



08 December 2022

Dear Shareholder,

In these difficult times, we wish to explain to you the long-term investment objective of P.O.L.I.C.Y. LIMITED (the “Company”) and the reasons why we are encouraging you to hold on to your shares in the Company.

Background

The Company is a closed-end fund, listed on the Official Market of the Stock Exchange of Mauritius, which aims to provide investors with long-term returns consisting of both dividends and capital appreciation through a diversified portfolio with a greater focus on foreign investments.

New Investment Strategy

During late 2020, the Board had approved a new Action Plan which favours a more international strategy, designed to access sophisticated investments, not readily available to retail investors in general. Over the long-term, the Company targets to convert around 85% of its portfolio into Foreign Investments.

Benefits of the new Investment Policy

As a larger investment institution, the Company can access products (of institutional share class which charge lower fees), disposing of a well-established track record, therefore enabling shareholders to gain exposure to these investment products, which require a high minimum investment amount.

The advantages of investing internationally are: better diversification, higher exposure to performing sectors around the world, potentially higher risk-adjusted returns, and benefits from currency appreciation over time.

Foreign products are carefully chosen by the Investment Committee with the expert advice of the Investment Adviser: AON Solutions Ltd. It is to be noted that no referral fees/commissions are paid to the Investment Advisors or Services Providers.

We are confident that this careful investment selection process will benefit shareholders over the medium to long term.

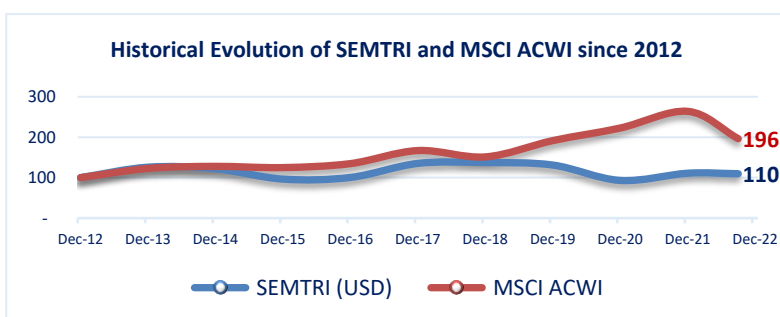
It must be also stated that the Company still remains quite significantly exposed to MCB Group Ltd. Around 25% of its overall portfolio consisted of MCB Group as at the end of September 2022, which remains its top holding.

Performance in 2022

The MSCI ACWI has fallen by 25.6% in US Dollar terms over the 9 months ended 30 September 2022.

This can be attributed to the various economic shocks such as the surging inflation, rising interest rates, fear of a global recession and the impact of the Russia/Ukraine war. The result has had a negative impact on the NAV of the Company.

The chart below shows the evolution of the MSCI All Country World Index (ACWI) and the SEMTRI (in USD) since 2012.



Over the long term, it can be seen the Foreign Equity Index has sharply outperformed the local market in USD terms.

This excludes the positive impact of the appreciation of the USD on overall returns. Despite the adverse situation, The Board is confident in its foreign strategy (and the recovery of the market in the medium-to-long term).

P.O.L.I.C.Y. LIMITED
(the 'Company')

The Board is currently also considering structured products, which would allow participation in gains when the market rallies, while simultaneously offering a degree of capital protection if ever markets fall further. The Board is also cautiously looking for other opportunities which will bring further diversification to the investment portfolio, even though market timing remains difficult.

Dividend Policy

For a number of years now, The Company has adopted a well-defined dividend policy, which reads as follows:

The Company's Dividend Policy is to distribute 90% of its realised profits after tax, plus a minimum of 20% of the 5-year average of the net asset value performance, that is, the change in net asset value after adding back dividend declared for the year. The Board ensures that the Company satisfies the solvency test required under section 61(2) of the Companies Act 2001. Consideration is also given to the Company's funding requirements in determining the level of dividends.

The adverse performance of the Company's investments (due to the recent market movements) has however not enabled the Board to declare any dividend for the year 2022, for having privileged the objective of protecting Company's assets, during this current period of market weakness and not having recourse to costly borrowings.

The Board wishes to reassure its shareholders that dividend payments should resume once the NAV starts rising again.

Outlook

Global stock markets generally do not react well in the face of rising inflation, interest rates and fears of recession. However, historically, the pick-up in share prices after a recession is generally very swift. This had been witnessed in the financial crisis of 2008 and the dot com bubble of 2000. Should a similar trend repeat, shareholders of P.O.L.I.C.Y. Limited have the potential to benefit from important capital growth in the medium to long term.

To date, the share price is trading at a discount of around **46%** when compared to the October NAV of the Company. Although this might look like a fall in the value of the Company, The Board is confident that its strategy will pay off as soon as the foreign market picks up again.

The Company thus encourages shareholders and investors in general, to consider this as a potential interesting entry point most appropriate to top-up their investment in view of future capital appreciation.

In this festive time, we wish to thank our Shareholders for their support and extend our best wishes for the Season.

With thanks and regards



Vincent Ah Chuen
Chairman