The Cultural Capital Fund Investor Letter

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Summary
We believe that investment in media content provides an opportunity for attractive non-correlated returns. This update briefly addresses some of the themes of the last 16 months and touches on how the structure we have in place allows us to identify the opportunities in the market place.

We provide a summary of the valuation report covering the 12 months to March 31st 2015, the funds first year.

The second part of the report looks in more detail at the structure of the fund at the end of April.

Objectives
The Cultural Capital Fund seeks to provide long term capital growth.
It is a disciplined and diversified vehicle for individuals and institutional investors to invest across the media sector, with a particular emphasis on content.

The fund will acquire rights and fund both development and production of projects in the television, theatre, publishing, live entertainment, film, music and games sectors. Investment will be in debt and equity.

The fund has been established as an Expert Fund in Jersey.

Opportunity
The broad media and entertainment sector has historically grown at better than GDP. PWC forecast total global entertainment and media revenue growth of 5.1% CAGR from 2014-2019*.

Developments in technology together with increasing consumer wealth are contributing to an increase in consumer time spent enjoying quality content. The opportunities to monetise such content are proliferating. London is a key global centre for media and benefits from a highly supportive environment.

London Theatre: The Society of London Theatre reported that in 2014 (53 weeks) attendance was up 1% and gross revenues ahead 6.5%. Musicals accounted for 55% of the 14.75m tickets sold. Tourism to London and the household wealth are key and both are trending in the right direction.

Touring Theatre: With over 450 non-London West End theatres across the United Kingdom alone there is plenty of opportunity to target relevant audiences. Aggregated industry data does not exist. 'Hit' shows from the West End tend to perform best and can proliferate to many locations in the UK and overseas.

Television: Strong growth in subscription TV and advertising are supporting the demand for quality content across most countries. Technological development allowing people to access content at all times is enabling an increase in consumption. We believe that the overall market opportunity for quality scripted drama, documentary and children's television is expanding.

Film: Notwithstanding alternative forms of entertainment and piracy global box office grew by 5.3% last year (in $US) and is forecast to continue at that rate*. Importantly the growth of TV subscription and electronic home video is now more than offsetting the decline in physical home video.

*PWC global entertainment and media outlook 2014-18

Access

The fund has a first look agreement with Bob and Co giving access to all ideas which are deemed appropriate by the in-house experts. These experts focus largely on scripted and documentary television, theatre, film and children's entertainment. In-house corporate finance and legal expertise is also available.

An important element of the fund is the ability to invest in the projects when they are substantially derisked and/or generating revenue. Our initial assumptions in terms of likely payback periods have been borne out to date.

For example we had assumed that theatrical investments would begin to pay back the intial capital in the second year after investment and on average it has been in the first year. For film and television we assumed recoupment would begin in the third year and again we are ahead of this plan on average. No development project has yet crystallised but there is no reason to change our year 2 assumption.

Performance for the 12 months to March 31st 2015
The fund seeks a diversified and balanced portfolio of investments across the media sector with the aim being to achieve consistent risk adjusted returns. It is likely that such returns are significantly uncorrelated to financial assets.

The first year fund valuation* as of March 31st demonstrated:
- A 10.4% increase in the value of the underlying assets.
- A 3.3% net increase in value after total expenses of £98,000.

The fund size was £1.36m (£1.575m at April 30th) with 5% of the assets being cash.

Eight of the eighteen investments held at the year end enjoyed an uplift on the original investment cost. None were reduced.

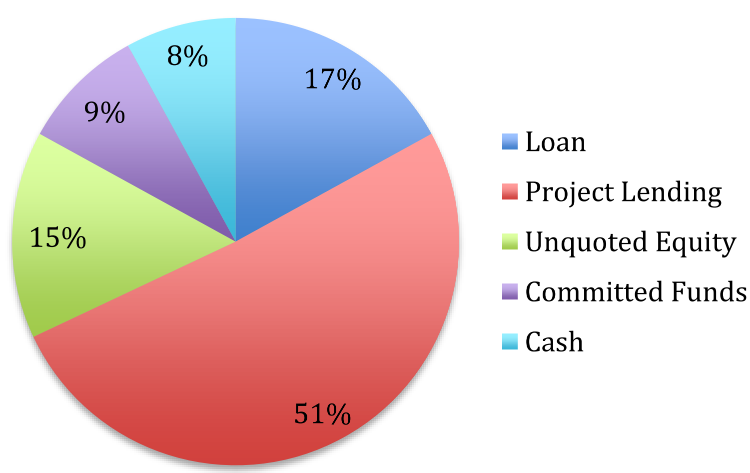
The four largest contributors to performance were The Girl at the Lion D'or, Peggy Guggenheim: Art Addict, MUBI and Beautiful the Carole King Musical.

*Valuation by Duff & Phelps

Fund structure at April 30th 2015
One level of diversification is in terms of financial structure. The largest proportion of the fund is in what we call *project lending* (51%. See Chart 1). This is where a financial commitment which enables the physical completion of a project is recouped while the fund retains a participation in future revenue streams as an equity participant.

Loans (17%) are repaid with priority but without any subsequent equity participation and can be secured, for example against tax credits or distribution sales.

Chart 1: Fund asset allocation split by structure at April 30th 2015

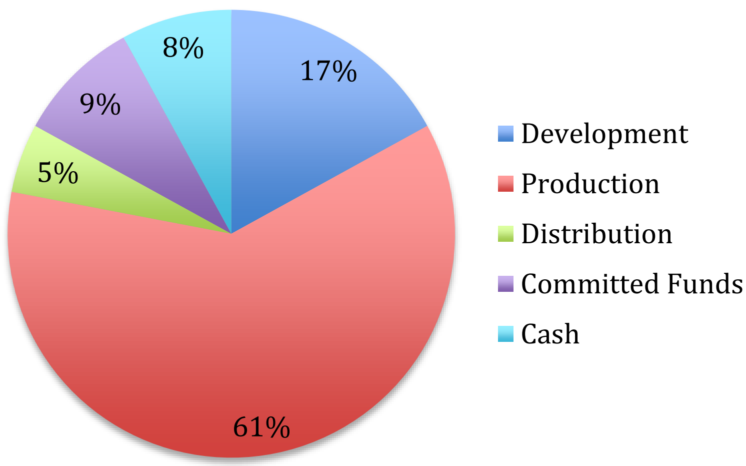


Activity

The fund also seeks diversity through the type of involvement in the project. Bob and Co Ltd have the skills to be involved in a project throughout the value chain, however the clear preference is to be attached from a very early stage.

D*evelopment* projects can be curated and sold with payment on the first day of filming at a fixed premium. The fund may choose to continue its involvement in a project beyond development through to physical production or alternatively it is possible to invest solely in the production phase.

Chart 2: Fund asset allocation split by activity type at April 30th 2015

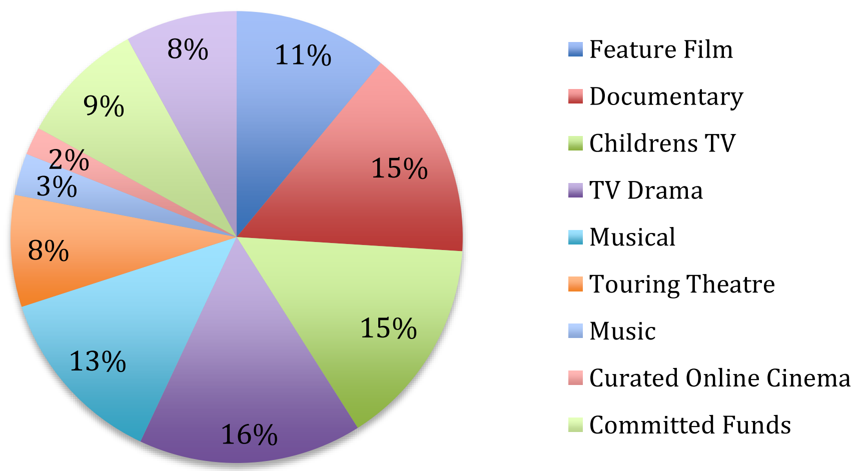


Markets

Chart 3 identifies eight categories in terms of end markets addressed, however in reality it is even more diverse. By way of example the three touring theatre shows totalling 8% of the assets address different audience age groups, visit very different towns and cities and even use different types of venue.

The fund pays close attention to the speed of cash return depending on project type. The projects that are likely to take the longest to return cash are the Children's TV Animation programs however this is balanced by the potential scale of return over the long term. At the other end of the scale theatre and documentaries can deliver attractive returns relatively rapidly and consequently some 34% of the funds assets were deployed into these areas at period end.

Chart 3. Fund asset allocation split by end market addressed at April 30th 2015



Outlook
Throughout its first year the fund has focussed on identifying projects that can be exploited through many different media to a variety of audiences. The relationship with Bob and Co has allowed us to bring these investments into the Fund at a stage when they are are likely to generate the greatest value.

We have favoured the recurring revenues available in documentary film and children's TV and eschewed the volatile returns of the big budget feature films. We like the visibility and prompt returns of West End theatre.

There are number of franchises, notably Beautiful and Hetty Feather, which we expect to be investing in for years to come and we are building valuable relationships with both established and emerging talent.

The nature of the media industry will mean that not all projects will succeed but our portfolio construction is de-risking most of our investments and allowing us to recycle our cash quickly. We continue to see a varied and attractive pipeline of new projects.

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The current Net Asset Value is £103.30 per share. Dealing will be at NAV which is reviewed quarterly. The next review will be after September 30th.

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