



ShareSoc

UK Individual Shareholders Society

Suite 34, 5 Liberty Square, Kings Hill,
West Malling, ME19 4AU
Phone: 0333-200-1595 Email: info@sharesoc.org
Web: www.sharesoc.org

To All Shareholders in Foresight 4 VCT Plc

01 September 2016

Foresight 4 VCT: Voting recommendation for AGM to be held on September 30th

I am contacting you as a fellow shareholder in Foresight 4 VCT and as a member of ShareSoc's Foresight 4 VCT Shareholder Action Group. The Action Group believes that substantial changes are required to improve the performance of this company and this process should begin with the removal of the current board of directors. I am therefore writing to invite you to join me and other members of the Action Group to vote against the re-election of the directors at the forthcoming AGM.

In July 2015, the Action Group had several exchanges of letters with the Company and its advisers about the the low level of dividend paid to "C" shareholders when considerably larger amounts of free cash were available. One of the reasons the directors cited for the low dividend was the low level of distributable reserves. It would now seem from the latest 2016 accounts that an error was made in the 2013 accounts and that the distributable reserves were actually £32m higher than stated. Had the mistake not occurred (and carried forward into subsequent years) the company would have been in a position to pay a much larger dividend in 2015. Who was/is responsible for ensuring the accuracy of the accounts? It is both the directors and the auditors and it is for this reason we are also suggesting that you should vote against the retention of KPMG as auditors.

Arguably, the Board of Directors has had limited input, if any, into the investment decisions of the Manager, so perhaps they cannot be held directly responsible for the further 10% reduction in the Net Asset Value of the ordinary shares last year (yet another year of failure). However, there is little evidence that they have taken any actions to bring the Managers to account for the persistent failure to perform.

The Chairman (Philip Stephens) and senior director (Peter Dicks) have both been on the Board for over 10 years. It is generally considered best practice that directors should not serve for more than 10 years because a regular refreshment of board directors is advisable and they cannot be considered independent of the managers of investment trusts after that time. The LinkedIn profiles of the directors show that Philip Stephens is the Chairman for three different PLCs and Peter Dicks is on the board of directors for 10 different companies (which includes five where he is Chairman). These numbers are in excess of best practice guidelines issued by the Institutional Shareholder Services (ISS), the global leader in corporate governance & responsible investment. The ISS guidelines state that a director should hold no more than five directorships of which no more than two should be as chairperson.

Mr Dick's 10 directorships include all the three of the Foresight generalist VCTs (being paid on each of the VCTs) and he is therefore not truly independent of the Manager. How can one director be on all three VCT boards (where all three VCTs can be co-investees) without being conflicted?

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At 31 March 2016, cash in the balance sheet represented less than 5% of the investment assets and some 3.2p per share. The Company is now fully invested, with little cash to spare, so without further realisations there would appear to be limited flexibility to pay dividends or to make share buybacks. Whilst share buy-backs are not always appropriate, it should be noted that the current discount of the shares to the latest NAV (70.2p on 31 March 2016) is around 35%, which is significantly higher than for any other generalist VCT managed by other mainstream firms. Why are there no buyers at this level of discount to close the gap? The only explanation is because there is little or no confidence that the performance will improve. If the directors believe otherwise, then surely they should have required more cash to be allocated to buying in more shares at a discount (a risk-free guaranteed return) to enhance the NAV per share for remaining shareholders, rather than to hand it to the Manager in the hope that it may generate returns in 3-5 years' time ? At the AGM in October 2015, over 22% of shareholders voted against the re-election of Stephens (14% against Dicks, 10% against Jamieson). Furthermore, there were 15% against the remuneration policy and report. These are very high levels of dissatisfaction for a VCT.

Do you think the directors interests are aligned with Shareholders? One way to consider that is to look at how many shares they hold in the VCT. At 31st March 2016 they had less than 95,000 shares between them (now worth less than £45,000), yet their total fees in 2016 were £71,500. They are definitely not putting a lot of their money on the line with us are they?

Have we seen any improvements from the directors in the last 12 months? They have made mistakes with the accounts, they have allowed the Managers to continue unchallenged and they have not kept the promises from the last AGM.

In the Action Group's opinion, shareholders could do a lot better and we are confident that experienced, motivated and independent new directors are immediately available. We would like to see new directors appointed to this VCT as soon as possible with a mandate from shareholders to make substantial changes. The new directors should be chosen with ShareSoc's involvement so we can be sure of their independence.

We therefore strongly urge you to cast your votes against Resolutions 1-8.

If you do wish to vote, you should complete the proxy form that should have arrived in the post with the Annual Report and return it to the registrar in the envelope they provided. If you have mislaid your proxy voting form or you have already voted and you now wish to change your vote, please see the attached help sheet or visit the Foresight 4 VCT Shareholder Action Group web pages (www.sharesoc.org/foresight4.html) for advice.

If you require any other information on the shareholder Action Group, or if you have any additional questions or need further guidance on how to fill out the proxy voting form, please get in touch with me via email or phone:

Home telephone: 01483 767741
Mobile telephone: 07717 477185
E-mail: tim.j.grattan@sharesoc.org

Many thanks in anticipation of your support

Regards

Tim Grattan