

Investment Fund Advisory

LF Woodford Equity Income fund - 15th October 2019

A decision was made today by Link Fund Solutions Limited (LFS) to wind up the LF Woodford Equity Income Fund and return money to investors, rather than reopen the fund in early December as had been planned.

LFS are the Authorised Corporate Director (ACD) of the fund and they have published a letter today explaining the rationale for their decision. This letter is now on our website under the News tab on the home page under LF Woodford Equity Income Updates.

The fund will commence a wind up on January 17th 2020 as three months' notice needs to be given to investors under the applicable European Directive and as implemented under FCA rules.

This decision was not anticipated and Neil Woodford himself commented today:

'This was Link's decision and one that I cannot accept, nor I believe is in the long-term interests of LF Equity Income Fund investors'.



Neil Woodford

What happens now?

We have previously published information in our updates of June 4th and July 1st on the history of Neil, the fund, his investment history and thesis and these documents are available on our website for reference. This is clearly a sad day for him and a note on which I know Neil would not wish to end his career, but these matters are now out of his hands. Having been sacked as fund manager by LFS, Woodford Investment Management will cease to be a viable business and the business will likely move into administration. This will of course, not affect the underlying invested assets of investors in the Woodford funds.



The press will I'm sure be full of obituaries on Neil's investment career over the coming days and weeks and be prepared to read further very negative press, as I'm sure few commentators will focus on the very significant returns he has made for investors over his three decade career, despite the investment performance of the last two years.

LFS have now appointed BlackRock Advisors Limited to manage the listed assets in the fund and these will be sold down in the market and paid out to investors, commencing January. The sale of the unlisted portion of the portfolio, which was circa £600 million at the point the fund was suspended on June 4th, is being advised on by specialist broker PJT Partners Limited ('Park Hill').

Anecdotally, there has been significant interest in this part of the portfolio since the fund was suspended on June 4th and multiple parties including sovereign wealth funds, specialist investors, large family offices and institutional fund have participated in a sealed bid process, presided over by Park Hill and due to conclude imminently. In some respects, therefore, it is surprising that LFS have made the decision they have now. It is of course also true that LFS wish all investors to have some clarity to the process from here.

Investors will clearly now be concerned about what today's announcement is likely to do to the fund values from here. The listed value of the fund during a total sale process, at less than £3 billion, is not expected to move prices significantly - this is a small sum in the context of the overall UK market and the listed assets will be principally in very liquid FTSE 100 and 250 companies. BlackRock are of a size that will make this process straight forward to manage and hence their appointment.

It is interesting that on Friday last week the fund rose 5% in value on the potential for good news on a Brexit deal. The listed part of the fund is likely to perform strongly in the event the Brexit process is concluded as it owns a number of domestic and consumer focussed holdings, where values have been very depressed of late.

We appreciate that today's announcement may give cause for further concern and we will of course update investors on developments as they occur. Please do contact the office if you wish to discuss the situation further.

Yours sincerely

Rob Sandwith | Chief Executive

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