

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, please seek advice from your stockbroker, solicitor, accountant, bank manager or other appropriately qualified independent financial adviser authorised under the Financial Services and Markets Act 2000.

If you have sold or otherwise transferred all of your shares in ScotGems PLC, you should pass this document at once to the stockbroker, bank or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

SCOTGEMS PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 10755475)

(An investment company within the meaning of section 833 of the Companies Act 2006)

Recommended proposals to amend the Company's investment policy and Notice of General Meeting

Notice of a General Meeting of the Company to be held at 12.00 noon on 9 December 2019 at Finsbury Circus House, 15 Finsbury Circus, Finsbury, London EC2M 7EB is set out at the end of this document. To be valid, the form of proxy accompanying this document must be completed and returned, in accordance with the instructions printed thereon, so as to be received by the Company's registrars, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible, but in any event not later than 12.00 noon on 5 December 2019.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“Board” or “Directors”	the board of directors of the Company
“Company”	ScotGems PLC incorporated in England and Wales with registered number 10755475
“Emerging Markets”	countries which are not classified as developed markets by MSCI or FTSE, or which are categorised by the World Bank as middle or low-income, or which are not members of the Organisation for Economic Co-operation and Development
“General Meeting”	the general meeting of the Company convened for 12.00 noon on 9 December 2019 (or any adjournment thereof) notice of which is set out on page 7 of this document
“Listing Rules”	the listing rules made by the Financial Conduct Authority under Part VI of the Financial Services and Markets Act 2000 as amended from time to time
“Investment Manager”	First State Investments International Limited (trading as Stewart Investors), a company incorporated in Scotland with registered number SC079063, with investment management services being provided by members of the Stewart Investors’ team
“Resolution”	the ordinary resolution to approve the amendments to the Company’s investment policy as set out in the notice of the General Meeting on page 7 of this document
“Shareholders”	the holders of Shares
“Shares”	ordinary shares of 1p each in the capital of the Company
“Small Cap Companies”	companies with a market capitalisation of less than USD 2.5 billion at the time of the Company’s investment

PART 1

SCOTGEMS PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 10755475)

(An investment company within the meaning of Section 833 of the Companies Act 2006)

Directors

William Salomon (*Chairman*)
James Findlay
James Maclaurin
Angus Tulloch
Anne West

Registered Office

Level 13
Broadgate Tower
20 Primrose Street
London
EC2A 2EW

15 November 2019

Dear Shareholder

RECOMMENDED PROPOSALS TO AMEND THE COMPANY'S INVESTMENT POLICY

Introduction

As announced by the Company on 22 October 2019, the Board has taken the opportunity to review the Company's investment policy with its new portfolio managers Tom Prew and Chris Grey. After careful consideration the Board is recommending that the investment policy be amended in order to: (i) increase the number of investments permitted within the Company's portfolio; and (ii) clarify that the Company's focus will continue to be on Small Cap Companies which are primarily listed in Emerging Markets as opposed to Small Cap Companies listed on any global stock market.

The proposed changes to the Company's investment policy are considered to be a material change requiring the approval of Shareholders in accordance with the Listing Rules.

The purpose of this document is to explain to Shareholders the Board's proposal to amend the Company's investment policy, the reasons why the Directors believe that the proposal is in the best interests of Shareholders as a whole and to convene the General Meeting at which Shareholders will be asked to consider and, if thought fit, approve this proposal. The General Meeting is to be held at 12.00 noon on 9 December 2019 at the offices of Finsbury Circus House, 15 Finsbury Circus, Finsbury, London EC2M 7EB.

Reasons for the proposed amendment to the investment policy

The Board is proposing to recommend that the number of investments within the Company's portfolio be increased from 20 to 30 holdings to 30 to 50 holdings. The Board, together with the Investment Manager, believes that this will permit the Company to have a less concentrated and further diversified portfolio while continuing to allow a high level of conviction investment which is a characteristic deemed especially desirable by the Board.

It is further proposed that the investment policy makes it clear that the Company is primarily a global emerging markets small cap investment company rather than a global small cap investment company. The Company is currently permitted to invest globally in Small Cap Companies without any geographical restrictions. Since its launch in June 2017, the Company's portfolio has tended to focus on Small Cap Companies listed in Emerging Markets and the Company's new portfolio managers have advised that it is their intention to continue this focus on Emerging Markets. Therefore, although the portfolio's current geographical bias is compliant with the Company's existing investment policy, one of the reasons for these amendments is to ensure that the continued future focus on Emerging Markets is clear to investors.

Emerging Markets are defined as countries which are not classified as developed markets by MSCI or FTSE, or which are categorised by the World Bank as middle or low-income, or which are not members of the Organisation for Economic Co-operation and Development.

The Company will continue to focus on investing in Small Cap Companies with strong stewardship credentials, sound financial profiles and above average growth prospects. The Board remains optimistic that such an investment approach will produce superior long term returns. The full text of the current and proposed objective and investment policy is set out in Part II of this document.

General Meeting

The change to the Company's investment policy is conditional on the approval of Shareholders. You will find set out at the end of this document a notice convening a General Meeting for 12.00 noon on 9 December 2019, to be held at the offices of Finsbury Circus House, 15 Finsbury Circus, Finsbury, London EC2M 7EB. All Shareholders are entitled to attend, speak and vote on the Resolution to be proposed at the General Meeting, which will be proposed as an ordinary resolution.

Action to be taken

You will find enclosed with this document a form of proxy for use at the General Meeting. Whether or not you propose to attend the General Meeting, you should complete the form of proxy in accordance with the instructions printed on it and return it to the Company's Registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, as soon as possible, but in any event not later than 12.00 noon on 5 December 2019. Completion and return of a form of proxy will not prevent Shareholders from attending and voting in person at the General Meeting, should they so wish.

Recommendation

The Board considers that the amendment to the Company's investment policy is in the best interests of the Shareholders as a whole. Accordingly, the Board unanimously recommends all Shareholders vote in favour of the Resolution to be proposed at the General Meeting.

The Directors, who in aggregate have an interest in 2,140,096 Shares (being 4.0 per cent. of the Company's issued share capital) as at 14 November 2019 (being the latest practicable date prior to the publication of this document), intend to vote their entire beneficial holdings in favour of the Resolution.

In addition, 2,000,000 Shares are held by the Tam O'Shanter Trust of which Angus Tulloch is the chairman.

Yours faithfully,

William Salomon
Chairman

PART II

Current objective and investment policy

Objective

The objective of the Company is to provide Shareholders with long term capital growth.

Investment policy

The Company seeks to achieve its investment objective by investing in a diversified portfolio of Small Cap Companies listed on global stock markets across a range of sectors. Small Cap Companies are defined as those with a market capitalisation of less than USD 2.5 billion at the time of investment. The Company may only invest in small unlisted companies where it is reasonably expected that such companies will be listed within 12 months from the time of investment. The aggregate value of all investments in unlisted companies (based on the original book cost of each investment) shall be limited to 15 per cent. of the net assets of the Company at the time of investment.

The Company's portfolio is expected to be concentrated as the number of investments in the portfolio will typically range between 20 and 30 holdings in normal market circumstances. It is intended that a diversified portfolio will be maintained at all times, and the single largest investment will not exceed 15 per cent. of the net assets of the Company at the time of investment.

The Company has not set any maximum or minimum exposures for any geographical regions or sectors and will achieve an appropriate spread of risk by investing in a diversified portfolio of equity and equity related securities issued by Small Cap Companies including, for example (but without limitation) ordinary, preference, non-voting and convertible securities and warrants. However, the Company's exposure to warrants will not exceed 5 per cent. of the Company's net assets at the time of investment and the Company will not hold warrants if their exercise would breach any other limits set out in this investment policy. The Company will not participate in any stocklending or short selling of securities. Other than warrants, derivatives may only be used for the purpose of efficient portfolio management and with the prior approval of the Board.

Amended objective and investment policy

Subject to the approval by Shareholders of the Resolution at the General Meeting, which will be proposed as an ordinary resolution, the Company's investment objective and policy will be amended as follows.

Objective

The objective of the Company is to provide Shareholders with long term capital growth.

Investment policy

The Company seeks to achieve its investment objective by investing in a diversified portfolio of Small Cap Companies. The Company's portfolio will consist primarily of companies that are incorporated or listed in emerging markets or listed on developed market exchanges where a majority of their activities take place in emerging markets. The Company will invest across a range of sectors. Small Cap Companies are defined as those with a market capitalisation of less than USD 2.5 billion at the time of investment. The Company may only invest in unlisted companies where it is reasonably expected that such companies will be listed within 12 months from the time of investment. The aggregate value of all investments in unlisted companies (based on the original book cost of each investment) shall be limited to 15 per cent. of the net assets of the Company at the time of investment.

The Company's portfolio is expected to be concentrated as the number of investments in the portfolio will typically range between 30 and 50 holdings in normal market circumstances. It is intended that a diversified portfolio will be maintained at all times, and the single largest investment will not exceed 15 per cent. of the net assets of the Company at the time of investment.

The Company has not set any maximum or minimum exposures for any geographical regions or sectors and will achieve an appropriate spread of risk by investing in a diversified portfolio of equity and equity related securities issued by Small Cap Companies including, for example (but without limitation) ordinary, preference, non-voting and convertible securities and warrants. However, the Company's exposure to warrants will not exceed 5 per cent. of the Company's net assets at the time of investment and the Company will not hold warrants if their exercise would breach any other limits set out in this investment policy. The Company will not participate in any stocklending or short selling of securities. Other than warrants, derivatives may only be used for the purpose of efficient portfolio management and with the prior approval of the Board.

Cash can be held for working capital purposes and while awaiting investment. It can be invested in cash deposits, gilts and money market securities, fixed interest securities and money market funds.

The Company may borrow money for investment purposes if the Board considers it appropriate. Borrowings are limited to a maximum of 20 per cent. of the Company's net assets at the time of drawdown.

Any material change in the Company's investment policy will require the approval of shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Board will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

Cash can be held for working capital purposes and while awaiting investment. It can be invested in cash deposits, gilts and money market securities, fixed interest securities and money market funds.

The Company may borrow money for investment purposes if the Board considers it appropriate. Borrowings are limited to a maximum of 20 per cent. of the Company's net assets at the time of drawdown.

Any material change to the Company's investment policy will require the approval of shareholders at a general meeting. In the event of a breach of the Company's investment policy, the Board will announce through a Regulatory Information Service the actions which will be taken to rectify the breach.

SCOTGEMS PLC

(Incorporated in England and Wales under the Companies Act 2006 with registered number 10755475)

(An investment company within the meaning of Section 833 of the Companies Act 2006)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that a general meeting of ScotGems PLC (the "Company") will be held at 12.00 noon on 9 December 2019 at the offices of Finsbury Circus House, 15 Finsbury Circus, Finsbury, London EC2M 7EB to consider and, if thought fit, pass the following resolution which will be proposed as an ordinary resolution.

Ordinary Resolution

"THAT the investment policy set out in the circular to the shareholders of the Company dated 15 November 2019, a copy of which has been produced to the meeting and signed by the Chairman for the purposes of identification, be and is hereby adopted as the investment policy of the Company to the exclusion of all previous investment policies of the Company."

By Order of the Board

PATAC Limited
21 Walker Street
Edinburgh
EH3 7HX
Secretary

Registered Office

Level 13
Broadgate Tower
20 Primrose Street
London
EC2A 2EW

15 November 2019

Notes:

1. A shareholder who is entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend, speak and vote on his/her behalf. Such proxy need not also be a shareholder of the Company. If appointing more than one proxy, each proxy must be appointed to exercise rights attaching to different shares held by the shareholder.
2. A proxy form for use by shareholders at the meeting is enclosed with this document. Proxies must be lodged with the Company's registrar, Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, not less than 48 hours (excluding non-working days) before the time appointed for the meeting together with any power of attorney or other authority (if any) under which it is signed. Completion of the proxy form will not prevent a shareholder from attending the meeting and voting in person.
3. Only those ordinary shareholders having their name entered on the Company's share register not later than 12.00 noon on 5 December 2019 or, if the meeting is adjourned, on the day which is 48 hours (excluding non working days) prior to the date of the adjourned meeting, shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares registered in their name at that time. Changes to the entries on the Company's share register after that time shall be disregarded in determining the rights of any shareholder to attend, speak and vote at the meeting, notwithstanding any provision in any enactment, the articles of association of the Company or other instrument to the contrary.
4. Any corporation which is a shareholder can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a shareholder provided that they do not do so in relation to the same shares.
5. CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the meeting and any adjournment(s) thereof by using the procedures described in the CREST Manual and by logging on to the website www.euroclear.com/CREST. CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting 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.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message, regardless of whether it constitutes the appointment of a proxy or 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 Computershare Investor Services Plc, (ID 3RA50) by no later than 12.00 noon on 5 December 2019. No such message received through the CREST network after this time will be accepted. The time of receipt will be taken to be the time from which the Registrars are able to retrieve the message by enquiry to CREST.

CREST members and, where applicable, their CREST sponsors or voting service provider(s) should note that Euroclear does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions.

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.

6. The right to appoint a proxy does not apply to persons whose shares are held on their behalf by another person and who have been nominated to receive communications from the Company in accordance with Section 146 of the Companies Act 2006 ("Nominated Persons"). Nominated Persons may have a right under an agreement with the member who holds the shares on their behalf to be appointed (or to have someone else appointed) as a proxy. Alternatively, if nominated persons do not have such a right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the person holding the shares as to the exercise of voting rights. The statement of the rights of members in relation to the appointment of proxies in notes 1 and 2 above does not apply to Nominated Persons. The rights described in these notes can only be exercised by members of the Company.
7. As at 14 November 2019, the Company's issued share capital comprised 53,533,770 ordinary shares of 1 pence each. Therefore, as at 14 November 2019, the total number of voting rights exercisable at the meeting is 53,533,770.
8. Any person holding 3 per cent. of the total voting rights in the Company who appoints a person other than the Chairman as his proxy will need to ensure that both he and such third party comply with their respective disclosure obligations under the Disclosure Guidance and Transparency Rules.
9. Information regarding the meeting, including information required by section 311A of the Companies Act 2006, is available from the Company's website, <http://www.scotgems.com>.
10. Under section 319A of the Companies Act 2006, the Company must answer any question relating to the business being dealt with at the meeting put by a member attending the meeting unless:
 - (a) answering the question would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;
 - (b) the answer has already been given on a website in the form of an answer to a question; or
 - (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.
11. Shareholders are advised that, unless otherwise stated, any telephone number, website or e-mail address which may be set out in this notice of meeting or in any related documents (including the proxy form) is not to be used for the purposes of serving information or documents on, or otherwise communicating with, the Company for any purposes other than those expressly stated.