

RAB CAPITAL

RAB Capital plc
("RAB" or "the Company")
Business Update

14 November 2008

RAB is today announcing a reduction in its product range and an update on assets under management.

Since the summer there has been an unprecedented deterioration in the state of the global financial system. The alternative asset management industry is under severe stress, with private and institutional investors deleveraging and the availability of financing significantly reduced.

In the light of this, RAB is taking the following actions:

- The closure of three sub-scale regulated funds as part of a decision to drop the strategic objective of building a retail business;
- The closure of a number of smaller hedge funds, which were unlikely to achieve critical mass in the current environment. Included in these is our only fund with prime broker exposure to Lehman;
- The proposed closure of three out of five funds of funds.

These steps will result in a more focused product range in three areas of proven expertise and distribution capability: natural resources/energy, long/short equity and market neutral funds. The Board will continue to monitor its strategy in the light of emerging industry and market developments to ensure the optimal structuring of its offering.

In recent weeks we have addressed the difficulties posed by illiquidity in the underlying investments of certain of our funds, and the need to secure the most equitable treatment for all investors:

- RAB Special Situations has secured the support of investors for a three-year lock-in at reduced fees;
- RAB Energy and RAB Octane have exercised powers to meet redemptions in specie and part of their investor bases have opted for long lock-ins.

Asset outflows and negative investment performance have contributed to a reduction in estimated assets under management to \$2.8 billion as at 1 November 2008. This includes approximately \$650 million on lock-ups longer than one year. Whilst there is some evidence of the rate of redemption notifications slowing, the effect of the above closures, combined with redemptions already posted, is expected to result in assets under management at the end of 2008 of around \$2.0 billion.

The RAB balance sheet remains strong. As of 31 October 2008, net current assets and investments stood at £106.7 million, of which cash represented £53.0 million. On the basis of 503.7 million shares in issue at 31 October the net current assets and investments were equivalent to 21.2 pence per Ordinary share. The reduction in product range will release liquidity.

Commenting on today's announcement, Stephen Couttie, Chief Executive said:

“We have taken the necessary action to focus the business and reduce its scale of operations in the context of extremely difficult conditions throughout the industry, investor deleveraging and increasingly scarce financing. Our balance sheet is a major strategic asset, available for reinvestment in the existing funds range and in new fund opportunities as appropriate.”

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