



Knox House, 16 - 18 Finch Road, Douglas, Isle of Man, IM1 2PT

17 July 2017

Dear Shareholder

KHG Funds PLC (“the Fund”)
KHG Balanced Portfolio
KHG Diversified Income Portfolio

We have received notification from a shareholder that they intend to redeem their holdings in the Diversified Income and Balanced Portfolios (“the Portfolios”) of the Fund. We are further led to believe that the redemptions being made by the shareholder are as a direct result of a recent change in control of their ownership and a restructure of their underlying client’s investment portfolios and investment manager. The Directors believe that this is not a reflection on the performance of the Portfolios.

Creechurch Capital Limited (“the Investment Manager”) has structured the Portfolios in such a way where redemptions, in the normal course of business, are able to be satisfied without affecting the remaining shareholders. The Portfolios are invested in a range of short and longer term strategies, as noted in the respective Portfolio Supplementary Documents, and it is important to ensure that the investment strategy, as notified and accepted by shareholders, is maintained without disadvantaging the remaining shareholders following any redemptions.

The redemption requests that are to be instructed by this shareholder are not perceived as normal and, whilst this investment is split across a number of small holdings and sub funds, the total is likely to exceed the Maximum Permitted Redemption Percentage, as noted in the Master Offering Document and each of the Portfolio’s Supplementary Documents.

The Directors have an obligation to ensure that all shareholders are treated equally and that those remaining in the Portfolios are not disadvantaged by the actions of the redeeming shareholder and, as such, the Directors have taken the unusual step of temporarily suspending the calculation of net asset value (“the Suspension”) in order to propose to shareholders a restructuring (thus ensuring all shareholders are treated equally).

As a result of the Suspension, the subscription, redemption and conversion of shares in the affected Portfolios have been suspended with effect from 12 July 2017.

The Directors have already considered their options with respect to the affected Portfolios and will be discussing these further with the Investment Manager, the Manager and the Fiduciary Custodian.

It is anticipated that there will be a resolution of the Suspension by the end of September 2017; the Directors will keep all affected shareholders apprised with regards to the situation.



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The Manager of the Fund will continue to provide an indicative net asset value per share for each of the affected Portfolios during the period of suspension.

The decision to invoke the Suspension was not taken without considerable scrutiny and advice from the Investment Manager. The Suspension is intended to allow all transactions to be processed in an orderly manner and to ensure fairness to all shareholders in the affected Portfolios.

The Portfolios continue to perform in accordance with their investment strategies. The underlying assets are held by the Fund's Fiduciary Custodian: Capita Trust Company (Jersey) Limited, which is regulated by the Jersey Financial Services Commission.

It is key to stress that there is no liquidity issue and cash is available to pay all redemptions that are in the pipeline.

If you have any questions please feel free to contact Miles Ashworth at Creechurch Capital Limited, the Investment Manager (miles.ashworth@creechurchcapital.com).

Yours faithfully

David Nixon

Director