (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, as soon as possible **but in any event so as to arrive no later than 6.00 p.m. on 6 March 2017**. Shareholders should refer to the “Summary of Action to be Taken” on pages 7 and 8 for detailed instructions on the relevant Form(s) of Election for the class(es) of Shares and/or Units which they hold.

Shareholders who wish to receive the default Option set out in the section headed “Default Option” in Part I are encouraged to return a Form of Election notwithstanding the default arrangements.

The Forms of Election, once submitted, are irrevocable. No acknowledgement of receipt of documents will be given by or on behalf of the Company. The instructions printed on the Form of Election are deemed to form part of the Proposals.

Capital Shareholders and Restricted Persons holding Shares in certificated form will not be entitled to make Elections under the Proposals and will not be provided with a Form of Election. Capital Shareholders and Restricted Persons will be deemed to have elected for the Cash Option under the Scheme and will receive cash in the form of a cheque (out of the Liquidation Fund) under the Proposals (save that no cheque of less than £5.00 shall be despatched to any Shareholder).

Electing Shareholders holding their Shares in certificated form who do not complete and return a Form of Election in accordance with the instructions set out in this document and/or on the Form of Election by 6.00 p.m. on 6 March 2017 (other than Restricted Persons, who will be treated as stated in the section headed “Overseas Holders” below and, as summarised above, need take no action) will be deemed to have made such Elections as are set out under the section headed “Default Option” in Part I above.

Electing Shareholders wishing to make an Election should note that, if they hold Shares in both certificated and uncertificated form, they should complete the applicable Form of Election in respect of their certificated holding and send a TTE Instruction for their uncertificated holding. If any Shareholder holds Shares in uncertificated form, but under different member account IDs, they must send a TTE Instruction in respect of each member account ID. Similarly, Shareholders should complete a separate Form of Election for Shares held in certificated form but under different designations.

CREST Elections

Those Electing Shareholders intending to make an Election in respect of Shares held in uncertificated form should make their Election regarding those Shares by sending a TTE Instruction, as further described below. Shareholders are also referred to the CREST Manual published by Euroclear in this regard.

Electing Shareholders on the Register whose Shares are held in uncertificated form do not have to complete or return a Form of Election. Such Shareholders intending to make a CREST Election should however take (or procure to be taken) the action set out below to transfer (by means of a TTE Instruction) the number of Shares in respect of which they are making an Election to an escrow balance, specifying Equiniti Limited in its capacity as a CREST receiving agent (under its participant ID referred to below) as the escrow agent, as soon as possible and in any event so that the transfer to escrow settles not later than the time and date referred to below. If you are a CREST personal member, you should refer to your CREST sponsor before taking any action. Your CREST sponsor will be able to confirm details of your participant ID and the member account ID under which your Shares are held. In addition, only your CREST sponsor will be able to send the TTE Instruction to Euroclear in relation to the Shares subject to the Election.

Capital Shareholders and Restricted Persons holding Shares in uncertificated form will not be able to make valid CREST Elections and will receive cash through CREST (out of the Liquidation Fund) under the Proposals (save that no payment of less than £5.00 shall be made through CREST to any Shareholder).

Electing Shareholders holding their Shares in uncertificated form, who have not made a valid CREST Election by 6.00 p.m. on 6 March 2017 (other than Restricted Persons, who will be treated as stated in the section headed “Overseas Holders” below and, as summarised above, need take no action) will be deemed to have made such Elections as are set out under the section headed “Default Option” in Part I above.

Electing Shareholders wishing to make an Election should note that, if they hold Shares in both certificated and uncertificated form, they should complete a Form of Election in respect of their certificated holding and send a TTE Instruction for their uncertificated holding. If any Shareholder holds Shares in uncertificated form, but under different member account IDs, they must send a TTE Instruction in respect of each member account ID. Similarly, Shareholders should complete a separate Form of Election for Shares held in certificated form but under different designations.

By making a CREST Election, each Electing Shareholder (i) agrees that any Election shall be irrevocable (ii) represents and warrants that any Election is valid and binding and is made in accordance with any applicable legal requirements and (iii) confirms that he/she is not a Restricted Person. This paragraph shall constitute part of a collateral contract between the relevant Shareholder, the Company, M&G Securities, JPMorgan Elect and the Liquidators.

By making a CREST Election each Electing Shareholder confirms that he/she has read, understood and retained the Circular. Each Electing Shareholder who makes a CREST Election for a Rollover Fund:

- declares, in respect of an individual, that he/she is 18 years of age or over;
- confirms that he/she wishes to receive Securities in the relevant Rollover Fund on the conditions set out in the Prospectus (in relation to JPMorgan Elect Shares) or the applicable KIID (in relation to the M&G OEIC Shares) and this Circular;
- confirms that he/she has read the section on anti-money laundering below;
- confirms that he/she will be the beneficial owner of the Securities in the relevant Rollover Fund, or agrees to contact M&G Securities and/or JPMorgan Elect as applicable to obtain a beneficial owner confirmation form to complete and return if he/she will hold the Securities in the relevant Rollover Fund on behalf of someone else. M&G Securities' contact details are set out at the back of the enclosed KIIDs and JPMorgan Elect's contact details are set out in the enclosed Prospectus;
- confirms that he/she is not resident in the United States of America and agrees to notify M&G Securities and/or JPMorgan Elect as applicable immediately in the event that he/she becomes resident in the United States of America; and
- confirms that he/she has received and read the relevant KIIDs (in the case of the M&G Rollover Funds) or Prospectus (in the case of JPMorgan Elect).

Anti-money laundering verification

Shareholders' identities will be verified for anti-money laundering purposes. This may include obtaining information about Shareholders from a credit reference agency and this information will only be used to verify a Shareholder's identity.

Data Protection Act

Shareholders who elect to receive Securities, will have information relating to them disclosed to, and held by, M&G Securities and/or JPMorgan Elect and JPMF. Such information will be used for administering the Shareholder's investment in the relevant Rollover Fund, for fraud prevention and to analyse the Shareholder's investment needs. This information may be disclosed to M&G Securities' and/or JPMorgan Elect's service providers, regulators and to other Prudential Group Companies. Shareholders have a right to apply for a copy of the information that may be held about them.

Instructions for Zero Dividend Shareholders

TTE Instructions should be sent to Euroclear, and should be properly authenticated in accordance with Euroclear's specifications and contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number of Zero Dividend Shares to be transferred to an escrow account;
- the ISIN for the Zero Dividend Shares, which is GB0005533228;
- your participant ID;
- your member account ID;
- the relevant participant ID of the Registrar, which is 6RA92;
- the member account specific to the Option required, which is:
 - MGROWTH for the JPMorgan Elect Managed Growth Shares Option
 - MINCOME for the JPMorgan Elect Managed Income Shares Option
 - MCASHSHS for the JPMorgan Elect Managed Cash Shares Option
 - UKINC for the M&G UK Income Distribution Fund Option
 - STCRP for the M&G Strategic Corporate Bond Fund Option
 - DIVFD for the M&G Dividend Fund Option
 - CASH for the Cash Option
- the corporate action number for the Proposals, which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date for the transfer to escrow, which should be as soon as possible and in any event no later than 6.00 p.m. on 6 March 2017;
- contact name and telephone number inserted at the beginning of the shared note field; and
- input with standard delivery instruction priority of 80.

Instructions for Income Shareholders

TTE Instructions should be sent to Euroclear, and should be properly authenticated in accordance with Euroclear's specifications and contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number of Income Shares to be transferred to an escrow account;
- the ISIN for the Income Shares, which is GB0005532816;
- your participant ID;
- your member account ID;
- the relevant participant ID of the Registrar, which is 6RA67;
- the member account specific to the Option required, which is:
 - MGROWTH for the JPMorgan Elect Managed Growth Shares Option
 - MINCOME for the JPMorgan Elect Managed Income Shares Option

- MCASHSHS for the JPMorgan Elect Managed Cash Shares Option
- UKINC for the M&G UK Income Distribution Fund Option
- STCRP for the M&G Strategic Corporate Bond Fund Option
- DIVFD for the M&G Dividend Fund Option
- CASH for the Cash Option
- the corporate action number for the Proposals, which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date for the transfer to escrow, which should be as soon as possible and in any event no later than 6.00 p.m. on 6 March 2017;
- contact name and telephone number inserted at the beginning of the shared note field; and
- input with standard delivery instruction priority of 80.

Instructions for Package Unitholders

TTE Instructions should be sent to Euroclear, and should be properly authenticated in accordance with Euroclear's specifications and contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number of Package Units to be transferred to an escrow account;
- the ISIN for the Package Units, which is GB0005533004;
- your participant ID;
- your member account ID;
- the relevant participant ID of the Registrar, which is 6RA97;
- the member account specific to the Option required, which is:
 - MGROWTH for the JPMorgan Elect Managed Growth Shares Option
 - MINCOME for the JPMorgan Elect Managed Income Shares Option
 - MCASHSHS for the JPMorgan Elect Managed Cash Shares Option
 - UKINC for the M&G UK Income Distribution Fund Option
 - STCRP for the M&G Strategic Corporate Bond Fund Option
 - DIVFD for the M&G Dividend Fund Option
 - CASH for the Cash Option
- the corporate action number for the Proposals, which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date for the transfer to escrow, which should be as soon as possible and in any event no later than 6.00 p.m. on 6 March 2017;
- contact name and telephone number inserted at the beginning of the shared note field; and
- input with standard delivery instruction priority of 80.

Instructions for Income & Growth Unitholders

TTE Instructions should be sent to Euroclear, and should be properly authenticated in accordance with Euroclear's specifications and contain, in addition to other information that is required for the TTE Instruction to settle in CREST, the following details:

- the number of Income & Growth Units to be transferred to an escrow account;
- the ISIN for the Income & Growth Units, which is GB0005532923;
- your participant ID;
- your member account ID;
- the relevant participant ID of the Registrar, which is 6RA98;
- the member account specific to the Option required, which is:
 - MGROWTH for the JPMorgan Elect Managed Growth Shares Option
 - MINCOME for the JPMorgan Elect Managed Income Shares Option
 - MCASHSHS for the JPMorgan Elect Managed Cash Shares Option
 - UKINC for the M&G UK Income Distribution Fund Option
 - STCRP for the M&G Strategic Corporate Bond Fund Option
 - DIVFD for the M&G Dividend Fund Option
 - CASH for the Cash Option
- the corporate action number for the Proposals, which is allocated by Euroclear and can be found by viewing the relevant corporate action details in CREST;
- the intended settlement date for the transfer to escrow, which should be as soon as possible and in any event no later than 6.00 p.m. on 6 March 2017;
- contact name and telephone number inserted at the beginning of the shared note field; and
- input with standard delivery instruction priority of 80.

Election Queries

If you have any queries relating to CREST Elections, the completion of Form(s) of Election and/or require additional Form(s) of Election please contact the Registrars Shareholder Helpline on 0333 207 6520 from within the UK, or +44 121 415 0904 if calling from outside the UK, between 8.30 a.m. and 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the UK will be charged at the applicable international rates. Calls may be recorded and randomly monitored for security and training purposes. The Shareholder Helpline can provide information only regarding the completion of Forms of Proxy, submitting your proxies electronically and/or completion of Forms of Election but cannot provide you with investment or tax advice.

Planholders

Planholders should refer to the documentation sent separately by M&G which advises Planholders of their options and steps to be taken by them.

Overseas Holders

The terms of the Proposals, as they relate to Restricted Persons and Overseas Holders, may be affected by laws of the relevant jurisdiction. Restricted Persons and Overseas Holders should inform themselves of, and observe, any applicable legal requirements.

Restricted Persons will not be provided with a Form of Election, a Prospectus in relation to JPMorgan Elect or a KIID in relation to any of the M&G Rollover Funds and, to the extent entitled, will receive cash out of the Liquidation Fund as a result of the Proposals unless they have satisfied the Directors and, in the case of the JPMorgan Elect Options, the directors of JPMorgan Elect, that it is lawful for the Rollover Funds to issue Securities to them under any relevant overseas laws and regulations.

It is the responsibility of Restricted Persons and Overseas Holders to satisfy themselves as to the full observance of the laws of the relevant jurisdiction in connection with the Proposals, including the obtaining of any governmental or other consents which may be required, compliance with necessary formalities and the payment of any issue, transfer or other taxes due to such jurisdiction.

The provisions of this document relating to Restricted Persons and Overseas Holders and to persons holding Shares and/or Units on behalf of overseas persons may be waived, varied or modified as regards a specific Shareholder and/or Unitholder or on a general basis by the Company in its absolute discretion.

Shareholders who are subject to taxation outside the United Kingdom should consult their tax advisers as to the tax consequences of the Proposals for them.

Further information in relation to Restricted Persons and Overseas Holders is set out in paragraph 4 of Part VII of this document.

Mandate Transfer

Each mandate in force duly notified to the Company as at the Record Date relating to payment of dividends in relation to the Income Shares and each instruction relating to the Zero Dividend Shares, Income Shares and Capital Shares then in force as to notices and communication preferences from the Company will, unless and until varied or revoked, be deemed, from and including the Effective Date, to be a valid and effective mandate or instruction to JPMorgan Elect in relation to the JPMorgan Elect Shares allotted and issued to such Shareholders and Unitholders in accordance with the Scheme, except to the extent that a Shareholder already holds JPM Elect Shares at the Record Date (and Equiniti is able to match such holdings), in which case any mandates and instructions in relation to those existing JPMorgan Elect Shares will also apply to JPM Elect Shares to be received by that Shareholder under the terms of the Scheme.

PART III - DETAILS OF THE PROPOSALS

Entitlements of Shareholders and Unitholders under the Scheme

Entitlements of Zero Dividend Shareholders

In accordance with the Articles, Zero Dividend Shareholders are entitled to 122.83224 pence per Zero Dividend Share on a winding-up of the Company. If the assets of the Company were to give rise to less than 122.83224 pence per Zero Dividend Share then the Zero Dividend Shareholders would be entitled to all of the assets of the Company available for distribution to Shareholders.

The number of Securities of a particular Rollover Fund which each Zero Dividend Shareholder electing to roll over into such Securities will be entitled to receive will be calculated (on the Calculation Date for the JPMorgan Elect Options and two days later for the M&G OEIC Options) by multiplying the Terminal Asset Value per Zero Dividend Share by the number of Zero Dividend Shares in respect of which such Shareholder has made or is deemed to have made an Election for such Securities, and dividing the product by the Rollover Price for the relevant class of Security.

In the event that Zero Dividend Shareholders do not return a Form of Election by 6.00 p.m. on 6 March 2017 or the Form of Election is not validly completed, such Zero Dividend Shareholders (except Restricted Persons who will be deemed to have chosen the Cash Option) will be deemed to have chosen the M&G UK Income Distribution Option in respect of their entire holding of Zero Dividend Shares. Where Zero Dividend Shareholders have made a valid Election in respect of only part of their holding, they will be deemed to have chosen the M&G UK Income Distribution Option for the remainder of their holding.

Entitlements of Income Shareholders

In accordance with the Articles, following the satisfaction of the final entitlements of the Zero Dividend Shareholders, Income Shareholders will be entitled to 70 pence per Income Share plus the amount, if any, standing to the credit of the Company's revenue reserves and the amount of the undistributed revenue profits of the Company. For the avoidance of doubt the revenue profits will be determined after deduction of the Third Interim Dividend. Income Shareholders should note that based on the attributable value as at the Latest Practicable Date, the entitlement to 70 pence per Income Share is not fully met and it is reasonably expected that this will be the case as at the Calculation Date.

If the surplus assets of the Company as calculated as at the Calculation Date are insufficient to pay the final entitlements per Income Share in full, the amount to which each Income Shareholder will be entitled on the liquidation of the Company shall be reduced on a pro rata basis in proportion to their holding of Income Shares.

The number of Securities of a particular class which each Income Shareholder electing to roll over into such Securities will be entitled to receive will be calculated (on the Calculation Date for the JPMorgan Elect Options and two days later for the M&G OEIC Options) by multiplying the Terminal Asset Value per Income Share by the number of Income Shares in respect of which such Shareholder has made or is deemed to have made an Election for such Securities, and dividing the product by the Rollover Price for the relevant class of Security.

In the event that Income Shareholders do not return a Form of Election by 6.00 p.m. on 6 March 2017 or the Form of Election is not validly completed, such Income Shareholders (except Restricted Persons who will be deemed to have chosen the Cash Option) will be deemed to have chosen the M&G UK Income Distribution Option in respect of their entire holding of Income Shares. Where Income Shareholders have made a valid Election in respect of only part of their holding, they will be deemed to have chosen the M&G UK Income Distribution Option for the remainder of their holding.

Entitlements of Capital Shareholders

In accordance with the Articles, the Capital Shareholders will be entitled to receive the balance of the net assets of the Company (if any) after payment to the Zero Dividend Shareholders and Income Shareholders of their final entitlements.

The entitlement of each Capital Shareholder per Capital Share held will be the Terminal Asset Value per Capital Share (if any) which shall be calculated as at the Calculation Date by deducting from the assets of the Company the expenses of the Scheme payable by the Company and the amount to be appropriated to the Liquidation Fund.

Capital Shareholders will receive any entitlements in the liquidation of the Company as cash payments and will not be able to elect for Securities in the Rollover Funds. As at the Latest Practicable Date the Capital Shares have no value and it is reasonably expected that this will be the case at the winding-up date of 17 March 2017.

Entitlements of Unitholders

Shareholders holding their Shares in the form of Units will be entitled to, in respect of each Unit, an amount equal to the Terminal Asset Value per Zero Dividend Share in respect of the Zero Dividend Share component element of a Package Unit, an amount equal to the Terminal Asset Value per Income Share in respect of the Income Share component element of a Unit and an amount equal to the Terminal Asset Value per Capital Share (if any) in respect of the Capital Share component element of a Unit.

The number of Securities of a particular Rollover Fund which Unitholders electing to roll over into such Securities will be entitled to receive will be calculated (as at the Calculation Date for the JPMorgan Elect Options and two days later for the M&G OEIC Options) by multiplying the Terminal Asset Value per Share of the Zero Dividend Share, Income Share and/or Capital Share (as applicable) comprised in each Unit by the number of such Units in respect of which such Unitholder has made or is deemed to have made an Election for such Securities, and dividing the product by the Rollover Price for the relevant class of Security.

In the event that Unitholders do not return a Form of Election by 6.00 p.m. on 6 March 2017 or the Form of Election is not validly completed, such Unitholders (except Restricted Persons who will be deemed to have chosen the Cash Option) will be deemed to have chosen the M&G UK Income Distribution Option in respect of their entire holding of Units. Where Unitholders have made a valid Election in respect of only part of their holding, they will be deemed to have chosen the M&G UK Income Distribution Option for the remainder of their holding.

Issue Pricing

As noted in the section headed "Risk Factors Relating To The Proposals", Shareholders should note that while quoted securities held by the Company which may be transferred to JPMorgan Elect in consideration for the issue of the JPMorgan Elect Shares under the Scheme are valued on mid-market prices by the Company, they will be valued on a bid price basis by JPMorgan Elect when calculating the number of JPMorgan Elect Shares to be issued. The bid price is lower than the mid-market price and accordingly the different method of valuation will have a negative effect, albeit marginal, on the deemed value of the entitlements of those Shareholders and Unitholders who have made an Election for the JPMorgan Elect Options and the number of JPMorgan Elect Shares they receive.

Rounding

Where necessary, fractional entitlements to a Security shall be dealt with as follows:

- where the Rollover Fund is JPMorgan Elect, fractional entitlements shall be rounded down to the nearest whole number of the relevant Security. Any monetary amounts in respect of fractional entitlements will be paid to JPMorgan Elect without further JPMorgan Elect Managed Growth Shares, JPMorgan Elect Managed Income Shares and/or JPMorgan Elect Managed Cash Shares being issued; and
- where the Rollover Fund is an M&G Rollover Fund the Securities issued shall be rounded up to 3 decimal places.

Illustrative entitlement to Securities and cash

For illustrative purposes only, if the Calculation Date had been the Latest Practicable Date, the unaudited net asset value of the Company would have been £445.6 million (calculated on a mid-price basis and providing for the estimated winding up expenses to be incurred by the Company of £350,000, the Second Interim Dividend of £3.9 million, being 1.55 pence per Income Share, and a Retention of £50,000). This unaudited net asset value figure also excludes the remaining undistributed revenue profits as at the Latest Practicable Date after taking account of the Second Interim Dividend, which will be paid to holders of Income Shares pursuant to the Third Interim Dividend prior to the implementation of the Scheme. Accordingly, as at the Latest Practicable Date, the Terminal Asset Value per Zero Dividend Share would have been 122.83 pence, the Terminal Asset Value per Income Share would have been 55.04 pence, the Terminal Asset Value per Capital Share would have been zero pence, the value attributable to each Package Unit would have been 177.88 pence, being the aggregate of the Terminal Asset Value per Income Share per Capital Share and per Zero Dividend Share, and the value attributable to each Income & Growth Unit would have been 55.04 pence, being the aggregate of the Terminal Asset Value per Income Share and the Terminal Asset Value per Capital Share.

Had the Proposals been effected on the Latest Practicable Date and on the basis of the assumptions set out below, the following table illustrates the maximum number of each class of Securities, or cash where the Cash Option is chosen, to which a Shareholder or Unitholder who held 1,000 Shares or Units would have been entitled if they were to choose only that class of Security or only the Cash Option. For the avoidance of doubt, if a Shareholder or Unitholder were to choose more than one class of Security, or if a Shareholder or Unitholder were to choose the Cash Option and one or more class of Security, they would not receive the amount of Securities or cash in the table below, but would instead receive a reduced number of the relevant class of Securities or cash calculated in accordance with the applicable Conversion Ratio and their multiple elections.

	For every 1,000 Zero Dividend Shares	For every 1,000 Income Shares	For every 1,000 Capital Shares	For every 1,000 Income & Growth Units	For every 1,000 Package Units
Entitlement to JPMorgan Elect Managed Growth Shares	168	75	N/A	75	243
Entitlement to JPMorgan Elect Managed Income Shares	1,100	493	N/A	493	1,593
Entitlement to JPMorgan Elect Managed Cash Shares	1,198	536	N/A	536	1,734
Entitlement to M&G UK Income Distribution Fund R Income Shares	990.503	443.875	N/A	443.875	1,434.378
Entitlement to receive M&G Strategic Corporate Bond Fund R Income Shares	1,115.339	499.818	N/A	499.818	1,615.157
Entitlement to receive M&G Dividend Fund R Income Shares	1,006.245	450.930	N/A	450.930	1,457.174
Cash Option (entitlement to cash)	£1,228.32	£550.45	£0.00	£550.45	£1,778.77

Assumptions:

For the purposes of calculating the Illustrative Entitlements above, the following assumptions have been used. The amounts have been calculated on information as at the Latest Practicable Date and should not be regarded as profit forecasts:

- (1) The assets of the Company and the Terminal Asset Value per Zero Dividend Share, the Terminal Asset Value per Income Share and the Terminal Asset Value per Capital Share are as set out in the first paragraph in this section;
- (2) The number of Zero Dividend Shares in issue was 250,503,505;

- (3) The number of Income Shares in issue was 250,503,505;
- (4) The number of Capital Shares in issue was 250,503,505;
- (5) Elections for the JPMorgan Elect Options were £40 million in aggregate and accordingly the JPMorgan Elect Issue Premium was one per cent. (for the purposes of calculating Shareholder and Unitholder entitlements to the JPMorgan Elect Shares), i.e. the highest rate of JPMorgan Elect Issue Premium applies;
- (6) The net asset value per JPMorgan Elect Managed Growth Share was 723.05 pence;
- (7) The net asset value per JPMorgan Elect Managed Income Share was 110.51 pence;
- (8) The net asset value per JPMorgan Elect Managed Cash Share was 101.51 pence;
- (9) The Rollover Price per JPMorgan Elect Managed Growth Share was 730.28 pence;
- (10) The Rollover Price per JPMorgan Elect Managed Income Share was 111.62 pence;
- (11) The Rollover Price per JPMorgan Elect Managed Cash Share was 102.53 pence;
- (12) The share price (and Rollover Price) per M&G UK Income Distribution Fund R Income Share was 124.01 pence;
- (13) The share price (and Rollover Price) per M&G Strategic Corporate Bond Fund R Income Share was 110.13 pence;
- (14) The share price (and Rollover Price) per M&G Dividend Fund R Income Share was 122.07 pence; and
- (15) Securities comprised in the JPMorgan Elect Rollover Fund are not revalued on a bid price basis for the purpose of calculating the illustrative entitlements to JPMorgan Elect Shares.

It should be noted that the Terminal Asset Value of each class of Share cannot be calculated until the Calculation Date, and accordingly may be different from the illustrative values set out above. Such illustrative values should not be regarded as a forecast of the actual Terminal Asset Value of such Shares which may differ from the illustrative values due to market movements and realisation costs, amongst other factors. In particular, unless the total assets of the Company as at the Calculation Date exceed the prior ranking entitlements of the Zero Dividend Shareholders and Income Shareholders, Capital Shares will have no value upon the winding-up of the Company and in these circumstances they would not be entitled to receive any cash payment, irrespective of the deemed election for the Cash Option under the Scheme.

The Scheme, pursuant to which Shareholders will receive their entitlements under the Proposals, is set out in Part IV of this document.

Mechanics of the Proposals

In order to effect the reconstruction of the Company, it is necessary for a Special Resolution to be proposed at each General Meeting (which sanctions the amendments to the Articles and the associated variation of rights, and the passing of the Resolutions at the First GM and Second GM) to be passed, for a Special Resolution to be proposed at the First GM (which, inter alia, reclassifies the Shares, amends the Articles for the purpose of implementing the Scheme, approves the Scheme and authorises its implementation by the Liquidators) to be passed and for a Special Resolution to be proposed at the Second GM (which, inter alia, appoints the Liquidators to wind up the Company on the Effective Date) to be passed. Subject to the passing of such Resolutions and the other conditions in Paragraph 15 of the Scheme in Part IV of this document being satisfied, the Scheme then takes effect automatically upon the Effective Date. The liabilities of the Company, including the obligation to repay the Prefunding Amount to M&G Securities, will be satisfied out of the Company's cash resources and from the proceeds of realisation of securities in the portfolio and will be paid out of the Liquidation Fund. The Liquidators will also provide in the Liquidation Fund for a Retention which they consider sufficient to meet any unascertained or unknown liabilities of

the Company. Further, for technical reasons the Liquidation Fund will also contain amounts required to purchase the interests of any Shareholders or Unitholders who have validly dissented from the Scheme plus, for technical reasons, the entitlements of Capital Shareholders, the entitlements of Restricted Persons and the entitlements of Shareholders who have validly elected for the Cash Option.

For the purposes of the Terminal Asset Value, the Liquidators have agreed to take into account the dividends from underlying investments which have been quoted ex-dividend, but which the Company has not received, as at the Calculation Date, subject to M&G prefunding this dividend stream for the Company.

The remaining assets of the Company will be divided into separate and distinct Funds representing the segregated businesses of the Company. Such assets will then be transferred, in proportion to the relevant number of Elections made (or deemed to be made) by Electing Shareholders, to the respective Rollover Funds in consideration for the issue by the Rollover Funds of Securities to Electing Shareholders, in proportion to the number of Shares in respect of which Elections have been made (or deemed to be made) by Electing Shareholders. Where necessary, fractional entitlements to a Security shall be dealt with as follows:

- where the Rollover Fund is JPMorgan Elect, fractional entitlements shall be rounded down to the nearest whole number of the relevant Security; and
- where the Rollover Fund is an M&G Rollover Fund the Securities issued shall be rounded up to 3 decimal places.

In order to implement the Proposals, the Articles will need to provide for the reclassification of the existing Zero Dividend Shares, Income Shares, and Capital Shares as Reclassified Shares bearing the relevant rights reflecting the Elections of the holders of such Shares under the Scheme.

The Liquidation Fund will be in the form of cash and/or liquid assets which the Liquidators can utilise in meeting the liabilities of the Company, including liquidation expenses.

A summary of the Transfer Agreements whereby the assets of the Company will be transferred to the Rollover Funds is set out under the heading “The Transfer Agreements” below.

Management and administration agreements

The Company has given notice for the termination of the existing agreement for investment management services (“**Investment Manager Agreement**”) between the Company and M&G Securities.

The notice given in respect of the Investment Manager shall take effect on the Effective Date and M&G Securities has waived its right to receive any termination payment in relation to the termination of the Investment Manager Agreement.

Liquidation Fund

Under the Proposals, before transferring the assets of the Company to the Rollover Funds or setting aside any such assets to pay Shareholders or Unitholders who have elected (or are deemed to have elected) for cash pursuant to the Cash Option, the Liquidators will set aside assets in the Liquidation Fund which they consider sufficient to meet the Company’s known actual and contingent liabilities (including those described in the section headed “Potential recovery of VAT” below), the costs of purchasing the interests of any Shareholders who have validly dissented from the Scheme.

The Liquidators will also provide in the Liquidation Fund for a Retention which they consider sufficient to meet any unascertained and unknown liabilities of the Company. The Retention is currently expected to amount to approximately £50,000.

To the extent dividends from investments held in the Company’s portfolio have been declared (and as such the investments are quoted ex-dividend) in the period to 17 February 2017 but not paid as at the date on which the Third Interim Dividend is paid, M&G Securities will make a payment to the Company to enable the amount of such declared but unpaid dividends to be included in the Third Interim Dividend. M&G Securities will also make a payment to the Company in respect of dividends declared (and where the investments are

quoted ex-dividend) after 17 February 2017 but unpaid on the Calculation Date, to enable the amount of such declared but unpaid dividends to be included in the Terminal Asset Value. Both such amounts paid by M&G Securities to the Company shall be the “**Prefunding Amount**”. In return, as and when such dividends are received by the Company, they will be used to repay to M&G Securities the Prefunding Amount. To the extent that the dividends received are different to the amounts prefunded due to changes in exchange rates the amount repaid to M&G may be more or less than the amount prefunded for that dividend. To the extent there is a shortfall, due to certain dividends not having been received, between the Prefunding Amount and the amount of dividends the Company actually receives and pays to M&G Securities, such shortfall may be made good out of other assets of the Company, including any VAT reclaim.

Any balance in the Liquidation Fund, after settlement of all creditors and after settlement of the entitlements of Shareholders and Unitholders in accordance with the Scheme, will be paid by the Liquidators in one or more cash distributions to Shareholders and Unitholders on the Register as at the Effective Date in accordance with their rights under the Articles and provided that no payments of less than £5.00 shall be made to any Shareholder or Unitholder. Any such residual amounts shall be paid to Marie Curie, a charity with Registered Charity Number 207994, formed to provide care and support for people living with any terminal illness, and their families. All such distributions shall be paid by cheque only. The decision as to when to finalise the liquidation shall be at the entire discretion of the Liquidators.

Potential recovery of VAT

The Company issued proceedings against HMRC on 29 September 2009 regarding the Company's claim for the recovery of VAT previously paid on investment management fees. These proceedings were stood over pending the outcome of similar litigation being brought on behalf of a number of investment trusts in liquidation. The judgement of the Supreme Court in relation to this action is expected in early 2017 but has not been issued as yet. Any such amounts recovered (net of any costs of such recovery including costs for keeping the liquidation open to recover such amounts, as more fully explained below, and of any tax) will be distributed, in cash, by the Liquidators to Shareholders and Unitholders in accordance with their rights under the Articles.

The pursuit of recovery of any such amounts of VAT and any interest received may result in the liquidation being kept open in the order of 24 months. It is anticipated that the additional costs of doing so will be approximately £51,038 per annum including liquidator costs, registrar's costs for maintaining the shareholder register, custody charges and any potential tax compliance costs (plus any applicable VAT thereon). In addition, legal fees in relation to the VAT claim and registrar's fees in relation to making the distributions at the end of the liquidation are expected to be approximately £146,000 (plus any applicable VAT thereon). The VAT the Company is seeking to reclaim is in the region of £439,719 together with any applicable interest. Any such monies will be dealt with in the same way as the VAT Reclaim (described above).

The Transfer Agreements

The Transfer Agreements are expected to be entered into on the Effective Date between the Company, the Liquidators and each relevant Rollover Fund (and their depositaries, where relevant).

The Transfer Agreements provide, inter alia, that the relevant assets of the Company are to be transferred to the Rollover Funds in consideration for the issue by the Rollover Funds of Securities to the Shareholders and Unitholders entitled to them under the Scheme. In the case of JPMorgan Elect, the number of Securities to be allotted will be determined by the value of the assets transferred to JPMorgan Elect as at 5.00 p.m. on the Calculation Date. In the case of the M&G Rollover Funds the number of Securities to be allotted will be determined by the value of the assets transferred as at 12 noon on 17 March 2017.

The Company will comply with all reasonable requests made by the Rollover Funds in respect of the assets to be transferred to them. Dividends from stocks owned on the calculation date that are quoted ex-dividend on 16 March 2017 will be transferred to the relevant Rollover Fund when received.

The dividends taken into account in the Terminal Asset Value and received after the Effective Date shall be paid to M&G in return for M&G's agreement to pre-fund these for the purposes of calculating the Terminal Asset Value.

London Stock Exchange dealings and settlement

An amendment will be made to the Official List to reflect the reclassification of the Shares as Reclassified Shares. It is expected that dealings in the Reclassified Shares will commence at 8.00 a.m. on 16 March 2017 and that dealings in the Reclassified Shares will be suspended at 7.30 a.m. on 17 March 2017 before the Company is placed into liquidation. No documents of title will be issued in respect of the Reclassified Shares. All Reclassified Shares will be in registered form.

The Register will be closed at 6.00 p.m. on Monday 6 March 2017. Transfers lodged with the Registrar prior to that time, accompanied by documents of title, will be registered in the normal way. Transfers lodged with the Registrar after that time, will not be registered whilst the Register is closed, but will be registered when the Register reopens (which is expected to happen on 16 March 2017). If any of the Special Resolutions to be proposed at the General Meetings of the Shareholders or the Special Resolution to be proposed at the First GM are not passed, the Register will remain closed from 6 March 2017 and will not reopen on 16 March 2017.

Shareholders should be aware that dealings in Shares on the London Stock Exchange from 6 March 2017 should be for cash settlement only and will be registered, in the case of Shares held in certificated form, in the normal way if documents of title are delivered immediately. If Shareholders dispose of Shares otherwise than through the London Stock Exchange they must make their own arrangements with the other parties concerned as regards entitlements under the Proposals.

CREST accounts are expected to be credited with cash in respect of the Cash Option on or as soon as practicable after 21 March 2017 and cheques in respect of the Cash Option are expected to be despatched on or as soon as practicable after 21 March 2017. No payment of less than £5.00 shall be made to any Shareholder, with the result that any Shareholder who holds Shares in certificated or uncertificated form and has elected (or is deemed to have elected) for the Cash Option and would otherwise be entitled to an amount of less than £5.00 in respect of such Shares shall no longer be entitled to such amount. Securities issued in uncertificated form are expected to be credited to the stock accounts in CREST of the persons entitled thereto in respect of a JPMorgan Elect Option on 21 March 2017.

Certificates, deal confirmations and documents

Certificates in respect of Securities issued in certificated form in respect of the JPMorgan Elect Options are expected to be despatched in the week commencing Monday 27 March 2017, or as soon as practicable thereafter. After the despatch to Electing Shareholders of certificates in relation to the Securities issued to them, under the Proposals, existing certificates in respect of Shares will cease to be of value for any purpose and any existing credit of Shares in any stock account in CREST will be cancelled.

Confirmation letters in respect of Securities issued in uncertificated form in respect of the M&G OEIC Options are expected to be despatched on or around Monday, 20 March 2017.

All documents and remittances despatched to or from Shareholders or their appointed agents will be despatched at the Shareholders' own risk.

PART IV - THE SCHEME

- (1) Definitions set out in the section of this document headed "Definitions" have the same meanings in this Scheme. In addition:
- (i) the "A Fund" (*JPMorgan Elect Managed Growth*) shall mean the fund (as determined below) to which shall be appropriated the undertaking (including assets) of the Company attributable to the holders of Reclassified Shares with Z1 Rights, I1 Rights and C1 Rights;
 - (ii) the "B Fund" (*JPMorgan Elect Managed Income*) shall mean the fund (as determined below) to which shall be appropriated the undertaking (including assets) of the Company attributable to the holders of Reclassified Shares with Z2 Rights, I2 Rights and C2 Rights;
 - (iii) the "C Fund" (*JPMorgan Elect Managed Cash*) shall mean the fund (as determined below) to which shall be appropriated the undertaking (including assets) of the Company attributable to the holders of Reclassified Shares with Z3 Rights, I3 Rights and C3 Rights;
 - (iv) the "D Fund" (*M&G UK Income Distribution Fund*) shall mean the fund (as determined below) to which shall be appropriated the undertaking (including assets) of the Company attributable to the holders of Reclassified Shares with Z4 Rights, I4 Rights and C4 Rights;
 - (v) the "E Fund" (*M&G Strategic Corporate Bond Fund*) shall mean the fund (as determined below) to which shall be appropriated the undertaking (including assets) of the Company attributable to the holders of Reclassified Shares with Z5 Rights, I5 Rights and C5 Rights;
 - (vi) the "F Fund" (*M&G Dividend Fund*) shall mean the fund (as determined below) to which shall be appropriated the undertaking (including assets) of the Company attributable to the holders of Reclassified Shares with Z6 Rights, I6 Rights and C6 Rights; and
 - (vii) the "G Fund" (*Cash*) shall mean the fund (as determined below) to which shall be appropriated the undertaking (including assets) of the Company attributable to the holders of Reclassified Shares with Z7 Rights, I7 Rights and C7 Rights.
- (2) Subject to (a) the Special Resolution contained in the notice of each General Meeting and (b) the Special Resolution contained in the notice of the First GM being passed at such Meetings, or at any adjournments thereof, and with effect from the date and time on which the amendment to the Official List to reflect the reclassification of the Shares as Reclassified Shares, becomes effective by the making of the appropriate announcement in accordance with the Listing Rules of the UK Listing Authority:
- (i) the Zero Dividend Shares in respect of which holders have made valid Elections for the JPMorgan Elect Managed Growth Shares Option will have Z1 Rights attached to them;
 - (ii) the Income Shares in respect of which holders have made valid Elections for the JPMorgan Elect Managed Growth Shares Option will have I1 Rights attached to them;
 - (iii) the Income & Growth Units in respect of which holders have made valid Elections for the JPMorgan Elect Managed Growth Shares Option will have I1 Rights attached to them in respect of the Income Shares comprised in such Income & Growth Units, and C1 Rights attached to them in respect of the Capital Shares comprised in such Income & Growth Units;
 - (iv) the Package Units in respect of which holders have made valid Elections for the JPMorgan Elect Managed Growth Shares Option will have I1 Rights attached to them in respect of the Income Shares comprised in such Package Units, C1 Rights attached to them in respect of the Capital Shares comprised in such Package Units and Z1 Rights in respect of the Zero Dividend Shares comprised in such Package Units;

- (v) the Zero Dividend Shares in respect of which holders have made valid Elections for the JPMorgan Elect Managed Income Shares Option will have Z2 Rights attached to them;
- (vi) the Income Shares in respect of which holders have made valid Elections for the JPMorgan Elect Managed Income Shares Option will have I2 Rights attached to them;
- (vii) the Income & Growth Units in respect of which holders have made valid Elections for the JPMorgan Elect Managed Income Shares Option will have I2 Rights attached to them in respect of the Income Shares comprised in such Income & Growth Units and C2 Rights attached to them in respect of the Capital Shares comprised in such Income & Growth Units;
- (viii) the Package Units in respect of which holders have made valid Elections for the JPMorgan Elect Managed Income Shares Option will have I2 Rights attached to them in respect of the Income Shares comprised in such Package Units, C2 Rights attached to them in respect of the Capital Shares comprised in such Package Units and Z2 Rights in respect of the Zero Dividend Shares comprised in such Package Units;
- (ix) the Zero Dividend Shares in respect of which holders have made valid Elections for the JPMorgan Elect Managed Cash Shares Option will have Z3 Rights attached to them;
- (x) the Income Shares in respect of which holders have made valid Elections for the JPMorgan Elect Managed Cash Shares Option will have I3 Rights attached to them;
- (xi) the Income & Growth Units in respect of which holders have made valid Elections for the JPMorgan Elect Managed Cash Shares Option will have I3 Rights attached to them in respect of the Income Shares comprised in such Income & Growth Units and C3 Rights attached to them in respect of the Capital Shares comprised in such Income & Growth Units;
- (xii) the Package Units in respect of which holders have made valid Elections for the JPMorgan Elect Managed Cash Shares Option will have I3 Rights attached to them in respect of the Income Shares comprised in such Package Units, C3 Rights attached to them in respect of the Capital Shares comprised in such Package Units and Z3 Rights in respect of the Zero Dividend Shares comprised in such Package Units;
- (xiii) the Zero Dividend Shares in respect of which holders have made (or are deemed to have made) valid Elections for the M&G UK Income Distribution Fund Option will have Z4 Rights attached to them;
- (xiv) the Income Shares in respect of which holders have made (or are deemed to have made) valid Elections for the M&G UK Income Distribution Fund Option will have I4 Rights attached to them;
- (xv) the Income & Growth Units in respect of which holders have made (or are deemed to have made) valid Elections for the M&G UK Income Distribution Fund Option will have I4 Rights attached to them in respect of the Income Shares comprised in such Income & Growth Units and C4 Rights attached to them in respect of the Capital Shares comprised in such Income & Growth Units;
- (xvi) the Package Units in respect of which holders have made (or are deemed to have made) valid Elections for the M&G UK Income Distribution Fund Option will have I4 Rights attached to them in respect of the Income Shares comprised in such Package Units, C4 Rights attached to them in respect of the Capital Shares comprised in such Package Units and Z4 Rights in respect of the Zero Dividend Shares comprised in such Package Units;

- (xvii) the Zero Dividend Shares in respect of which holders have made valid Elections for the M&G Strategic Corporate Bond Fund Option will have Z5 Rights attached to them;
- (xviii) the Income Shares in respect of which holders have made valid Elections for the M&G Strategic Corporate Bond Fund Option will have I5 Rights attached to them;
- (xix) the Income & Growth Units in respect of which holders have made valid Elections for the M&G Strategic Corporate Bond Fund Option will have I5 Rights attached to them in respect of the Income Shares comprised in such Income & Growth Units and C5 Rights attached to them in respect of the Capital Shares comprised in such Income & Growth Units;
- (xx) the Package Units in respect of which holders have made valid Elections for the M&G Strategic Corporate Bond Fund Option will have I5 Rights attached to them in respect of the Income Shares comprised in such Package Units, C5 Rights attached to them in respect of the Capital Shares comprised in such Package Units and Z5 Rights in respect of the Zero Dividend Shares comprised in such Package Units;
- (xxi) the Zero Dividend Shares in respect of which holders have made valid Elections for the M&G Dividend Fund Option will have Z6 Rights attached to them;
- (xxii) the Income Shares in respect of which holders have made valid Elections for the M&G Dividend Fund Option will have I6 Rights attached to them;
- (xxiii) the Income & Growth Units in respect of which holders have made valid Elections for the M&G Dividend Fund Option will have I6 Rights attached to them in respect of the Income Shares comprised in such Income & Growth Units and C6 Rights attached to them in respect of the Capital Shares comprised in such Income & Growth Units;
- (xxiv) the Package Units in respect of which holders have made valid Elections for the M&G Dividend Fund Option will have I6 Rights attached to them in respect of the Income Shares comprised in such Package Units, C6 Rights attached to them in respect of the Capital Shares comprised in such Package Units and Z6 Rights in respect of the Zero Dividend Shares comprised in such Package Units;
- (xxv) the Zero Dividend Shares in respect of which holders have made (or are deemed to have made) valid Elections for the Cash Option will have Z7 Rights attached to them;
- (xxvi) the Income Shares in respect of which holders have made (or are deemed to have made) valid Elections for the Cash Option will have I7 Rights attached to them;
- (xxvii) the Capital Shares in respect of which holders are deemed to have made valid Elections for the Cash Option will have C7 Rights attached to them;
- (xxviii) the Income & Growth Units in respect of which holders have made (or are deemed to have made) valid Elections for the Cash Option will have I7 Rights attached to them in respect of the Income Shares comprised in such Income & Growth Units and C7 Rights attached to them in respect of the Capital Shares comprised in such Income & Growth Units;
- (xxix) the Package Units in respect of which holders have made (or are deemed to have made) valid Elections for the Cash Option will have I7 Rights attached to them in respect of the Income Shares comprised in such Package Units, C7 Rights attached to them in respect of the Capital Shares comprised in such Package Units and Z7 Rights in respect of the Zero Dividend Shares comprised in such Package Units;

The rights of the Shares following the passing of such resolutions will be as set out in Article 4A to be inserted in the Articles pursuant to the Special Resolution contained in the notice of the First GM and references to Shareholders shall be construed accordingly.

- (3) In advance of the Effective Date, the Company or M&G (or their agents) will have, to the extent practicable, realised or realigned the undertakings and business carried on by the Company in accordance with the Scheme and the Elections made or deemed to have been made thereunder so that, so far as practicable, the Company will hold, in addition to assets destined to become the Liquidation Fund, separate businesses in such a manner as will, on or before the Effective Date, be suitable for transfer, by virtue of the Transfer Agreements, to each of the relevant Rollover Funds.
- (4)
- (i) On or prior to the Effective Date, or as soon as practicable thereafter, M&G shall calculate the value of all the assets of the Company in accordance with paragraph 7 below as at 12 noon in London on the Calculation Date.
 - (ii) On the Effective Date, or as soon as practicable thereafter, the Company acting by its Liquidators shall:
 - (a) finalise the division of the undertaking, property and assets of the Company and appropriate them into six separate and distinct funds, namely the A Fund, B Fund, C Fund, D Fund, E Fund and F Fund (together the "Funds") and into the Liquidation Fund (which further to paragraph 4.ii(a)(i)(1)(G) below shall include the undertaking, property and assets allocated to the G Fund) as provided for and in the order specified below:
 - (i) first to the Liquidation Fund there shall be appropriated:
 - (1) Such cash and other assets of the Company (including dividends and interest due but not paid to the Company at the Calculation Date) which the Liquidators may call in, realise and convert into cash as they consider necessary, of a value estimated by the Liquidators to be sufficient to meet the Company's known and contingent liabilities, including (without prejudice to the generality of the foregoing):
 - (A) £350,000 in respect of the fixed costs to the Company of the Scheme;
 - (B) the ongoing administration costs of the Company in liquidation, such as custody and registrars' fees;
 - (C) any unclaimed dividends and any unpaid dividends;
 - (D) any outstanding costs associated with the realisation of the Company's assets;
 - (E) any tax and contingent liabilities of the Company;
 - (F) any other amounts considered by the Liquidators to be appropriate to provide for any other costs, expenses, liabilities or contingencies;
 - (G) the payments required to be made to Shareholders who elect (or are deemed to have elected) for the Cash Option and have Shares with I7 Rights, C7 Rights or Z7 Rights attached to them; and
 - (H) the costs of purchasing (or making provision for the purchase of) the interests of Shareholders who have validly exercised

their rights to dissent from this Scheme under section 111(2) of the Insolvency Act 1986, provided that the Liquidators will appropriate in respect of such costs or provision a pro rata share of the assets, undertaking and securities of the Company,

(such amounts calculated pursuant to paragraph 4.ii(a)(iii) below).

- (ii) to the Funds shall be appropriated all the undertaking, property and assets of the Company remaining after appropriation to the Liquidation Fund on the basis set out in paragraph 4.ii(a)(iii) below;
- (iii) the undertaking, property and assets of the Company attributable to each of the Funds and the sum referred to in paragraph 4.ii(a)(i)(1)(G) above (the "Cash Entitlement") shall be proportional, in terms of value, to the number of Shares of the appropriate class in respect of which Elections and deemed Elections have been made by the holders of Shares and/or Units for the relevant Rollover Funds or for the Cash Option calculated by reference to the relevant Terminal Asset Value per Share;
- (iv) on this basis, there shall be appropriated to each of the Funds such cash and other assets of the Company as the Company acting by its Liquidators in consultation with the other parties to the Transfer Agreements shall determine as being suitable for the purpose, and so as not to cause any infringement:
 - (1) in the case of JPMorgan Elect, of its articles, the Prospectus, or, as the case may be, the Listing Rules, and taking due account of its investment objectives and policies; or
 - (2) in the case of the M&G UK Income Distribution Fund, of the instrument of incorporation and the prospectus for M&G Investment Funds (2) or the COLL Regulations, and taking due account of its investment objective and policy; or
 - (3) in the case of M&G Strategic Corporate Bond Fund, of the instrument of incorporation and the prospectus for the Strategic Corporate Bond Fund or the COLL Regulations, and taking due account of its investment objective and policy; or
 - (4) in the case of M&G Dividend Fund, of the instrument of incorporation and the prospectus for M&G Investment Funds (3) or the COLL Regulations, and taking due account of its investment objective and policy.

Any class action rights or similar rights in respect of present or past investments of the Company shall accrue to the Liquidation Fund. The assets attributed to the G Fund within the Liquidation Fund shall bear any realisation costs in relation to assets allocated to it or held in it for the purposes of paying the entitlements of Shareholders who elect (or are deemed to have elected) for the Cash Option. For the purpose of ascertaining the relative values of the parts of the property, undertaking and assets so appropriated, the valuation principles in paragraph 7 below shall apply;

- (b) procure that the Company shall enter into and (to the extent that it is able) implement the Transfer Agreements (subject to such modifications as may be agreed between the parties thereto) with the applicable Rollover Fund(s) whereby the Liquidators shall procure the transfer of each of the relevant Funds to the relevant Rollover Fund or to its depositary, in exchange for the issue of Securities by the relevant Rollover Fund; and
- (c) deliver to each of the Rollover Funds particulars of the assets comprised in the relevant Fund being transferred to that Rollover Fund and a schedule certified by the Company's Registrars of the number of relevant Reclassified Shares held by each Zero Dividend Shareholder and/or Income Shareholder and/or Unitholder in accordance with the Elections made, or deemed to have been made, by such Zero Dividend Shareholder and/or Income Shareholder and/or Unitholder together with the names and addresses of each such Zero Dividend Shareholder and/or Income Shareholder and/or Unitholder.

(5) On or following the Effective Date:

- (i) The Liquidators shall take all reasonable steps to sell the Company's investments and realise the Company's assets in the Liquidation Fund. The Liquidation Fund shall be applied by the Liquidators in discharging the liabilities of the Company (including those referred to in paragraph 4.ii(a)(i)(1) above), save that no payment of less than £5.00 shall be made to any Shareholder, with the result that any Shareholder who has elected (or is deemed to have elected) for the Cash Option and would otherwise be entitled to an amount of less than £5.00 in respect of such Shares shall no longer be entitled to such amount.
- (ii) If there shall be any balance remaining after discharging such liabilities and payments referred to in paragraph 5.i above, the Liquidators shall, subject to paragraph 5.iii, in due course pay the same to the Shareholders and Unitholders on the Register on the Effective Date in accordance with their rights under the Articles, provided that no payments of less than £5.00 shall be made to any Shareholder or Unitholder. Any such residual amounts shall be paid to Marie Curie. All such payments shall be by cheque only.
- (iii) To the extent that M&G Securities paid to the Company the Prefunding Amount and has not received payment of the whole Prefunding Amount from the Company, the Liquidators shall apply any assets remaining after the discharge of liabilities and payments under paragraph 5.i above to M&G Securities in satisfaction of and to the extent of the Prefunding Amount.

(6) The issue of Securities shall be made as follows:

- (i) Subject to the provisions of paragraph 8.v of this Scheme, the issue of Securities pursuant to the transfer referred to in paragraph 4.ii(b) above shall be made to holders of Reclassified Shares (other than Restricted Persons) in respect of which Elections have been made (or are deemed to be made) for such Securities pursuant to this Circular and the Forms of Election or CREST Election (as applicable) on the basis that the assets of each Fund attributable to each holder of Zero Dividend Shares and/or Income Shares and/or Income & Growth Units and/or Package Units, as determined in accordance with paragraph 4.ii(a)(iii) above, which shall be valued as at the Calculation Date and transferred to the relevant Rollover Funds on the Effective Date in accordance with the Transfer Agreements, shall:
 - (a) in respect of JPMorgan Elect, be held by JPMorgan Elect and the value of such assets as at the Calculation Date shall be divided by the applicable JPMorgan Elect Issue Price to determine the number of Securities to be issued to each holder of Zero Dividend Shares and/or Income Shares and/or Units. Quoted securities held by the Company which may be transferred to JPMorgan Elect in consideration for the issue of the JPMorgan Elect Shares under the Scheme will be revalued on a bid

price basis by JPMorgan Elect prior to calculating the number of JPMorgan Elect Shares to be issued;

- (b) in respect of the M&G Rollover Funds, be held by the relevant M&G Rollover Fund, with the value of such assets as at 12 noon on the Calculation Date being divided by the M&G OEIC Issue Price of the relevant Securities to determine the number of Securities to be issued to each holder of Zero Dividend Shares, Income Shares and/or Units.
- (c) In each case, where necessary, fractional entitlements to a Security shall be dealt with as follows:
 - (I) where the Rollover Fund is the JPMorgan Elect, fractional entitlements shall be rounded down to the nearest whole number of the relevant Security; or
 - (II) where the Rollover Fund is an M&G Rollover Fund the Securities issued shall be rounded up to 3 decimal places.
- (ii) This paragraph applies where the Rollover Fund is an M&G Rollover Fund. Securities shall be issued to the Shareholders entitled to them on 17 March 2017, after the delivery to M&G Securities and the relevant depository of the particulars referred to in paragraph 4.ii(c) above. M&G Securities will issue confirmation letters in respect of such Securities to the Shareholders entitled to them. M&G Securities and the relevant depository shall be entitled to assume that all information delivered pursuant to paragraph 4.ii(c) above is correct and to utilise the same in procuring the registration of the relevant Securities issued pursuant to the Scheme.
- (iii) This paragraph applies where the Rollover Fund is JPMorgan Elect. The Securities shall be allotted to the Liquidators (as nominees for the Zero Dividend Shareholders, Income Shareholders and/or Unitholders entitled to them) on 21 March 2017, after the delivery to JPMorgan Elect of the particulars referred to in paragraph 4.ii(c) above, whereupon the Liquidators shall renounce the relevant Securities to the Zero Dividend Shareholders and/or Income Shareholders and/or Unitholders entitled to them.

Thereafter JP Morgan Elect shall, in the case of Electing Shareholders previously holding certificated Shares, issue the Securities to the Zero Dividend Shareholders and/or Income Shareholders and/or Unitholders entitled thereto and the registrars of JPMorgan Elect shall arrange for the despatch of certificates for the Securities to the Electing Shareholders, as the case may be, entitled to them at their respective addresses appearing in the Register (and, in the case of joint holders, to the address of the first named) or, in the case of Electing Shareholders previously holding uncertificated Shares, JPMorgan Elect's registrars shall procure that Euroclear is instructed to credit the appropriate stock accounts in CREST of such Electing Shareholders with such Zero Dividend Shareholders', Income Shareholders' and Unitholders' respective entitlements to Securities, in each case at the risk of the persons entitled thereto. JPMorgan Elect shall be entitled to assume that all information contained in the Register is correct and to utilise the same in procuring the registration of the relevant Securities issued pursuant to this Scheme.
- (iv) The number of M&G UK Income Distribution Shares to be issued to holders of Shares with Z4 Rights, I4 Rights and C4 Rights; the number of M&G Strategic Corporate Bond Fund Shares to be issued to holders of Shares with Z5 Rights, I5 Rights and C5 Rights and the number of M&G Dividend Fund Shares to be issued to holders of Shares with Z6 Rights, I6 Rights and C6 Rights may be adjusted to the extent required to reflect the fact that (i) the assets transferred to the M&G UK Income Distribution Fund must be valued in accordance with the COLL Regulations and the instrument of incorporation of M&G Investment Funds (2) on the Effective Date, (ii) the assets transferred to the M&G Strategic Corporate Bond Fund must be valued in accordance with the COLL Regulations

and its instrument of incorporation on the Effective Date (iii) the assets transferred to the M&G Dividend Fund must be valued in accordance with the COLL Regulations and the instrument of incorporation of M&G Investment Funds (3).

- (7) The assets of the Company shall be valued on the following basis for the purposes of the Scheme as at the Calculation Date:
- (i) in the case of cash, cash-equivalents or receivables, at the amount thereof;
 - (ii) in the case of gilts and debt securities, at their clean mid-price derived from Bloomberg, or such other source as the Directors (or a duly authorised committee thereof) shall consider appropriate (net of any expenses or commissions), with the interest thereon being accrued for separately;
 - (iii) in the case of unquoted investments and quoted investments which are subject to restrictions on transferability, or which, in the opinion of the Directors (or a duly authorised committee thereof), are otherwise illiquid, at the Directors' valuation;
 - (iv) in the case of remaining quoted investments, by reference to the prices supplied at 12 noon in computerised form by Thomson Reuters representing the mid-market prices. To the extent that such prices are not available from Thomson Reuters they will be derived from FT Interactive Data, or such other source as the Directors (or a duly authorised committee thereof) shall consider appropriate;
 - (v) the value of investments denominated in currencies other than sterling shall be translated into sterling at the spot middle market exchange rate of the relevant currency prevailing at 12 noon on the relevant date as supplied by WM Company (or, if not available, from such other source as the Directors (or a duly authorised committee thereof) consider appropriate);
 - (vi) the Directors (or a duly authorised committee thereof) further have the power, prior to the Effective Date, to adjust the date of valuation where, in the opinion of the Directors (or a duly authorised committee thereof), market movements since the date of valuation mean that it would be inequitable to proceed with the Scheme based on the valuations as at such previous date of valuation; and
 - (vii) notwithstanding the foregoing, the Directors (or a duly authorised committee thereof) may, in their absolute discretion, permit an alternative method of valuation to be used if they consider that such valuation better reflects the fair value of any asset or security. None of the Directors, M&G, the Rollover Funds, the Liquidators or M&G Securities or the relevant depository as the case may be of any of the Rollover Funds shall be under any liability by reason of the fact that a valuation believed to be appropriate may subsequently be found not to have been appropriate.

The arithmetical accuracy of the calculations made by M&G under this paragraph 7 shall be independently reviewed on behalf of the Company.

- (8) The following shall apply regarding Elections:
- (i) As set out in the Form of Election, the provisions of which form part of the Scheme in the case of Shares or Units held in certificated form, Shareholders who hold Zero Dividend Shares and/or Income Shares and/or Income & Growth Units and/or Package Units in certificated form are entitled to complete a Form of Election to elect to receive Securities in one or more of the Rollover Funds or cash pursuant to the Cash Option. Forms of Election submitted by facsimile shall not be valid and effective. Shareholders who hold Zero Dividend Shares and/or Income Shares and/or Income & Growth Units and/or Package Units in uncertificated form are entitled to make a CREST Election to

receive Securities in the Rollover Funds or cash pursuant to the Cash Option, whereby CREST procedures shall apply in accordance with the CREST Manual.

- (ii) If on any Form of Election or pursuant to a valid CREST Election, an Electing Shareholder makes an Election, which Election is less than his/her actual holding as at the Record Date, such Shareholder's or Unitholder's (as the case may be) remaining holding in respect of which an Election had not been made will be deemed to have been elected to go into the default option in accordance with the provisions of paragraph 8.v .
 - (iii) If, on any Form of Election, an Electing Shareholder makes an Election and the total of his/her Elections exceeds his/her actual holding as at the Record Date, each Election made by such Shareholder on that Form of Election shall be decreased pro rata in respect of the relevant Election (subject to rounding at the discretion of M&G so as to avoid fractions), so that the total of such Elections shall equal his/her total holding and, in any such case, such decreased Election shall be deemed to be the Election made by such Shareholder on the Form of Election for all purposes of this Scheme.
 - (iv) If an Electing Shareholder makes valid CREST Elections and the total of his/ her Elections exceeds his/her actual holding as at the Record Date, each CREST Election made by such Shareholder or Unitholder (as the case may be) shall be decreased pro rata in respect of the relevant Election (subject to rounding at the discretion of M&G so as to avoid fractions), so that the total of such Elections shall equal his/her total holding and, in any such case, such decreased Election shall be deemed to be the Election made by such Shareholder pursuant to the CREST Election for all purposes of this Scheme.
 - (v) An Electing Shareholder who, in respect of his/her holding of Zero Dividend Shares, Income Shares and/or Units, fails to make a valid CREST Election or submit a Form of Election by the due date or submits a Form of Election which has not been validly completed (except in circumstances specifically provided for in paragraphs 8.ii,8.iii or 8.iv above and subject to paragraphs 8.vi and 8.vii below) will be deemed to have elected for the M&G UK Income Distribution Fund Option.
 - (vi) In the event that the conditions to JPMorgan Elect's participation in the Scheme are not satisfied Elections made by Electing Shareholders, for JPMorgan Elect Options will be deemed to be Elections for the M&G UK Income Distribution Fund Option.
 - (vii) Capital Shareholders will not be entitled to make Elections under the Proposals and will be deemed to have elected for the Cash Option under the Scheme.
 - (viii) Subject as provided in paragraph 8.ix below, Restricted Persons will be deemed to have elected for the Cash Option under the Scheme and shall not be entitled to receive Securities, but shall instead be entitled to receive payment in cash out of the Liquidation Fund of their proportion of the assets (pro rata to the number of Shares held).
 - (ix) The provisions of this Scheme relating to Restricted Persons may be waived, varied or modified as regards a specific Restricted Person or on a general basis by the Directors in their absolute discretion. This may include treating a Restricted Person as not being a Restricted Person.
 - (x) The Directors reserve the right to accept, at their sole discretion, delivery of Forms of Election or CREST Elections after 6.00 p.m. on 6 March 2017. Unless otherwise agreed by the Directors, all Elections are irrevocable.
- (9) The provisions of this Scheme shall have effect subject to such modifications or additions as the Directors, the Liquidators, the Rollover Funds and M&G Securities, or the relevant depository, as appropriate, of the Rollover Funds may from time to time approve in writing.

- (10) The Liquidators shall be entitled to act and rely upon any certificate, opinion, advice or information furnished by the Company or any Director, the Registrar and/or the Auditors and its or their other professional advisers and shall not be held liable or responsible for any loss suffered as a result thereof.
- (11) The Rollover Funds and/or M&G Securities or the relevant depository (as the case may be) shall be entitled to act and rely upon any certificate, opinion, advice or information furnished by the Company, the Registrar and/or the Auditors and its or their other professional advisers and shall not be held liable or responsible for any loss suffered as a result thereof.
- (12) The Rollover Funds and/or M&G Securities or the relevant depository (as the case may be) shall be entitled to assume that all the information contained in the Register is correct and to use the same in procuring the registration of the Securities to be issued pursuant to the Scheme.
- (13) Nothing in this Scheme or in any document executed under or in connection with this Scheme shall impose any personal liability on the Liquidators or either of them save for any liability arising out of the negligence, fraud, bad faith, breach of duty or wilful default by the Liquidators in the performance of their duties and this shall, for the avoidance of doubt, exclude any such liability for any action taken by the Liquidators in accordance with this Scheme or the Transfer Agreements.
- (14) All instructions for the payment of dividends on Income Shares in force on the Effective Date shall be revoked with effect from the Effective Date, and shall no longer apply in respect of distributions or allocations of, or the other application of, any monies arising from Securities issued pursuant to the Scheme.
- (15) This Scheme is conditional upon:
- (i) the passing of the Special Resolutions to be proposed at the General Meetings (or any adjournments thereof);
 - (ii) the passing of the Special Resolutions to be proposed at the First GM and the Second GM (or any adjournment thereof);
 - (iii) the UK Listing Authority consenting to the amendment to the Official List to reflect the reclassification of the Shares as Reclassified Shares; and
 - (iv) the Directors not resolving to abandon the Scheme.
- (16) If approved, this Scheme shall be binding on all members of the Company and on all persons claiming through or under them.
- (17) This Scheme shall in all respects be governed by and construed in accordance with the laws of England and Wales.

PART V - KEY FEATURES OF JPMORGAN ELECT

Any investment in JPMorgan Elect will be governed by the Prospectus that shall be issued by JPMorgan Elect which accompanies this document (except where this document has been sent to Restricted Persons). Accordingly Shareholders are required to read the Prospectus and in particular the risk factors contained therein prior to deciding whether or not to make an Election for any of the JPMorgan Elect Shares.

Introduction

JPMorgan Elect is an investment trust company whose shares are admitted to the premium segment of the Official List and to trading on the main market for listed securities of the London Stock Exchange. JPMorgan Elect has three share classes, JPMorgan Elect Managed Growth Shares, JPMorgan Elect Managed Income Shares and JPMorgan Elect Managed Cash Shares, each with distinct investment policies, objectives and underlying investment portfolios. Each share class is listed separately and traded on the London Stock Exchange.

JPMorgan Elect's capital structure allows its shareholders the opportunity, in February, May, August and November, to convert part or all of their shareholdings into shares of JPMorgan Elect's other share classes so that shareholders may benefit from greater investment flexibility in a tax-efficient manner. It is also possible for holders of JPMorgan Elect Managed Cash Shares to elect to have all or part of their holding of those shares repurchased by JPMorgan Elect for cash at a price close to net asset value at each conversion date.

JPMorgan Elect employs JPMF which, in turn, delegates portfolio management to JPMAM to manage its assets actively.

The JPMorgan Elect Board has determined investment policies and related guidelines and limits for each class of share. These objectives, investment policies and related guidelines and limits are detailed below. Compliance with the JPMorgan Elect Board's investment restrictions and guidelines for all three portfolios is monitored continuously by JPMF and is reported to the JPMorgan Elect Board on a monthly basis.

Managed Growth

Objective

The objective of the Managed Growth portfolio is to achieve long term capital growth from investing in a range of investment trusts and open-ended funds managed principally by JPMAM.

Investment Policy and Risk Management

In order to achieve its stated investment policy and to seek to manage investment risks, the Managed Growth portfolio is invested in a diversified range of investment trusts and open-ended funds, which themselves invest in the UK and overseas. The number of investments in the Managed Growth portfolio will normally range between 30 and 50.

Investment Restrictions and Guidelines

- No more than 10 per cent. of the value of the portfolio's gross assets will be invested in any single investment.
- The portfolio does not invest more than 10 per cent. of its gross assets in any company that itself may invest more than 15 per cent. of its gross assets in UK listed investment companies.
- An investment in any open-ended fund will not exceed 25 per cent. of the market capital of the investee fund.
- Investments in third party managed funds will not normally exceed 30 per cent. of the portfolio's gross assets.

- Permission of the JPMorgan Elect Board has been granted for the limited use of futures for tactical asset allocation purposes. Other than this, the portfolio will not normally invest in derivative instruments - prior approval is required from the JPMorgan Elect Board if such an investment is desired. Investments in derivatives will only be made for the purposes of efficient portfolio management.
- The JPMorgan Elect Board does not intend to utilise borrowings to increase the funds available for investment. The JPMorgan Elect Board monitors closely the level of indirect gearing through the underlying investments. The underlying portfolio should be invested 95-120 per cent.

All of the above limits will be tested at the time of making, or adding to, the relevant investment.

Benchmark

The Managed Growth portfolio's benchmark is a composite comprising 50 per cent. FTSE All-Share Index and 50 per cent. FTSE World Index (ex-UK).

Management Fee

The management fee payable in respect of the Managed Growth portfolio is 0.3 per cent. per annum on assets invested in JPMorgan managed funds and 0.6 per cent. per annum on assets invested in non-JPMorgan managed funds and direct investments. Investments in JPMorgan's retail open-ended pooled funds qualify for a partial rebate of the underlying fee which is paid back to JPMorgan Elect. The management fee is calculated and paid quarterly in arrear.

Managed Growth - Management Fee

The Managed Growth Ongoing Charges Ratio for the year ended 31 August 2016 was 0.58 per cent. A substantial proportion of the Managed Growth portfolio is invested in managed funds which themselves will have ongoing charges.

Managed Income

Objective

The objective of the Managed Income portfolio is to achieve a growing income return with potential for long term capital growth by investing in equities, investment companies and fixed income securities.

Investment Policy and Risk Management

In order to achieve its stated investment policy and to seek to manage investment risks, the Managed Income portfolio is invested in a diversified portfolio of UK equities (including investment companies) and open-ended funds. The number of investments in the portfolio will normally range between 50 and 80.

Investment Restrictions and Guidelines

- No more than 10 per cent. of the portfolio's gross assets will be invested in any single investment.
- The portfolio does not invest more than 10 per cent. of its gross assets in any company that itself may invest more than 15 per cent. of its gross assets in UK listed investment companies.
- The portfolio will be between 90-100 per cent. invested in equities (including investment companies) and fixed interest securities.
- The investment managers, John Baker and Sarah Emly, may write options within parameters set by the JPMorgan Elect Board. Prior approval is required from the JPMorgan Elect Board for investment in all other derivative instruments. Permission of the JPMorgan Elect Board has been granted for the limited use of futures for tactical asset allocation purposes. Investments in derivatives will only be made for the purposes of efficient portfolio management.

- The JPMorgan Elect Board does not intend to utilise borrowings to increase the funds available for investment.

All of the above limits will be tested at the time of making, or adding to, the relevant investment.

Benchmark

The Managed Income portfolio's benchmark is a composite comprising 85 per cent. FTSE All-Share Index and 15 per cent. Barclays Capital Global Corporate Bond Index (hedged) in sterling terms.

Management Fee

The management fee payable in respect of the Managed Income portfolio is 0.6 per cent. per annum on assets invested in non-JPMorgan managed funds and direct investments. No management fee is payable on assets invested in JPMorgan managed funds. Investments in JPMorgan's retail open-ended pooled funds qualify for a partial rebate of the underlying fee. The management fee is calculated and paid quarterly in arrear.

Managed Income - Management Fee

The Managed Income Ongoing Charges Ratio for the year ended 31 August 2016 was 0.73 per cent.

Managed Cash

Objective

The objective of the Managed Cash portfolio is to provide preservation of capital with a yield based on short term interest rates by investing in a range of sterling liquidity funds, selected for their yield and credit rating, and short dated AAA-rated UK or G7 government securities hedged into sterling.

Investment Policies and Risk Management

In order to achieve its stated investment policy and to seek to manage investment risks, the Managed Cash portfolio invests no more than 20 per cent. of the value of the portfolio in any one liquidity fund or short dated (i.e. with a maturity of less than two years) UK or G7 government security hedged into sterling.

All liquidity funds or government securities shall have a AAA credit rating (as measured by Standard & Poor's) or equivalent rating from a recognised credit rating agency.

Investment Restrictions and Guidelines

- No more than 20 per cent. of the value of the portfolio is to be invested in any one sterling liquidity fund.
- No more than 15 per cent. of gross assets is to be invested in other UK listed companies (including investment companies).
- The JPMorgan Elect Board does not intend to utilise borrowings to increase the funds available for investment.

All of the above limits will be tested at the time of making, or adding to, the relevant investment.

Benchmark

There is no benchmark for the Managed Cash portfolio, other than to maintain the net asset value as close to 100p per share as possible.

Management Fee

No management fee is charged for the management of the Managed Cash portfolio.

Managed Cash - Management Fee

The Managed Cash Ongoing Charges Ratio for the year ended 31 August 2016 was 0.02 per cent.

Capital Structure

As at the Latest Practicable Date, JPMorgan Elect's share capital, excluding, in each case, any shares held in treasury, comprised the following:

- 33,794,698 JPMorgan Elect Managed Growth Shares
- 69,207,724 JPMorgan Elect Managed Income Shares; and
- 4,151,515 JPMorgan Elect Managed Cash Shares.

In addition to the JPMorgan Elect Managed Growth Shares, JPMorgan Elect Managed Income Shares and JPMorgan Elect Managed Cash Shares, there are also 50,000 founder shares of £1 each in issue, partly paid as to 25p each. The founder shares are non-voting and carry the right to receive a fixed dividend at the rate of 0.01 per cent. on their nominal value. However, the holders of the founder shares have waived the right to receive such dividends.

Further issues of shares

In accordance with the requirements of the Companies Act and the Listing, Prospectus and Transparency Rules, JPMorgan Elect is required to seek its shareholder authority to issue JPMorgan Elect Shares pursuant to the Scheme and to disapply pre-emption rights in respect of such issue of such shares. In accordance with the JPMorgan Elect Articles, it is also necessary to obtain the consent of each class of the JPMorgan Elect Shares at the separate JPMorgan Elect Class Meetings. Accordingly, JPMorgan Elect's participation in the Scheme is conditional upon the JPMorgan Elect Resolutions being passed.

JP Morgan Elect Managed Growth Shares, JP Morgan Elect Managed Income Shares and JP Morgan Elect Managed Cash Shares may be repurchased for cancellation or to be held in treasury. The JPMorgan Elect Board would only reissue shares from treasury at a premium to NAV and does not intend to seek authority to reissue shares from treasury at a discount to NAV.

Further information on JPMorgan Elect and each class of the JPMorgan Elect Shares is set out in the Prospectus.

PART VI - RISK FACTORS RELATING TO THE PROPOSALS

Zero Dividend Shareholders, Income Shareholders and/or Unitholders should be aware, prior to making any Election under the Scheme, of the following considerations relating to Proposals:

- An investment in the Securities of one or more of the Rollover Funds is suitable only for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. Investors should consider their preferred risk/reward profile when evaluating an investment in the Rollover Funds.
- Shareholders and Unitholders considering electing to receive Securities in a Rollover Fund should be aware that the risk profile for the Securities they will receive may be different from the risk profile of the Shares and Units they currently hold and that each of the Options carries different risk profiles. Zero Dividend Shareholders in particular should note that if they do not make a valid Election they will receive M&G UK Income Distribution Fund Shares which have a different risk profile to the Zero Dividend Shares.
- Shareholders and Unitholders considering electing to rollover into JPMorgan Elect should note that the market price of the JPMorgan Elect Shares may represent a discount to their net asset value and that the level of discount may vary. Accordingly, Shareholders and Unitholders electing for a JPMorgan Elect Option may not subsequently be able to realise their investment in the applicable JPMorgan Elect Shares at the net asset value of their JPMorgan Elect Shares at the time of disposal. In contrast, Shareholders and Unitholders electing for M&G OEIC Options will not be subject to the same risk when subsequently realising their investment in the relevant M&G OEIC Shares, as the price at which they redeem their M&G OEIC Shares will be calculated by reference to the net asset value of the M&G OEIC Shares at the next valuation point (12 noon).
- If Shareholders make an Election to roll over their entitlement into one or more Securities of the Rollover Funds, the subsequent disposal by such Shareholders of those Securities will constitute a disposal for the purposes of crystallising a liability to capital gains tax and/or income tax or an allowable loss.
- The information relating to the taxation law and practice applicable to the receipt by Shareholders and Unitholders of Securities and/or cash is given by way of general summary and does not constitute legal or tax advice to Shareholders and Unitholders. Statements in this document concerning the taxation of Shareholders and Unitholders are based upon current UK tax law and HMRC practice and concessions which are subject in principle to changes that could adversely affect Shareholders and Unitholders.
- For the purposes of the Scheme, the Company's assets will be valued as at 12 noon on the Calculation Date (expected to be 15 March 2017) whereas the M&G OEIC Issue Prices are expected to be calculated based on the value of the assets held by the relevant sub-funds as at 12 noon on 17 March 2017. **Movements in the value of the assets held by the relevant sub-funds during this interim period may have a positive or negative effect on the value of the entitlements of those Shareholders and Unitholders who have made, or are deemed to have made, an Election for the M&G OEIC Options.**
- Implementation of the Scheme is conditional, *inter alia*, on the passing of the Resolutions at the Meetings. If any of the Resolutions at the Meetings are not passed or the other conditions listed in paragraph 15 of Part IV of this document are not satisfied, the Scheme will not be implemented. If the Proposals are not approved or if the Scheme does not become unconditional, the winding up resolution will, in any event, be put to Shareholders at the Second GM.
- JPMorgan Elect's participation in the Scheme is conditional, on the passing of the JPMorgan Elect Resolutions. In the event that the JPMorgan Elect Resolutions are not passed or admission of the JPMorgan Elect Shares to be issued pursuant to the Scheme to the premium segment of the Official List and to trading on the main market of the London Stock Exchange does not become effective, all Elections by Electing Shareholders for the JPMorgan Elect Option will be deemed to be Elections for the M&G UK Income Distribution Fund Option.

- Shareholders and Unitholders considering electing to roll over into JPMorgan Elect Shares should note that while quoted securities held by the Company which may be transferred to JPMorgan Elect in consideration for the issue of the JPMorgan Elect Shares under the Scheme are currently valued at the mid-price by the Company, JPMorgan Elect values the quoted securities held in its portfolio at the bid-price. In order to ensure a consistent valuation of the quoted securities being received by JPMorgan Elect and the net asset value of the JPM Elect Shares being issued, JPMorgan Elect will value the quoted securities that it receives from the Company pursuant to the Scheme on a bid-price basis when calculating the number of JPMorgan Elect Shares to be issued. The bid-price is lower than the mid-market price and accordingly those Shareholders and Unitholders who have made an Election for the JPMorgan Elect Options will see the securities comprised in their holding that transfer to JPMorgan Elect valued on a lower basis going forward, albeit the difference in valuations is likely to be marginal.

If Shareholders and Unitholders are in any doubt as to the contents of this document or as to what action to take, they should immediately consult their stockbroker, bank manager, solicitor, accountant or other financial adviser who is authorised under the Financial Services and Markets Act 2000.

PART VII - ADDITIONAL INFORMATION

1 Directors

The names and business address of the Directors of the Company are as follows:

Fred Carr (Chairman)

Alexander Murray

Andrew Martin Smith

William Nott

all of Laurence Pountney Hill, London EC4R 0HH, the registered office of the Company.

2 Share capital

As at the Latest Practicable Date, the issued share capital of the Company is as follows:

	<i>Number Issued</i>	<i>Issued £</i>
Zero Dividend Shares of 1 penny each	250,503,505	2,505,035.05
Income Shares of 1 penny each	250,503,505	2,505,035.05
Capital Shares of 1 penny each	250,503,505	2,505,035.05

3 Disclosure of interests

As at the Latest Practicable Date, the beneficial interests in Shares of the Directors and their families are as follows:

<i>Name of Director</i>	<i>Number of Zero Dividend Shares held beneficially</i>	<i>Number of Income Shares held beneficially</i>	<i>Number of Capital Shares held beneficially</i>
F C Carr	103,905	66,040	46,040
A E Martin Smith	15,000	45,000	45,000
G A J Murray	94,000	94,000	94,000
W J Nott	0	0	0
Totals:	212,905	205,040	185,040

Save that William Nott is interested in the Deed of Contribution by reason of being a director of M&G Securities, none of the Directors has any interest, direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company during the current or immediately preceding financial year or during any earlier financial year and which remains in any respect outstanding or unperformed.

No compensation for loss of office will be paid to any of the Directors as a result of the Proposals.

At the Latest Practicable Date the Directors had been notified under Section 793 of the Companies Act 2006 that the following persons were interested, directly or indirectly, in 3 per cent. or more of the Income and the Capital Shares of the Company (being the threshold of notification under the Listing, Prospectus and Transparency Rules):

<i>Name of Holder</i>	<i>Number of Income Shares held</i>	<i>Number of Capital Shares held</i>	<i>Percentage of Total Voting Rights (%)</i>
M&G Securities as manager of the M&G ISA	126,969,029	126,969,029	50.68

4 Taxation

The information below is intended only as a general guide to UK taxation and summarises the advice received by the Board as to the position of the Company and persons that (i) are resident or, in the case of an individual, ordinarily resident in the UK (except where the treatment of non-UK resident persons is expressly referenced); (ii) hold Shares in the Company as an investment; and (iii) are the absolute beneficial owners thereof. It is based on current law and published HMRC practice, which law and/or practice is subject to change, possibly with retrospective effect.

If you are in any doubt as to your tax position, or if you may be subject to taxation in a jurisdiction other than the UK, you are recommended to seek immediately your own personal financial advice from an independent professional adviser.

The Company

The Company has conducted its affairs so as to enable it to qualify as an investment trust within the meaning of Chapter 4 of Part 24 of the Corporation Tax Act 2010.

Income & Growth Unitholders and Package Unitholders

The taxation treatment of Unitholders for the purposes of the Proposals will be in respect of their holding of the Shares comprised in their Units, as if such Shares were held separately and not as a Unit. Thus, Unitholders should read carefully the section below headed "Shareholders" for a summary of the taxation effects of the Proposals applying to them.

Shareholders

(a) Capital Gains Tax

Liability to capital gains tax (or to corporation tax on chargeable gains, in the case of corporate Shareholders) will depend on a Shareholder's circumstances and on the Election or deemed Election of the Shareholder under the Scheme.

The implementation of the Scheme should not, on the basis of current legislation and HMRC practice, result in a disposal of Shares for the purposes of capital gains tax or corporation tax to the extent that Shareholders receive Securities. Clearances under sections 138 and 139(5) of the TCGA, section 701 of the Income Tax Act 2007 and section 748 of the Corporation Tax Act 2010 have been obtained from HMRC, confirming that the Scheme will be regarded as being undertaken for bona fide commercial reasons. The Securities in the Rollover Funds issued to Shareholders under the Scheme will be treated for the purposes of capital gains tax (and corporation tax on chargeable gains) as if they were the relevant proportion of the Shareholder's original holding of Shares acquired at the same time as the Shares were acquired.

To the extent that any Capital Shareholder, Zero Dividend Shareholder or Package Unitholder receives cash pursuant to a valid Election or deemed Election for the Cash Option and with respect to the entitlements received by the Income Shareholders or any liquidation distributions received by Shareholders (for example, in respect of the VAT claims), the cash received will

constitute the proceeds of a disposal for the purposes of UK capital gains tax or corporation tax on chargeable gains. This may, depending on the Shareholder's individual circumstances – including the availability of exemptions and allowable losses – give rise to a liability to such tax. Shareholders who are UK resident individuals currently benefit from an annual exemption, which for the 2016/17 tax year exempts the first £11,100 of any gains from the charge to capital gains tax. Shareholders who are within the charge to UK corporation tax benefit from indexation allowance for the entire period of holding of their investment.

Future disposal of Securities

For the purposes of ascertaining any future liability to capital gains tax (or corporation tax on chargeable gains) on a disposal of the Securities, each Shareholder's acquisition cost in the Shares (having taken into account any disposal triggered by the receipt of cash under an Election for the Cash Option) will be apportioned (where necessary) between the Securities on the basis of their respective market values on the first day on which prices of the Shares and the Securities are quoted or published immediately after the Scheme. A disposal of the Securities may give rise to a gain chargeable to capital gains tax or corporation tax on chargeable gains, depending on the base cost of the relevant Shares and the individual circumstances of the Shareholder concerned.

Non-UK residents

The tax treatment of non-UK resident individuals and companies neither resident in the UK nor operating through a UK permanent establishment may differ from that described in the preceding paragraphs and such persons will therefore need to take specific advice relevant to their circumstances. In particular, such individuals or companies will not generally be subject to tax in the UK in respect of any gain accruing to them as a result of any disposal.

(b) Stamp Duty or SDRT

Issue of Securities

Except in relation to depository and clearance services (to which special rules apply), no stamp duty or SDRT will be payable on the issue of Securities to Shareholders.

Where Securities are issued: (i) to a person whose business is or includes the provision of clearance services (or their nominee); or (ii) to a person whose business is or includes issuing depository receipts (or their nominee or agent), stamp duty or SDRT will, under current UK tax legislation, be payable at the higher rate of 1.5% on the amount or value of the consideration given or, in certain circumstances, the value of the shares.

However, following the decisions of the European Court of Justice in *HSBC Holdings Plc and Vidacos Nominees Limited v The Commissioners of Her Majesty's Revenue & Customs (C-569/070)* and of the UK First Tier Tax Tribunal in *HSBC Holdings PLC and the Bank of New York Mellon Corporation v Commissioners for HM Revenue & Customs (TC/2009/16584)*, HMRC has accepted that the 1.5% charge where shares are issued to a clearance service in the EU is contrary to EU Law. As a result, HMRC will not seek to apply 1.5% stamp duty or SDRT when new shares are first issued to an EU clearance service or depository receipt system.

Transfer of assets and business

The transfer of the business and assets of the Company to the Rollover Funds under the Scheme may involve the transfer of assets that are subject to a charge to UK stamp duty or SDRT. Any stamp duty or SDRT chargeable will be borne by the Rollover Fund to which the assets are being transferred. In the case of the M&G OEIC Options, the cost of any stamp duty or SDRT chargeable is incorporated within the M&G OEIC Issue Price. Clearance will be sought from HMRC as to the applicability of such stamp duty and SDRT.

5 Material contracts

Other than the Deed of Contribution and the registrar agreement described below, the Company has not entered into any contracts (other than contracts in the ordinary course of business) within the last two years which are or may be material or which are contracts which have been entered into by the Company and contain provisions under which the Company has any obligation or entitlement which is material to the Company as at the date of this document.

The Company is party to a registrar agreement. This was originally entered into on 17 March 1997 between the Company and Lloyds Bank Plc appointing Lloyds Bank plc to provide securities registration services. This agreement was subsequently novated on 4 October 2007 to Equiniti Limited and Equiniti Financial Services Limited to provide registrar services.

M&G Securities, an affiliate of M&G, has entered into the Deed of Contribution with the Company and JPMF dated 19 January 2017 to pay certain costs incurred by the Company in connection with the Scheme.

Provided that the Scheme is approved by Shareholders and becomes effective, the Company has undertaken to enter into Transfer Agreements with the Liquidators and the Rollover Funds pursuant to the Scheme on the Effective Date. The consideration for the transfer of the business and assets of the Company to the Rollover Funds will be the issue of the Rollover Fund Securities to Shareholders and Unitholders in accordance with their Elections. The amount of the assets of the Company which are to be transferred to the Rollover Funds and distributed in cash in accordance with valid Elections will be those remaining after providing for the Company's liabilities and the Liquidators' Retention. The draft Transfer Agreements will be available for inspection as stated in paragraph 7 below.

6 Miscellaneous

- (i) Winterflood Securities, M&G, the Auditors, the Liquidators have each given and not withdrawn their written consent to the issue of this document with the inclusion of its name and references to it in this document in the form and content in which they appear.
- (ii) Winterflood Securities is acting in a separate capacity as sponsor and financial adviser to JPMorgan Elect in connection with the publication of the Prospectus.
- (iii) The auditors of the Company are Ernst & Young LLP who have audited the Company's accounts for the last two financial years to 31 May 2015 and 31 May 2016 and have given an unqualified report in respect of the accounts for each of those years.
- (iv) The issue of Securities into, or to persons resident in or citizens of, jurisdictions outside the UK, the Channel Islands and the Isle of Man, may be affected by the laws of such other jurisdictions. No action has been taken or will be taken in any jurisdiction other than the UK, where action for that purpose is required, which would permit the issue of Securities or the possession, circulation or distribution of this document or any material relating to the Proposals.

Accordingly, Restricted Persons should inform themselves about and observe any legal requirements. In particular:

- (a) none of the Securities have been nor will be registered under the United States Securities Act of 1933 as amended, or qualify under applicable United States state statutes, the relevant clearances have not been, and will not be, obtained from the securities commission of any province of Canada, Australia or Japan and, except in restricted circumstances, none of the Securities may be offered or sold, directly or indirectly, in or into the United States, Canada, Australia or Japan; and
- (b) none of the Rollover Funds will be registered, under the United States Investment Company Act of 1940, as amended, and Shareholders will not be entitled to the benefits of such act.

It is the responsibility of all Restricted Persons to satisfy themselves as to the observance of the laws and regulations of the relevant jurisdiction in connection with the issue of Securities, including

the obtaining of any governmental or exchange control or other consents which may be required, the compliance with any other necessary formalities which need to be observed and the payment of any issue, transfer or other taxes or duties due in such jurisdiction.

- (v) For the purposes of effecting the Scheme, the Reclassified Shares will be issued in uncertificated form. No dividends are expected to be paid in respect of the Reclassified Shares.
- (vi) This financial promotion, excluding the information contained in Part V of this document, is communicated by the Company and its contents have been approved by M&G Securities for the purposes of section 21 of the Financial Services and Markets Act 2000.

7 Documents available for inspection

Copies of the following documents will be available for inspection during normal business hours on any day (Saturdays, Sundays and public holidays excepted) at the registered office of the Company and at the offices of CMS Cameron McKenna LLP at Cannon Place, 78 Cannon Street, London, EC4N 6AF, up to and including the close of business on 17 March 2017:

- (a) the articles of association of the Company (containing the full terms of the amendments proposed to be made at the First GM);
- (b) the audited report and accounts of the Company for each of the financial years ended 31 May 2015 and 31 May 2016;
- (c) the Prospectus (relating to JPMorgan Elect);
- (d) the KIIDs (in respect of each of the M&G Rollover Funds);
- (e) letters of undertaking from the Liquidators and the Rollover Funds to enter into the Transfer Agreements and the draft Transfer Agreements;
- (f) the consents referred to in paragraph 6(i) above;
- (g) the Statement of Insolvency Practice 9: Officeholders' fees ("SIP 9") together with current rate card of the liquidators and their tax advisors; and
- (h) this document.

The Articles (containing the full terms of the amendments proposed to be made at the First GM) will be available at the First GM for at least 15 minutes prior to and during the relevant meeting.

Dated 19 January 2017

DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

Articles	the articles of association of the Company
Auditors	Ernst & Young LLP, the auditors of the Company
Calculation Date	the date for calculation of the Terminal Asset Values and the entitlements of Zero Dividend Shareholders and/or Income Shareholders and/or Unitholders under the Proposals, to be determined by the Directors but expected to be 15 March 2017
capital gains tax or CGT	UK taxation of chargeable gains or corporation tax on chargeable gains, as the context may require
Capital Net Assets	the Net Assets of the Company less the Zero Dividend Net Assets and the Income Net Assets
Capital Shareholders	holders of Capital Shares
Capital Shares	capital shares of 1 penny each in the capital of the Company
Cash Option	the option to receive cash in respect of all or part of a holding of Shares and/or Units
certificated or in certificated form	not in uncertificated form
Circular	this document
COLL Regulations	the chapter headed "The Collective Investment Schemes Sourcebook" contained in the FCA's Handbook of Rules and Guidance
Company	M&G High Income Investment Trust P.L.C.
Conversion Ratio	the applicable ratio at which Zero Dividend Shares, Income Shares and Capital Shares convert into the relevant class of Securities which shall be determined in accordance with paragraph 6 of Part IV of this document
CREST	the system for the paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Regulations
CREST Election	an Election by way of an electronic TTE Instruction, in accordance with the CREST Manual made by Zero Dividend Shareholders, Income Shareholders, and/or Unitholders who hold their Zero Dividend Shares, Income Shares, Income & Growth Units and/or Package Units in uncertificated form
CREST Manual	the compendium of documents entitled "CREST Manual" issued by Euroclear from time to time
CREST Proxy	an appointment of a proxy by way of an electronic KPIN message, in accordance with the CREST Manual made by Shareholders and Unitholders who hold their Shares and Units in uncertificated form
Deed of Contribution	the deed of contribution entered into by the Company, JPMF and M&G Securities on 19 January 2017
Directors or Board	the board of directors of the Company

Effective Date	the date on which the Scheme becomes effective, which is expected to be 17 March 2017
Electing Securities	Zero Dividend Shares, Income Shares and Units (except to the extent they are held by Restricted Persons)
Electing Shareholders	all Zero Dividend Shareholders, Income Shareholders and/or Unitholders who are not Restricted Persons and are therefore eligible to make an election under the Proposals.
Election	an election made by a Zero Dividend Shareholder, Income Shareholder or Unitholder to receive Securities or the cash under the Proposals (including, where the context so permits or requires, a deemed election)
Euroclear	Euroclear UK & Ireland Limited in its capacity as the operator of CREST
FCA	the Financial Conduct Authority
First General Meeting or First GM	the first general meeting of the Company convened for 11.15 a.m. on 9 March 2017 (or as soon thereafter as the last of the General Meetings convened for the same day shall have been concluded or adjourned) or any adjournment thereof, notice of which is set out at the end of this document
Forms of Election	forms of election for use by Electing Shareholders in relation to the Proposals
Forms of Proxy	forms of proxy for use by Shareholders and Unitholders in respect of their respective Meetings
FSMA	the Financial Services and Markets Act 2000 as amended
Fund	each Fund to which the assets of the Company attributable to Shareholders electing (or deemed to have elected) for Securities in the Rollover Funds are allocated in accordance with their Elections (being the A Fund, B Fund, C Fund, D Fund, E Fund, and F Fund)
General Meeting of Capital Shareholders	the general meeting of Capital Shareholders convened for 11.05 a.m. on 9 March 2017 (or any adjournment thereof), notice of which is set out at the end of this document
General Meeting of Income Shareholders	the general meeting of Income Shareholders convened for 11.00 a.m. on 9 March 2017 (or any adjournment thereof), notice of which is set out at the end of this document
General Meeting of Zero Dividend Shareholders	the general meeting of Zero Dividend Shareholders convened for 11.10 a.m. on 9 March 2017 (or any adjournment thereof), notice of which is set out at the end of this document
General Meetings	the General Meeting of Income Shareholders, the General Meeting of Capital Shareholders and the General Meeting of Zero Dividend Shareholders
HMRC	H M Revenue and Customs
Income & Growth Unit	an income and growth unit in the Company comprising one Income Share and one Capital Share
Income & Growth Unitholders	holders of Income & Growth Units

Income Net Assets	an amount equal to 70 pence per Income Share plus the amount, if any, standing to the credit of the Company's revenue reserves and the amount of the undistributed revenue profits of the Company following satisfaction of the Zero Dividend Share entitlement as at the Calculation Date
Income Shareholders	holders of Income Shares
Income Shares	income shares of 1 penny each in the capital of the Company
ISA	individual savings account
JPMAM	JPMorgan Asset Management (UK) Limited
JPMF	JPMorgan Funds Limited
JPMorgan Elect	JPMorgan Elect plc, a UK investment trust
JPMorgan Elect Articles	the articles of association of JPMorgan Elect
JPMorgan Elect Board or JPMorgan Elect Directors	the directors of JPMorgan Elect
JPMorgan Elect Class Meetings	the JPMorgan Elect Managed Cash Class Meeting, the JPMorgan Elect Managed Growth Class Meeting and/or the JPMorgan Elect Managed Income Class Meeting
JPMorgan Elect General Meeting	the general meeting of JPMorgan Elect to be held at 9:03 a.m. on 27 February 2017 (or as soon thereafter as the immediately preceding JPMorgan Elect Managed Income Class Meeting shall have been concluded or adjourned) at 60 Victoria Embankment, London, EC4Y 0JP (or any adjournment thereof)
JPMorgan Elect Issue	the issue of shares in JPMorgan Elect pursuant to the Scheme
JPMorgan Elect Issue Premium	the premium to be applied to the net asset value of the relevant JPMorgan Elect Share issued pursuant to the Scheme, details of which are set out in the section headed "Costs and expenses" in Part I
JPMorgan Elect Issue Price	the net asset value of the relevant JPMorgan Elect Share, being the value of the portfolio of assets attributable to the relevant JPMorgan Elect Shares less any liabilities attributable to those shares, calculated in accordance with JPMorgan Elect's normal accounting policies, on a cumulative debt at par basis, and adjusted to take into account any dividends declared but not paid prior to the Effective Date by JPMorgan Elect to holders of the relevant JPMorgan Elect Share expected to be calculated at 5.00 p.m. on 15 March 2017, plus the applicable JPMorgan Elect Issue Premium
JPMorgan Elect Managed Cash Class Meeting	the separate class meeting of the JPMorgan Elect Managed Cash Shareholders to be held at 60 Victoria Embankment, London, EC4Y 0JP at 9.00 a.m. on 27 February 2017 (or any adjournment thereof)
JPMorgan Elect Managed Cash Shareholders	holders of JPMorgan Elect Managed Cash Shares
JPMorgan Elect Managed Cash Shares	the ordinary shares in the capital of JPMorgan Elect designated as Managed Cash Shares
JPMorgan Elect Managed Cash Shares Option	the option to receive JPMorgan Elect Managed Cash Shares

JPMorgan Elect Managed Growth Class Meeting	the separate class meeting of the JPMorgan Elect Managed Growth Shareholders to be held at 9.01 a.m. on 27 February 2017 (or as soon thereafter as the immediately preceding JPMorgan Elect Managed Cash Class Meeting shall have been concluded or adjourned) at 60 Victoria Embankment, London, EC4Y 0JP (or any adjournment thereof)
JPMorgan Elect Managed Growth Shareholders	holders of JPMorgan Elect Managed Growth Shares
JPMorgan Elect Managed Growth Shares	the ordinary shares in the capital of JPMorgan Elect designated as Managed Growth Shares
JPMorgan Elect Managed Growth Shares Option	the option to receive JPMorgan Elect Managed Growth Shares
JPMorgan Elect Managed Income Class Meeting	the separate class meeting of the JPMorgan Elect Managed Income Shareholders to be held at 9.02 a.m. on 27 February 2017 (or as soon thereafter as the immediately preceding JPMorgan Elect Managed Cash Class Meeting shall have been concluded or adjourned) at 60 Victoria Embankment, London, EC4Y 0JP (or any adjournment thereof)
JPMorgan Elect Managed Income Shareholders	holders of JPMorgan Elect Managed Income Shares
JPMorgan Elect Managed Income Shares	the ordinary shares in the capital of JPMorgan Elect designated as Managed Income Shares
JPMorgan Elect Managed Income Shares Option	the option to receive JPMorgan Elect Managed Income Shares
JPMorgan Elect Options	the options to receive JPMorgan Elect Managed Growth Shares, JPMorgan Elect Managed Income Shares and/or JPMorgan Elect Managed Cash Shares
JPMorgan Elect Proposals	the proposals recommended by the board of JPMorgan Elect for an issue of new shares in JPMorgan Elect in consideration for the transfer of part of the investment undertaking of the Company pursuant to the Scheme
JPMorgan Elect Resolutions	the special resolutions (to approve the JPMorgan Elect Proposals) to be put to shareholders of JPMorgan Elect at the JPMorgan Elect General Meeting and the JPMorgan Elect Class Meetings
JPMorgan Elect Shares	JPMorgan Elect Managed Growth Shares, JPMorgan Elect Managed Income Shares and/or JPMorgan Elect Managed Cash Shares
KIID	key investor information document(s) in respect of each of the M&G UK Income Distribution Fund, the M&G Strategic Corporate Bond Fund and the M&G Dividend Fund
Latest Practicable Date	13 January 2017, being the latest practicable date prior to the publication of this document
Liquidation Fund	the fund (including the G Fund) to be retained by the Liquidators to meet all known and unknown liabilities of the Company and other contingencies, as further described in Part III of this document
Liquidators	Laura Waters and Rob Lewis of PricewaterhouseCoopers appointed as joint liquidators of the Company to be proposed at the Second GM, jointly and severally, and their successors
Listing, Prospectus and Transparency Rules	the rules of that name created by the FCA under Part VI of FSMA

London Stock Exchange	London Stock Exchange P.L.C.
M&G	M&G Investment Management Limited, the investment manager of the Company
M&G Dividend Fund	the M&G Dividend Fund, a sub-fund of M&G Investment Funds (3)
M&G Dividend Fund Option	the option to receive M&G Dividend Fund Shares
M&G Dividend Fund Shares	Sterling Class R Income Shares in the capital of M&G Dividend Fund
M&G Investment Funds (3)	an OEIC incorporated in England and Wales
M&G ISA	a Stocks and Shares ISA managed by M&G Securities, being the M&G Stocks and Shares ISA, the Ex Mini M&G Stocks and Shares ISA, and/or the Ex PEP M&G Stocks and Shares ISA, as appropriate
M&G OEIC Issue Price	the published price of the M&G UK Income Distribution Fund Shares, the M&G Strategic Corporate Bond Fund Shares or the M&G Dividend Fund Shares (as applicable), expected to be calculated at 12 noon on 17 March 2017
M&G OEIC Options	the M&G UK Income Distribution Fund Option, the M&G Strategic Corporate Bond Fund Option and/or the M&G Dividend Fund Option, as applicable
M&G OEIC Shares	M&G UK Income Distribution Fund Shares, M&G Strategic Corporate Bond Fund Shares and/or M&G Dividend Fund Shares
M&G Securities	M&G Securities Limited, an affiliate of M&G, the alternative investment fund manager of the Company and the manager of the M&G ISA
M&G Rollover Funds	the M&G UK Income Distribution Fund, the M&G Strategic Corporate Bond Fund and/or the M&G Dividend Fund
M&G Strategic Corporate Bond Fund	the M&G Strategic Corporate Bond Fund
M&G Strategic Corporate Bond Fund Option	the option to receive M&G Strategic Corporate Bond Fund Shares
M&G Strategic Corporate Bond Fund Shares	Sterling Class R Income Shares in the capital of M&G Strategic Corporate Bond Fund
M&G UK Income Distribution Fund	the M&G UK Income Distribution Fund, a sub-fund of M&G Investment Funds (2)
M&G UK Income Distribution Fund Option	the option to receive the M&G UK Income Distribution Fund Shares
M&G UK Income Distribution Fund Shares	Sterling Class R Income Shares in the capital of M&G UK Income Distribution Fund
Meetings	the General Meetings, the First GM and the Second GM and "Meeting" shall mean any one of them as the context may require
member account ID	the identification code or number attached to any member account in CREST
net asset value or NAV	in respect of any Security, the net assets of the relevant Rollover Fund as applicable attributable to such Security after deducting all liabilities

Net Assets	the undertaking, property and assets of the Company as at the Calculation Date less (i) an amount equal to the Company's costs in relation to the Proposals as more particularly described in the section headed "Costs and expenses" in Part I of this document and (ii) the amounts allocated to meet the liabilities and contingent liabilities referred to in paragraphs 4.ii(a)(i)(1)(A) to 4.ii(a)(i)(1)(H) of the Scheme
OEIC	an open-ended investment company
Official List	the official list maintained by the UK Listing Authority pursuant to Part VI of FSMA
Options	the options available to Electing Shareholders under the Proposals, being the JPMorgan Elect Managed Growth Shares Option, the JPMorgan Elect Managed Income Shares Option, the JPMorgan Elect Managed Cash Shares Option, the M&G UK Income Distribution Fund Option, the M&G Strategic Corporate Bond Fund Option, the M&G Dividend Fund Option, and the Cash Option
Overseas Holder	any Shareholder or Unitholder who is a citizen of, or resident in, a jurisdiction other than the United Kingdom, the Channel Islands and the Isle of Man
Package Unit	a package unit in the Company comprising one Income Share, one Capital Share and one Zero Dividend Share
Package Unitholders	holders of Package Units
Planholders	individuals who hold shares through an M&G ISA
Prefunding Amount	as defined in Part III Details of the Proposals section of this document under the heading "Liquidation Fund"
Proposals	the proposals described in this document for the winding up of the Company and the related Scheme including, for the avoidance of doubt, any actions ancillary to implementing the Scheme such as amending the Articles as set out in the Resolutions
Prospectus	the prospectus of JPMorgan Elect in connection with the issue of its securities in relation to the Scheme
Prudential Group Companies	Prudential P.L.C. and its wholly owned subsidiaries, which include M&G Limited
Reclassified Shares	the Shares as reclassified as Shares with Z1 Rights, I1 Rights, C1 Rights, Z2 Rights, I2 Rights, C2 Rights, Z3 Rights, I3 Rights, C3 Rights, Z4 Rights, I4 Rights, C4 Rights, Z5 Rights, I5 Rights, C5 Rights, Z6 Rights, I6 Rights, C6 Rights, Z7 Rights, I7 Rights and C7 Rights as defined in the Special Resolution to be proposed at the First GM
Record Date	being 6.00 p.m. on 6 March 2017, the record date for participation in the Proposals
Register	the register of members of the Company
Registrar	Equiniti Limited
Regulations	the Uncertificated Securities Regulations 2001 (SI 2001/3755)
Resolutions	the resolutions to be proposed at the Meetings

Restricted Person	(unless the Directors otherwise determine in any particular case) an Overseas Holder or any Shareholder or Unitholder whom the Company believes to be an Overseas Holder or to be holding Shares or Units on behalf of an Overseas Holder
Retention	the retention to be made by the Liquidators in respect of the Company as described in Part III of this document
Rollover Funds	M&G UK Income Distribution Fund, M&G Strategic Corporate Bond Fund, M&G Dividend Fund, and JPMorgan Elect, as the context may require, and "Rollover Fund" shall mean any one of them
Rollover Price	the relevant M&G Issue Price or JPMorgan Elect Fund Issue Price
Scheme	the proposed scheme of reconstruction of the Company as set out in Part IV of this document
SDRT	stamp duty reserve tax
Second General Meeting or Second GM	the second general meeting of the Company as referred to in this document to be convened for 10:00 a.m. on 17 March 2017 notice of which is set out at the end of this document
Second Interim Dividend	the interim dividend declared on 18 January 2017, which is expected to be paid by the Company to the Income Shareholders and the Unitholders
Secretary	the company secretary to the Company
Securities	shares or units in a Rollover Fund, as the context may require
Shareholders	holders of Zero Dividend Shares and/or holders of Income Shares and/or holders of Capital Shares (whether or not comprised in Units) as the context requires
Shares	Zero Dividend Shares and/or Income Shares and/or Capital Shares (whether or not comprised in Units) as the context requires
Special Resolution	a resolution of the shareholders of the Company passed by more than 75 per cent. of shareholders who, being entitled to vote, do so in person or by proxy
TCGA	the Taxation of Chargeable Gains Act 1992, as amended
Terminal Asset Value	(i) in respect of each Zero Dividend Share, 122.83224 pence (or in the event the Net Assets divided by the number of Zero Dividend Shares in issue as at the Calculation Date is less than 122.83224 pence, then such lesser amount); (ii) in respect of each Income Share, the Income Net Assets divided by the number of Income Shares in issue as at the Calculation Date; (iii) in respect of each Capital Share, the Capital Net Assets divided by the number of Capital Shares in issue as at the Calculation Date; (iv) in respect of each Income & Growth Unit, the sum of the Terminal Asset Value of one Income Share and the Terminal Asset Value of one Capital Share; and (v) in respect of each Package Unit, the sum of the Terminal Asset Value of one Income Share, the Terminal Asset Value of one Capital Share and the Terminal Asset Value of a Zero Dividend Share
Third Interim Dividend	the last dividend to be paid by the Company to Income Shareholders and the Unitholders, which is expected to be paid on or about 15 March 2017

Transfer Agreements	the agreements for the transfer of assets from the Company to the Rollover Funds pursuant to the Scheme, a summary of which is set out in Part III of this document
TTE Instruction	transfer to escrow instruction
UK	the United Kingdom of Great Britain and Northern Ireland
UK Listing Authority	the Financial Conduct Authority in its capacity as the competent authority for listing in the UK under FSMA
uncertificated or in uncertificated form	recorded on the Register as being held in uncertificated form in CREST and title to which, by virtue of the Regulations, may be transferred by means of CREST
Unit	a Package Unit and/or an Income & Growth Unit
United States	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
Unitholders	holders of Package Units and/or holders of Income & Growth Units
VAT	within the European Union, any tax levied in accordance with (but subject to derogations from) the Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax and, outside the European Union, any other tax levied by reference to added value or sales or tax of a similar nature
Winterflood Securities	Winterflood Securities Limited
Zero Dividend Net Assets	the Terminal Asset Value of each Zero Dividend Share multiplied by the number of Zero Dividend Shares in issue on the Calculation Date
Zero Dividend Shareholders	holders of Zero Dividend Shares
Zero Dividend Shares	zero dividend preference shares of 1 penny each in the capital of the Company

NOTICE OF GENERAL MEETING OF HOLDERS OF INCOME SHARES

M&G HIGH INCOME INVESTMENT TRUST P.L.C. (the "Company")

(Incorporated in England and Wales with registered number 03297698)

NOTICE IS HEREBY GIVEN that a general meeting of holders of Income Shares of the Company will be held at Laurence Pountney Hill, London EC4R 0HH on 9 March 2017 at 11:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

THAT the passing of the Special Resolution set out in the Notice of the First General Meeting of the Company to be held on 9 March 2017, or any adjournment thereof, and the Special Resolution set out in the Notice of the Second General Meeting of the Company to be held on 17 March 2017 or any adjournment thereof and any and every variation of the rights attached to the Income Shares of the Company involved in or effected by the passing or implementation of such Resolution be hereby sanctioned.

Registered Office:

Laurence Pountney Hill
London
United Kingdom
EC4R 0HH

By order of the Board:

J P McClelland
Secretary

Dated: 19 January 2017

Notes:

- 1 Only holders of Income Shares are entitled to attend (or be represented) and vote at the above meeting.
- 2 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote in their stead and that proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.
- 3 To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must (failing previous registration with the Company) be left at the office of the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
- 4 Completion and return of a Form of Proxy will not preclude an Income Shareholder from attending and voting at the above meeting should he/she so wish.
- 5 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do so in relation to the same shares.
- 6 The total number of issued Income Shares in the Company with voting rights as at 13 January 2017, being the latest practicable date before the publication of this document, is 250,503,505 shares, each carrying one vote on a poll.
- 7 The Chairman of the meeting shall answer any question relating to the business being dealt with at the meeting put by a member.
- 8 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6:30 p.m. on 7 March 2017, or, in the event that the meeting is adjourned, in the register of members as at 6:30 p.m. on the day falling two days prior to the date of any adjourned meeting, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the relevant register of securities after 6:30 p.m. on 7 March 2017 or, in the event that the meeting is adjourned, in the register of members after 6:30 p.m. on the day falling two days prior to the date of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 9 A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at www.mandg.co.uk.

- 10 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at www.euroclear.com.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 11 Pursuant to section 319A of the Companies Act 2006, any member attending the above meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or good order of the meeting that the question be answered.
- 12 Income Shareholders may not use any electronic address provided either in this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
- 13 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("Nominated Persons"). Nominated Persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

NOTICE OF GENERAL MEETING OF HOLDERS OF CAPITAL SHARES

M&G HIGH INCOME INVESTMENT TRUST P.L.C. (the "Company")

(Incorporated in England and Wales with registered number 03297698)

NOTICE IS HEREBY GIVEN that a general meeting of holders of Capital Shares of the Company will be held at Laurence Pountney Hill, London EC4R 0HH on 9 March 2017 at 11.05 a.m. (or as soon thereafter as the immediately preceding general meeting of holders of Income Shares of the Company shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

THAT the passing of the Special Resolution set out in the Notice of the First General Meeting of the Company to be held on 9 March 2017, or any adjournment thereof, and the Special Resolution set out in the Notice of the Second General Meeting of the Company to be held on 17 March 2017 or any adjournment thereof and any and every variation of the rights attached to the Capital Shares of the Company involved in or effected by the passing or implementation of such Resolution be hereby sanctioned.

Registered Office:

Laurence Pountney Hill
London
United Kingdom
EC4R 0HH

By order of the Board:

J P McClelland
Secretary

Dated: 19 January 2017

Notes:

- 1 Only holders of Capital Shares are entitled to attend (or be represented) and vote at the above meeting.
- 2 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote in their stead and that proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.
- 3 To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must (failing previous registration with the Company) be left at the office of the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
- 4 Completion and return of a Form of Proxy will not preclude a Capital Shareholder from attending and voting at the above meeting should he/she so wish.
- 5 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do so in relation to the same shares.
- 6 The total number of issued Capital Shares in the Company with voting rights as at 13 January 2017, being the latest practicable date before the publication of this document, is 250,503,505 shares, each carrying one vote on a poll.
- 7 The Chairman of the meeting shall answer any question relating to the business being dealt with at the meeting put by a member.
- 8 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6:30 p.m. on 7 March 2017, or, in the event that the meeting is adjourned, in the register of members as at 6:30 p.m. on the day falling two days prior to the date of any adjourned meeting, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the relevant register of securities after 6:30 p.m. on 7 March 2017 or, in the event that the meeting is adjourned, in the register of members after 6:30 p.m. on the day falling two days prior to the date of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 9 A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at www.mandg.co.uk.

- 10 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at www.euroclear.com.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 11 Pursuant to section 319A of the Companies Act 2006, any member attending the above meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or good order of the meeting that the question be answered.
- 12 Capital Shareholders may not use any electronic address provided either in this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
- 13 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("Nominated Persons"). Nominated Persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

NOTICE OF GENERAL MEETING OF HOLDERS OF ZERO DIVIDEND SHARES

M&G HIGH INCOME INVESTMENT TRUST P.L.C. (the "Company")

(Incorporated in England and Wales with registered number 03297698)

NOTICE IS HEREBY GIVEN that a general meeting of holders of Zero Dividend Shares of the Company will be held at Laurence Pountney Hill, London EC4R 0HH on 9 March 2017 at 11.10 a.m. (or as soon thereafter as the immediately preceding general meeting of holders of the Capital Shares of the Company shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

THAT the passing of the Special Resolution set out in the Notice of the First General Meeting of the Company to be held on 9 March 2017, or any adjournment thereof, and the Special Resolution set out in the Notice of the Second General Meeting of the Company to be held on 17 March 2017 or any adjournment thereof and any and every variation of the rights attached to the Zero Dividend Shares of the Company involved in or effected by the passing or implementation of such Resolution be hereby sanctioned.

Registered Office:

Laurence Pountney Hill
London
United Kingdom
EC4R 0HH

By order of the Board:

J P McClelland
Secretary

Dated: 19 January 2017

Notes:

- 1 Only holders of Zero Dividend Shares are entitled to attend (or be represented) and vote at the above meeting.
- 2 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote in their stead and that proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.
- 3 To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must (failing previous registration with the Company) be left at the office of the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
- 4 Completion and return of a Form of Proxy will not preclude a Zero Dividend Shareholder from attending and voting at the above meeting should he/she so wish.
- 5 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do so in relation to the same shares.
- 6 The total number of issued Zero Dividend Shares in the Company with voting rights as at 13 January 2017, being the latest practicable date before the publication of this document, is 250,503,505 shares, each carrying one vote on a poll.
- 7 The Chairman of the meeting shall answer any question relating to the business being dealt with at the meeting put by a member.
- 8 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6:30 p.m. on 7 March 2017, or, in the event that the meeting is adjourned, in the register of members as at 6:30 p.m. on the day falling two days prior to the date of any adjourned meeting, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the relevant register of securities after 6:30 p.m. on 7 March 2017 or, in the event that the meeting is adjourned, in the register of members after 6:30 p.m. on the day falling two days prior to the date of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 9 A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at www.mandg.co.uk.

- 10 10. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at www.euroclear.com.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 11 Pursuant to section 319A of the Companies Act 2006, any member attending the above meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or good order of the meeting that the question be answered.
- 12 Zero Dividend Shareholders may not use any electronic address provided either in this Notice or any related documents (including the Form of Proxy) to communicate with the Company for any purposes other than those expressly stated.
- 13 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("Nominated Persons"). Nominated Persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

NOTICE OF FIRST GENERAL MEETING

M&G HIGH INCOME INVESTMENT TRUST P.L.C. (the “Company”)

(Incorporated in England and Wales with registered number 03297698)

NOTICE IS HEREBY GIVEN that a General Meeting of the Company will be held at Laurence Pountney Hill, London EC4R 0HH on 9 March 2017 at 11.15 a.m. (or so soon thereafter as the immediately preceding general meeting of holders of Zero Dividend Shares of the Company shall have been concluded or adjourned) for the purpose of considering and, if thought fit, passing, the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

THAT:

(1) (A)

- (i) with effect from the date (the “Amendment Date”) on which the amendment to the Official List to reflect the reclassification of the Shares as Reclassified Shares becomes effective, each of the Income Shares of 1p each, the Capital Shares of 1p each and the Zero Dividend Shares of 1p each in the capital of the Company (together the “Shares”) in issue at the date of the passing of this Special Resolution shall be reclassified as Shares the holder of which has (or is deemed to have) elected to have reclassified as Shares with Z1 Rights, I1 Rights, C1 Rights, Z2 Rights, I2 Rights, C2 Rights, Z3 Rights, I3 Rights, C3 Rights, Z4 Rights, I4 Rights, C4 Rights, Z5 Rights, I5 Rights, C5 Rights, Z6 Rights, I6 Rights, C6 Rights, Z7 Rights, I7 Rights or C7 Rights as the case may be, (the “Reclassified Shares”) in such respective numbers as may be required to give effect to any Election validly made (or deemed to have been made) by the holders of Shares and otherwise in accordance with the terms of the Scheme set out in Part IV of the circular dated 19 January 2017 to the Shareholders and Unitholders of the Company (the “Circular”), a copy of which has been laid before the meeting and signed for the purpose of identification by the Chairman;
- (ii) for the purposes of this Special Resolution:
 - (a) to the extent any holder of Zero Dividend Shares shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Growth Shares, such Shares shall be reclassified as Shares with Z1 Rights;
 - (b) to the extent any holder of Income Shares shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Growth Shares, such Shares shall be reclassified as Shares with I1 Rights;
 - (c) to the extent any holder of Income & Growth Units shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Growth Shares, the Income Shares comprised in such Income & Growth Units shall be reclassified as Shares with I1 Rights and the Capital Shares comprised in such Income & Growth Units shall be reclassified as Shares with C1 Rights;
 - (d) to the extent any holder of Package Units shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Growth Shares, the Zero Dividend Shares comprised in such Package Units shall be reclassified as Shares with Z1 Rights, the Income Shares comprised in such Package Units shall be reclassified as Shares with I1 Rights and the Capital Shares comprised in such Package Units shall be reclassified as Shares with C1 Rights;

- (e) to the extent any holder of Zero Dividend Shares shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Income Shares, such Shares shall be reclassified as Shares with Z2 Rights;
- (f) to the extent any holder of Income Shares shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Income Shares, such Shares shall be reclassified as Shares with I2 Rights;
- (g) to the extent any holder of Income & Growth Units shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Income Shares, the Income Shares comprised in such Income & Growth Units shall be reclassified as Shares with I2 Rights and the Capital Shares comprised in such Income & Growth Units shall be reclassified as Shares with C2 Rights;
- (h) to the extent any holder of Package Units shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Income Shares, the Zero Dividend Shares comprised in such Package Units shall be reclassified as Shares with Z2 Rights, the Income Shares comprised in such Package Units shall be reclassified as Shares with I2 Rights and the Capital Shares comprised in such Package Units shall be reclassified as Shares with C2 Rights;
- (i) to the extent any holder of Zero Dividend Shares shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Cash Shares, such Shares shall be reclassified as Shares with Z3 Rights;
- (j) to the extent any holder of Income Shares shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Cash Shares, such Shares shall be reclassified as Shares with I3 Rights;
- (k) to the extent any holder of Income & Growth Units shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Cash Shares, the Income Shares comprised in such Income & Growth Units shall be reclassified as Shares with I3 Rights and the Capital Shares comprised in such Income & Growth Units shall be reclassified as Shares with C3 Rights;
- (l) to the extent any holder of Package Units shall have validly elected for, and under the terms of the Scheme will become entitled to receive, JPMorgan Elect Managed Cash Shares, the Zero Dividend Shares comprised in such Package Units shall be reclassified as Shares with Z3 Rights, the Income Shares comprised in such Package Units shall be reclassified as Shares with I3 Rights and the Capital Shares comprised in such Package Units shall be reclassified as Shares with C3 Rights;
- (m) to the extent any holder of Zero Dividend Shares shall have validly elected (or shall be deemed to have elected) for, and under the terms of the Scheme will become entitled to receive, M&G UK Income Distribution Shares, such Shares shall be reclassified as Shares with Z4 Rights;
- (n) to the extent any holder of Income Shares shall have validly elected (or shall be deemed to have elected) for, and under the terms of the Scheme will become entitled to receive, M&G UK Income Distribution Fund Shares, such Shares shall be reclassified as Shares with I4 Rights;

- (o) to the extent any holder of Income & Growth Units shall have validly elected (or shall be deemed to have elected) for, and under the terms of the Scheme will become entitled to receive, M&G UK Income Distribution Fund Shares, the Income Shares comprised in such Income & Growth Units shall be reclassified as Shares with I4 Rights and the Capital Shares comprised in such Income & Growth Units shall be reclassified as Shares with C4 Rights;
- (p) to the extent any holder of Package Units shall have validly elected (or shall be deemed to have elected) for, and under the terms of the Scheme will become entitled to receive, M&G UK Income Distribution Shares, the Zero Dividend Shares comprised in such Package Units shall be reclassified as Shares with Z4 Rights, the Income Shares comprised in such Package Units shall be reclassified as Shares with I4 Rights and the Capital Shares comprised in such Package Units shall be reclassified as Shares with C4 Rights;
- (q) to the extent any holder of Zero Dividend Shares shall have validly elected for, and under the terms of the Scheme will become entitled to receive, M&G Strategic Corporate Bond Fund Shares, such Shares shall be reclassified as Shares with Z5 Rights;
- (r) to the extent any holder of Income Shares shall have validly elected for, and under the terms of the Scheme will become entitled to receive, M&G Strategic Corporate Bond Fund Shares, such Shares shall be reclassified as Shares with I5 Rights;
- (s) to the extent any holder of Income & Growth Units shall have validly elected for, and under the terms of the Scheme will become entitled to receive, M&G Strategic Corporate Bond Fund Shares, the Income Shares comprised in such Income & Growth Units shall be reclassified as Shares with I5 Rights and the Capital Shares comprised in such Income & Growth Units shall be reclassified as Shares with C5 Rights;
- (t) to the extent any holder of Package Units shall have validly elected for, and under the terms of the Scheme will become entitled to receive, M&G Strategic Corporate Bond Fund Shares, the Zero Dividend Shares comprised in such Package Units shall be reclassified as Shares with Z5 Rights, the Income Shares comprised in such Package Units shall be reclassified as Shares with I5 Rights and the Capital Shares comprised in such Package Units shall be reclassified as Shares with C5 Rights;
- (u) to the extent any holder of Zero Dividend Shares shall have validly elected for, and under the terms of the Scheme will become entitled to receive, M&G Dividend Fund Shares, such Shares shall be reclassified as Shares with Z6 Rights;
- (v) to the extent any holder of Income Shares shall have validly elected for, and under the terms of the Scheme will become entitled to receive, M&G Dividend Fund Shares, such Shares shall be reclassified as Shares with I6 Rights;
- (w) to the extent any holder of Income & Growth Units shall have validly elected for, and under the terms of the Scheme will become entitled to receive, M&G Dividend Fund Shares, the Income Shares comprised in such Income & Growth Units shall be reclassified as Shares with I6 Rights and the Capital Shares comprised in such Income & Growth Units shall be reclassified as Shares with C6 Rights;
- (x) to the extent any holder of Package Units shall have validly elected for, and under the terms of the Scheme will become entitled to receive, M&G Dividend Fund Shares, the Zero Dividend Shares comprised in such Package Units shall be reclassified as Shares with Z6 Rights, the Income Shares comprised in such

Package Units shall be reclassified as Shares with I6 Rights and the Capital Shares comprised in such Package Units shall be reclassified as Shares with C6 Rights;

- (y) to the extent any holder of Zero Dividend Shares shall have validly elected (or shall be deemed to have elected) for, and under the terms of the Scheme will become entitled to receive, the Cash Option, such Shares shall be reclassified as Shares with Z7 Rights;
 - (z) to the extent any holder of Income Shares shall have validly elected (or shall be deemed to have elected) for, and under the terms of the Scheme will become entitled to receive, the Cash Option, such Shares shall be reclassified as Shares with I7 Rights;
 - (aa) to the extent any holder of Capital Shares shall be deemed to have elected for and under the terms of the Scheme will become entitled to receive the Cash Option, such Shares shall be reclassified as Shares with C7 Rights;
 - (ab) to the extent any holder of Income & Growth Units shall have validly elected (or shall be deemed to have elected) for, and under the terms of the Scheme will become entitled to receive, the Cash Option, the Income Shares comprised in such Income & Growth Units shall be reclassified as Shares with I7 Rights and the Capital Shares comprised in such Income & Growth Units shall be reclassified as Shares with C7 Rights; and
 - (ac) to the extent any holder of Package Units shall have validly elected (or shall be deemed to have elected) for, and under the terms of the Scheme will become entitled to receive, the Cash Option, the Zero Dividend Shares comprised in such Package Units shall be reclassified as Shares with Z7 Rights, the Income Shares comprised in such Package Units shall be reclassified as Shares with I7 Rights and the Capital Shares comprised in such Package Units shall be reclassified as Shares with C7 Rights;
- (iii) each of the holders of Shares with the rights set out in paragraph 1.ii above shall have the respective rights set out in the Articles of Association of the Company as amended by this Special Resolution;
- (iv) the Articles of Association of the Company be amended with effect from the Amendment Date by:
- (a) deleting Article 4.1 and substituting the following:

“The holders of the zero dividend shares of 1 penny each (“Zero Dividend Shares”), designated as Shares with Z1 Rights, Z2 Rights, Z3 Rights, Z4 Rights, Z5 Rights, Z6 Rights and Z7 Rights; income shares of 1 penny each (“Income Shares”), designated as Shares with I1 Rights, I2 Rights, I3 Rights, I4 Rights, I5 Rights, I6 Rights and I7 Rights; and capital shares of 1 penny each (“Capital Shares”), designated as Shares with C1 Rights, C2 Rights, C3 Rights, C4 Rights, C5 Rights, C6 Rights and C7 Rights, in each case in such respective numbers as shall result from the passing at a General Meeting of the Company convened for 9 March 2017 (or any adjournment thereof) of the Special Resolution set out in the notice thereof, shall have the rights set out in this Article”;
 - (b) inserting the following Article as Article 4A:

“The rights attaching to the Zero Dividend Shares, Income Shares, Capital Shares shall be as follows:

- (i) in relation to dividends, interest and entitlements on the winding-up of the Company:
- (a) the Shares with Z1 Rights, I1 Rights and C1 Rights shall be entitled only to dividends and/or interest deriving with effect from the Effective Date from the profits of the segregated business constituting the A Fund and to amounts in the winding-up of the Company which are in aggregate equal to the net assets of the A Fund;
 - (b) the Shares with Z2 Rights, I2 Rights and C2 Rights shall be entitled only to dividends and/or interest deriving with effect from the Effective Date from the profits of the segregated business constituting the B Fund and to amounts in the winding-up of the Company which are in aggregate equal to the net assets of the B Fund;
 - (c) the Shares with Z3 Rights, I3 Rights and C3 Rights shall be entitled only to dividends and/or interest deriving with effect from the Effective Date from the profits of the segregated business constituting the C Fund and to amounts in the winding-up of the Company which are in aggregate equal to the net assets of the C Fund;
 - (d) the Shares with Z4 Rights, I4 Rights and C4 Rights shall be entitled only to dividends and/or interest deriving with effect from the Effective Date from the profits of the segregated business constituting the D Fund and to amounts in the winding-up of the Company which are in aggregate equal to the net assets of the D Fund;
 - (e) the Shares with Z5 Rights, I5 Rights and C5 Rights shall be entitled only to dividends and/or interest deriving with effect from the Effective Date from the profits of the segregated business constituting the E Fund and to amounts in the winding-up of the Company which are in aggregate equal to the net assets of the E Fund;
 - (f) the Shares with Z6 Rights, I6 Rights and C6 Rights shall be entitled only to dividends and/or interest deriving with effect from the Effective Date from the profits of the segregated business constituting the F Fund and to amounts in the winding-up of the Company which are in aggregate equal to the net assets of the F Fund;
 - (g) the Shares with Z7 Rights, I7 Rights and C7 Rights shall be entitled only to dividends and/or interest deriving with effect from the Effective Date from the profits of the segregated business constituting the G Fund and to amounts in the winding-up of the Company which are in aggregate equal to the net assets of the G Fund;
- (ii) in a winding-up of the Company in circumstances where the Special Resolution contained in the notice of general meeting of Income Shareholders, the Special Resolution contained in the notice of general meeting of the Capital Shareholders, the Special Resolution contained in the notice of the general meeting of the Zero Dividend Shareholders, the Special Resolution contained in the notice of the First General Meeting, convened for 9 March 2017 and the Special Resolution contained in the notice of the Second General Meeting convened for 17 March 2017, have been passed and have become unconditional, they shall have the following additional rights notwithstanding anything to the contrary in these Articles of Association:

- (A) the rights of the holders of Shares with Z1 Rights, I1 Rights and C1 Rights in respect of assets of the Company shall be satisfied by the issue to such holders of the numbers of JPMorgan Elect Managed Growth Shares to which they shall respectively be entitled in accordance with the Scheme;
- (B) the rights of the holders of Shares with Z2 Rights, I2 Rights and C2 Rights in respect of assets of the Company shall be satisfied by the issue to such holders of the numbers of JPMorgan Elect Managed Income Shares to which they shall respectively be entitled in accordance with the Scheme;
- (C) the rights of holders of Shares with Z3 Rights, I3 Rights and C3 Rights in respect of assets of the Company shall be satisfied by the issue to such holders of the numbers of JPMorgan Elect Managed Cash Shares to which they shall respectively be entitled in accordance with the Scheme;
- (D) the rights of holders of Shares with Z4 Rights, I4 Rights and C4 Rights in respect of assets of the Company shall be satisfied by the issue to such holders of the numbers of M&G UK Income Distribution Fund Shares to which they shall respectively be entitled in accordance with the Scheme;
- (E) the rights of holders of Shares with Z5 Rights, I5 Rights and C5 Rights in respect of assets of the Company shall be satisfied by the issue to such holders of the numbers of M&G Strategic Corporate Bond Fund Shares to which they shall respectively be entitled in accordance with the Scheme;
- (F) the rights of holders of Shares with Z6 Rights, I6 Rights and C6 Rights in respect of assets of the Company shall be satisfied by the issue to such holders of the numbers of M&G Dividend Fund Shares to which they shall respectively be entitled in accordance with the Scheme; and
- (G) the rights of holders of Shares with I7 Rights, C7 Rights and Z7 Rights in respect of assets of the Company shall be satisfied by a payment of such cash amount as they shall respectively be entitled in accordance with the Scheme.

Subject to the special rights set out above, for all other purposes of these Articles of Association, the Shares with Z1 Rights, I1 Rights, C1 Rights, Z2 Rights, I2 Rights, C2 Rights, Z3 Rights, I3 Rights, C3 Rights, Z4 Rights, I4 Rights, C4 Rights, Z5 Rights, I5 Rights, C5 Rights, Z6 Rights, I6 Rights, C6 Rights, Z7 Rights, I7 Rights and C7 Rights shall continue to be Shares and these Articles of Association shall be construed accordingly. Words and expressions defined in the circular dated 19 January 2017 to Shareholders and Unitholders (the "Circular") shall bear the same respective meanings in this Article 4A, save where the context otherwise requires";

- (v) from the Amendment Date, the undertaking of the Company shall be divided into six segregated funds and the Liquidation Fund. On that date, the Directors shall allocate to each of the segregated businesses assets and liabilities such that the values of each such segregated business are equal to those set out in paragraph 4.ii of the Scheme, and

(B)

- (vi) Subject to the fulfilment or, to the extent permitted, earlier waiver of the conditions set out in paragraph 15 of the scheme (the "Scheme") contained in Part IV of the Circular (other than the passing of this Special Resolution), which includes the passing of the Special Resolution at the General Meeting of Income Shareholders set out in the notice of the meeting of Income Shareholders convened for 9 March 2017 (or any adjournment thereof), the passing of the Special Resolution at the General Meeting of Capital Shareholders set out in the notice of the meeting of Capital Shareholders convened for 9 March 2017 (or any adjournment thereof) and the passing of the Special Resolution at the General Meeting of Zero Dividend Shareholders set out in the notice of the meeting of Zero Dividend Shareholders convened for 9 March 2017 (or any adjournment thereof) (copies of which have been laid before this Meeting and signed by the Chairman for the purpose of identification):
- (a) notwithstanding anything to the contrary in the Articles of Association of the Company, the Scheme (a copy of which has been laid before this Meeting and signed by the Chairman for the purpose of identification) be and is hereby approved and the Liquidators of the Company, when appointed, (the "Liquidators") be and hereby are authorised to implement the Scheme and to execute any document and do anything for the purpose of carrying the Scheme into effect;
 - (b) in particular, and without prejudice to the generality of paragraph 1.vi(a) above, the Liquidators, when appointed, be and hereby are authorised and directed, pursuant to this Special Resolution and/or the Articles of Association of the Company, as amended by this Special Resolution:
 - (I) to procure that the Company enters into and gives effect to the Transfer Agreements between the Company, the Liquidators and each of M&G UK Income Distribution Fund, JPMorgan Elect, M&G Dividend Fund and the M&G Strategic Corporate Bond Fund, as the case may be, (each a "Rollover Fund" and together the "Rollover Funds") for the transfer of the assets comprised in the relevant Funds (all as defined in or for the purposes of the Scheme), of the Company to the relevant Rollover Funds, as the case may be, such agreements to be in the form of the drafts laid before this Meeting and signed for the purpose of identification by the Chairman thereof with such amendments as the parties thereto may from time to time agree;
 - (II) to procure that each Fund (as defined in the Scheme) be vested in the relevant Rollover Fund or its nominees, subject to (as applicable) the instrument of incorporation or prospectus of the relevant Rollover Fund;
 - (III) to request each Rollover Fund (or M&G Securities) or the relevant depository as the case may be) to arrange for the distribution among the Zero Dividend Shareholders, Income Shareholders, Capital Shareholders and Unitholders who so elect or are deemed so to elect of the Securities to be issued pursuant to the Scheme by way of satisfaction and discharge of their respective interests in so much of the undertaking, property and assets of the Company as shall be transferred to each Rollover Fund, as the case may be, in accordance with the Scheme; and
 - (IV) to convert into cash the Liquidation Fund (as defined in the Scheme);
- (vii) the Liquidators, when appointed, be and are hereby authorised to divide among the members in specie the whole or any part of the business of the Company in accordance with the Scheme and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members.

The Liquidators may vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of, inter alia, the members as they may determine, but no member shall be compelled to accept any assets upon which there is a liability;

- (viii) the Liquidators when appointed be and are hereby authorised to exercise such powers pursuant to this Special Resolution and/or the Articles, as amended by this Special Resolution, as may be necessary or desirable in their judgement to give effect to the Scheme;
- (2) this Special Resolution shall operate by way of such further amendments to the Articles of Association as may be necessary to give effect hereto; and
- (3) terms defined in the Circular to Shareholders dated 19 January 2017 shall have the same meanings in this Special Resolution, save where the context otherwise requires.

Registered Office:

Laurence Pountney Hill
London
United Kingdom
EC4R 0HH

By order of the Board:

J P McClelland
Secretary

Dated: 19 January 2017

Notes:

- 1 Holders of Zero Dividend Shares, Income Shares, Capital Shares, Income & Growth Units and Package Units are entitled to attend (or be represented) and vote at the above meeting.
- 2 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote in their stead and that proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.
- 3 To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must (failing previous registration with the Company) be left at the office of the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
- 4 Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting at the above meeting should he/she so wish.
- 5 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do so in relation to the same shares.
- 6 The total number of issued Zero Dividend Shares, Income Shares and Capital Shares in the Company with voting rights as at 13 January 2017, being the latest practicable date before the publication of this document, is 250,503,505 Zero Dividend Shares, 250,503,505 Income Shares and 250,503,505 Capital Shares, each carrying one vote on a poll. Therefore, the total voting rights in the Company as at 13 January 2017 amount to 751,510,515.
- 7 The Chairman of the meeting shall answer any question relating to the business being dealt with at the meeting put by a member.
- 8 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6:30 p.m. on 7 March 2017, or, in the event that the meeting is adjourned, in the register of members as at 6:30 pm on the day falling two days prior to the date of any adjourned meeting, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the relevant register of securities after 6:30 p.m. on 7 March 2017 or, in the event that the meeting is adjourned, in the register of members after 6:30 p.m. on the day falling two days prior to the date of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 9 A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at www.mandg.co.uk.

- 10 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with Euroclear specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The CREST Manual can be reviewed at www.euroclear.com.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 11 Pursuant to section 319A of the Companies Act 2006, any member attending the above meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or good order of the meeting that the question be answered.
- 12 Shareholders may not use any electronic address provided either in this Notice or any related documents (including the Forms of Proxy) to communicate with the Company for any purposes other than those expressly stated.
- 13 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("Nominated Persons"). Nominated Persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.

NOTICE OF SECOND GENERAL MEETING

M&G HIGH INCOME INVESTMENT TRUST P.L.C. (the "Company")

(Incorporated in England and Wales with registered number 03297698)

NOTICE IS HEREBY GIVEN that a second General Meeting of the Company will be held at Laurence Pountney Hill, London EC4R 0HH on 17 March 2017 at 10.00 a.m. for the purpose of considering and, if thought fit, passing, the following resolution which will be proposed as a Special Resolution:

SPECIAL RESOLUTION

- (1) **THAT**, in the event that the conditions (other than the passing of this resolution) (the "Conditions") as set out in paragraph 15 of the Scheme contained in Part IV of the circular to shareholders of the Company dated 19 January 2017 (the "Circular"), a copy of which has been laid before this meeting and signed by the Chairman thereof, have been fulfilled:
- (i) the Company be wound up voluntarily and Laura Waters and Rob Lewis (the "Liquidators") both of PricewaterhouseCoopers LLP, 7 More London Riverside, London SE1 2RT be appointed Liquidators for the purpose of such winding-up and any power conferred on them by law or by this Resolution may be exercised by them jointly or by either one of them alone;
 - (ii) the remuneration of the Liquidators be fixed on the basis of time spent by them and members of their staff and they be and are hereby authorised to draw such remuneration monthly or at such longer intervals as they may determine;
 - (iii) the books, accounts and documents of the Company and of the Liquidators be disposed of as the Liquidators see fit, subject to any legal requirements governing the period of retention;
 - (iv) pursuant to section 165 of the Insolvency Act 1986 the Liquidators be authorised to exercise such of the powers set out in Part I of Schedule 4 to that Act as may be necessary or desirable in their judgment to give effect to the Scheme;
 - (v) the Liquidators be authorised to divide among the members in specie the whole or any part of the assets of the Company in accordance with the Scheme and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The Liquidators may vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of, inter alia, the members as they may determine, but no member shall be compelled to accept any assets upon which there is a liability; and
 - (vi) the Liquidators be empowered and directed to carry into effect the Company's articles of association as amended by the resolutions as set out in the notice convening the general meeting of the Company on 9 March 2017.

Registered Office:

Laurence Pountney Hill
London
United Kingdom
EC4R 0HH

By order of the Board:

J P McClelland
Secretary

Dated: 19 January 2017

Notes:

- 1 Holders of Zero Dividend Shares, Income Shares, Capital Shares, Income & Growth Units and Package Units are entitled to attend (or be represented) and vote at the above meeting.
- 2 A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and vote in their stead and that proxy need not be a member of the Company. A Form of Proxy is enclosed for this purpose.
- 3 To be effective the instrument appointing a proxy, and any power of attorney or other authority under which it is executed (or a duly certified copy of any such power or authority), must (failing previous registration with the Company) be left at the office of the Company's Registrars, Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, not less than 48 hours before the time for holding the meeting or adjourned meeting or (in the case of a poll taken otherwise than at the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
- 4 Completion and return of a Form of Proxy will not preclude a Shareholder from attending and voting at the above meeting should he/she so wish.
- 5 Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do so in relation to the same shares.
- 6 The total number of issued Zero Dividend Shares, Income Shares and Capital Shares in the Company with voting rights as at 13 January 2017, being the latest practicable date before the publication of this document, is 250,503,505 Zero Dividend Shares, 250,503,505 Income Shares and 250,503,505 Capital Shares, each carrying one vote on a poll. Therefore, the total voting rights in the Company as at 13 January 2017 amount to 751,510,515.
- 7 The Chairman of the meeting shall answer any question relating to the business being dealt with at the meeting put by a member.
- 8 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the Company as at 6:30 p.m. on 15 March 2017, or, in the event that the meeting is adjourned, in the register of members as at 6:30 p.m. on the day falling two days prior to the date of any adjourned meeting, shall be entitled to attend or vote at the aforesaid general meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries in the relevant register of securities after 6:30 p.m. on 15 March 2017 or, in the event that the meeting is adjourned, in the register of members after 6:30 p.m. on the day falling two days prior to the date of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the meeting.
- 9 A copy of this notice and other information required by Section 311A of the Companies Act 2006 can be found at www.mandg.co.uk.
- 10 CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so using the procedures described in the CREST Manual. CREST personal members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

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The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 11 Pursuant to section 319A of the Companies Act 2006, any member attending the above meeting has the right to ask questions. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or good order of the meeting that the question be answered.

- 12 Shareholders may not use any electronic address provided either in this Notice or any related documents (including the Forms of Proxy) to communicate with the Company for any purposes other than those expressly stated.
- 13 The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the company in accordance with section 146 of the Companies Act 2006 ("Nominated Persons"). Nominated Persons may have a right under an agreement with the registered shareholder who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if Nominated Persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights.