Stewardship Policy

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Introduction

Evenlode must, in acting as an investment manager to funds, act with diligence in dealing with investee companies where corporate stewardship is concerned. Successful corporate stewardship refers to a constructive dialogue between individual investors and investee companies, promoting the best interests of all stakeholders.

We consider stewardship to be an important part of our investment philosophy and engage actively with the companies in which the Evenlode funds are invested. We believe that the consideration of environmental, social and governance (ESG) factors in our investment process can help to sustain and improve returns for our investors, whilst also having the potential to create a positive impact in the economy and society more broadly. Topics on which we engage may include, but are not limited to, long-term strategy, remuneration policies, attitude to capital structure, labour relations, climate change risk, shareholder rights, succession planning and company culture.

The UK Stewardship Code consists of seven guiding principles, which aim to enhance the quality of engagement between investors and companies. Each section below highlights our commitment to the UK Stewardship Code and what we consider to be best practice.

1) Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

For Evenlode investors, corporate stewardship principally revolves around the responsibilities associated with part ownership of companies via a shareholding. Shareholdings usually carry voting rights that enable the owners to vote with or against the management of a company on issues of governance and strategy. We consider it our responsibility, as part of the investment process, to decide on behalf of our investors how votes should be cast.

We feel our primary responsibility is to maximise returns and add value to our investors' holdings. We achieve this by investing in high quality companies that have a strong economic moat, reliable cash flows and a healthy balance sheet whilst also having the ability to create a positive social impact. As long-term investors we consider stewardship to be an integral part of our investment philosophy as it allows us to manage key risk factors that have the potential to reduce shareholder value and increase reputational risk. We employ various methods to ensure that these risks are mitigated throughout our monitoring process. To ensure that initial (pre-investment) and ongoing monitoring of companies is carried out to a high standard, the investment team collaborates on our stewardship activities on a weekly basis. In addition, as part of our investment process, we consider nine specific risk factors which include the long-term industry outlook of the stock, the culture and quality of management and whether the investee company is creating a positive social impact. These factors are taken into consideration when we are managing our portfolio(s) by reducing and increasing the minimum and maximum positions of individual stocks in our fund(s).

We firmly believe that engagement is quite an important tool in bringing change to our investee companies. Building a strong long-term relationship with executives and senior level management is a key contributing factor to further understanding the business and its long-term strategy. This in turn helps us identify any potential risks to the portfolio(s) and how best to manage them.

Another aspect of stewardship is the decision to become part owners of a business at all. We carefully monitor any public disclosures; using industry research and engaging with management when appropriate to gain a better insight into the business and understand their long-term business plans. This process enhances our investment decision-making process and protects our investors' capital over the longer term.

We do not use any third-party research providers to make our voting decisions with the analysis being carried out in-house. We do however use an external third-party platform, Proxyedge, to input our votes electronically.

2) Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Evenlode Investment is an independent, privately owned company, a situation which removes potential conflicts arising from investments in parent companies. However, we take our responsibilities to the investors in the funds very seriously and will always consider if our actions adversely impact the underlying investors.

We take all reasonable steps to identify and prevent conflicts of interest if they were to arise through Evenlode employee ownership or directorship of investee companies regardless of the client type, be it, retail, professional or eligible counterparty. However, we have identified the following areas that may give rise to a conflict of interest:

- Employee voting against investee company management using their personal shareholding
- Inducements - receipt of unsolicited, unpaid for research or gifts and hospitality
- Receipt of material non-public information
- Personal account dealing
- Ongoing Charges Figure Fee Setting
- Allocation of Orders – different prices were gained for different trades for the two different funds

Should a conflict of interest situation arise, this must be reported to our Compliance Officer for discussion to make an independent decision. In order to keep an audit trail, a register of these conflicts is logged soon after which records the date, client/company, description and the outcome. At all times we will act in our investors' best interests.

Our conflicts of interest policy is reviewed annually with the changes needing to be approved by the Compliance Officer and is available on our website click here.

3) Principle 3: Institutional investors should monitor their investee companies.

Monitoring of investee companies is good investment practice and we would never invest on behalf of our investors without undertaking sufficient due diligence. We engage with company management on a regular basis, facilitating a deeper understanding of their operations and providing a forum for raising and addressing any concerns. Where this is not possible, (particularly with the larger companies in which we invest) we gain access through other channels such as investor relations representatives, webcasts and conference calls. News flow regarding our investee companies in our investable universe is monitored in our weekly investment meetings to ensure that our investment case remains valid as the business environment develops.

To further strengthen our engagement strategy, we have recently developed an internal platform which enables us to track our correspondence with our investee companies. The system helps us monitor:

1) when the engagement was initiated;
2) acknowledgement by the company;
3) description of the desired outcome; and
4) result of the engagement.

It is important to stress that we re-visit these engagements on an annual basis (or before meeting management) to help us escalate our response to any unresolved issues over time. For instance, we are more likely to vote against a company's remuneration report the following year after communicating our dissent in the previous year. We also conduct an annual review of our voting activity and engagements to better understand the trends and the most talked about topics. This helps us gain more of an insight towards the effectiveness of our engagements and how successful they have been, providing us a with a framework of how best to structure our future engagements to get the desired results for our investors.

Evenlode expect companies to be run in the long-term interest of shareholders which requires a commitment to the UK Corporate Governance Code. We encourage companies to adhere to the Corporate Governance Code and to be able to articulate the reasons behind why they have chosen to comply or not comply with one of the provisions of the Code. If we believe a potential investee company is not effectively managing its duty to abide by the Code, we will consider their response as one factor in forming our overall view of the company being investable. If we already have an interest in the company, we will engage and monitor any improvements in the future.

From time to time we will be contacted about assets that we hold by a third party with a view to sharing material non-public information to gain our opinion. We treat this type of information with the upmost confidentiality. We have written procedures and log which is updated at the time the information is given to us and again when the information is made public. Our process is to suspend trading during this period. Any information that is imparted to us is given careful consideration to the impact on our investors before any confirmation or not that Evenlode will support the action that is being proposed. For any queries about this issue, please contact hugh.yarrow@evenlodeinvestment.com.

4) Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

By carrying out sufficient due diligence (see principle 3) we hope to invest in high quality companies that have a strong culture, robust management structure and healthy sources of revenue. However, no business operates without risks and equally no business remains the same indefinitely. Management personnel change, and the business environment evolves.

A collaborative decision is made on a case-by-case basis by the Stewardship Analyst and the fund managers of Evenlode to decide on whether to escalate our stewardship activities. Where we see negative developments occurring in our investee companies, we will consider opposing management resolutions at company meetings, working with other asset managers and asset owners via the Investor Forum (see Principle 5), write letters to executives (remuneration committee chairperson for specific compensation matters) and in extreme cases, make public statements. As our portfolio consists of some of the largest companies in the world, we realise that we need to be pragmatic with our approach and understand that it could take multiple engagements and several years to reach the desired outcome.

It is difficult to detail the circumstances which lead to such action due to the varied businesses in which we invest and the myriad possible economic developments that affect them. However, we will consider engaging with management where we have concerns about the company's long-term strategy, performance, corporate governance matters, culture, remuneration, the environmental & social impact of products and services or where we believe minority shareholder rights are being compromised. Broadly speaking, we would focus on escalating, when the actions taken by management are in their control, rather than external factors which are difficult or impossible to control.

5) Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

Evenlode is willing to act in coordination with other investors via industry bodies where it is in the best interests of our investors to do so. Such cooperation would require common ground and agreement on the issues to be tackled. This would be particularly beneficial when addressing issues at our larger investee companies. Evenlode Investment is a member of several different industry bodies, specifically the Investor Forum, International Corporate Governance Forum, Corporate Reporting Users Forum and Investment Association, which facilitate proactive, positive collective engagement between investors and companies.

Some typical examples of issues where we have acted collectively via industry bodies include where we have wanted to highlight our concerns about the internal culture of the management team and the weakness of their balance sheet. We have also been very active in understanding the future of corporate reporting and how effectively we can use technology to enhance company disclosure.

Institutional investors who wish to engage on stewardship matters can contact Sawan Kumar, the Stewardship Analyst for Evenlode Investment.

6) Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

By carrying out sufficient due diligence we invest in companies that are being managed according to a strategy and principles with which we fundamentally agree. With this in mind, Evenlode's policy is to usually vote with management on resolutions put forward unless we have initiated an engagement in the previous year showing our discontent and asking for change which has not materialised. As a firm we do not engage in stock lending and vote all our shares using the proxy voting service provider, Proxyedge. Voting with the board is not automatic and in cases where we disagree with a specific issue we will vote against. Where possible this will happen after dialogue with the officers of the company has taken place.

We don't use any external proxy research provider(s) due to the size of our portfolio(s). All of our research is carried out in-house from our Stewardship Analyst, using publicly available information and internal research carried out by our Fund Managers and Investment Analysts.

We disclose all our voting activity in the Stewardship section of our company website. In the interests of best practice, transparency and investor information, we provide details for when we have voted against management and the reason for this.

7) Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

At Evenlode, regular, effective and relevant communication with our investors is an important part of our investment process. This helps our investors to understand where their capital is invested, for what reason and what the future return profile might be.

For our funds we publish regular manager commentaries and video updates, monthly factsheets, quarterly voting records and the statutory interim and annual reports. In these documents, updates on stewardship form an integral part of the reporting process, whether regarding investment monitoring and research or voting outcomes (as in principle 6 above).

Due to the size and nature of our business and potential added costs to the business and our investors, we do not seek independent assurance of our proxy voting and stewardship activities. Instead we undertake an annual review of all our stewardship activities (voting and engagement) at the end of the proxy voting season to better understand the market and how we can structure our engagement style going forward. This involves extracting data from our internal engagement platform and searching for themes and trends in our voting activity which can further help us in our engagements for the following voting season.