



# Quarterly Report

## Castelnau Group Limited

31 March 2026



During the quarter, we were pleased to welcome investors to our annual meeting, where we were joined by the CEO of Dignity, Zillah Byng-Thorne. If you were not able to attend, videos of the sessions are available on the [Castelnau website](#). We discussed Castelnau's 2025 performance and progress, including an overview of the financial improvements at the operating businesses. Zillah provided a deep dive into the Dignity vision, strategic progress to date, and the changes planned over the next few years.

Consistent with Castelnau's strategic intention to explore whether there are better long-term homes for some of our operating companies, Scalextric was sold by Hornby during the quarter for a total consideration of £20m. The transaction has significantly reduced net debt at Hornby, crystallised value for Scalextric, and brought an experienced entrepreneur, Mark Brown (CEO & President of Purbeck Capital), into the wider Hornby business to support its transformation.

The strategic transformation at Hornby continues at pace. The business is in the process of changing the way it is structured and the end goal is to have a series of entrepreneurial, profitable brands operating sustainably and autonomously. It is worth noting that Hornby is (just) EBITDA positive in its FY25/26 results – this is an important milestone.

We were pleased to see Stanley Gibbons Baldwin's ("SGB") sell over £1.5m of Pokémon cards in its auctions over the course of a few weeks. Expanding into new collectible categories is a key strategy at SGB. Having entered the trading card market in 2024 SGB has quickly established itself as a leading auction house in the space.

At Dignity, which represents 108.4% of Castelnau's NAV, significant progress is being made across the business. Dignity's vision is 'to be the UK's leading end-of-life company, helping 1 in 3 people across the UK to plan for and deal with death'.

In 2026, its key priorities are clear – growing the crematoria division, building out legal services, growing Simplicity, improving the branch estate and developing its CRM strategy, which combined together should drive clear growth in the business. In March, the CMA announced it was looking into Dignity's historic use of customer reviews, alongside several other companies. Castelnau and Dignity take the CMA's concerns extremely seriously and are fully cooperating with their investigation and will update further at the appropriate time.

We remain focused on driving shareholder value and are excited about the progress being made.

**Richard Brown, CEO**

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## CIO Comments

The long term value creation at Dignity has a number of components. One is the capital structure. The previous switch in investment strategy of the funeral plan trusts (which don't get included in most investors' assessment of capital structure), out of zero-yielding bonds into equities, produced a surplus greater than the price we paid for the whole business. This has been utilised net of taxes to materially reduce the indebtedness of the company to a long term sustainable level. At the same enterprise value, lowering debt means a higher equity value which is now reflected in the current valuation. I will do an injustice to all those who have worked hard on the complexity of all of this but the capital structure work is the easy part of the value creation.

Another component of value creation is productivity improvements. Dignity had become a bureaucratic organisation which had dis-economies of scale. The funeral businesses acquired over decades had much higher cost bases within the group than outside. This was masked by raising prices. Improving productivity across the business requires the proper use of good technology and more efficient ways of working, which previously differed across the organisation. This takes time but Zillah and team have made strong progress, moving from testing software in trial areas to being ready to roll it out more broadly across the estate. It won't just improve productivity, it improves the experience of families, allowing us to provide a better service and more choice. From a management perspective, better data allows for continuous improvement and more nuanced trial and error. Introducing better technology is also helping to bring down central costs.

Dignity is unique in its vertical integration and national footprint and a key long term driver of value is the building of a legal services offering and good progress has been made on this. For many, writing a will is the first time they think about end of life provision, and Dignity is now the UK's biggest provider of wills following the integration of Farewill into the group. Apart from wills, a capability in Lasting Powers of Attorney (LPAs) and Probate has been added. It's worth considering how these fit into the overall picture. Wills are at the beginning of the journey, LPAs are usually needed at the stage where assisted care becomes a consideration, it is a poorly served but much needed area but Probate is a post-death need with around half and rising of all deaths requiring some level of probate assistance.

Wills and LPAs allow us to start a customer relationship which we hope will last decades and could include, apart from legal services, funeral plans, burial plots, funerals and cremations as well as memorialisation. Doing this well will be a great service to the community, and modern AI tools will help us do it more efficiently. Dignity is now a law firm as part of this evolution. The rollout of the service in branches is going well and our main constraint at the moment is our capacity to handle the volumes we are seeing. It is now in a third of branches, where it is also part of transforming traditional funeral directors into community end of life providers, with a deeper and more joined level of engagement with families.

There are many other components but piece by piece, like working your way through a 1000-piece jigsaw, a picture of the Dignity vision we had when we took the business private is starting to emerge, and the value that led us down this path remains. We are now turning our attention to how to bring this together for a form of crystallisation, not exit, as we promised at the outset.

**Gary Channon, CIO**

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Castelnau Group Limited ("CGL") is a Guernsey closed-ended company listed on the Specialist Fund Segment of the London Stock Exchange. Formed by Phoenix Asset Management Partners Limited in 2020, its listed structure provides the manager with a permanent capital vehicle with which to make long-term investments and acquisitions in public and private businesses of all structures and sizes. Its investment philosophy involves acquiring large stakes in, and capital to, businesses that have, or can create, strong competitive advantages. Castelnau Group's portfolio comprises investments in Valderrama (Dignity), Hornby Limited, Strand Collectibles Group, Showpiece Technologies Limited, Silverwood Brands, Rawnnet Limited, Iona Star and Ocula Technologies Limited.

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## 2026 Q1 Financials

**Table 1: Summary Overview**

	2024 Q4	2025 Q1	2025 Q2	2025 Q3	2025 Q4	2026 Q1
Net Assets £m	£317m	£334m	£338m	£336m	£374m	371m
Net Assets /share	£0.98	£1.01	£1.01	£1.01	£1.12	£1.11
Share Price	£0.94	£0.88	£0.81	£0.77	£0.94	£0.91
No. of shares	323m	332m	334m	334m	334m	334m
Market Cap	£303m	£293m	£270m	£257m	£314m	£302m
Prem / Disc to NAV	-4%	-12%	-19%	-24%	-16%	-19%

### Assets

Equities	£377m	£396m	£402m	£405m	£456m	£455m
Loans to Subs	£21m	£24m	£26m	£28m	£20m	£21m
Cash & Equiv.	£0m	£0.2m	£0.1m	£0.7m	£0.2m	£0.0m

### Ownership

Valderrama (Dignity)	65%	66%	66%	66%	66%	66%
Hornby	54%	55%	58%	58%	58%	58%
Phoenix SG (Stanley Gibbons Baldwins)	64%	64%	64%	64%	71%	71%
Cambium Intl. Ltd. (Cambium)	90%	90%	90%	90%	92%	92%
Iona Star*	45%	45%	36%	33%	32%	32%
Rawnet	100%	100%	100%	100%	100%	100%
Silverwood	30%	30%	30%	29%	29%	29%
Ocula	41%	41%	41%	35%	35%	35%

Source: Phoenix Asset Management Partners Ltd.

Past performance is not a reliable indicator of future performance.

\* This relates to % of invested capital, not an equity stake.

Table 2 below shows a breakdown of the Castelnau Group NAV by Asset.

**Table 2: NAV Breakdown**

<b>Asset</b>	<b>2025 Q4 £m</b>	<b>2026 Q1 £m</b>	<b>Q1 % of NAV</b>	<b>Q1 % of GAV</b>
Valderrama (Dignity)	402.8	403.3	108.4%	84.2%
Hornby	18.9	18.2	4.9%	3.8%
Cambium	17.8	17.7	4.8%	3.7%
Ocula	5.6	5.6	1.5%	1.2%
Iona Star	5.2	5.2	1.4%	1.1%
Silverwood	2.7	2.7	0.7%	0.6%
Phoenix SG (Stanley Gibbons Baldwins)	2.6	2.5	0.7%	0.5%
Rawnet	-	-	0.0%	0.0%
<b>Total Equities</b>	<b>455.6</b>	<b>455.2</b>	<b>122.6%</b>	<b>95.0%</b>
Loans to portfolio companies	19.6	21.1	5.7%	4.4%
Other Assets	2.4	2.4	0.6%	0.5%
CGSL	0.2	0.3	0.1%	0.1%
Cash	0.2	0.0	0.0%	0.0%
GAV	478.0	478.9		
Accrued Liabilities	(104.3)	(107.6)	29.0%	22.5%
NAV	373.7	371.3		

Source: Phoenix Asset Management Partners Ltd.

Past performance is not a reliable indicator of future performance.

**Table 3: Castelnau Q1 2026 Company 'Look-Through'**

The below allows investors to look at Castelnau Group from an alternative perspective – focused more on normalised metrics rather than NAV. The table also provides a consolidated view of Castelnau Group and its portfolio companies. The data includes ownership percentage per company, number of employees, annual sales figures, pre-tax profit, and other financial metrics.

Q1 2026	Pro-Rata	Listed stake	Unlisted stakes						
	Castelnau		Silverwood	Valderrama (Dignity)	Hornby	Phoenix SG Ltd (Stanley Gibbons)	Cambium	Rawnet	Ocula
	"Look-Through"								
	↓								
Castelnau (CGL) Ownership stake		29%	66%	58%	71%	92%	100%	35%	
<b>Employees (approx.)</b>	2163	198	2790	206	66	78	23	17	
<b>Last 12 month running Sales</b>	<b>£253.4m</b>	£15.9m**	£290.3m*	£53.6m	£11.7m	£17.0m	£2.0m	£1.2m	
per CGL share	£0.76								
<b>Last 12 month running Profit</b>	<b>£19.3m</b>	<b>£0.3m**</b>	<b>£43.8m*</b>	<b>-£6.9m</b>	<b>-£4.6m***</b>	<b>-£1.3m</b>	<b>-£0.5m</b>	<b>-£1.8m</b>	
per CGL share	£0.06								
# CGL shares	333.5m								
<b>CGL Share Price</b>	<b>£0.91</b>								
CGL Market Cap	£301.8								
<i>Equity Values</i>		£2.7m	£403.3m	£18.9m	£2.5m	£17.7m	£0.0m	£5.6m	
CGL NAV	£371.3								
<b>CGL NAV per share</b>	<b>£1.11</b>								
Discount	-18.7%								

\*Adjusted profit before tax excludes consolidated accounting adjustments relating to the funeral plan trusts, exceptional items and other non-recurring costs.

\*\*Unaudited Management Accounts pro-rated over 18m ending 06/2025 excluding exceptionals and non-operating income

\*\*\*Includes £1.8m one-off exceptional cost related to pre-administration liabilities

Source: Phoenix Asset Management Partners Ltd.

Past performance is not a reliable indicator of future performance.

Given Iona Star is an investment vehicle rather than an operating company, it has not been included in this table.

## Update on the Group Companies

### Dignity / Valderrama

Key financial highlights (draft, unaudited numbers to 31 March 2026), percentage changes represent year on year comparisons.

Expected Revenue LTM £290.3m (up 1.8%)	Funeral branches March 2026 566
Expected EBITDA LTM £43.8m (up 0.5%)	Crematoria sites March 2026 45
Plan sales LTM £44.5m (down 1%)	FTE March 2026 2,790
Death rate LTM Down 1.5%	Net debt March 2026 £341.6m
	Cash March 2026 £33.8m (excluding Trust cash)

Performance for the quarter remained broadly stable despite a lower death rate, which was down c.2.5% in Q1 (and LTM down 1.5%), and the investment in the launch of legal services and Simplicity.

The launch of Dignity's new Simplicity plan offering has gone well. The brand was launched in November, and despite some significant competitor reaction, which has driven up marketing costs in the short term, growth has been strong. Dignity has created an outstanding product, priced attractively relative to the market leader. There is an exciting roadmap of further product improvements across 2026, and we expect the offering to continue to improve.

Roll-out of the probate offering across the funeral branch network continues at pace. Three-quarters of Dignity's branches now offer legal services and we expect the roll out to be completed during the next quarter. The legal services business is outperforming all its growth targets YTD, with a particularly strong conversion rate, higher than we initially anticipated. The probate product is continuing to evolve, and there is a detailed product roadmap for 2026, which will allow Dignity to develop and improve it. In the wills business, a legal power of attorney product is on track to be launched during the next quarter – driving further revenue, as well as helping to increase expected conversion into probate.

In late March, the CMA announced it was looking into Dignity's historic use of customer reviews, alongside several other companies. Castelnau and Dignity take the CMA's concerns extremely seriously and are fully cooperating with their investigation and will update at the appropriate time.

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## Hornby

Key financial highlights (draft, unaudited numbers), percentage changes represent year on year comparisons. We have removed LCD holdings which were sold in 2024, to focus on continuing operations.

Expected Revenue LTM £53.6m (down 5.3%)	D2C Sales LTM £11.2m (up 7.0%)
Gross Profit LTM £25.1m (up 0.9%)	Inventory March 2026 £14.3m
Expected EBITDA (pre-exceptionals) LTM £(0.0)m (up 100.0%)	Net Debt March 2026 £9.8m
Loss before tax (pre-exceptionals) LTM £(6.9)m (down 15.7%)	Cash March 2026 £1.2m

We are pleased to see that for the year ended March 2026, Hornby has reached EBITDA profitability. Whilst this is clearly not the end-goal, it does represent a clear milestone. Sales performance in the last quarter was broadly in-line with forecasts, but higher gross margins boasted full year profitability.

During the quarter, the Scalextric business was sold to Scalextric Motorsports, a holding company established by Mark Brown, the President and CEO of Purbeck Capital, for £20.0m. This consists of £8.5m in cash up front and £11.5m deferred, which is payable out of free-cash flow. The cash consideration has been used to reduce Hornby's debt and invest in the business, which you can see reflected in the material net debt reduction from the last quarterly. Mark Brown has an outstanding track record of building global brands, and as part of the transaction, he committed to working with Hornby on its wider strategic transformation. Hornby will manage the Scalextric business going forward as agent, being fully compensated for that role, ensuring operational continuity while enabling Scalextric Motorsports to focus on accelerating the brands growth.

The strategic transformation at Hornby continues, with the business fundamentally changing the way it is structured. Hornby are using a third-party consultancy to help develop how we efficiently and effectively transition to the future operating model. The end goal is to have a series of entrepreneurial, profitable brands operating sustainably and autonomously. Brand leaders will take full ownership of their P&L, with brand-level decision-making fully decentralised. The changes to the business are significant, and we are managing the process accordingly. A new COO has been identified and is expected to join the business in early May.

The Middle East situation has not yet had any material impact on the company to date; however, inbound and export schedules are under daily review and the management team is monitoring events closely.

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## **Cambium**

Cambium continues to adapt to the changing dynamics in the UK wedding market. There has been a significant change in Cambium's marketing strategy for 2026, reducing the spend on certain social media channels which were not delivering sufficient returns. The first-half pipeline is ahead of last year, with conversion YTD up to 37.1% (vs 33.2% PY), and total pledge value up 16% on last year. We look forward to seeing the results of the renewed marketing strategy for the second half of 2026, with a focus on conversion enhancements, as new customer registrations are driven by the new strategy. It is worth noting that the trend towards higher cash pledges at weddings is continuing.

The monetisation of Rock My Wedding's ("RMW") supplier listings has not developed as hoped, and therefore management has restructured the team. RMW has a strong following and social media presence; the intention going forward is for the team to focus more on affiliate and ad revenue sales in the short term.

## **Stanley Gibbons Baldwins ("SGB")**

Positive performance in the quarter means cash generation is ahead of budget so far this year. On 14 March, a Pikachu Illustrator card sold at auction for £832k and a Charizard card for £443k. These sales generated substantial incremental revenue and positioned SGB as a significant player in the high-end trading card market, with consignments continuing to grow. The business continues to work to expand into adjacent markets.

SGB is in the process of expanding geographically, looking to open a physical presence overseas in the next quarter. This opening will be undertaken in a controlled, cost-effective way, but should allow SGB to strengthen its position beyond the UK and leverage its brand heritage.

The digital stamp catalogue launches next quarter, with significant focus on how best to market and promote the new offering.

Given the various new business initiatives, we are pleased to welcome Pierre Dadd, the new CMO, to the business.

## **Iona Star**

The most recent use of funds has been follow-on investments already in the Iona Star portfolio, enabling the companies to build on their progress to date while Iona Star can see further validation of the concepts developed through prior funding.

It is researching an investment in a technology which provides dedicated liquidity for digital assets, supporting major currencies such as USD and EUR alongside regulated digital assets. It enables instant settlement with predictable outcomes, without conversion risk or delays; we will report further if it advances to investment stage.

A further follow-on investment is being considered into a UK company, which focuses on AI-powered Digital twins, offering intelligent virtual versions of real people trained by the users

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themselves to generate continuous consumer insights through participation in surveys, viewing ads and more on behalf of their creators.

### **Ocula**

During the quarter, Ocula launched an Enrichment Agent, which enriches product copy and metadata attributes through image analysis and deep online research, ensuring products are optimised for interaction with LLMs and AI. The feedback from customers on this agent has been extremely strong.

Ocula currently has 67 live customers, having won a number of new clients in the quarter. The business has also been making progress with partners to significantly accelerate client acquisition and therefore revenues.

The business is experimenting with a change to its billing approach, looking to adopt a credit-based model with clients rather than an annual subscription model. Ocula is expected to close its c.£2m Series A Extension funding imminently.

### **Silverwood Brands**

Silverwood's shares were suspended from trading on Aquis during the quarter due to a delay in the publication of its results, caused by issues with the conversion from Japanese GAAP to IFRS. On 21 April, following the publication of its audited FY results and unaudited HY results, the shares resumed trading.

The business has recently focused on efficient use of marketing spend, de-prioritising or exiting lower margin channels. Silverwood believes that this positions it better for sustainable growth. There is a clear focus on converting its sales pipeline – for example, Balmonds is focused on expanding its presence in Boots, Nailberry has near term opportunities with Walmart and Ulta in the US, and Steamcream has completed its rebrand for the US market.

Notwithstanding some operational progress achieved during the year, the business' valuation declined due to revenue targets not being met in the year and amendments to contingent considerations.

The business continues to evolve and pursue new product growth and marketing initiatives as part of its forward strategy, with key members being added to strengthen the team.

### **Rawnet**

Rawnet has focused heavily on its existing clients during the quarter, with revenues from existing business exceeding targets. New business is building more slowly; however the business overall is on track to deliver growth. The business remains extremely focused on cost-efficiencies and has continued to reduce overheads.

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### **Showpiece**

Showpiece continues to explore the sale of the assets it owns in an orderly way. During the quarter, the Darwin Origin of the Species book was sold, with capital returned to its fractional holders. Showpiece will only transact where a sufficiently attractive outcome can be obtained.

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### **Intrinsic Value**

We estimate that Intrinsic Value per share using the methodology Phoenix applies to investments in its funds is £3.93. That represents an upside of 254% from the period end NAV. This calculation does not allow for any performance fee that might accrue. In our view, based upon the PAMP experience with the Phoenix UK Fund, this measure, applied consistently over time, has been a good guide to long term returns.

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## Thought Piece:

"If a farsighted capitalist had been present at Kitty Hawk, he would have done his successors a huge favour by shooting Orville down"<sup>1</sup> - Warren Buffett

"It is precisely because I understand banks that I never invest in their shares"<sup>2</sup> - Terry Smith

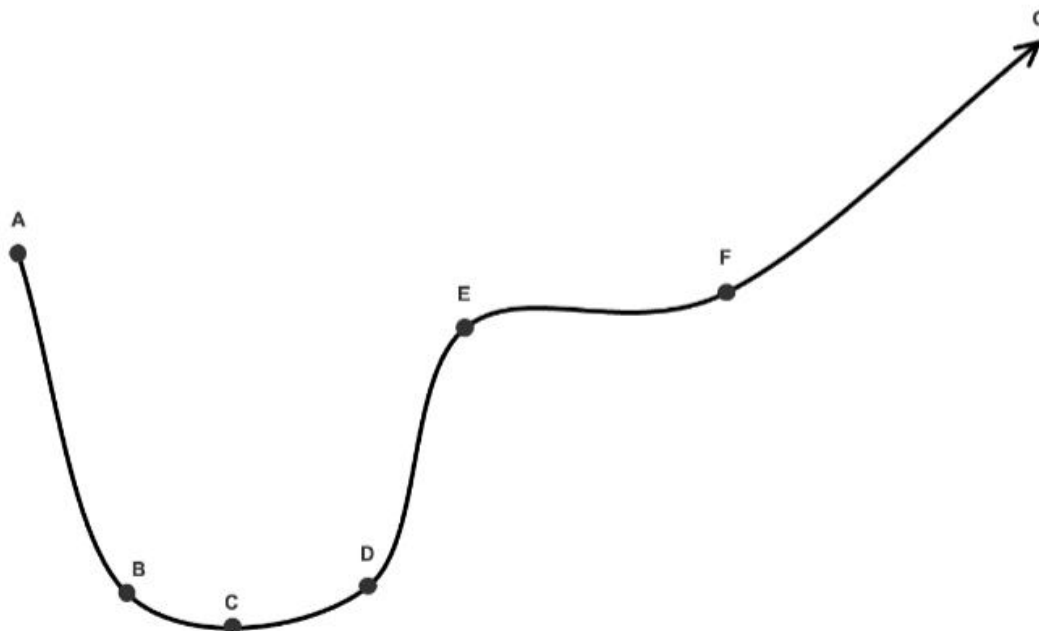
## On Dogma

These are two of the more famous quotes on airlines and banking. They are memorable, funny (in Buffett's case), and more importantly, reasonable shortcuts. Most airlines are bad businesses that operate in a commoditised industry with enormous, lumpy capital requirements. Most banks are heavily leveraged, black box operators in an industry where the injudicious activities of your peers can destroy you too. So, it might be rational to aggressively filter out industries with unattractive characteristics. As Buffett puts it:

"I'm like a basketball coach. I go out on the street and look for seven-footers. If some guy comes up to me and says, 'I'm five-six, but you ought to see me handle the ball', I'm not interested"<sup>3</sup>

But one must remember that investor letters or biographies are often written to be quoted. The best investment writers - Buffett, Smith, Marks - are writing with dual purpose, both to inform their readers about their lives or activities and to market their funds or companies. Funny or quotable statements get a far wider distribution than nuanced, convoluted ones, and as a result they often harden into consensus views.

By adopting those views, however, it's possible to miss out on big opportunities. Indeed, we are of the view that great investments rarely arrive without some level of discomfort, which itself tends to follow a predictable pattern. The chart below shows a pattern in share prices that we often observe in public companies:



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<sup>1</sup> Warren Buffett, 2007 Berkshire Hathaway shareholder letter

<sup>2</sup> Terry Smith, "Why I don't own bank shares," *Financial Times*, 2014, [fundsmith.co.uk/news/2014/2083](http://fundsmith.co.uk/news/2014/2083)

<sup>3</sup> Janet Lowe, *Warren Buffett Speaks*, Wiley, 2007

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There are six phases to the lifecycle of an investment:

1. (A-B): The company is announcing bad news, the stock falls on analysts' downgrades and sentiment gets progressively worse
2. (B-C): The share price stabilises but the fundamental performance is still negative, analysts keep downgrading and sentiment remains poor
3. (C-D): The price is stable, but the fundamentals begin to improve. Analysts don't adjust and neither does sentiment
4. (D-E): Sustained positive news triggers a re-rating, the share price rises and analysts begin to upgrade, sentiment becomes positive
5. (E-F): Price stabilises after getting ahead of itself, fundamentals are still improving, analysts are still upgrading, sentiment is still positive
6. (F-G): Compounding phase, the longer this continues, the stronger the sentiment

The duration of each phase is unknowable in advance. This matters most in the trough (C-D), where persistent headwinds, structural change or entrenched dogma can extend it beyond any reasonable expectation. Even when the inflection point comes, it's not always obvious until after the fact. A sector where fundamental performance has been poorer for longer and where that received wisdom has become reality might remain unloved for decades at a time. Further, investment horizons in the industry are often shorter than the cycle, and therefore even those who might recognise the opportunity may not be able to act: being wrong for two years whilst waiting for the cycle to turn might cost you your job.

The paradox is that heuristics appear their most correct precisely when the cost of adhering to them may be at its highest. Point C on the graph represents the point of maximal discomfort for the investor: the share price is trashed and those who avoided the sector feel fully vindicated. At this point in the investment cycle, almost every piece of data will hammer this home. Further, those pithy quotes start doing the rounds once more and the new oracles who correctly foresaw the disaster are anointed. This wave of negativity acts as an obstacle to investor interest: it's hard to justify allocating one's time to troubled industries when more exciting narratives abound elsewhere.

Three behavioural biases reinforce this dynamic and UK banks illustrate each of them clearly.

The first is loss aversion, which is where people feel losses much more than they do the equivalent gain. From October 2007 to June 2009, investors in RBS or Lloyds ended up losing 90%+ of their initial capital. Taking such losses leaves deep emotional scars long after the event has passed.

The second bias, the availability heuristic, compounds this. This is where people judge events or ideas based on how readily examples come to mind. As sustained losses feel incredibly vivid it's easy to see how the two feed into one another. Most people will have strong memories of queues outside Northern Rock, bailouts on the front pages of newspapers, or scandals like PPI, and bank investors even more so. Each new headline, even when unrelated, pours petrol on the availability/loss aversion bonfire. So much so that even when the underlying business has changed, it's hard to notice.

The third is social proof, which is where we use the words of others, often in positions of authority, as a defence for our own actions. The social proof of having Terry Smith ideologically aligned to oneself makes the avoidance of those sectors feel more comfortable to the

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individual, and more easily explainable to one's boss. If you avoid banks and they rally, few people will remember whereas if you invest and they halve, it might be a career-limiting error. As John Maynard Keynes observed, it's better for one's reputation to fail conventionally than to succeed unconventionally<sup>4</sup>.

Each bias exacerbates the others: the loss is felt deeply, springs to mind easily, and gets validation from prominent peers. They ensure that the crowd will be slowest to update its views precisely when it is most advantageous to do so.

Of course, the crowd can be right too. Not every sector will recover, and some genuinely don't have any redeeming qualities, so structurally avoiding these is a rational strategy. This, though, is not the same as saying no opportunity exists. Heuristics are generalisations, and as with all generalisations, they leave room for edge cases and opportunities. We believe the best way to benefit from these opportunities is through doing one's own primary research in depth, which helps the investor understand whether it's an industry that's changed or merely the narrative around it.

So, to rework Buffett's phrasing, sometimes it's spending a bit of time evaluating the five-foot-six player to see if they can handle the ball.

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<sup>4</sup>John Maynard Keynes, *The General Theory of Employment, Interest and Money*, 1936

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