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**21 January 2019**

**JPMorgan Elect plc  
Publication of Circular**

JPMorgan Elect plc (the “**Company**” or “**JPM Elect**”) has today published a circular convening a General Meeting and Class Meetings for each class of the Company’s shares in connection with two separate proposals that require the consideration and approval from the Company’s shareholders (the “**Shareholders**”) (the “**Circular**”).

*Change in Investment Objective and Policy of the Managed Cash Shares*

The first proposal is a change in the Investment Objective and Policy of the Managed Cash shares (the “**Managed Cash Shares**”), the purpose of which is to take the assets attributable to the Managed Cash Shares (the “**Managed Cash Pool**”) outside the scope of the new European Money Market Funds Regulation. Further details of the change in Investment Objective and Policy are set out below. The Board believes that this change, which is unanimously recommended by the Board, will allow Shareholders continued access to a lower risk share class. The necessary resolutions to approve such change are set out in the Notice of General Meeting and Notice of Class Meeting of Managed Cash Shareholders at the end of the Circular.

*Authority to issue new shares in connection with a proposed scheme of reconstruction of El Oro Ltd.*

The Board is taking advantage of the requirement to publish a circular in connection with the proposed change in Investment Objective and Policy for the Managed Cash Shares to also seek the necessary Shareholder authorities for a potential issue of new shares of the Company (“**New JPM Elect Shares**”) in connection with a proposed scheme of reconstruction of a Guernsey investment company, El Oro Ltd. (“**El Oro**”), which will be in a form similar to a reconstruction under section 110 of the UK Insolvency Act 1986 (as amended) (the “**Scheme**”). The proposed Scheme and the agreement by the Board of heads of terms with the El Oro Board were announced by the Company on 30 November 2018.

It is expected that, pursuant to the Scheme, Eligible El Oro Shareholders will be able to exchange their holdings in El Oro shares for any combination of New JPM Elect Shares and/or cash.

Shareholders should note that the Scheme itself has yet to be finalised. The necessary approvals from the El Oro Shareholders are expected to be sought in March or April 2019 and a further announcement will be made in due course. In the event that the Scheme is not entered into or is abandoned, the authorities to issue the New JPM Elect Shares will lapse.

The Board considers that the issue of the New JPM Elect Shares in connection with the Scheme (as currently envisaged) is in the best interests of the Company and Shareholders as a whole. Accordingly, the Board unanimously recommends that Shareholders vote in favour of the resolutions to be put to the General Meeting and Class Meetings, as applicable. The Notice of General Meeting and Notice of Class Meeting of each of the Company’s three classes of shares are set out at the end of the Circular which is expected to be posted to Shareholders shortly.

It should also be noted that the Company will be required by the Prospectus Rules to publish a prospectus in connection with the issue of the New JPM Elect Shares pursuant to the Scheme. Such prospectus is expected to be published in March or April of 2019.

All expected dates in respect of the Scheme in this announcement are subject to change as they will depend on the actual timetable for the implementation of the Scheme.

## **Change in Investment Objective and Policy of the Managed Cash Shares**

By 21 January 2019, existing products that qualify as money market funds, or that are substantially similar (“**MMFs**”) will need to apply to the FCA for authorisation under the European Money Market Funds Regulation (“**Regulation**”). MMFs will need to comply with the prescriptive rules set out in the Regulation and be authorised as a MMF by the FCA

There is some ambiguity as to the exact scope of the Regulation as regards share classes within funds, especially ones such as the Managed Cash Share class with no redemption rights and whose primary purpose is to look after cash during a temporary move out of the markets from either Managed Growth Shares or Managed Income Shares, and not as a more general means of investors managing cash balances. However, JPMorgan Asset Management (UK) Limited (the “**Investment Manager**”) and the Company have been advised that there is a material risk that the Managed Cash Pool, in its current manifestation, will be considered a MMF within the meaning of the Regulation (given its short dated assets and current investment objective, which corresponds to that identified as a defining characteristic of MMFs in the Regulation).

Taking into account the small size of the Managed Cash Pool, it will not be practicable or efficient for the Company to comply with the prescriptive rules in the Regulation relating to what assets the Managed Cash Pool can hold, in particular, the maximum five per cent. holding in any underlying instrument. The Company, following consultation with the Investment Manager, is therefore proposing to amend the existing Investment Objective and Policy of the Managed Cash Shares such that in the future it should fall outside the scope of the Regulation.

It is proposed that the Investment Objective and Policy be amended to enable the net assets of the Managed Cash Pool to be invested in JPMorgan Funds - Sterling Managed Reserves Fund (“**JSMRF**”), an existing Luxembourg-domiciled UCITS fund launched on 22 August 2016 which invests primarily in GBP denominated short-term debt securities. It has been determined that JSMRF is not a MMF. As at 18 January 2019, JSMRF had net assets of approximately £121.6 million. The Company’s Managed Cash Pool will be invested in a new share class of JSMRF that does not pay management fees, although a charge of up to a maximum 0.05 per cent. of the Managed Cash Pool’s investment in JSMRF may be payable in respect of operating and administrative expenses. Further details on JSMRF are set out in the Circular.

Accordingly, the Company is proposing to replace the existing Investment Objective and Policy of the Managed Cash Pool in its entirety with the following:

### ***“Investment Objective***

The investment objective of the Managed Cash portfolio is to achieve a return in excess of sterling money markets by investing primarily in GBP denominated short-term debt securities.

### ***Investment Policy***

In order to achieve its stated investment objective and seek to manage investment risks, the Company will invest all or substantially all of the assets of the Managed Cash share class in JPMorgan Funds – Sterling Managed Reserves Fund (JSMRF), an existing UCITS fund launched on 22 August 2016, or any successor vehicle of JSMRF. The investment policy of JSMRF is to invest primarily in GBP denominated short-term debt securities.

The Company, through its investment in JSMRF, will maintain a diversified portfolio of investments. In particular, the Company will adhere to the following restrictions calculated as a percentage of the gross assets of JSMRF attributable to the Company, as at the time of investment:

- maximum of 35% in any one issuer of transferable securities and money market instruments issued or guaranteed by a sovereign nation, any EU public local authority, or any public international body to which one or more EU Member States belongs;
- maximum of 25% in any one issuer of bonds issued by an EU credit institution;

- maximum of 10% in any one issuer of other transferable securities and money market instruments; and
- maximum of 20% in any one Undertakings for Collective Investments in Transferable Securities (UCITS) fund or Undertakings for Collective Investments (UCI) fund (excluding the investment in JSMRF).

The Company does not intend to utilise borrowings to increase the funds available for investment.

In the event that JSMRF changes its investment policy, the Directors will take appropriate action to amend the Managed Cash investment policy or will consider removing the assets of the Managed Cash portfolio from JSMRF so that the Company is not in breach of any applicable regulation.”

The current objective of the Managed Cash portfolio is to provide for preservation of capital. As explained above, this causes the class to likely fall within the definition of a MMF under the Regulation. The proposed investment objective and policy seeks to achieve a return in excess of sterling money markets which may therefore result in the net asset value fluctuating, both positively and negatively. Further details of JSMRF’s main investment exposure and certain risk factors relating to JSMRF are set out in the Circular.

### **Approvals sought from the Managed Cash Shareholders**

The change in Investment Objective and Policy is subject to the approval of the Investment Objective and Policy Resolutions by Managed Cash Shareholders at the General Meeting and the Managed Cash Class Meeting, prior approval of the FCA having already been received by the Company on 14 January 2019.

Assuming the passing of the Investment Objective and Policy Resolutions the change in the Investment Objective and Policy will be implemented as soon as practicable after the above meetings.

In the event Managed Cash Shareholders do not approve the change in Investment Objective and Policy, the Directors intend to put forward proposals to Shareholders to close the Managed Cash Share class, as it will not be possible to manage this class in conformity with the Regulation under the existing Investment Objective and Policy.

### **Authority to allot New JPM Elect Shares and disapplication of pre-emption rights in connection with the Scheme**

#### **Background to and benefits of the Scheme**

El Oro is a Guernsey incorporated investment company listed on the Official List of the Channel Islands Securities Exchange Authority Limited which had net assets of approximately £50 million as at 30 November 2018. After consideration by the El Oro Board of a wide range of options for the future direction of that company, the El Oro Board agreed heads of terms with the Company at the end of November 2018 to provide a rollover option for El Oro Shareholders.

Your Board and the Investment Manager regularly review the options available for increasing the size of the Company and in this regard have agreed, subject (*inter alia*) to formal documentation and Shareholder approval, that the Company be available to Eligible El Oro Shareholders seeking a rollover in connection with the Scheme. The El Oro Board set out the key terms of the proposed Scheme to the El Oro Shareholders in El Oro’s notice of annual general meeting in November 2018 and also stated its intention that the Managed Income Shares would be the default option.

As described in more detail below, the Company’s costs in connection with the Scheme will not be borne by existing Shareholders. As a result, and to the extent that New JPM Elect Shares are issued under the Scheme, the Board considers that Shareholders should benefit from the spreading of fixed costs over a wider asset base, and a correspondingly lower Ongoing Charges Ratio, and potentially greater liquidity in each class of Shares.

## The Scheme

It is currently expected that under the terms of the Scheme (which have yet to be finalised), El Oro would be wound up in April or May 2019 (although the timing remains to be determined) by means of a members' voluntary liquidation pursuant to a scheme of reconstruction in Guernsey which will be similar to a scheme under section 110 of the UK Insolvency Act 1986 (as amended). Eligible El Oro Shareholders will have the opportunity (subject to the implementation of the Scheme and the passing of the El Oro Scheme Resolutions and resolutions by the Company's Shareholders) to realise all or part of their investment in El Oro Shares as cash and/or to rollover all or part of their investment in El Oro Shares into any combination of New JPM Elect Shares.

Further details of the Scheme will be provided in due course. Assuming the passing of the Issue Resolution and the Issue Consents (as described below), no further approvals to enable the issue of the New JPM Elect Shares are expected to be required from you as Shareholders. However, if in the opinion of the Board, there has been a material change in the terms of the Scheme (in so far as it adversely affects Shareholders) from that set out in the Circular, the Board will determine whether it is appropriate to seek replacement or modified authorities from Shareholders.

It is expected that under the terms of the Scheme (if implemented), Eligible El Oro Shareholders who make a valid Election for New JPM Elect Shares will receive on the Effective Date:

- Managed Growth Shares issued at a price equivalent to NAV per Managed Growth Share plus an issue premium (the "**Issue Premium**");
- Managed Income Shares issued at a price equivalent to NAV per Managed Income Share plus the Issue Premium; and/or
- Managed Cash Shares issued at a price equivalent to NAV per Managed Cash Share plus the Issue Premium.

Assuming the Scheme is implemented, the New JPM Elect Shares are expected to be issued in or around May 2019.

The Issue Premium will be set at a level equal to or between 0.65 per cent. and 1.0 per cent. In the event that the value of assets represented by the interests of Eligible El Oro Shareholders electing to roll their El Oro Shares into the Company is less than £40 million then the Issue Premium will be set at 1.0 per cent. In the event that the value of such assets exceeds or equals £40 million then the Issue Premium will reduce on a straight line basis such that if the value of such assets equals £50 million or more the Issue Premium will be set at 0.65 per cent.

The costs of the Company's participation in the Scheme will be met, in the first instance, by the Issue Premium at which the New JPM Elect Shares will be issued. To the extent that the Issue Premium does not cover these costs, the Investment Manager has agreed to meet any such shortfall. To the extent that the Issue Premium relating to a class of JPM Elect Shares amounts to more than the costs of the Scheme borne by that class, such surplus will accrue to the benefit of the holders of shares in that class. For these purposes, the costs of the Scheme borne by the Company will be allocated to each class of JPM Elect Shares in proportion to the value of the assets to be transferred to each Pool pursuant to the Scheme. As a result of these arrangements, the Scheme is not expected to result in any decrease in the NAV per share of any of the Company's share classes.

Transaction taxes, stamp duty/stamp duty reserve tax (if any) payable on the transfer of assets pursuant to the Scheme to the Company shall be borne by the Company.

The Investment Manager has also agreed to meet the Company's costs incurred in relation to the Scheme in the event that the Company ceases to be a rollover option for the El Oro Shareholders.

The New JPM Elect Shares will be issued in consideration for the transfer of part of the investment undertaking of El Oro which will then be invested in accordance with the investment policy of the relevant Pool. El Oro currently invests, amongst other things, in a portfolio of equities (both listed and unlisted) and real estate. In advance of the Scheme becoming effective, it is expected that El Oro will have, to the extent practicable, realised or realigned its investments in accordance with the Scheme

and the Elections made or deemed to have been made thereunder. It is expected that New JPM Elect Shares will only be issued pursuant to the Scheme in return for cash (or cash equivalents or other liquid securities). The Company is not expected to receive in specie transfers of assets from EI Oro.

The Company's assets on completion of the Scheme will continue to be managed in accordance with the Company's stated investment objectives and policies.

The New JPM Elect Shares will rank *pari passu* with existing JPM Elect Shares, including for dividends. In addition, it should be noted that by issuing the New JPM Elect Shares pursuant to the Scheme the retained revenue reserves associated with the JPM Elect Shares will, on a per share basis, be diluted. The extent of any dilution cannot be determined at this stage and will depend on various factors, including the number of Eligible EI Oro Shareholders rolling their interests in EI Oro Shares into the Company as well as the share classes into which these investors elect to roll.

### **Conditions to the Issue**

The Issue of the New JPM Elect Shares at the relevant time pursuant to the proposed Scheme will be conditional, among other things, upon:

- i. the passing of the Issue Resolution and the Issue Consents;
- ii. the finalisation of the Scheme substantially in the form described in the Circular by the EI Oro Board and the Board respectively;
- iii. the agreement of the Transfer Agreement between EI Oro, the liquidators of EI Oro and the Company in connection with the Scheme;
- iv. the passing of all the necessary EI Oro Scheme Resolutions to be proposed at the EI Oro Scheme Meetings (or, in each case, any adjournment thereof) and all conditions to such EI Oro Scheme Resolutions (excluding any condition relating to the passing of any other EI Oro Scheme Resolution) being fulfilled;
- v. the publication of a prospectus of the Company as required by the Prospectus Rules in connection with the issue of New JPM Elect Shares pursuant to the Scheme;
- vi. the EI Oro Directors not resolving to abandon the Scheme; and
- vii. applications being made, and the UK Listing Authority having agreed to admit, the New JPM Elect Shares to be issued pursuant to the Scheme to the premium segment of the Official List and the London Stock Exchange having agreed to admit such New JPM Elect Shares to trading on the main market for listed securities of the London Stock Exchange.

It is expected that the Scheme will be implemented in the first half of 2019. The authorities sought from Shareholders in connection with the Issue lapse if the Scheme is abandoned. The Directors will not proceed with the Issue if the Scheme has not been implemented by the end of 2019.

### **Issue Resolution**

In accordance with the requirements of the Companies Act 2006, the Company is seeking Shareholder authorisation to issue the New JPM Elect Shares in connection with the Scheme and to dis-apply pre-emption rights in respect of the issue of such New JPM Elect Shares.

The maximum number of Managed Cash Shares, Managed Growth Shares and Managed Income Shares in the Issue Resolution (55,000,000, 8,000,000 and 55,000,000 respectively) are based on certain assumptions, including that all Eligible EI Oro Shareholders participate in the Scheme and elect to roll into the same class of JPM Elect Shares and do not make Elections to receive cash.

The actual number of New JPM Elect Shares of each class to be issued pursuant to the Scheme will not be known until all Elections have been made by Eligible EI Oro Shareholders and Shareholders should not take the foregoing maximum numbers of New JPM Elect Shares as being indicative of the actual number of New JPM Elect Shares that will be issued pursuant to the Scheme at the relevant time.

The Issue Resolution to be proposed at the General Meeting will be proposed as a special resolution and, in order to be passed, will require the approval of 75 per cent or more of the votes cast at the General Meeting, whether in person or by proxy.

**The Issue Resolution is conditional on the passing of each of the Issue Consents.**

### **Issue Consents**

Whilst the actual number of New JPM Elect Shares to be issued and the proportion of such shares represented by each class is not known at this stage and will depend (*inter alia*) upon Elections made by El Oro Shareholders, the Issue could increase the number of JPM Elect Shares currently in issue by more than one third. As a result, the Company is seeking the consent of each class of JPM Elect Shares for the Issue, as required by the Articles.

Each Issue Consent to be proposed at the relevant Class Meeting will be proposed as a special resolution and, in order to be passed, will require the approval of 75 per cent or more of the votes cast at the relevant Class Meeting, whether in person or by proxy.

**The consent of each class of JPM Elect Shares is required in order for the Issue to proceed.**

### **Recommendation**

**The Board considers the Proposals to be in the best interests of the Company and Shareholders as a whole. Accordingly, the Board recommends Shareholders vote in favour of the Proposals to be put to the Shareholders at the Meetings, as they intend to do in respect of their own beneficial holdings which amount in aggregate, to 22,004 Managed Growth Shares and 38,650 Managed Income Shares, representing 0.05 per cent of the total issued ordinary share capital of the Company and 0.06 per cent of the total voting rights in the Company.**

### **Expected timetable**

Publication of the Circular	21 January 2019
Latest time and date for receipt of Voting Instruction Forms for the Managed Cash Class Meeting	10:30 a.m. on 8 February 2019
Latest time and date for receipt of Voting Instruction Forms for the Managed Growth Class Meeting	10:31 a.m. on 8 February 2019
Latest time and date for receipt of Voting Instruction Forms for the Managed Income Class Meeting	10:32 a.m. on 8 February 2019
Latest time and date for receipt of Voting Instruction Forms for the General Meeting	10:33 a.m. on 8 February 2019
Latest time and date for receipt of the Form of Proxy for the Managed Cash Class Meeting	10:30 a.m. on 13 February 2019
Latest time and date for receipt of the Form of Proxy for the Managed Growth Class Meeting	10:31 a.m. on 13 February 2019
Latest time and date for receipt of the Form of Proxy for the Managed Income Class Meeting	10:32 a.m. on 13 February 2019
Latest time and date for receipt of the Form of Proxy for the General Meeting	10:33 a.m. on 13 February 2019
Managed Cash Class Meeting	10:30 a.m. on 15 February 2019

Managed Growth Class Meeting	10:31 a.m. on 15 February 2019
Managed Income Class Meeting	10:32 a.m. on 15 February 2019
General Meeting	10:33 a.m. on 15 February 2019
Publication of Prospectus of the Company	In or around March or April 2019
Completion of the Scheme and issue of the New JPM Elect Shares	In or around April or May 2019

*Each of the times and dates in the expected timetable may (where permitted by law) be extended or brought forward without further notice and in particular the dates relating to the proposed Scheme and the issue of the New JPM Elect Shares are provisional only. If any of the above times and/or dates change, the revised time(s) and/or date(s) will be notified to Shareholders by an announcement through a Regulatory Information Service. All references to times in this announcement are to UK time.*

A copy of the Circular will shortly be submitted to the National Storage Mechanism and will shortly be available for inspection at [www.morningstar.co.uk/uk/NSM](http://www.morningstar.co.uk/uk/NSM). The Circular will also shortly be available on the Company's website at [www.jpmelect.co.uk](http://www.jpmelect.co.uk) where further information on the Company can also be found.

Capitalised terms used but not defined in this announcement will have the same meaning as set out in the Circular dated 21 January 2019.

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