

## Regulatory Story

[Go to market news section](#)



Company [Aqua Resources Fund Limited](#)  
TIDM H2O  
Headline Tender Offer  
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Aqua Resources Fund Limited

The Board of Aqua Resources Fund Limited ("**Aqua**" or the "**Company**") today announces an outline proposal (the "**JPM PEA Proposals**"), received from the Private Equity Advisor Group at JPMorgan Asset Management ("**JPM PEA**"), to increase its shareholding to up to 29.9% of the Company, subject to final agreement of terms and processes with the Board.

In the context of the Company's intention, announced on 28 June 2012, to propose the cancellation of the listing of the Company's ordinary shares (the "**Ordinary Shares**") on the Official List of the UK Listing Authority and from trading on the London Stock Exchange's Main Market for Listed Securities ("**the Cancellation**"), the Company further announces its intention to seek shareholder approval to amend its investment policy to preclude further new investments and to remove the diversification test.

### The JPM PEA Proposals

JPM PEA manages JPMorgan Private Equity Limited and JPMorgan Special Opportunities Fund (collectively, the "**JPMorgan Funds**"), which together currently hold 11,371,926 (15.7%) of the Company's Ordinary Shares. Under the JPM PEA Proposals, JPM PEA has indicated to the Board that the JPMorgan Funds would be willing to acquire up to 10,294,911 Ordinary Shares for 35 cents each (the "**Tender Price**"), from those shareholders who would like to sell down some or all of their shareholding ahead of the Cancellation. This Tender Price of 35 cents is at a premium of 20.7 per cent to the closing price as at close of business on 13 August 2012 (being the last business day before this announcement).

To facilitate the JPM PEA Proposals, the Company has agreed to conduct a tender offer (the "**Tender**

**Offer**") for up to 10,294,911 (representing 14.2% of the current Ordinary Shares in issue) Ordinary Shares (or such other number of Ordinary Shares which when taken with the JPMorgan Funds' shareholding on the effective date for the Tender Offer would not cause JPM PEA and the JPMorgan Funds to control more than 29.9% of voting rights in the Company) (the "**Tender Threshold**"), at the Tender Price in October 2012. Shareholders will be able to tender none, some or all of their shareholding. To the extent that shareholders tender shares in excess of the Tender Threshold, applications will be scaled back pro rata. JPM PEA, on behalf of the funds it manages, has agreed to acquire all tendered shares for 35 cents. If the Tender Offer is fully subscribed, funds managed by JPM PEA would together hold 21,666,837 (29.9%) of the Company's Ordinary Shares.

### **The Cancellation**

As noted in the Chairman's Statement in the Annual Report and Accounts of the Company for the year ended 31 December 2011 (published on 26 April 2012) and its interim management statement (published on 18 May 2012), the Company no longer meets the "free float" requirement of the UK Listing Rules (Listing Rule 6.1.19) which stipulates that 25 per cent of the shares in a company listed on the Official List of the UK Listing Authority should be held in 'public hands' (which excludes shares held by shareholders who are directors or who own more than 5 per cent. of the share capital of such company).

In considering the proposed Cancellation, the Board has reviewed:

- 1) the poor liquidity and very low daily turnover in the Shares on the London Stock Exchange, which this calendar year have traded on only 45 days,
- 2) the persistently wide share price discount to net asset value (currently approximately 70 per cent.),
- 3) the concentration of the portfolio,
- 4) the advantages and disadvantages of a listing of the Ordinary Shares on another recognised stock exchange in the context of the known views of certain shareholders,
- 5) an overview of the current shareholder base, and
- 6) that a delisting will entail a material change for shareholders.

Subject to regulatory clearances and Shareholder approval at an extraordinary general meeting (the "**EGM**"), it is expected the delisting will become effective around the end of October 2012.

### **Amendment to the Investment Policy**

At the EGM, the Board intends to put forward an ordinary resolution to shareholders to amend the Company's current investment objective and policy. It is proposed that the current investment objective and policy is supplemented with the following provision:

*"No New Fund Investments*

*It is the general policy of the Company not to make new fund investments. It is the intention of the Company to continue to meet its existing capital commitments. The Company may support follow-on commitments in existing investments subject to prior approval by the Board of such investment."*

It is also proposed that the following text is deleted from the diversification section of the current investment objective and policy:

*"Once investments have been completed, it is anticipated that no single investment, at the time of acquisition, may exceed 30% of the gross assets of the Company."*

*"In addition, in exceptional circumstances, the Board may authorise the acquisition of an investment or asset which exceeds the 30 per cent limit and is up to 50% of gross assets, at the time of acquisition. Such authorisation may only be given in circumstances where the Board considers the acquisition to be of strategic importance to the Company in achieving its overall investment objective and the Manager has, at the time of acquisition, presented to the Board for approval a proposal for rebalancing the Portfolio to within the 30% limit as soon as practicable (and in any event within a period not exceeding 18 months) by means of further capital raisings, additional investments, disposals of part of an investment or otherwise."*

In all other respects the current investment objective and policy will remain unchanged.

Further details of the JPM PEA Proposals, Cancellation and associated amendments to the Company's articles of incorporation, amendment to the investment policy and notice of EGM expected to be held in September 2012 (rather than August 2012 as indicated in the announcement on 28 June 2012.), will be contained in a circular to be posted to shareholders as soon as practicable.

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### **Important Information**

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