

# Investment Policy

The objective of Graphite Enterprise is to provide shareholders with long term capital growth through investment in unquoted companies, mainly through specialist funds but also directly.

**Asset Allocation** Graphite Enterprise invests principally in unquoted companies either indirectly through a fund or directly in a company. Where investments are made through a fund, that fund may itself be either unquoted or quoted. Unquoted companies in which Graphite Enterprise has an interest may from time to time obtain a quotation and the Company may continue to hold its interest in quoted form. Investments in unquoted companies and quoted companies held post-flotation will typically comprise between 50% and 100% of the Company's gross assets.

The Company makes a significant majority of its investments through funds. It also invests directly, mainly in the form of co-investments alongside funds.

The Company expects the largest part of its investment portfolio to be in well established companies. The Company may also invest in infrastructure projects, early stage companies and other unquoted investments.

Underlying investments will mostly be in equity, or equivalent risk instruments. A minority of investments may also be in lower risk instruments such as mezzanine debt.

The Company may from time to time make investments which provide exposure to other asset classes or which provide exposure to unquoted companies in other forms. These investments (including the market exposure provided by them) may comprise up to 40% of the Company's gross assets.

**Risk diversification** Graphite Enterprise's policy is to maintain an investment portfolio which provides exposure to unquoted companies across a broad range of sizes, with the greatest emphasis on medium sized and large companies. The aim is for the portfolio to be diversified by geography, industry sector and year of investment.

The Company will ensure that its interest in any one portfolio company, taking into account direct and indirect holdings, will not exceed 15% of the Company's total investments at the time of initial acquisition or subsequent addition. It is the Company's policy to invest no more than 15% of its gross assets in other listed investment companies.

**Borrowings** The companies in which Graphite Enterprise invests often use borrowings to enhance the returns to equity investors. The funds through which the Company invests may also use borrowings.

The Company does not expect to take on long term borrowings but may have long term facilities. Short to medium term borrowings may be required from time to time.

**Overcommitment** Overcommitment is the practice of making commitments to funds which exceed the cash available for immediate investment. The Company may be overcommitted in order to ensure that it is more fully invested in the future. The level of overcommitment is monitored regularly by the Board and the Manager, taking into account uninvested cash, the availability of bank facilities, the projected timing of cash flows to and from the portfolio, and market conditions.

**Surplus Cash** The Company holds surplus cash on deposit with UK banks or invests it in debt instruments or funds which themselves invest in such instruments. These investments are typically very liquid, with high credit quality, low capital risk and low maturity. The Company will invest surplus cash only in low risk assets and will limit exposure to any one bank, fund or issuer to 15% of gross assets.

**Benchmark** The Company's benchmark is the FTSE All-Share Index, which measures the share price performance of quoted companies of all sizes in the UK. The Board considers that this provides the most appropriate comparator for the Company's shareholders.

**Currency Risk** The Company holds investments in currencies other than sterling and is exposed to the risk of movements in the exchange rate of these currencies. From time to time the Company may put in place hedging arrangements in order to manage currency risk.