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If you were a Shareholder and have sold or otherwise transferred all your Shares, please send this document, together with the accompanying Form of Proxy, as soon as possible to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

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# **DUNEDIN ENTERPRISE INVESTMENT TRUST PLC**

*(Incorporated in Scotland under the Companies Act 1985 with registered number SC052844)  
(An investment company under section 833 of the Companies Act 2006)*

## **RECOMMENDED PROPOSALS REGARDING CHANGES TO THE COMPANY'S INVESTMENT POLICY, INTRODUCTION OF A DISTRIBUTION POLICY AND CANCELLATION OF THE COMPANY'S SHARE PREMIUM ACCOUNT AND NOTICE OF GENERAL MEETING**

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A notice convening a general meeting of the Company is set out in Part 4 of this document. That meeting will be held at the offices of Dunedin Capital Partners at Dukes Court, 32 Dukes Street, St James's, London SW1Y 6DF, on Monday, 28 November 2011 commencing at 12 noon.

A Form of Proxy is enclosed for use by Shareholders. To be valid for use at the General Meeting, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it as soon as possible and, in any event, so as to be received by not later than 12 noon on Thursday, 24 November 2011 (alternatively, Shareholders may appoint a proxy electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk) using the numbers set out on the personalised Form of Proxy and such appointment should be transmitted so as to be received as soon as possible and, in any event, by not later than 12 noon on Thursday, 24 November 2011). Shareholders who hold their Shares in CREST may appoint a proxy by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in the notes at the end of the notice convening the General Meeting in Part 4 of this document and such appointment should be transmitted as soon as possible and, in any event, so as to be received by not later than 12 noon on Thursday, 24 November 2011.

A blue Form of Direction is enclosed for use by those who hold Shares through the Alliance Trust Product Range. To be valid, the Form of Direction should be completed, signed and returned in accordance with the instructions printed on it so as to arrive not later than 5.00 p.m. on Friday, 18 November 2011.

**This document includes certain references to the Company's website (being [www.dunedinenterprise.com](http://www.dunedinenterprise.com)). For the avoidance of doubt, neither the Company's website nor the content of any website accessible from hyperlinks on that website or any other website is, or is deemed to be, incorporated into, or form, or is deemed to form, part of this document.**

## CONTENTS

	<i>Page</i>
<b>PART 1      LETTER FROM THE CHAIRMAN .....</b>	<b>3</b>
Introduction .....	3
Background to, and Reasons for, the Proposals .....	4
Changes to the Investment Policy .....	5
Introduction of a Distribution Policy .....	6
Cancellation of the Share Premium Account .....	6
Buy-backs of Shares .....	7
Benefits of the Proposals .....	7
Risks Relating to the Proposals .....	7
General Meeting .....	8
Action to be Taken .....	8
Recommendation .....	9
<b>PART 2      DETAILS OF THE PROPOSED CHANGES TO THE COMPANY'S INVESTMENT POLICY ...</b>	<b>10</b>
<b>PART 3      DEFINITIONS .....</b>	<b>12</b>
<b>PART 4      NOTICE OF GENERAL MEETING .....</b>	<b>13</b>

## EXPECTED TIMETABLE

	<i>2011</i>
Latest time and date for receipt of completed Forms of Direction from Alliance Trust Product Investors for use in connection with General Meeting	5.00 p.m. on Friday, 18 November
Latest time and date for receipt of completed Forms of Proxy, electronic proxy appointment and CREST electronic proxy appointment for use at General Meeting	12 noon on Thursday, 24 November
General Meeting	12 noon on Monday, 28 November

**PART 1**  
**LETTER FROM THE CHAIRMAN**

**Dunedin Enterprise Investment Trust PLC**

*(Incorporated in Scotland under the Companies Act 1985 with registered number SC052844)  
(An investment company under section 833 of the Companies Act 2006)*

*Directors*  
Edward Dawnay (*Chairman*)  
Liz Airey  
Brian Finlayson  
David Gamble  
Federico Marescotti

*Registered Office*  
10 George Street  
Edinburgh  
EH2 2DW

1 November 2011

*To Shareholders and Alliance Trust Product Investors*

Dear Shareholders and Alliance Trust Product Investors

**RECOMMENDED PROPOSALS REGARDING CHANGES TO THE COMPANY'S  
INVESTMENT POLICY, INTRODUCTION OF A DISTRIBUTION POLICY AND  
CANCELLATION OF THE COMPANY'S SHARE PREMIUM ACCOUNT**

**Introduction**

The Board has been concerned for some time with regard to the discount at which the Shares have been trading relative to their NAV and the poor liquidity in the market for the Shares. As a result, we have undertaken a strategic review of the Company and, as part of this review, consulted a number of the largest Shareholders. We have now concluded this consultation and, as a result, announced today proposals:

- to change the Company's investment policy so that, in particular:
  - the Company's portfolio will be progressively refocused on UK lower mid-market buyouts where the Company has invested directly or through funds managed by its investment manager, Dunedin Capital Partners; and
  - the Company's existing third party managed fund investments may be held to maturity, although the Directors will consider earlier sales of all or any of those investments, together with any associated undrawn commitments, if the Directors believe that any such sales on the terms proposed are in the best interests of Shareholders as a whole;
- to introduce a distribution policy, using, if Shareholders approve the proposed change of investment policy, at least 50% of the capital gains made on realisations of the Company's investments in UK lower mid market buyouts and a substantial proportion of the net proceeds from any sales of the Company's existing investments in third party managed funds (or, if Shareholders do not approve the proposed change of investment policy, at least 50% of the capital gains made on all realisations of the Company's investments) to fund Share buy-backs, tender offers, returns of capital, dividend payments or other distributions to Shareholders; and
- to cancel the Company's share premium account, thereby creating a special reserve to facilitate the distribution policy.

The Directors believe that the principal benefits of the Proposals will be:

- refocusing the Company's portfolio on investments that fall within Dunedin Capital Partners' core area of investment management expertise as a UK lower mid-market private equity investor;

- a material and sustained reduction in the Company's unfunded commitments in the longer term;
- a clearly defined distribution policy, which should reduce the cash drag on Shareholders' returns following realisations and pending re-investment and create liquidity for Shareholders whilst maintaining the Company at a viable size;
- a more efficient employment of the Company's capital through a combination of a reduction in its outstanding commitments and the new distribution policy, with the flexibility to make direct investments when its commitments and cash position permit; and
- enhancing returns to Shareholders over the longer term.

The Directors believe that these benefits should, over time, enhance the Company's appeal to investors and, accordingly, should attract market support for the Shares over the medium to long term. In turn, this should lead to an improvement in the Company's rating.

The proposed change of investment policy represents a material change of investment policy and, accordingly, under the Listing Rules, requires the approval of Shareholders in general meeting. In addition, the proposed cancellation of the Company's share premium account requires, under the Companies Act 2006, to be approved by Shareholders and confirmed by the Court.

The purpose of this document is to explain the background to and reasons for, and the benefits of and risks associated with, the Proposals. This document also contains, in Part 4, a notice convening a general meeting of the Company, which will be held at the offices of Dunedin Capital Partners at Dukes Court, 32 Dukes Street, St James's, London SW1Y 6DF, on Monday, 28 November 2011 commencing at 12 noon. Resolution 1 to be proposed at the General Meeting will seek the approval of Shareholders to change the Company's investment policy and Resolution 2 will seek to cancel the Company's share premium account and create a special distributable reserve. Your Board is recommending that you vote in favour of the Resolutions. The procedure for voting at the General Meeting is set out under the heading "Action to be Taken" on page 8 of this document.

## Background to, and Reasons for, the Proposals

Dunedin Enterprise has been investing in unquoted companies throughout the 37 years of its existence, the last 23 as a company listed on the London Stock Exchange. Over this time, the investment strategy of the Company has continued to evolve in line with developments in the wider market for unquoted investments and as the venture capital and private equity industry has matured. At all times during that period the Board has sought to develop the investment strategy of the Company to continue to deliver long term capital growth to Shareholders. As can be seen from the following table, the returns to Shareholders have generally been strong relative to the FTSE SmallCap (ex. Investment Companies) Index.

<b>Comparative Total Return Performance to 30 June 2011<sup>1</sup></b>			
<i>Periods to</i> <b>30 June 2011</b>	<i>NAV per Share<sup>2</sup></i>	<i>Share Price<sup>3</sup></i>	<i>FTSE SmallCap (ex. IC) Index<sup>3</sup></i>
6 months	6.3%	22.4%	2.8%
1 year	22.4%	40.7%	24.6%
3 years	7.2%	11.1%	18.5%
5 years	19.5%	3.0%	-5.4%
10 years	93.7%	93.3%	22.3%

Since 2000, the Company has made a number of commitments to funds managed by private equity groups other than Dunedin Capital Partners. At the same time, the Company has increased its concentration on smaller and medium size buyouts based in the UK through increasing its commitments to the buyout funds managed by Dunedin Capital Partners. In particular, following Shareholder approval of a change of investment policy in May 2008, the Company increased its exposure to third party managed funds specialising predominantly in small and medium sized buyouts in Europe. The Company's investments at 30 June 2011 can be categorised as set out in the following table.

<sup>1</sup> Note: 30 June 2011 is the last date in respect of which the Company has published a NAV.

<sup>2</sup> Note: Taken from 30 April for five and 10 years.

<sup>3</sup> Source: Datastream.

<b>Portfolio Composition at 30 June 2011</b>			
	<i>Value</i>	<i>% of Portfolio</i>	<i>Outstanding Commitment</i>
Dunedin Capital Partners-managed investments (direct and via funds managed by Dunedin Capital Partners)	£93.2m	71.2%	£31.0m
Third party managed limited partnerships	£19.4m	14.8%	£41.8m
SWIP Private Equity Fund of Funds II PLC	£16.3m	12.5%	-
Legacy technology funds	£2.0m	1.5%	-
	<u>£130.9m</u>	<u>100.0%</u>	<u>£72.8m</u>

A consequence of the Company's strategy of increasing its exposure to indirect investment in private equity through limited partnerships was to increase the Company's level of over-commitments (i.e. where the Company has committed to invest in limited partnerships in advance of having the immediate means to meet such commitments as they are drawn down). Over-commitment strategies are designed to ensure efficient employment of capital, reflecting the long-term and illiquid nature of private equity investment and the long-term gradual nature of draw downs on commitments.

As at 30 June 2011, the Company had cash and near cash balances of £27.9 million. Given the Company's current resources, anticipated realisations and the expected rate of new investments, the Board is satisfied that the Company will continue to be able to meet its outstanding commitments without recourse to debt. However, during the 2008-09 financial crisis a number of listed private equity funds operating over-commitment strategies had to take action to strengthen their balance sheets to enable them to meet their outstanding commitments or to rebut concerns from market commentators over their ability to meet their outstanding commitments. Whilst the Company was not one of these funds, the Directors believe that the extent of the Company's commitments in the recent past is a factor that has contributed to the discount at which the Shares have been trading relative to their NAV.

In common with most other private equity investment trusts, the Shares have been trading at a substantial discount relative to their NAV for some time and the market in the Shares is relatively illiquid. Accordingly, in June 2011, the Board instigated a strategic review of the Company with the objective of optimising Shareholder value. As part of this review, the Board, through its financial adviser, consulted a range of Shareholders to ascertain their views on the Company. In broad terms, the feedback from this consultation process:

- indicated strong support for both the Company and its Manager;
- suggested that the Company's investments in third party managed funds failed to capitalise on Dunedin Capital Partner's core area of investment management expertise as a UK lower mid-market private equity investor; and
- echoed the Board's concerns regarding the discount at which the Shares have been trading relative to their NAV and the poor liquidity in the market for the Shares.

Taking into account that feedback and having assessed a number of options for optimising Shareholder value, the Board developed, in conjunction with its advisers, the proposals described in this document.

## **Changes to the Investment Policy**

The Board is proposing to change the Company's investment policy so that, in future, the Company will invest only in direct private equity investments or via private equity funds managed by Dunedin Capital Partners, specialising in the provision of equity finance for management buyouts, management buyins and growing businesses in the UK lower mid-market (i.e. businesses with an enterprise value typically in the region of £20 – 75 million). It is anticipated that the Company's new direct investments will be in the form of co-investments alongside private equity funds managed by Dunedin Capital Partners in which the Company has also invested.

The Directors believe that the Company's existing investments in third party managed funds are beginning to emerge from the negative part of the J-curve (in private equity, the J-curve is used to illustrate the historical tendency of private equity funds to deliver negative returns in the early years and investment gains in the outlying years as the portfolio of companies mature). In order to benefit

from their up-side potential, those investments may be retained and allowed to follow their natural course and, therefore, held to maturity, with draw downs on outstanding commitments being met when called. However, the Directors will consider earlier sales of all or any of those investments, together with any associated undrawn commitments, prior to maturity if they believe any such sales on the terms proposed are in the best interests of Shareholders as a whole.

As a result of the illiquid nature of the Company's investments, it will take some time for the Company to realise its existing investments in third party managed funds and to re-invest the resulting net proceeds that may be available for re-investment. Accordingly, the refocusing of the Company's portfolio on UK lower mid-market buyouts where the Company has invested directly or through funds managed by its Manager will be progressive and will take some time to complete.

## **Introduction of a Distribution Policy**

The change in the Company's investment policy, if approved by Shareholders, will result in a material and sustained reduction in the Company's unfunded commitments over time. Absent of any other proposals, this would lead to a build up of substantial cash balances over time and could act as a drag on the Company's investment performance, which in turn would dilute returns to Shareholders.

Accordingly, with a view to making the most efficient use of the Company's capital and to aim to provide additional liquidity in respect of the Shares than is currently available through the secondary market, the Board is introducing, with immediate effect, a distribution policy to deploy, for purposes other than re-investment, a proportion of the capital gains made when investments are realised. Any losses incurred on realisations will be disregarded for the purpose of determining the amount available to be deployed under the distribution policy (i.e. realised gains will not be offset by, or adjusted to take account of, realised losses or investments written off when determining the amount to be deployed under the distribution policy). **By way of illustration only**, during the 10 years preceding the date of this document the Company realised gains on investments of £120.2 million (although it should be noted that, had the new distribution policy been in force during that period, such amount would have been lower as the Company would have had less capital available for re-investment).

It is intended that, under the distribution policy, at least 50% of the capital gains made (i.e. the sale proceeds received by the Company on realisation excluding income and less the original cost and costs incurred on sale) on realisations of the Company's investments in UK lower mid market buyouts funds (or, if Resolution 1 is not passed at the General Meeting, at least 50% of the capital gains made on all realisations of the Company's investments) will be used to fund Share buy-backs, tender offers, returns of capital or other distributions to Shareholders. Where investments are held indirectly through a limited partnership, the capital gains made on realisations of those investments will be calculated on a look through basis.

Furthermore, if Resolution 1 is passed at the General Meeting, in respect of any sale of the Company's investments in existing third party managed funds, it is intended that, under the distribution policy, a substantial proportion of the net sale proceeds (and not just a proportion of any capital gains made on sale) will be used to fund Share buy-backs, tender offers, returns of capital and other distributions to shareholders.

The Directors will aim to use amounts available to be deployed under the distribution policy for the purposes outlined above as soon as practicable following their receipt. However, the Directors will have discretion to determine the mechanics and timing for the deployment of such amounts having regard, in particular, to the Company's cash flow, cash balances and outstanding commitments, the amount available to be paid out and legal and regulatory restrictions.

For the avoidance of doubt, the Company will continue to pay an annual dividend calculated at a level to ensure that it meets the requirements of UK tax legislation to maintain its investment trust status.

## **Cancellation of the Share Premium Account**

The ability of the Company to implement its new distribution policy depends, amongst others, on the Company having appropriate reserves out of which the relevant distribution can be funded. In order to maximise the extent to which the new distribution policy can be implemented, and provide some flexibility as to the mechanics available to implement it, the Board is proposing, subject to Shareholder approval and confirmation by the Court, that the amount standing to the credit of the

Company's share premium account (being £47.6 million at the date of this document) be cancelled and that that amount be transferred to a newly created special reserve which, following compliance with any Court undertaking (or other form of creditor protection), may be treated as a distributable reserve for all purposes. The cancellation will take effect upon the registration with the Registrar of Companies of the order of the Court confirming the cancellation, which is expected to occur in the first quarter of 2012.

## **Buy-backs of Shares**

At each annual general meeting of the Company, the Directors seek a general authority from Shareholders for the Company to make market purchases of up to 14.99% of the Shares then in issue, with the authority expiring at the conclusion of the Company's next annual general meeting or, if earlier, 15 months after the passing of the relevant resolution. As required by the Listing Rules, the maximum price (exclusive of expenses) which may be paid by the Company to buy back a Share pursuant to such authority is the higher of (i) 5% over the average of the middle market prices of the Shares according to the Daily Official List of the London Stock Exchange for the five business days immediately before the date on which the Company agrees to buy the Shares and (ii) the higher of the last independent trade and the highest current independent bid on the London Stock Exchange.

The Board believes that the ability to make market purchases of Shares is a valuable mechanism which may be used to enhance Shareholder value. The reduction in the Company's unfunded commitments should increase the Company's flexibility to undertake Share buy-backs (in addition to the deployment of capital in accordance with the new distribution policy). Accordingly, even when there is no amount available for deployment in accordance with the new distribution policy, the Directors intend to use the Company's general Share buy-back authority to acquire Shares if they believe, at the relevant time, that it is in the best interests of Shareholders generally and will result in an increase in the NAV per Share for the remaining Shareholders.

Any Shares bought by the Company will be cancelled.

## **Benefits of the Proposals**

The Directors believe that the principal benefits of the Proposals will be:

- the progressive refocusing of the Company's portfolio on UK lower mid-market buyouts, being Dunedin Capital Partners' core area of investment management expertise;
- a material and sustained reduction in the Company's unfunded commitments in the longer term;
- a clearly defined distribution policy, using, if Resolution 1 is passed at the General Meeting, at least 50% of the capital gains made on realisations and a substantial proportion of the net proceeds from any sales of the Company's existing investments in third party managed funds (or, if Resolution 1 is not passed at the General Meeting, at least 50% of the capital gains made on all realisations of the Company's investments) to fund Share buy-backs, tender offers, returns of capital or other distributions to Shareholders, thereby reducing the cash drag on Shareholders' returns following realisations and pending re-investment and creating liquidity for Shareholders whilst maintaining the Company at a viable size;
- a more efficient employment of the Company's capital through a combination of a reduction in its outstanding commitments and the new distribution policy, with the flexibility to make direct investments when its commitments and cash position permit; and
- enhancing returns to Shareholders over the longer term.

The Directors believe that these benefits should, over time, enhance the Company's appeal to investors and, accordingly, should attract market support for the Shares over the medium to long term. In turn, this should lead to an improvement in the Company's rating.

## **Risks Relating to the Proposals**

Shareholders should consider carefully the specific risks described below, in addition to the other information set out in this document, when considering the Proposals. The following risks are those risks which the Directors consider to be material as at the date of this document. If any of the adverse events described below actually occur, the Company's business, financial condition or results or prospects could be materially and adversely affected. Additional risks and uncertainties which were not known to the Directors at the date of this document or that the Directors considered

at the date of this document to be immaterial may also materially and adversely affect the Company's business, financial condition or results or prospects.

- There is no guarantee that the Company's proposed new investment policy will result in the Company achieving its investment objective or will provide the returns sought by Shareholders.
- The Company's past performance is not a guide to its future performance.
- While the Company will continue to invest and manage its assets in a way which is consistent with its objective of spreading investment risk, the number of companies in which the Company invests, either directly or through funds, will reduce over time if Resolution 1 is passed at the General Meeting. As a result, the performance of individual investments may have a greater impact, positive or negative, on the performance of the Company's portfolio.
- Private equity funds managed by Dunedin Capital Partners typically make around 10 investments and only some of the investments made by those funds may give rise to co-investment opportunities. Accordingly, if the proposed changes to the Company's investment policy are implemented, the Company may not be able to benefit from the deal flow previously provided by investing through a range of funds and there may be insufficient co-investment opportunities to fully deploy the Company's capital available for investment.
- The value of the investments in the Company's portfolio and any income derived from them may go down as well as up. In particular, the Company's investee companies could be adversely affected by changes in the general economic or political climate, changes in the economic factors affecting a particular industry, changes in tax law or specific developments within such companies.
- The gross proceeds received on realisation of an investment may not match its valuation by the Company and may be substantially higher or lower than such valuation.
- Distributions by the Company, whether pursuant to the Company's new distribution policy or otherwise, may only be made to the extent of the amount standing to the credit of the special reserve created on the cancellation of the Company's share premium account and any other distributable reserves (net of any accumulated realised losses) from time to time.
- The amount available for deployment under the Company's new distribution policy in respect of each financial year will fluctuate and there may be financial years in which there is no such amount available.

## General Meeting

A notice convening a general meeting of the Company, which will be held at the offices of Dunedin Capital Partners at Dukes Court, 32 Dukes Street, St James's, London SW1Y 6DF, on Monday, 28 November 2011 commencing at 12 noon, is set out in Part 4 of this document. The following resolutions will be proposed at the General Meeting:

- **Resolution 1:** To approve the changes to the Company's investment policy marked up against the Company's existing investment policy in Part 2 of this document (this resolution will be proposed as an ordinary resolution).
- **Resolution 2:** Subject to the confirmation of and any undertaking required by the Court, to cancel the Company's share premium account and credit the amount cancelled to a distributable reserve that will be designated as the "special distributable reserve" (this resolution will also be proposed as a special resolution).

In order to be passed, an ordinary resolution requires a simple majority of the votes cast to be in favour of it and a special resolution requires at least 75% of the votes cast to be in favour of it. The quorum for the General Meeting is two members present in person or by proxy (including a member present through a corporate representative).

## Action to be Taken

### Shareholders

If you are a Shareholder, you will find enclosed with this document a Form of Proxy for use at the General Meeting. Please complete the Form of Proxy and return it by post to the address set out on it as soon as possible and, in any event, so as to be received not later than 12 noon on Thursday, 24 November 2011. Alternatively, you may appoint a proxy electronically by following the instructions printed on your personalised Form of Proxy and such appointment should be transmitted



so as to be received as soon as possible and, in any event, not later than 12 noon on Thursday, 24 November 2011.

If you hold your Shares in CREST, you may appoint a proxy by utilising the CREST electronic proxy appointment service in accordance with the procedures set out in the notes at the end of the notice convening the General Meeting in Part 4 of this document and such appointment should be transmitted as soon as possible and, in any event, so as to be received by not later than 12 noon on Thursday, 24 November 2011.

The completion and return of a Form of Proxy, or the appointment of a proxy electronically, will not prevent a Shareholder from attending the General Meeting and voting in person if they wish to do so.

***Alliance Trust Product Investors***

If you hold your Shares through the Alliance Trust Product Range, you will find enclosed with this document a blue Form of Direction for use in connection with the General Meeting. Please complete the Form of Proxy and return it by post to the address set out on it as soon as possible and, in any event, so as to be received not later than 5.00 p.m. on Friday, 18 November 2011.

**Recommendation**

**The Board, which has been advised by Canaccord Genuity Limited, considers the Proposals to be in the best interests of the Company and the Shareholders as a whole (in providing its advice to the Board, Canaccord Genuity has taken into account the Directors' commercial assessments of the Proposals). Accordingly, the Board unanimously recommends that you vote in favour of the Resolutions at the General Meeting as the Directors intend to do in respect of their own beneficial holdings of 130,799 Shares, representing 0.4% of the issued share capital.**

Yours faithfully

Edward Dawnay  
*Chairman*

## PART 2

### DETAILS OF THE PROPOSED CHANGES TO THE COMPANY'S INVESTMENT POLICY

*The changes that will be made to the Company's investment policy if Resolution 1 is passed at the General Meeting have been marked up against the Company's existing investment policy shown below.*

Dunedin Enterprise is managed as an HM Revenue and Customs approved investment trust. Dunedin Enterprise's objective is to target a rate of return on equity in excess of 8% per annum over the long-term.

The Company aims to achieve its investment objective by investing in ~~a portfolio of unquoted companies either directly or via private equity funds managed by Dunedin Capital Partners or, pending their realisation, via quoted private equity companies~~ private equity funds managed by managers other than Dunedin Capital Partners (the **"FoF Portfolio"**)<sup>4</sup>. ~~Investments are structured to deliver capital growth for the Group.~~

The Company does not intend to make any new commitments to, or any new investments (other than investments resulting from existing commitments) in, private equity funds managed by managers other than Dunedin Capital Partners. Investments in the existing FoF Portfolio may be held to maturity, with any associated outstanding commitments being met when called, although the Directors reserve the right to sell all or any of such investments, together with any associated outstanding commitments, prior to maturity if they believe that this is in the best interests of Shareholders as a whole.

~~The Accordingly, the mix of investments by the Company among each of these principal investment categories direct investments and investments via private equity funds managed by Dunedin Capital Partners or by managers other than Dunedin Capital Partners will vary from time to time. It is expected that, in the medium to long term, the allocation of direct investments and investment into quoted private equity companies as a proportion of the total portfolio will decrease as indirect investment through private equity funds increases. In the medium to long term, the exposure to the FoF Portfolio will decrease as the funds in that portfolio mature or the Company's interests in them are sold.~~

Ultimately, the Company will invest only in direct investments and investments via private equity funds managed by Dunedin Capital Partners, specialising in the provision of equity finance for management buyouts, management buyins and growing businesses in the UK lower mid-market (i.e. businesses with an enterprise value typically in the region of £20 – 75 million). It is anticipated that the Company's direct investments will be in the form of co-investments alongside private equity funds managed by Dunedin Capital Partners in which the Company has also invested. The Group retains the ability to make substantial commitments to funds managed by Dunedin.

~~Dunedin Enterprise has sought to diversify its portfolio of investments principally by making commitments to private equity funds managed by leading private equity fund managers across Europe. Commitments will be predominantly to buyout funds specialising in small and medium sized buyouts in Europe.~~

~~The Group also retains the ability to make co-investments alongside the private equity funds in Europe to which it makes commitments and to invest in quoted private equity.~~

~~The Manager actively monitors the Group's portfolio of investments and attempts to mitigate risk primarily through diversification. By investing in a diversified portfolio of private equity funds, the Group will be exposed to numerous underlying investments in individual companies. As some of these investments may be denominated in currencies other than Sterling, the Board will seek to ensure that the Manager manages any currency risk appropriately and the Board will be responsible for setting the Group's hedging policy. Not more than 15% of net asset value, at the date of investment, will be invested in any single investment. For the avoidance of doubt, if the Group invests into a limited partnership fund, this limitation shall be applied individually to each of the underlying companies invested into by that fund.~~

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<sup>4</sup> As at the date of this document, the FoF comprised an investment in an Irish-listed closed-end fund and investments in (including associated commitments to) five limited partnerships.

Not more than 15% of net asset value (measured at the date of investment) will be invested, directly or indirectly, in any single company or group of companies (measured at the date of investment). Investments are made across a range of business sectors. Investments are structured to deliver capital growth for the Company using a variety of financial instruments, including ordinary shares, preference shares, loan stock and mezzanine debt, either directly or through commitments to limited partnership funds.

Apart from its remaining holding in the SWIP Private Equity Fund of Funds II Plc (which forms part of the FoF Portfolio), the Company does not invest in other listed closed-end investment funds.

Cash balances are held either on cash deposit or in gilts or cash liquidity funds.

In common with most investment companies, the Company may borrow to finance further investment. Although Dunedin Enterprise is permitted by its articles of association to borrow an amount equal to the amount paid up on the issued share capital and the total amounts standing to the credit of the capital and revenue reserves of the Company, Board policy is that financial gearing will not exceed 40% of gross asset value.

## PART 3

### DEFINITIONS

The following definitions apply throughout this document unless the context otherwise requires:

<b>"Alliance Trust Product Investors"</b>	investors in Shares through the Alliance Trust Product Range
<b>"Alliance Trust Product Range"</b>	in order to facilitate investment in the Company, the arrangements put in place for the Company to be part of Alliance Trust Savings Limited's product range, which includes an Investment Dealing Account, Stocks & Shares ISA and SIPP
<b>"Board"</b>	the board of Directors, including any duly constituted committee thereof
<b>"Company" or "Dunedin Enterprise"</b>	Dunedin Enterprise Investment Trust PLC
<b>"Court"</b>	the Court of Session in Scotland
<b>"Directors"</b>	the directors of the Company, whose names appear on page 3 of this document
<b>"Form of Direction"</b>	the form of direction which accompanies (where relevant) this document for use by Alliance Trust Product Investors in connection with the General Meeting
<b>"Form of Proxy"</b>	the form of proxy for use by Shareholders in connection with the General Meeting
<b>"General Meeting"</b>	the general meeting of the Company convened for Monday, 28 November 2011 at 12 noon, or any adjournment of such general meeting, and notice of which is set out in Part 4 of this document
<b>"Manager" or "Dunedin Capital Partners"</b>	Dunedin Capital Partners Limited
<b>"Listing Rules"</b>	the listing rules made by the Financial Services Authority pursuant to section 73A of the Financial Services and Markets Act 2000
<b>"NAV"</b>	in relation to a Share, its net asset value calculated in accordance with the Company's accounting policies
<b>"Proposals"</b>	the proposals regarding changes to the Company's investment policy, the introduction of a distribution policy and the cancellation of the Company's share premium account described in Part 1 of this document
<b>"Resolutions"</b>	the resolutions set out in the notice of General Meeting in Part 4 of this document, and references to "Resolution 1" and "Resolution 2" shall be construed accordingly
<b>"Shareholders"</b>	holders of Shares
<b>"Shares"</b>	ordinary shares of 25p each in the capital of the Company

## PART 4

### NOTICE OF GENERAL MEETING

## Dunedin Enterprise Investment Trust PLC

*(Incorporated in Scotland under the Companies Act 1985 with registered number SC052844)  
(An investment company under section 833 of the Companies Act 2006)*

Notice is hereby given that a general meeting of Dunedin Enterprise Investment Trust PLC will be held at Dunedin Capital Partners at Dukes Court, 32 Dukes Street, St James's, London SW1Y 6DF, at 12 noon on Monday, 28 November, for the purpose of considering and, if thought fit, passing the following resolutions:

**Resolution 1** *(to approve changes to the Company's investment policy), which will be proposed as an ordinary resolution*

THAT the changes to the Company's investment policy marked up against the Company's existing investment policy in Part 2 of the Company's circular to shareholders dated 1 November 2011, a copy of which is produced to the meeting and initialled for the purpose of identification by the chairman of the meeting, be and they are hereby approved and adopted with immediate effect.

**Resolution 2** *(to cancel the Company's share premium account), which will be proposed as a special resolution*

THAT the amount standing to the credit of the share premium account of the Company at the date on which this resolution is passed be cancelled and the credit thereby arising in the Company's books of account be applied in crediting a distributable reserve (to be designated the "special distributable reserve") to be established in the Company's books of account which shall be able to be applied in any manner in which the Company's profits available for distribution (as determined in accordance with section 830 of the Companies Act 2006) are able to be applied.

By order of the Board  
Dunedin Capital Partners Limited  
Company Secretary  
1 November 2011

Registered Office  
10 George Street  
Edinburgh  
EH2 2DW

#### Notes

**1. Website Giving Information Regarding the General Meeting**

Information regarding the General Meeting, including the information required by section 311A of the Companies Act 2006, is available from [www.dunedinenterprise.com](http://www.dunedinenterprise.com).

**2. Entitlement to Attend and Vote**

Only those members registered on the Company's register of members at 6.00 p.m. on Thursday, 24 November 2011 (or, if the General Meeting is adjourned, at 6.00 p.m. on the day two business days prior to the adjourned meeting) shall be entitled to attend and vote at the General Meeting in respect of the number of Shares registered in their name at that time. Changes to entries on the register of members after 6.00 p.m. on Thursday, 24 November 2011 (or, if the General Meeting is adjourned, at 6.00 p.m. on the day two business days prior to the adjourned meeting) shall be disregarded in determining the rights of any person to attend, speak and vote at the General Meeting.

**3. Appointment of Proxies**

- 3.1 A member of the Company at the time set out in note 2 above is entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote at the General Meeting. A proxy does not need to be a member of the Company but must attend the General Meeting to represent the member. A proxy may only be appointed using the procedures set out in these notes and the notes on the Form of Proxy.
- 3.2 A member may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different Shares. A member cannot appoint more than one proxy to exercise rights attached to the same Shares. If a member wishes to appoint more than one proxy, they should contact the Company's registrar, Equiniti Limited (the "Registrar"), on 0871 384 2440. Calls to this number cost 8p per minute (excluding VAT) from a BT landline, other providers' costs may vary. Lines open 8.30 a.m. to 5.30 p.m., Monday to Friday. Overseas shareholders should call +44 121 415 7047.
- 3.3 Appointment of a proxy will not preclude a member from attending the General Meeting and voting in person.

- 3.4 A person who is not a member of the Company but has been nominated by a member to enjoy information rights does not have a right to appoint any proxies under the procedures set out in these notes and should read note 8 below.
- 3.5 In determining the deadline for the delivery of proxies, no account has been taken of any part of any day which is not a business day.

4. **Appointment of Proxy Using Hard-copy Form of Proxy**

The notes on the Form of Proxy explain how to direct a proxy how to vote, or abstain from voting, on the resolutions set out in the notice of General Meeting. To appoint a proxy using the Form of Proxy, the Form of Proxy must be completed and signed and sent or delivered to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZR, so as to be received by the Registrar no later than 12 noon on Thursday, 24 November 2011. Any power of attorney or other authority under which the Form of Proxy is signed (or a duly certified copy of such power or authority) must be included with the Form of Proxy.

5. **Appointment of Proxy Electronically**

As an alternative to completing the hard-copy Form of Proxy, a proxy can be appointed electronically at [www.sharevote.co.uk](http://www.sharevote.co.uk) using the numbers set out on the personalised Form of Proxy. For an electronic proxy appointment to be valid, the appointment must be transmitted so as to be received as soon as possible and, in any event, by not later than 12 noon on Thursday, 24 November 2011.

6. **Appointment of Proxies through CREST**

- 6.1 CREST members who wish to appoint a proxy or proxies for the General Meeting by utilising the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual, which can be reviewed at [www.euroclear.com/CREST](http://www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed (a) voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.
- 6.2 In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a **"CREST Proxy Instruction"**) must be properly authenticated in accordance with the specifications of Euroclear UK & Ireland Limited (**"EUI"**) and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must be transmitted so as to be received by the Registrar (RA19) by 12 noon on Thursday, 24 November 2011. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the Registrar is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.
- 6.3 CREST members and, where applicable, their CREST sponsors or voting service providers should note that EUI does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed (a) voting service provider(s), to procure that their CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
- 6.4 The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

7. **Appointment of Proxy by Joint Members**

In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

8. **Corporate Representatives**

A corporation which is a member can appoint one or more corporate representatives who may exercise, on its behalf, all its powers as a member provided that no more than one corporate representative exercises power over the same share.

9. **Nominated Persons**

A person who has been nominated under section 146 of the Companies Act 2006 to enjoy information rights (a **"Nominated Person"**):

- (i) may have a right under an agreement between the Nominated Person and the member of the Company who has nominated them to have information rights (the **"Relevant Member"**) to be appointed or to have someone else appointed as a proxy for the General Meeting; and
- (ii) if they either do not have such a right or if they have such a right but do not wish to exercise it, may have a right under an agreement between them and the Relevant Member to give instructions to the Relevant Member as to the exercise of voting rights.

A Nominated Person's main point of contact in terms of their investment in the Company remains the Relevant Member (or, perhaps, their custodian or broker) and they should continue to contact them (and not the

Company) regarding any changes or queries relating to their personal details and their interest in the Company (including any administrative matters). The only exception to this is where the Company expressly requests a response from the Nominated Person.

9. ***Questions at the General Meeting***

Under section 319A of the Companies Act 2006, the Company must cause to be answered any question relating to the business being dealt with at the General Meeting put by a member attending the General Meeting unless (i) answering the question would interfere unduly with the preparation for the General Meeting or involve the disclosure of confidential information, (ii) the answer has already been given on the Company's website in the form of an answer to a question or (iii) it is undesirable in the interests of the Company or the good order of the General Meeting that the question be answered.

10. ***Issued Shares and Total Voting Rights***

As at 6.00 p.m. on 31 October 2011, the Company's issued share capital comprised 30,177,380 Shares, none of which were held in treasury. Each Share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 6.00 p.m. on 31 October 2011 was 30,177,380.

11. ***Disclosure Obligations***

Any person holding 3% or more of the total voting rights of the Company who appoints a person other than the chairman of the General Meeting as their proxy will need to ensure that both they and their proxy complies with their respective disclosure obligations under the UK Disclosure and Transparency Rules.

12. ***Communication***

Any electronic address provided either in this notice of General Meeting or any related documents (including the Form of Proxy) to communicate with the Company may not be used for any purposes other than those expressly stated.