

31 May 2024

Castelnau Group Limited
("Castelnau" or the "Company")

Performance Fee Arrangements Update

The Board of the Company announces, that as detailed in its Annual Report published on 19 April 2024, it has reviewed the performance fee arrangements under the investment management agreement with Phoenix Asset Management Partners Limited (the "**Investment Manager**") dated 23 September 2021 (the "**IMA**") and have today entered into a restated and amended investment management agreement (the "**Revised IMA**") which includes a number of minor amendments to the way the performance fee is calculated.

Summary of changes

The Investment Manager does not charge a management fee to Castelnau and is instead incentivised solely via a performance based fee arrangement. In summary, the performance fee arrangement is measured over consecutive periods of not less than three years with first period commencing on the Company's IPO on 18 October 2021 and ending on 31 December 2024. The performance fee payable is one third of the outperformance of the Net Asset Value total return after adjustment for inflows and outflows, over the FTSE All-Share Total Return Index (the "**Benchmark**") with, subject to certain regulatory considerations, the performance fee being satisfied through the issuance of new ordinary shares.

The directors believe that the performance fee, measured over a three year period and receivable in shares, remains a significant point of alignment between the Company, its shareholders and the Investment Manager; however, the performance fee arrangement has been reviewed to ensure this alignment is equitable to all parties. Pursuant to the terms of the IMA, the performance fee is paid based on the outperformance over the Benchmark, calculated by reference to the 'average' adjusted net assets of the Company over each performance period. The averaging of the net asset value over the performance period does not fully take into account the outperformance that has been delivered by the Investment Manager and principally for this reason a limited number of adjustments are being made to the IMA, with the revisions summarised below:

- The fee will remain as one third of the outperformance over the Benchmark, however, the fee will be calculated by reference to the closing net asset value ("**Closing NAV**") rather than the average net asset value, and will be compared to the 'Benchmark NAV'.
- The Closing NAV is the reported net asset value of the Company at the period end, excluding any accrued performance fees. This will be compared to the Benchmark NAV, which is the Company's opening NAV for the performance period to which the Benchmark return is applied. The Benchmark NAV will also be adjusted for the impact of inflows and outflows to the share capital of the Company, to ensure that both the Closing NAV and Benchmark NAV reflect performance adjusted for the impact of these events.

For the avoidance of doubt, no performance fee for the period to 31 December 2024 would currently be payable under either the original or revised performance fee calculation. In addition, no additional changes under the Revised IMA (other than in respect of the performance fee) are being made.

As an SFS company CGL is not required to comply with the provisions of Chapter 11 of the Listing Rules regarding related party transactions. However, the Company have adopted a related party policy which applies to any transaction which it may enter into with any Director, the Manager or any of their affiliates, which would constitute a "related party transaction" as defined in, and to which would apply, Chapter 11 of the Listing Rules. In accordance with the Company's related party policy the independent directors of the Company have considered the terms of the Revised IMA and have confirmed that they consider the changes to be fair and reasonable.

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