

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document or the action you should take, please seek advice immediately from your stockbroker, bank manager, solicitor, accountant or other appropriately qualified independent financial adviser authorised under the Financial Services and Markets Act 2000 if you are taking advice in the United Kingdom or, if you are taking advice in a territory outside of the United Kingdom, from an appropriately authorised independent financial adviser.

If you sell or have sold or transferred all your Shares in Baring Emerging Europe PLC (the “**Company**”), please send this document to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

**A Notice of General Meeting of the Company, to be held at 10:00 a.m. on 13 November 2020, is set out at the end of this Circular.**

**GIVEN THE CONTINUING UNCERTAINTY OF THE SITUATION REGARDING THE COVID-19 PANDEMIC, INCLUDING THE POSSIBILITY OF FUTURE LOCKDOWNS OR CONTINUED OR FURTHER GOVERNMENT RESTRICTIONS ON SOCIAL CONTACT, PUBLIC GATHERINGS AND NON-ESSENTIAL TRAVEL, IN ACCORDANCE WITH THE PROVISIONS OF THE CORPORATE INSOLVENCY AND GOVERNANCE ACT 2020, THE GENERAL MEETING WILL RUN AS A CLOSED MEETING AND SHAREHOLDERS WILL NOT BE PERMITTED TO ATTEND. YOU ARE INSTEAD REQUESTED TO COMPLETE AND RETURN A FORM OF PROXY AS SOON AS POSSIBLE AND, IN ANY EVENT, SO AS TO BE RECEIVED BY THE REGISTRAR BY NOT LATER THAN 10:00 A.M. ON 11 NOVEMBER 2020.**

**As Shareholders will not be permitted to attend the General Meeting, they are strongly encouraged to appoint the Chairman of the General Meeting as proxy and provide voting instructions electronically in advance of the General Meeting instead. If the Chairman of the General Meeting is appointed as proxy, this will ensure that each Shareholder’s appointed proxy is permitted to attend and to cast votes on the business of the General Meeting on such Shareholder’s behalf. Failure by a Shareholder to appoint the Chairman of the General Meeting as proxy will mean such Shareholder’s proxy will not be able to attend the General Meeting on such Shareholder’s behalf, and the Shareholder would thus risk its voting instructions not being taken into account at the General Meeting.**

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## **BARING EMERGING EUROPE PLC**

*(Incorporated and registered in England with limited liability with registered number 04560726)*

### **Proposed change to Investment Policy and Notice of General Meeting**

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This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “expects”, “intends”, “may”, “will”, “seeks”, or “should” or comparable terminology, or by discussions of strategy, plans, objectives, goals, future events or intentions. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Company’s and the Directors’ intentions, beliefs or current expectations. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance. The Company’s actual performance, achievements and financial condition may differ materially from those expressed or implied by the forward-looking statements in this document. Any forward-looking statements that the Company makes in this document speak only as of the date of such statement, and neither the Company nor any of the Directors undertakes any obligation to update such statements unless required to do so by applicable law or regulation.

This Circular is dated 19 October 2020.

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### Expected Timetable

Date of this Circular and Notice of General Meeting	19 October 2020
Latest time and date for receipt of Forms of Proxy	10:00 am 11 November 2020
<b>General Meeting</b>	13 November 2020
Effective date of change of investment policy	13 November 2020

All references in this document are to London time unless otherwise stated.

All future times and dates in the expected timetable may be adjusted by the Company, in which event details of the new times and date will be notified by publication of a notice through a regulatory information service approved by the FCA.

**Part 1**  
**Letter from the Chairman of Baring Emerging Europe PLC**  
*(Incorporated in England and Wales with registered number 04560726)*

*Directors:*

Frances Daley (Chairman)  
Vivien Gould  
Christopher Granville  
Calum Thomson  
Nadya Wells

*Registered Office:*

Beaufort House  
51 New North Road  
Exeter, EX4 4EP

19 October 2020

Dear Shareholder,

**Introduction**

I am pleased to enclose the notice of a General Meeting of the Company, which will be held on 13 November 2020 at 10:00 a.m., at which Shareholders will be invited to vote on a proposal to replace the Company's Current Investment Policy with the New Investment Policy. If Shareholders approve the New Investment Policy at the General Meeting, the Board also intends to change the Company's name and to set new Tender Offer Triggers (together with the proposed adoption of the New Investment Policy, the "**Proposals**"). The Board is also pleased to report that it has agreed a reduction to the Company's investment management fee.

This letter sets out the Proposals in detail and provides details of the intended effect of the Proposals on the Company, as well as the text of the proposed New Investment Policy and the reasons why the Board unanimously recommends that you support the Proposals and vote in favour of the New Investment Policy at the General Meeting.

**Proposed change to the Company's investment policy**

**1. Background**

In 2016, Shareholders approved an increase in the Company's scope of permitted investment in countries outside Emerging Europe from five per cent. to 15 per cent. of the Company's gross assets. Given the continued expansion of capital markets in both Africa and the Middle East, the Board has determined that these regions present strong opportunities to the Company's investment strategy. The Board is therefore proposing that the Company adopt the New Investment Policy, which will further expand the Company's scope to invest in Africa and the Middle East and thus broaden the Company's investment remit to the whole EMEA region, adopting the MSCI Emerging Markets EMEA Index (net) (the "**New Benchmark**") as a new comparator benchmark to reflect this expanded scope.

**2. Related changes**

If the New Investment Policy is approved at the General Meeting, the Board believes it would be appropriate to make certain other changes to reflect the adoption of the New Investment Policy. These are as follows.

### *Change of Company name*

In order to better reflect the expanded geographical investment remit of the New Investment Policy, if this policy is approved by Shareholders at the General Meeting, the Board intends to change the Company's name from "Baring Emerging Europe PLC" to "Barings EMEA Opportunities PLC", effective following the General Meeting.

### *New Tender Offer Triggers*

Subject to Shareholder approval of the New Investment Policy at the General Meeting, in order to reflect the adoption of the New Investment Policy, and as part of its ongoing discount control procedures, the Board has decided to set new tender offer trigger mechanisms for the five year period commencing 1 October 2020 and ending on 30 September 2025. For the four year period from 1 October 2016 to 30 September 2020, the Board had set targets relating to the Company's performance and level of discount that, if not met, would have triggered a tender offer for up to 25 per cent. of the Shares. The performance and discount criteria were to be judged against the MSCI EM Europe 10/40 (the "**Current Benchmark**"). It is now proposed to:

- A) amend the performance criterion so as to: i) compare against the New Benchmark; and ii) be based on the Company's net asset value per Share instead of the Company's portfolio; and
- B) change the calculation period for the discount and performance criteria from four to five years, starting from 1 October 2020 and ending on 30 September 2025 (the "**Calculation Period**").

### *Change to the management fee*

The Board is also pleased to report that Baring Fund Managers Limited, the Company's AIFM, which has delegated responsibility of the investment management of the portfolio to the Investment Manager, has agreed to a reduction in the investment management fee from the previous level of 0.80 per cent. of the net asset value of the Company to 0.75 per cent. of the net asset value of the Company per annum.

## **3. Reasons for the Proposals**

### *New Investment Policy*

The Board believes that the New Investment Policy will deliver a wide range of benefits to Shareholders.

- The expanded investment remit of the New Investment Policy will provide an opportunity to diversify the portfolio by reducing concentration risk and helping lower the portfolio's political and country-based risk. In addition, the enlarged mandate will allow diversification away from hydrocarbons, which represent a significant portion of the Emerging Europe investment universe, which is notably dominated by Russia's large oil and gas producers (energy sector securities represent approximately one-third of the investment universe within the Current Benchmark, which is an Emerging Europe-focused comparator benchmark index, but represent approximately 15 per cent. of the investments forming part of the New Benchmark).

The Current Investment Policy limits effective diversification of the portfolio outside Emerging Europe (and therefore also the energy sector, and hydrocarbons in particular), and can thus make mitigating concentration risk difficult for the Investment Manager. For example, investments in Russia, Turkey and Poland account for approximately 90 per cent. of the investment universe within the Current Benchmark, while, by comparison, the same countries account for only around 33 per cent. of the

investment universe within the proposed New Benchmark.<sup>1</sup> The adoption of the Proposals would thus help Shareholders attain effective diversification of both capital and income in the Company's portfolio.

Further, the expanding middle class and increasing internet penetration rates across EMEA, combined with historically low levels of e-commerce and the shift by consumers from offline to online consumption, support growth across a number of sectors. The Board thus believes that expanding the Company's investment universe away from its current focus on the energy sector will bring greater opportunities for growth. For example, diverse young sectors such as social media, gaming, food delivery and FinTech, can, the Board believes, offer exciting opportunities for high growth investments in these regions. At the same time, the demand from the expanding middle class in EMEA also reinforces the growth of more established businesses and products in that region.

- In the Company's view, EMEA is under-researched when compared to other emerging and developed markets. However, in investing in these regions, the Investment Manager will have access to the in-depth, fundamental and bottom-up research and experience of the Barings EMEA investment team, who already have extensive investments in companies in these regions and profit from their ongoing relationships and dialogue with the management teams of those companies, and analysis of their industry competitors. This team, headed by Matthias Siller, manages approximately £1.2bn of assets across EMEA, with in-depth coverage of over 170 companies that fit the criteria for potential inclusion in the portfolio under the New Investment Policy.

The Board is confident that the Investment Manager has the investment expertise to deliver strong returns to Shareholders, as has been evidenced by its consistent track record in delivering outperformance as against the Current Benchmark. The Board believes this expertise, coupled with the aforementioned regional research and experience, will enable the Company to take advantage of market inefficiencies to deliver outperformance relative to the New Benchmark while investing in EMEA.

The Board thus believes the New Investment Policy will allow the Company to maintain an attractive level of income by allowing access to markets with appealing yields, whilst reducing dependency on yields based on a smaller region and fossil fuel energy producers in particular, and will thus enable the Company to remain a true source of income diversification for Shareholders.

#### *Change of Company name*

The Board believes that the Company will benefit from a new name that reflects the expanded geographical investment remit of the proposed investment policy. The proposed new name, "Barings EMEA Opportunities PLC", will assist marketing efforts and ensure that investors are more aware of the Company's differentiated investment proposition.

#### *New Tender Offer Triggers*

By setting new Tender Offer Triggers over a longer calculation period, Shareholders are offered the security of a capital return at close to asset value if the Company does not meet its performance or discount targets under the Tender Offer Triggers. The reasons for the proposed changes to the existing triggers is set out below.

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<sup>1</sup> Weightings as at 30 September 2020.

If the Proposals are adopted, the performance criteria forming part of the new Tender Offer Triggers will be judged by reference to the New Benchmark. The New Benchmark, being an EMEA-based benchmark, will be a more appropriate comparator for the Company's investment performance under the expanded geographical scope of the New Investment Policy.

The Board is also aware of Shareholders' desire to have performance criteria that allows the Company's performance to be judged against the comparator benchmark net of fees and costs. The performance criteria of the new Tender Offer Triggers will therefore be measured on the Company's net asset value per share on a total return basis, instead of the Company's portfolio on a total return basis, in order to compare the Company and the Investment Manager's performance net of fees and costs. The outperformance margin required to be achieved will also be reduced from 100 basis points to 50 basis points. This change reflects the fact that, when the Board was setting the performance trigger in 2016, the Company's portfolio performance was measured gross of fees and costs, and it was therefore appropriate to require a higher level of outperformance of the comparator benchmark at that time.

If the New Investment Policy is adopted, the Board further believes it would be appropriate to set the new Tender Offer Triggers for the next five year period, commencing 1 October 2020 and ending on 30 September 2025. As was the case when the former investment policy was adopted at a general meeting of the Company on 24 January 2017, the Investment Manager will thus be given an initial substantial period over which to have its performance under the New Investment Policy assessed before the possibility arises for a tender offer to be triggered.

Finally, the amendment of the calculation period for the performance and discount measurements from four to five years will give the Investment Manager a more fulsome opportunity to achieve its goal of outperforming its new comparator benchmark over a full market cycle under the New Investment Policy.

The new Tender Offer Triggers will, if the New Investment Policy is approved, apply as follows:

The Board will offer Shareholders a tender offer for up to 25 per cent. of the Company's issued ordinary share capital if:

- (A) the average daily discount of the Company's market share capital to its net asset value ('cum-income') exceeds 12 per cent. as calculated with reference to the trading of the Shares over the Calculation Period; or
- (B) the performance of the Company's net asset value per Share on a total return basis does not exceed the return on the New Benchmark by an average of 50 basis points per annum over the Calculation Period.

#### *Change to the management fee*

The Company has agreed, with its AIFM, a reduction in its investment management fee from the previous level of 0.80 per cent. of the net asset value of the Company to 0.75 per cent. of the net asset value of the Company per annum. A reduction in the investment management fee reduces the costs borne by Shareholders and therefore assists growth in net asset value per share. Although, following the introduction of the New Investment Policy, the Company will have no direct peers as an EMEA focused, UK-listed investment trust, it is noted that the revised investment management fee is one of the lowest in both the Association of Investment Companies' *Global Emerging Markets* sector and its *Country Specialist: Europe – ex UK* sector. The Proposals, coupled with this reduction in the management fee, thus offer Shareholders access to a unique investment strategy at an attractive fee level.

#### **4. Summary of the New Investment Policy**

The Company's proposed investment objective in the proposed New Investment Policy is to achieve capital growth, principally through investment in emerging and frontier equity securities listed or traded on EMEA securities markets. The Company may also invest in securities in which the majority of underlying assets, revenues and/or profits are, or are expected to be, derived from activities in EMEA but are listed or traded elsewhere.

The key changes between the Current Investment Policy and the proposed New Investment Policy are:

- a removal of the permitted investment limit of 15 per cent. of the Company's gross assets in countries outside of Emerging Europe and a refocusing of the investment policy on EMEA activities;
- an amendment such that the relative guidelines are to be based on the New Benchmark;
- a removal of the requirement for any one investment not to exceed 12 per cent. of the Company's gross assets without prior written consent of the Board, and the introduction of a limit for any single investment, at the time of purchase, of the higher of 15 per cent. of gross assets or the weight of the investment in the New Benchmark plus five per cent., with an upper limit of 20 per cent. of gross assets (excluding for cash management purposes); and
- a change from a minimum of 30 stocks in the portfolio to a range of 20 to 65 investments.

The text of the proposed New Investment Policy and the Current Investment Policy are set out in Part 2 of this Circular.

Certain risks associated with the approval of the New Investment Policy are set out in Part 3 of this Circular.

#### *Conditions to change to investment policy*

The Company requires approval from both the FCA and Shareholders for any material change to its investment policy. The Company received FCA approval for the New Investment Policy on 14 October 2020. The proposed resolution to adopt the New Investment Policy is set out in the Notice of General Meeting at the end of this Circular.

The proposed New Investment Policy will only become effective once approved by Shareholders at the General Meeting. If the New Investment Policy is not approved by Shareholders the changes to the Company's name and to the Tender Offer Triggers described above will not proceed.

#### **5. General Meeting**

A general meeting is being convened at 10:00 a.m. on 13 November 2020 to consider and, if thought fit, pass the following resolution, which will be proposed as an ordinary resolution:

*THAT the proposed investment policy described in Part 2 Section A of the circular of which the notice of this meeting forms part be approved and adopted as the investment policy of the Company in substitution for, and to the exclusion of, the Company's existing investment policy, with such substitution to take effect from the passing of this resolution.*



**You should read the above summary in conjunction with the Resolution set out in the Notice of General Meeting at the end of this Circular.**

### *Meeting Arrangements*

The continuing COVID-19 pandemic has led to the imposition of severe restrictions on public gatherings. As a consequence, we are making changes to the way in which we conduct this General Meeting. The Company understands and respects the importance of the General Meeting to Shareholders and the Board greatly values the opportunity to meet Shareholders in person. However, the health and safety of our Shareholders and the broader community is of paramount importance. In light of the UK Government's current guidance on public gatherings, and the new legislation set out in Schedule 14 of the Corporate Insolvency and Governance Act, the Board has concluded that Shareholders cannot be permitted to attend the General Meeting.

The General Meeting will be held by electronic means and will be kept as concise and efficient as possible with the minimum necessary quorum of two Shareholders in order to conduct the business of the General Meeting. The format of the General Meeting will be purely functional to comply with relevant legal requirements.

Instead of attending this General Meeting, Shareholders are asked to exercise their votes by submitting their proxy electronically or by post as soon as possible, and these must be received by no later than 10:00 a.m. on 11 November 2020. Shareholders who wish to appoint a proxy are recommended to appoint the Chairman of the General Meeting as their proxy. As a result of the current UK Government restrictions, if a Shareholder appoints someone else as their proxy, that proxy will not be able to attend the General Meeting in order to cast the Shareholder's vote.

Proxy instructions (which include the ability to lodge proxies electronically) are set out below. To ensure that Shareholders still have an opportunity to engage with the Board and the Investment Manager, Shareholders are also invited to submit questions in advance of the General Meeting via email at [beepfccosec@linkgroup.co.uk](mailto:beepfccosec@linkgroup.co.uk) by no later than on 5:30 p.m. on 6 November 2020. We will endeavour to answer questions received in advance, and ahead of the proxy voting deadline, by publishing responses on our website.

Your votes do matter. We would like to thank all Shareholders for their co-operation and understanding.

### *Voting arrangements – Action to be taken*

If you would like to vote on the resolution to be proposed at the General Meeting and you hold your Shares in certificated form, you may appoint a proxy electronically using your Investor Code at [www.signalshares.com](http://www.signalshares.com) by following the instructions on that website. If you hold your shares in CREST, you may appoint a proxy via the CREST system. Notice of your appointment of a proxy should reach the Registrar by no later than 10:00 a.m. on 11 November 2020. If you hold your Shares through a nominee service, please contact the nominee service provider regarding the process for appointing a proxy.

**The Board strongly encourages Shareholders to vote electronically and to appoint the Chairman of the General Meeting as their proxy with their voting instructions.**

You may request a hard copy form of proxy directly from the Registrar (via Link Group) by calling 0371 664 0300 from the UK or +44 (0) 371 664 0391 if calling from outside of the UK. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday, excluding public holidays

in England and Wales. During this challenging time, extra pressure is being put on telephone services and it may take longer to get through than normal. We strongly recommend that you appoint a proxy electronically.

## **6. Further information**

You are advised to read all of the information contained in this Circular before deciding on the course of action you will take in respect of the General Meeting.

## **7. Support of City of London Investment Management**

The Board has discussed the Proposals with the Company's largest Shareholder, City of London Investment Management Company Limited ("**City of London**"), which holds 25.8 per cent. of the Company's issued share capital (excluding Shares held in treasury by the Company) as at the Last Practicable Date. City of London has indicated its support for the Proposals to the Company.

## **8. Recommendation by the Board**

The Board considers that the Proposals will promote the success of the Company for the benefit of Shareholders as a whole.

**Accordingly, the Board unanimously recommends that Shareholders vote in favour of the adoption of the New Investment Policy as set out in the Resolution to be put to the General Meeting**, as the Directors intend to do in respect of their own beneficial holdings of, in aggregate, 14,572 Shares, representing approximately 0.12 per cent. of the Company's issued share capital (excluding Shares held in treasury by the Company) as at the Last Practicable Date.

Yours sincerely,

Frances Daley  
**Chairman**

**Part 2**  
**Proposed Investment Objective and Investment Policy**

**SECTION A**  
**NEW INVESTMENT POLICY**

**Set out below is the investment policy that would apply to the Company if Shareholder approval is obtained and the other conditions described in this Circular are satisfied. The Current Investment Policy can be read at Part 2 Section B below.**

**Investment Objective:**

The Company's investment objective is to achieve capital growth, principally through investment in emerging and frontier equity securities listed or traded on Eastern European, Middle Eastern and African (EMEA) securities markets. The Company may also invest in securities in which the majority of underlying assets, revenues and/or profits are, or are expected to be, derived from activities in EMEA but are listed or traded elsewhere (EMEA Universe).

**Investment Policy:**

The Company intends predominantly to invest in emerging and frontier equity listed or traded on EMEA securities markets or in securities in which the majority of underlying assets, revenues and/or profits are, or are expected to be, derived from activities in EMEA but are listed or traded elsewhere.

To achieve the Company's investment objective, the Company selects investments through a process of bottom-up fundamental analysis, seeking long-term appreciation through investment in mispriced companies.

Where possible, investments will generally be made directly into public listed or traded equity securities including equity-related instruments such as preference shares, convertible securities, options, warrants and other rights to subscribe or acquire equity securities, or rights relating to equity securities. It is intended that the Company will generally be invested in equity securities; however, the Company may invest in bonds or other fixed-income securities, including high risk debt securities. These securities may be below investment grade. The number of investments in the portfolio will normally range between 20 and 65.

The Company may invest in unquoted securities, but the amount of such investment is not expected to be material. The maximum exposure to unquoted securities should be restricted to 5% of the Company's gross assets, at the time of investment, in normal circumstances.

The Company may also invest in other investment funds in order to gain exposure to EMEA countries or gain access to a particular market, or where such a fund represents an attractive investment in its own right. The Company will not invest more than 10% of its gross assets in other UK listed closed-ended investment funds, save that, where such UK listed closed-ended investment funds have themselves published investment policies to invest no more than 15% of their total assets in other listed closed-ended investment funds, the Company will invest not more than 15% of its gross assets in such UK listed closed-ended investment funds.

Whilst there are no specific limits placed on exposure to any one sector or country, the Company seeks to achieve a spread of risk through continual monitoring of the sector and country weightings of the portfolio. The Company's maximum limit for any single investment at the time of purchase is the higher of 15% of gross assets or the weight of the investment in the comparator benchmark plus 5%, with an upper maximum limit of 20% of gross assets (excluding for cash management purposes).

Relative guidelines will be based on the Morgan Stanley Capital International "MSCI" Emerging Markets EMEA Index (net), which will be the index used as the comparator benchmark.

The Company may arrange a loan facility to take advantage of investment opportunities. However, it is intended that the Company would only be geared when the Directors, advised by the Investment Manager, have a high level of confidence that gearing would add significant value to the portfolio. The Investment

Manager has discretion to operate with an overall exposure of the portfolio to the market of between 90% and 110%, to include the effect of any derivative positions.

The Company may use derivative instruments for the purpose of efficient portfolio management (which includes hedging) and for any investment purposes that are consistent with the investment objective and policies of the Company.

No material change will be made to the investment policy without the approval of Shareholders by ordinary resolution.

## SECTION B CURRENT INVESTMENT POLICY

**Set out below is the Current Investment Policy of the Company, which was approved by Shareholders at a general meeting on 24 January 2017.**

### **Investment Policy**

The policy of the Directors is that, in normal market conditions, the portfolio of the Company should consist primarily of diversified securities listed or traded on Emerging European securities markets (including over the counter markets). Equity securities for this purpose include equity-related instruments such as preference shares, convertible securities, options, warrants and other rights to subscribe for or acquire, or relating to, equity securities. The Company may also invest in debt instruments such as bonds, bills, notes, certificates of deposit and other debt instruments issued by private and public sector entities in Emerging Europe.

In addition, Emerging European exposure may be obtained by indirect means. Investments may, for example, be made in securities of companies listed on securities markets outside Emerging Europe that derive, or are expected by the Directors to derive, the majority of their revenues and/or profits and/or growth from activities in Emerging Europe.

The Company may also invest in other funds in order to gain exposure to Emerging Europe where, for example, such funds afford one of the few practicable means of access to a particular market, or where such a fund represents an attractive investment in its own right. The Company will not invest more than 15 per cent. of its gross assets in other UK listed investment companies (including investment trusts).

The Company may from time to time invest in unquoted securities, but the amount of such investment is not expected to be material. Furthermore the Board has agreed that the maximum exposure to unquoted securities should be restricted to 5 per cent. of the Company's gross assets. At the year end there was one unquoted investment valued at nil in the portfolio.

For the purposes of this investment policy the Board has defined Emerging Europe as the successor countries of the former Soviet Union, Poland, Hungary, the Czech Republic, Slovakia, Turkey, the States of former Yugoslavia, Romania, Bulgaria, Albania and Greece. There is no restriction on the proportion that may be invested in these countries

In addition, the Board has agreed that up to 15 per cent. of the gross assets may be invested in other countries provided that any investments made are companies listed on a regulated stock exchange.

The Board has agreed that the maximum value of any one investment should not exceed 12 per cent. of the Company's gross assets save with the prior written consent of the Board. Where excess occurs due to market movement the manager will notify the Board of this and will reduce the holding to below 12 per cent. within six months.

In addition to the above restriction on investment in a single company the Board seeks to achieve a spread of risk in the portfolio through monitoring the country and sector weightings of the portfolio. There will be a minimum of 30 stocks in the portfolio.

The Company's Articles provide that the Company may borrow an amount equal to its share capital and reserves. At 30 September 2016, the only loan facility in place was a US\$17 million loan facility with State Street Bank and Trust Company Limited which can be used as a source of gearing. In order to provide a mechanism to gear the portfolio the Board has authorised the Alternative Investment Fund Manager to invest in long only derivatives in Polish, Russian and Turkish index futures where feasible. The Alternative Investment Fund Manager has discretion to operate with an overall exposure of the portfolio to the market of between 90 per cent. and 110 per cent., to include the effect of any derivative positions. Gearing was employed during the year, US\$13 million was drawn down on 13 July 2016 and remained at this level up to and including 30 September 2016.

### **Part 3**

#### **Risks associated with the change to Investment Policy**

In considering the Proposals set out in this Circular, Shareholders should have regard to the following risk factors.

##### **Implementation of New Investment Policy**

The Company has not yet implemented the New Investment Policy and it is therefore difficult to evaluate the probable future performance of the Company while implementing such policy. The Company's ability to achieve the proposed investment objective and successfully follow the New Investment Policy will be partially dependent on the Investment Manager's ability to adapt to and successfully identify and acquire investments in accordance with the New Investment Policy, which is materially different from the Company's Current Investment Policy and includes greater scope for investment in a broader range of regions. There can be no assurance that it will be able to do so.

##### **New Investment Policy**

There is no guarantee that the New Investment Policy will be successful or that its investment objectives will be achieved. The Company intends to invest in equity securities and, to a lesser degree, bonds or other fixed-income securities, including high risk debt securities. These securities may be below investment grade and/or unquoted. Shareholders should consider the risks inherent in those asset classes. The performance of these investments is not guaranteed and will be subject to economic and equity market developments in the countries in which it invests, among other factors.

##### **Past performance is not necessarily indicative of future performance.**

Shareholders should be aware that the past performance of the Investment Manager or of the Company is not necessarily indicative of likely future performance.

##### **Dependence on third parties and the Investment Manager**

The Company has no employees and therefore relies upon the services provided by third parties, and is dependent on the control systems of the Investment Manager and the Company's service providers. The Company's continuing compliance with the regulatory and legal requirements to which it is subject is dependent upon the effective operation of these systems. A sudden departure of the Investment Manager or several members of the investment management team could result in a short-term deterioration in investment performance.

##### **Corporation tax liability**

In order to qualify as an investment trust, the Company must comply with the provisions contained in section 1158 of the Corporation Taxes Act 2010. A breach of section 1158 in an accounting period could lead to the Company being subject to corporation tax on gains realised in that accounting period.

##### **Share price discount**

The market price of the Company's Shares may not reflect their net asset value and the discount (or premium) to net asset value at which the Company's Shares trade may fluctuate on a daily basis and is dependent upon factors which may be partly or wholly outside the control of the Company, including general market sentiment

and market volatility. A disproportionate widening of the discount relative to the Company's peers could result in a loss of value for Shareholders.

### **Exchange rates and cash deposits**

The Company's returns are sensitive to changes in the exchange rates for the various currencies to which the Company's investments are exposed. Adverse changes in such exchange rates may have a significant impact on the revenue and capital return of the Company's assets. Similarly, interest rate movements may have an adverse effect on the level of income receivable on the cash deposits of the Company.

### **Credit risk**

The Company may be exposed to the credit risk of the counterparties to its transactions. The failure of a counterparty to discharge its liabilities could result in the Company suffering a loss.

### **Capital erosion**

The Company will pay dividends from capital where considered appropriate by the Board. Shareholders should note that this may result in capital erosion and a reduction in the potential for future capital growth.

**Certain risks which are material and currently known to the Company are set out above. The above list is not exhaustive, and additional risks and uncertainties relating to the proposed New Investment Policy and other Proposals may also have an adverse effect on the Company.**

## DEFINITIONS

“AIFM”	the Alternative Investment Fund Manager, being Baring Fund Managers Limited;
“Board”	the board of Directors of the Company;
“Calculation Period”	has the meaning given to it in Section 2 of the Chairman’s Letter in this Circular;
“Company”	Baring Emerging Europe PLC;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 2001 (SI 2001/3755) (the “Regulations”)) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the Regulations);
“CREST Proxy Instruction”	has the meaning given on page 19 of this Circular;
“Current Benchmark”	has the meaning given to it in Section 2 of the Chairman’s Letter in this Circular;
“Current Investment Policy”	the Company’s investment policy which was approved by Shareholders at a general meeting held on 24 January 2017, and which is set out in Section B of Part 2 of this Circular;
“Directors”	the directors of the Company, and “Director” shall mean any one of them;
“EMEA”	the geographical region comprising Europe, the Middle East and Africa;
“Emerging Europe”	the geographical region comprising the emerging countries across Europe, including but not limited to, Russia, Poland, Turkey, Hungary, Greece and the Czech Republic;
“FCA”	the UK Financial Conduct Authority, and any successor entity;
“General Meeting”	the general meeting of the Company to be held at 10:00 a.m. on 13 November 2020, or any adjournment thereof;
“Investment Manager”	Baring Asset Management Limited;
“Last Practicable Date”	the last practicable date before publication of this Circular, being 16 October 2020;
“MSCI”	Morgan Stanley Capital International;



<b>“New Benchmark”</b>	has the meaning given to it in Section 1 of the Chairman’s Letter in this Circular;
<b>“New Investment Policy”</b>	the new investment policy of the Company proposed to be approved by Shareholders at the General Meeting, and which is set out in Section A of Part 2 of this Circular;
<b>“Nominated Person”</b>	has the meaning given to it on page 19 of this Circular;
<b>“Notice of General Meeting”</b>	the notice of the General Meeting beginning on page 18 of this Circular;
<b>“Proposals”</b>	has the meaning given in the Introduction of the Chairman’s Letter in this Circular;
<b>“Registrar”</b>	Link Group;
<b>“Resolution”</b>	the resolution set out in the Notice of General Meeting;
<b>“Shares”</b>	the issued ordinary shares of 10 pence each in the share capital of the Company;
<b>“Shareholders” or “Members”</b>	holders of Shares; and
<b>“Tender Offer Triggers”</b>	the mechanism by which the Company has agreed to make a tender offer to its Shareholders based on two criteria and judged over a calculation period, being: i) the discount represented by the Company’s share price compared to its net asset value and ii) the performance of the Company’s portfolio or, if the Proposals are implemented, net asset value per share on a total return basis when compared to a comparator benchmark.

## **BARING EMERGING EUROPE PLC**

*(Incorporated and registered in England with limited liability with registered number 04560726)*

### **NOTICE OF GENERAL MEETING**

NOTICE IS HEREBY GIVEN that a General Meeting of Baring Emerging Europe PLC (the “**Company**”) will be held at 10:00 a.m. on 13 November 2020 to consider and, if thought fit, pass the resolution below, which will be proposed as an ordinary resolution.

In order to ensure people’s safety and well-being during the ongoing COVID-19 pandemic, the General Meeting will be run as a closed meeting and Shareholders will not be permitted to attend. Shareholders are strongly encouraged to exercise their right to vote by appointing the Chairman of the General Meeting as proxy and providing voting instructions in advance of the General Meeting instead.

Capitalised terms not otherwise defined within this notice shall have the meanings given to them in the circular dated 19 October 2020 of which this notice forms part.

#### **Ordinary Resolution:**

**THAT** the proposed investment policy described in Part 2 Section A of the circular of which the notice of this meeting forms part be approved and adopted as the investment policy of the Company in substitution for, and to the exclusion of, the Company’s existing investment policy, with such substitution to take effect from the passing of this resolution.

19 October 2020

By order of the Board  
LINK COMPANY MATTERS LIMITED  
*Company Secretary*

Registered office:

Beaufort House  
51 New North Road  
Exeter, EX4 4EP

Registered in England and Wales No. 04560726

## Notes

1. The continuing COVID-19 pandemic has led to the imposition of severe restrictions on public gatherings. The Company therefore wishes to notify its Shareholders that physical attendance in person at the General Meeting will not be possible. The General Meeting will take place with the minimum necessary quorum of two Shareholders. The Board encourages Shareholders to vote electronically and to appoint the Chair of the General Meeting as their proxy with their voting instructions. All valid proxy votes, whether submitted electronically or in hard copy form, will be included in the polls to be taken at the General Meeting.

We are disappointed that we are having to adopt these measures and appreciate our Shareholders' understanding in these unprecedented circumstances.

Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the General Meeting. A Shareholder may appoint more than one proxy in relation to the General Meeting provided that each proxy is appointed to exercise the rights attached to a different Share or Shares held by that Shareholder. A proxy need not be a Shareholder of the Company. Members can appoint a proxy online at: [www.signalshares.com](http://www.signalshares.com). In order to appoint a proxy using this website, members will need their Investor Code, which they can find on their share certificate. If you need help with voting online, please contact our Registrar, Link Group, on 0371 664 0300 if calling from the UK, or +44 (0) 371 664 0391 if calling from outside of the UK, or email Link at [enquiries@linkgroup.co.uk](mailto:enquiries@linkgroup.co.uk). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 9.00 a.m. – 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Members must appoint a proxy using the website no later than 48 hours before the time of the General Meeting or any adjournment of that meeting (weekends and public holidays excluded).

2. If you require a hard copy form of proxy, please contact the Company's registrars, Link Group by telephone on 0371 664 0300 from within the UK or +44 371 664 0391 if telephoning from outside the UK between 9.00 a.m. and 5.30 p.m. Monday to Friday (excluding UK public holidays). Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate

To be valid, any hard copy form of proxy or other instrument appointing a proxy must be received by post (during normal business hours only) at the offices of the Company's registrars, Link Group, FREEPOST PXS, 34 BECKENHAM ROAD, BECKENHAM BR3 4ZF, by not less than 48 hours before the time of the General Meeting or any adjournment thereof. The Company requests that this form is completed and lodged with the Company's registrar (at the address above) no later than 10:00 a.m. on 11 November 2020.

3. Any person to whom this notice is sent who is a person nominated under section 146 of the Companies Act 2006 to enjoy information rights (a "**Nominated Person**") may, under an agreement between him/her and the Shareholder by whom he/she was nominated, have a right to be appointed (or to have someone else appointed) as a proxy for the General Meeting. If a Nominated Person has no such proxy appointment right or does not wish to exercise it, he/she may, under any such agreement, have a right to give instructions to the Shareholder as to the exercise of voting rights.
4. The statement of the rights of Shareholders in relation to the appointment of proxies in paragraphs 1 and 2 above does not apply to Nominated Persons. The rights described in these paragraphs can only be exercised by Shareholders of the Company.
5. To be entitled to vote at the General Meeting (and for the purpose of the determination by the Company of the votes they may cast), Shareholders must be registered in the Register of Members of the Company as at close of business on 11 November 2020 (or, in the event of any adjournment, on the date which is two days before the time of the adjourned meeting for the purposes of which no account is to be taken of any part of a day that is not a working day). Changes to the Register of Members after the relevant deadline shall be disregarded in determining the rights of any person to attend and vote at the General Meeting or any adjournment thereof.
6. As at the Last Practicable Date, the Company's issued share capital consists of 12,246,905 Shares carrying one vote each (excluding 3,318,207 Shares held in treasury by the Company in relation to which voting rights have been suspended). Therefore, the total number of voting rights in the Company as at the Last Practicable Date is 12,246,905.
7. CREST members who wish to appoint a proxy through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a 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.
8. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "**CREST Proxy Instruction**") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications, and must contain the information required for such instruction, as described in the CREST Manual (available via [www.euroclear.com](http://www.euroclear.com)). 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, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA10) by not less than 48 hours before the time of the General Meeting or any adjournment thereof. For this purpose, the time of receipt will be taken to

be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. The Company requests that this form is completed and lodged with the Company's registrar (at the address above) no later than 10:00 a.m. on 11 November 2020.

9. CREST members and, where applicable, their CREST sponsors, or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. 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, to procure that his 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 system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.
10. 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.
11. Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.
12. In the case of joint holders of a Share, the vote of the senior holder who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by order in which the names appear in the register of members. A company 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 they do not do so in relation to the same Shares.
13. To ensure that Shareholders still have an opportunity to engage with the Board and the Investment Manager, Shareholders are invited to submit questions in advance of the General Meeting via email at [beepccosec@linkgroup.co.uk](mailto:beepccosec@linkgroup.co.uk) by no later than 5:30 p.m. on 6 November 2020. We will endeavour to answer questions received in advance, and ahead of the proxy voting deadline, by publishing responses on the website at [www.beeplc.com](http://www.beeplc.com).
14. A copy of this Notice and other information required by section 311A of the Companies Act 2006 can be found at [www.beeplc.com](http://www.beeplc.com).