T. Bailey Asset Management Limited

Stewardship and Voting Policy

Introduction

T. Bailey Asset Management Limited (the "Firm" or "TBAM") engages in stewardship activities with the aim to improve investment returns by encouraging and supporting behaviours and practices that ensure long-term value for clients.

The Financial Reporting Council (FRC) describes stewardship as the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

The FRC's UK Stewardship Code 2020 (the Code) sets stewardship and reporting standards for asset owners, asset managers and the service providers that support them. The Financial Conduct Authority (FCA) requires firms such as TBAM to disclose clearly on their website:

- The nature of their commitment to the Code, or
- Where they don't commit to the code, their alternative strategy.

TBAM is not a signatory to the Code, however it has used the 12 principles of the Code to construct a stewardship framework as described under the headings below which reflect the Code principles. The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy.

This document describes the Firm's engagement activities and accordingly serves as its engagement policy and disclosure of information as required under the Shareholders Rights Directive (SRD II) and FCA rules.

1. Purpose, strategy and culture

TBAM provides investment management services to regulated collective investment schemes and provides advisory services to a limited number of professional clients. The Firm's products can be broadly divided into fund of funds and direct equity.

TBAM's focus is on thematic investing. This focus eschews the conventional asset management industry template that uses a geography-based allocation driven by expected gross domestic product (GDP) growth. Instead, TBAM favours global themes spotlighting higher growth opportunities irrespective of geography. TBAM's geographic allocation is a fall-out from its thematic approach not a driver of it.

2. Governance, resources and incentives

TBAM's stewardship activities are ultimately carried out by the portfolio management team. The Firm maintains an extensive layer of oversight and review which is functionally and hierarchically separated from the portfolio management function:

- External Authorised Fund Manager (AFM) providing third party assurance over: approval of new products; ongoing monitoring of portfolios against their objectives and strategy; daily monitoring of compliance with UCITS position and risk limits.
- Compliance Officer who is independent of the portfolio management function and receives daily reports directly from the funds' AFM.
- Biweekly minuted Investment Team Meetings attended by the Compliance Officer and non-investment staff to discuss strategy, positions, performance, and potential trades. Compliance with risk limits is reviewed and documented.
- Monthly Investment Committee meeting with external advisors to provide oversight of the investment process, review the risks in the portfolios and their overall risk profile, review portfolios and their consistency, review the investment landscape and discuss tactical and strategic asset allocations.
- The Board of Directors (which includes independent non-executive directors) which acts as the escalation point for risk management issues and takes ultimate responsibility for stewardship, governance and risk management within the firm.

The Firm is well resourced, with an experienced team. The resources needed to maintain the Firm's services are reviewed regularly and all new products have a strict governance process which considers availability of skills and resources. TBAM has a full remuneration policy and a remuneration committee (consisting of two independent Non-Executive Directors) which reviews all salaries and bonuses.

3. Conflicts of interest

TBAM has established a conflicts policy and maintains a conflicts register to identify and manage conflicts of interest which arise or may arise in the course of providing a service between the Firm (including its managers, employees or any person directly or indirectly linked to them by control) and a client of the Firm, or between one client of the Firm and another client.

It may not be possible to prevent some conflicts of interest from arising. In that case, the firm will endeavour to manage the conflict of interests by:

- disclosure to the client;
- establishing an information barrier (Chinese wall); or
- declining to provide the service.

For example, TBAM has a sister company (T Bailey Fund Services Ltd) which is a regulated entity; a Chinese wall exists between the two firms: each has separate offices, a separate Board and separate IT and data systems.

4. Promoting well-functioning markets

TBAM has established a risk management framework and function. This function has a primary role in shaping the risk policy of each product, risk monitoring and risk measuring to ensure that the risk level of the Firm and its products complies with the desired risk profile.

Risk management is part of the day-to-day activity of the portfolio management function and major risk management decisions are built into the design of the individual strategies.

TBAM reviews the possible vulnerability of its products to market and other external systemic risks by carrying out stress tests, back tests and scenario analyses. Such testing is performed at the product design stage and on a monthly basis and includes:

- Expected volatility
- Expected return
- Scenario testing through stress periods
- Capacity for loss
- Liquidity analysis

As part of its product governance process, TBAM considers whether the launch of any new product might represent a threat to the orderly functioning or the stability of the market. Given the nature of TBAM's products (fund of funds and direct investments in liquid listed UK equities) there is no threat to market function or stability.

Given its relatively small size, TBAM has a minimal impact on market function, but is a member of the Investment Association which aids in the promotion of well-functioning markets at an industry level.

The Firm recognises that climate change and other environmental issues could present systemic risks to the functioning of financial markets and is a member of both the United Nations Principles for Responsible Investment (UNPRI) and the UK Sustainable Investment and Finance Association (UKSIF).

5. Review of polices

The Firm's stewardship activities are described throughout its policies and procedures, reflecting that stewardship forms a key part of its culture and operations. TBAM maintains a complete suite of compliance, risk management, governance and operational polices. These are reviewed and updated annually to ensure they remain suitable for the Firm's operations and are consistent with the evolving stewardship landscape.

6. Client and beneficiary needs

For each product managed by TBAM, the objectives and strategy, investor suitability, risk profile, risk limits, target market and distribution strategy are initially established during the new product governance process. Compatibility with these is monitored on an annual basis to ensure that the Firm's stewardship activities remain consistent with client needs.

In addition to performance data and other reporting required by regulation, TBAM produces original content such as blogs, market reviews and updates which inform and provide useful information on the investment activities of the Firm as well as discussion of performance information.

7. Stewardship, investment and ESG integration

TBAM believes ESG (Environmental, Social and Governance) is a philosophy not a product and that ESG factors should be encompassed within a responsible investing framework. TBAM is a signatory to the UN backed Principles for Responsible Investment (PRI) and aligns its practices and processes to the six principles and definition of responsible investment:

- Principle 1: We will incorporate ESG issues into investment analysis and decision-making processes.
- Principle 2: We will be active owners and incorporate ESG issues into our ownership policies and practices.
- Principle 3: We will seek appropriate disclosure on ESG issues by the entities in which we invest.
- Principle 4: We will promote acceptance and implementation of the Principles within the investment industry.
- Principle 5: We will work together to enhance our effectiveness in implementing the Principles.
- Principle 6: We will each report on our activities and progress towards implementing the Principles.

TBAM's responsible investment policy shapes its investment beliefs and priorities alongside regulatory and statutory obligations. The Firm's aim is to invest responsibly with appropriate stewardship to help build a better future for all in the UK and internationally.

TBAM's offerings are built upon delivering a clear objective to the investor. The delivery of that objective is constructed from investment themes that do not compromise the principles of responsible investment. Each asset class TBAM uses to deliver an investment objective is analysed to ensure that industries and businesses that are not consistent with responsible investing are omitted.

Where TBAM makes direct equity investments, quantitative screening supports its internal proprietary qualitative screening process to ensure investments meet the required ESG standards.

For fund of fund offerings, all investments made are aligned with TBAM's current investment themes. Those themes are all conscious of ESG standards so that throughout TBAM's investment work, responsible investing is at the vanguard of the investment approach. Being agnostic to any index used as a benchmark alleviates any reference to non-ESG industries and companies.

8. Monitoring

Pre-trade compliance is conducted for all trades in all products to ensure compliance with both internal and UCITS rules and risk limits. All trading decisions, rationales and investment due diligence are documented.

Monitoring of investments, including performance of underlying investment managers within fund of fund products, is part of the day-to-day activity of the portfolio management function. Key outputs of the hands-on portfolio management process are:

- Portfolio monitoring and analysis within portfolio management and risk systems
- Detailed weekly portfolio and performance reports
- Monthly quantitative reports
- Monthly attribution reports

The Firm largely conducts its own research (including ESG screening) so has few service providers in the stewardship area and does not need to monitor the effect of any such external providers on stewardship considerations.

Other third-party services such as finance and IT are subject to the Firm's outsourcing due diligence and monitoring procedures.

9. Engagement

TBAM adopts a consistent approach to overseeing the progress of each investment and actively seeks to engage with and maintain a dialog with its management. The ongoing engagement activities contribute directly to the Firm's monitoring and compliance with its intended stewardship and ESG outcomes.

For both fund of fund and direct equity investments, quantitative and qualitative assessment is made of each holding through TBAM's ongoing oversight of its portfolios. Matters considered as part of this process include:

- strategy
- financial and non-financial performance and risk
- capital structure
- corporate governance
- social and environmental impact

In respect of fund of funds, the Firm seeks to engage regularly with the underlying investment managers. Typically, this results in meeting with the management team on a six-monthly basis. An internal register is maintained to log this process and is reviewed by the portfolio management team on a bi-weekly basis.

For direct equity, the Firm takes a pragmatic approach based on its small holding size in any company and the fact that direct communication with management of a listed company presents risks around the market abuse regulations. Accordingly, the Firm is unlikely to communicate directly with management of a direct equity holding, preferring to rely on public communications and its own research. Active engagement with direct equity holdings is conducted through the voting process.

10. Collaboration

The Firm understands the importance of collaboration and as noted above, TBAM is a member of the Investment Association, is a member of both the United Nations Principles for Responsible Investment (UNPRI) and the UK Sustainable Investment and Finance Association (UKSIF).

In respect of individual investments, TBAM may collaborate with other interested parties such as other shareholders or stakeholders if it is of benefit to its clients. In such situations, the Firm will at all times remain aware of its confidentiality and conflict responsibilities.

11. Escalation

TBAM may escalate its engagement and stewardship activities as appropriate when it is in the best interests of its clients, but as the Firm only invests in positions with strong governance, management and ESG credentials this is unlikely to be required. The Firm does not have a formal policy or threshold for such action but considers it on a case-by-case basis.

12. Exercising rights and responsibilities - Voting

Voting is a key element of how the Firm exercises its rights and responsibilities. TBAM maintains a voting policy which is included in the Appendix of this document. The voting policy is applied at the Firm level but the differing considerations relating to fund of fund and direct equity products are discussed.

The Firm does not take part in stock lending, or any other activity that could impact its ability to vote.

TBAM maintains an audit trail of voting activity and meetings. However, TBAM does not believe it is proportionate to disclose all of its voting activity given its small size and the small proportion of any direct equity holding the Firm's products will hold. This is consistent with required SRD disclosures as COBS 2.2B.7R of the FCA handbook states that a firm is not required to disclose votes that are insignificant due to the subject matter of the vote or the size of the holding in the company. The Firm will continue to monitor this matter and will review its position as direct equity positions increase in size.

Appendix – Voting Policy

T. Bailey Asset Management Limited

Voting Policy

1. Introduction

T. Bailey Asset Management Limited (the "Firm" or "TBAM") has a duty to exercise voting rights for the exclusive benefit of the funds it manages. It must ensure that the exercise of voting rights is consistent with the investment objective of the relevant fund. The Firm also considers its wider responsibilities in relation to ESG (Environmental, Social and Governance) matters and its responsible investing framework when voting.

The Firm's funds can be broadly divided into fund of funds and direct equity. This voting policy is applied at the Firm level, and covers all products, but is principally concerned with direct equity positions. Fund of fund investments generally offer limited voting opportunities, so the Firm relies on engagement and other stewardship activities to promote its governance responsibilities. Nevertheless, the voting principles set out below apply to fund of fund investments where necessary.

TBAM's policy is to vote on all matters that it is entitled to do so (although the Firm may abstain if it were in the best interests of its clients).

2. Monitoring, Research and Decision Making

The Firm subscribes to a proxy voting platform which provides research, voting and reporting services. Through this platform, TBAM maintains a calendar of upcoming votes in positions held, so that each vote can be properly researched and considered in a timely manner.

The platform provides analysis and voting advice based on its standard voting guidelines. TBAM will generally follow this advice, but the Firm remains responsible for voting decisions and independently considers each vote on a case-by-case basis. Voting decisions take account of:

- The proxy voting platform's advice
- TBAM's own research
- The portfolio management team's knowledge of the investee companies
- The guidelines set out in this document
- The Firm's ESG and responsible investing approach

TBAM holds biweekly minuted Investment Team Meetings attended by the Compliance Officer and non-investment staff. A standing agenda item at these meetings is voting decisions. Upcoming votes are presented for discussion via a voting intention report which contains background information and the proxy voting platform's voting advice. This ensures that all votes are properly discussed and the rationale for decisions (particularly where the view of the proxy voting platform is overridden, or the vote is against the investee company's management's recommendation) is documented.

TBAM maintains an audit trail of voting activity and meetings.

Appendix – Voting Policy

3. Voting Guidelines

The Firm's guidelines for voting in different areas are set out below. The Firm votes on a case-by-case basis in accordance with the various criteria set out above and its own research. Accordingly, the considerations below are necessarily broad and only cover the typical votes the Firm will have the opportunity to participate in.

3.1. ESG Integration

The Firm's ESG and responsible investment principles are key to its beliefs and investment strategies and are integrated across all voting areas discussed below rather than being a specific category.

TBAM attempts to reflect these principles through its voting activity, for example the Firm will always vote to increase ESG transparency. However, the Firm recognises that the opportunity to implement responsible change through voting can be limited and the primary application of TBAM's ESG and responsible investment principles is through its proprietary qualitative screening process to ensure investments meet the required ESG standards. Compliance with such standards is monitored on an ongoing basis, and should an investment fail to meet the Firm's requirements, the ultimate action is to divest from the position.

3.2. Board of Directors

A company's board is one of the most important factors in establishing its culture and long-term performance. TBAM will vote to ensure the board is subject to sufficient oversite with independent non-executive directors to hold executive management to account. The Chair and CEO positions should be separated.

The board as a whole needs have sufficient skills and should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths to avoid group think and encourage a range of perspectives. The board should be willing to implement good governance standards.

Directors should be re-elected on a periodic basis, so that shareholders have the opportunity to hold those not promoting best practice to account. TBAM will not support any director where there is an indication that they are not fit and proper to hold their position.

All boards should have sufficient succession plans, particularly in relation to the Chair and CEO.

3.3. Remuneration

TBAM will vote to ensure that remuneration is sufficient to attract and retain the highest quality people, but director and senior management pay should not be excessive in relation to the marketplace and in comparison to a company's average employees. Directors' remuneration should be overseen by an independent remuneration committee and no director should be able to decide their own remuneration.

Long term incentive plans are usually encouraged as they align management incentives with long-term investor needs provided the terms are clear in advance. Long- and short-term reward schemes should incorporate financial and non-financial factors, including risk management, environmental and governance metrics.

Fair pay should be consistent with regards to employee diversity.

Appendix – Voting Policy

3.4. Reporting and Auditors

A company's auditors should be reappointed annually, and the audit re-tendered on a periodic basis. Auditors should be sufficiently independent; this includes minimising fees for non-audit work. Any issue with the financial statements, audit process or the reputation of the auditor are cause to question an auditors reappointment.

The company's financial statements should contain sufficient reporting and financial disclosure, and associated disclosures should be adequate to monitor ESG compliance. Companies must be sufficiently transparent in their monitoring and reporting of ESG matters, and the threats environmental and climate-change issues pose the business.

3.5. Shareholder Rights

A company's capital structure should be as simple as possible with voting rights granted to allow shareholders proper input into the company's operations. Any changes should be in the best interests of shareholders, including minority shareholders.

3.6. Capital and Dividends

The Firm will normally vote to approve dividend payments and share repurchases, provided they align with the aims of long-term investors and do not conflict with the investment needs of the company in order to grow.

Increases in capital and share issues should not be excessive in comparison to the current capital level and rights should not be unfavourable to existing shareholders.

Mergers and acquisitions votes will usually follow managements recommendation, unless shareholders rights are unduly affected, or the transaction raises issues about governance or long term environmental or sustainability commitments.