07 April 2016

DUNEDIN ENTERPRISE INVESTMENT TRUST PLC

PROPOSED CHANGES TO INVESTMENT OBJECTIVE AND POLICY

Introduction

As announced on 18 February 2016, following a review of the Company's investment strategy and consultation with major Shareholders, the Board has concluded that it would be in the interests of Shareholders as a whole to conduct a managed wind-down of the Company over a period of time. This will require changes to the Company's current investment objective and policy. As the proposed changes to the Company's investment policy are material, they are subject to the prior approval of Shareholders in accordance with the Listing Rules.

A general meeting of the Company to consider an ordinary resolution to approve the proposed changes to the Company's investment objective and policy has been convened for Wednesday, 11 May 2016. The Directors are unanimously recommending that Shareholders vote in favour of the resolution to be proposed at the General Meeting.

A circular containing further details of the proposed changes to the Company's investment objective and policy and related matters and the notice convening the General Meeting will be posted to Shareholders later today. Copies of that circular will be available shortly at www.dunedinenterprise.com and at www.morningstar.co.uk/uk/nsm.

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Background to, and Reasons for, the Proposals

In the months preceding the announcement on 18 February 2016, the Board, in conjunction with its advisers, reappraised the future prospects for the Company and consulted with Shareholders.

In reaching its decision to recommend a managed wind-down of the Company to Shareholders, the Board was influenced by several key factors, including:

- the decreasing size of the Company (in part a consequence of dividend payments of £10.6 million and £45.0 million of capital having been returned to Shareholders under the distribution policy introduced in November 2011);
- the Company's flat investment performance; and
- the substantial discount at which the Shares trade relative to their NAV.

The combined effect of these factors is that the Company's market capitalisation is now only around £66 million, exacerbating the lack of liquidity in the Shares which many larger institutional investors and wealth managers require for regulatory and risk reasons. This backdrop makes generating new investor interest in the Company increasingly challenging.

On a more positive note, on 18 February 2016 the Board also announced that the Company's largest investment, CitySprint, had been realised generating proceeds of £26.1 million for the Company (of which £7.3 million has been rolled over into a new CitySprint company). The proceeds represent a return of 2.75 times over five years on the original investment of £9.8 million when taking account of income previously received.

Some 34 per cent. of the Company's investments, particularly through Dunedin Buyout Fund III, continue to be in the active investment phase and subject to ongoing drawdown of uncalled commitments. However, the majority of the Company's current portfolio (including the 42 per cent. held through Dunedin Buyout Fund II) is relatively mature. In the Board's opinion, the more mature investments offer the prospect of good realisations in the short to medium term. Based on its belief that there is significant inherent value in the underlying investments in the Company's portfolio, the Board has concluded that the best way to maximise value for Shareholders would be to implement a plan that allows the Company's investments to be realised in an orderly manner over a period of time and cash to be returned to Shareholders progressively. Similar plans have been followed successfully by other private equity investment trusts, such as Northern Investors Company plc and Mithras Investment Trust PLC.

If Shareholders approve the Proposals at the General Meeting, the Company will remain a listed investment trust but with the sole purpose of returning cash to investors over time as the Company's investments are realised, ultimately leading to the voluntary liquidation of the Company.

Benefits of the Proposals

The Board believes that the Proposals offer the following significant benefits to Shareholders:

· Commencing a managed wind-down of the Company, rather than placing it in liquidation immediately or seeking an immediate sale of its portfolio, should enable the Company to achieve an appropriate balance between maximising the value of its portfolio and returning cash to Shareholders.

· Following the announcement of the sale of the Company's largest investment and the Proposals on 18 February 2016, the Share price closed at 335p (up 42p from the previous day's closing price). As at 5 April 2016 (the latest practicable date prior to this announcement), the Share price was 323.5p, representing a discount to the NAV per Share as at 31 December 2015 of approximately 36 per cent. The Board expects that the implementation of the Proposals will lead to a further narrowing of the discount over time.

· Since the Company will remain listed throughout all (or most of) the realisation period, subject to market conditions, Shareholders and prospective investors will be able to buy and sell Shares on the London Stock Exchange.

Proposed Changes to Investment Objective and Policy

Introduction

Implementation of the Proposals will require material changes to the Company's investment objective and policy. The Company's current investment objective and policy and the proposed changes to them are set out below.

Current Investment Objective and Policy

"The Company's objective is to target a rate of return on equity in excess of 8 per cent. per annum over the long-term. The Company aims to achieve its investment objective by investing principally in private equity funds managed by Dunedin.

In 2011 the Company changed its investment policy so that in future it will invest only in direct private equity investments or via private equity funds managed by Dunedin.

In future the Company does not intend to make any new commitments to, or any new investments (other than investments resulting from existing commitments) in private equity funds managed by managers other than Dunedin. Investments in the existing European funds portfolio may be held to maturity, with any associated outstanding commitments being met when called, although the Directors reserve the right to sell all or any such investments, together with any associated outstanding commitments, prior to maturity, if they believe that this is in the best interests of Shareholders.

Accordingly, the mix of investments by the Company among direct investments and investments via private equity funds managed by Dunedin or by managers other than Dunedin will vary from time to time. In the medium to long term, the exposure to the European funds portfolio will decrease as the funds in the portfolio mature or the Company's interests in them are sold.

Ultimately, the Company will invest in private equity funds managed by Dunedin, specialising in the provision of equity finance for management buyouts, management buyins and growing businesses in the UK lower mid-market (i.e. businesses with an enterprise value typically in the region of £20 million - £100 million). It is anticipated that the Company may also make direct investments in the form of co-investments alongside private equity funds managed by Dunedin in which the Company is also invested.

Not more than 15 per cent. of NAV (measured at the date of investment) will be invested, directly or indirectly, in any single company or group of companies (measured at the date of investment). Investments are made across a range of business sectors. Investments are structured to deliver capital growth for the Company using a variety of financial instruments, including ordinary shares, preference shares, loan stock and mezzanine debt, either directly or through commitments to limited partnership funds.

The Company does not invest in other listed closed-end investment funds. Cash balances are held either on cash deposit or in gilts or cash liquidity funds.

In common with most investment companies, the Company may borrow to finance further investment. Although the Company is permitted by its Articles of Association to borrow an amount equal to the amount paid up on the issued share capital and the total amounts standing to the credit of the capital and revenue reserves of the Company, the Board's policy is that financial gearing will not exceed 40 per cent. of gross asset value."

Proposed Investment Objective, Policy and Strategy

Under the Proposals, the Board is proposing that the Company's investment objective be restated as follows:

"The investment objective of the Company is to conduct an orderly realisation of its assets, to be effected in a manner that seeks to achieve a balance between maximising the value of the Company's investments and progressively returning cash to Shareholders."

In view of the proposal to realise the Company's investments, return surplus capital to Shareholders and ultimately wind up the Company, it is proposed that the Company's entire existing investment policy be replaced and, subject to the resolution being passed at the General Meeting, the Company will adopt and adhere to the following investment policy (which will be published each year in the Company's annual report and accounts in accordance with the Listing Rules, commencing with the annual report and accounts for the year ending 31 December 2016):

"The Company's investment policy is to invest primarily in private equity investments, either through private equity funds managed by Dunedin or directly.

The Company may not make any new investments save that:

(i) investment may be made to honour commitments to funds under existing contractual arrangements;

(ii) further investment may be made into the Company's direct investments in order to preserve the value of such investments; and

(iii) realised cash may be invested in liquid cash-equivalent securities, including short-dated corporate bonds, government bonds, cash funds or bank cash deposits pending its return to Shareholders in accordance with the Company's investment objective.

No more than 10 per cent. of the Company's total assets may be invested in any single cash equivalent instrument or placed on deposit with any single institution, except that this limit does not apply to investment in government bonds, which shall be unconstrained.

The use of gearing shall be limited to the investment of up to £20 million of borrowed funds or, if less, 20 per cent. of the Company's NAV (measured at the time of drawdown).

The Company will not invest in other listed closed-end investment funds.

The Company will continue to comply with the requirements of UK investment trust legislation and the restrictions imposed on closed-ended investment funds by the Listing Rules in force from time to time.

In common with most investment companies, the Company may borrow to finance further investment. Although the Company is permitted by its Articles of Association to borrow an amount equal to the amount paid up on the issued share capital and the total amounts standing to the credit of the capital and revenue reserves of the Company, the Board's policy is that financial gearing will not exceed 40 per cent. of gross asset value."

Any material change to the new investment policy would require Shareholder approval in accordance with the Listing Rules.

The Board will meet regularly:

· to review progress in, and the strategy for, implementing the Company's new investment objective and policy; and

· to evaluate the then current position and prospects for unrealised investments, the strategy for outstanding commitments to existing funds, the Company's working capital requirements (including uncalled fund commitments) and the level of any surplus capital.

It should be noted that the Company has no control over the timing of realisations of the investments it holds through limited partnership funds (as most of its investments are). Similarly, the Company has no control over the timing of the drawdown of its outstanding commitments, primarily to Dunedin Buyout Fund III, for new investments. Accordingly, investments through funds will be made (in the case of funds still in the active investment phase) and realised in the ordinary course during the life of the relevant fund. Continuing to hold its interests in a fund over the life of that fund should enable the Company to benefit from the inherent value of the fund's underlying investments when they are realised. However, the Directors may seek to sell all or part of the Company's interests in a fund, together with any associated uncalled commitment, prior to the end of the fund's life if they believe that this may achieve a better balance between maximising the value of the Company's investment in the fund and progressively returning cash to Shareholders and is in the best interests of Shareholders as a whole.

Being prescriptive on the timeframe for realising the Company's direct investments could prove detrimental to the value achieved on realisation. Therefore, the strategy for the realisation of the Company's direct investments will need to be flexible and may need to be altered to reflect changes in the circumstances of a particular investment or in the prevailing market conditions. In seeking to realise the Company's direct investments in an orderly manner, the Directors will aim to achieve a balance between maximising their value and progressively returning cash to Shareholders.

Once all, or substantially all, of the Company's investments have been realised and outstanding commitments to remaining funds have been extinguished, the Company will seek Shareholders' approval for it to be placed into voluntary liquidation.

Returning Cash to Shareholders During the Realisation Period

The Company intends to maintain its investment trust status until such time as the Company is placed into voluntary liquidation, including making dividend payments in order to maintain such status.

The quantum and timing of returns of capital to Shareholders following receipt by the Company of the net proceeds of realisations of investments (whether held through funds or directly) will be dependent on the Company's liabilities (including any outstanding bank borrowings), its uncalled fund commitments and general working capital requirements. In particular, the net cash proceeds from realisations of investments, after settlement of and provision for liabilities of the Company, will be applied to the repayment of the Company's outstanding bank borrowings (if any) prior to returning capital to Shareholders.

As can be seen from the following table, the Company's portfolio principally comprises funds at different stages in their investment cycles, although they can be split broadly into two categories: those funds that are still in their investment phase (when the focus is on making new investments, although some existing investments may also be realised) and those funds that are solely in their realisation phase.

Portfolio Composition as at 31 March 2016[1]

Investment	Value (£m)	% of Portfolio (%)	Outstanding Commitment (£m)	End of Investment Period	End of Life of Fund[2]
Direct	9.3	9	N/a	Expired	N/a
Dunedin-managed funds					
Dunedin Buyout Fund I	0.3	-	0.2	Expired	Dec-16
Dunedin Buyout Fund II	41.2	42	7.7	Expired	Sep-16
Dunedin Buyout Fund III	25.9	26	27.8	Nov-17	Nov-22
Equity Harvest Fund	4.9	5	-	Expired	Dec-16
Third party-managed funds					
Innova/5	7.8	8	3.5	Dec-16	Nov-19
Realza Capital	9.7	10	0.9	Expired	Sep-18

Notes: [1]Based on 31 December 2015 valuations and adjusted for subsequent realisations and investments. [2]With the requisite approvals from the limited partners, the life may be extended.

Where a fund is still in its investment phase, it can continue to draw down outstanding commitments to fund new investments, follow-on investments in existing investee companies and the fund's costs and expenses. A fund whose investment period has expired cannot draw down any of the outstanding commitment to make new investments and, accordingly, an outstanding commitment (if any) to that fund is less likely to be drawn down in its entirety. It is expected that, of the Company's total outstanding commitments to funds of £40.1 million at 31 March 2016, around £21 million of the total is likely to be drawn over the remaining life of the funds.

At 31 March 2016, the Company had an undrawn bank facility of £20 million, which expires on 31 May 2018, and cash balances of £4.6 million. £3.3 million of this cash will be used to fund the interim dividend of 16p per Share for the year ending 31 December 2016, which will be paid on 18 May 2016 to Shareholders on the register at the close of business on 29 April 2016. Accordingly, the Company does not have any surplus capital to return to Shareholders at present.

Due to the illiquid nature of private equity investments, it is very difficult to provide any certainty on the timeframe for realisation of the Company's investments or, taking into account the Company's outstanding commitments to funds, returning surplus capital to Shareholders. As previously mentioned, the Board will review, on a regular basis, the strategy for realising the Company's investments with the objective of achieving an appropriate balance between maximising value for Shareholders and the timeframe for returning capital to Shareholders. In view of the life of Dunedin Buyout Fund III and absent of any earlier sale of the Company's interest in (and any outstanding commitment to) that fund, the Directors anticipate that it may take at least seven years to complete the managed wind-down of the Company. Of course, the Directors will seek to return in a timely manner to Shareholders surplus capital resulting from realisations during the realisation process.

If Shareholders approve the proposed changes to the Company's investment objective and policy at the General Meeting, the proposals for returning cash outlined in this section will replace the Company's current distribution policy, which was adopted in November 2011 and envisaged that the Company would be making new investments.

Definitions

The words and expressions listed below have the meanings set out opposite them throughout this announcement except where the context otherwise requires:

"Board"	the board of directors of the Company (or any duly authorised committee thereof) from time to time
"Company"	Dunedin Enterprise Investment Trust PLC
"Directors"	the directors of the Company from time to time
"discount"	in the context of a Share, the amount by which its share price is lower than its estimated NAV (expressed as a percentage of the NAV per Share)
"Dunedin"	Dunedin LLP, the Company's manager
"General Meeting"	the general meeting of the Company convened for Wednesday, 11 May 2016 (or any adjournment of that meeting)
"Listing Rules"	the listing rules made by the UK Listing Authority under Part VI of the Financial Services and Markets Act 2000
"London Stock Exchange"	London Stock Exchange plc's market for listed securities
"NAV"	in relation to the Company, the value of the net assets of the Company (calculated in accordance with the Company's normal accounting policies) or, in relation to a Share, the value of such net assets divided by the number of Shares in issue on the relevant date of calculation
"Proposals"	the proposed changes to the Company's investment objective and policy, details of which are set out in this announcement
"Shareholders"	holders of Shares
"Shares"	ordinary shares of 25p each in the capital of the Company
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for listing pursuant to Part VI of the Financial Services and Markets Act 2000

Note

Cantor Fitzgerald Europe, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting solely as financial adviser for the Company and for no one else, including any recipient of this announcement, in connection with the Proposals and other matters referred to in this announcement and will not be responsible to anyone other than the Company for providing the protections afforded to clients of Cantor Fitzgerald Europe or for affording advice in relation to the Proposals or any other matter referred to in this announcement. Nothing in this paragraph shall serve to exclude or limit any responsibilities that Cantor Fitzgerald Europe may have under the Financial Services and Markets Act 2000 or the regulatory regime established under that Act.