



Active investment. Responsible outlook.

January 2019

ACTIVE STOCKPICKERS



For professional advisers only – not to be relied upon by retail clients

Responsible investing is an important aspect of the service we offer our clients. SVM began managing Socially Responsible Investment (SRI) products in 2006. Since then, our engagement principles have evolved to include environmental, social and corporate governance (ESG) issues across our fund range.

Our number one priority is to do our best for our clients by maximising their portfolio returns and protecting their interests. To select investments we employ a consistent and disciplined approach that focuses on intensive bottom up research. As part of our investment process we assess many factors including ESG factors for their potential to materially affect a company's performance.

As a boutique investment firm we recognise that, because in most cases we will not hold significant positions in investee companies, it can be difficult to encourage changes in management attitudes and behaviour by exercising client voting powers. Instead, we have adopted a more flexible approach and we engage with company management and boards as and when we believe it will be of most benefit to our clients.

It is estimated that 4.7bn plastic straws are used in England alone each year with many tonnes of these landing up in our oceans. Leaving the environmental impact of this consumption to one side there is also an economic argument for food and beverage companies to stop providing these products as a charge is very rarely made for their provision hence an arguably unnecessary cost is incurred.

Before a recent meeting with the management of a UK company which is a heavy user of plastic straws we contacted the supplier of paper based alternatives. Based on the published annual company consumption of 4 million soft drinks per annum and assuming 100% straw usage the supplier quoted us an extra cost to the company of £78,000 for switching to the paper based alternative. With a revenue of £128 million estimated for fiscal year 2019 this amounted to a cost of only 0.06% of sales, a manageable amount for a company already boasting a 29.6% EBITDA margin. Armed with this research we met with management only to find they were ahead of us having recently introduced paper straws across 100% of their estate. Encouragingly they had gone even further and introduced a policy of a no straw default option resulting in a 60% reduction on overall usage. This, based on our research, translates into an even less meaningful negative impact on profits of 0.024%. The positive publicity and reputational impact such a move can have make such a price worth paying.

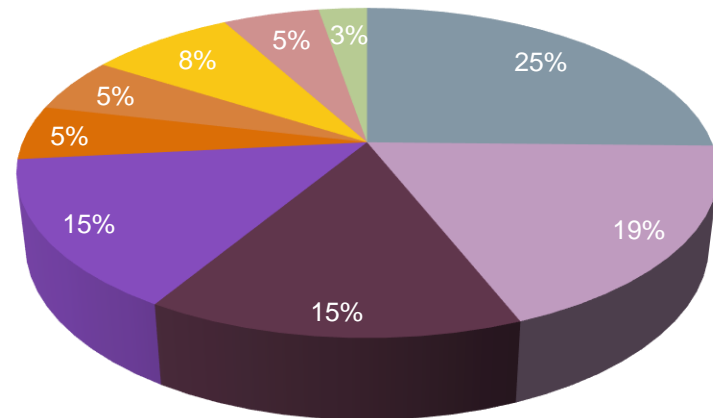
The UK government is currently conducting a review of plastic straw usage with a ban likely to be introduced later this year. Our discussions with paper straw distributors lead us to believe this in turn will result in a severe shortage of the environmentally friendly alternative. It is therefore encouraging our ESG research is alerting us to the costs and issues of such events well before they occur and to know we are likewise investing in companies that are proactive on this front.

Engagement Policy

We enter into a dialogue with every potential investment with a view to having a positive influence on the company concerned. Using information derived from a combination of in-house research, dialogue with the company and external sources we identify the key issues and discuss them directly with company management, in order to affect change.

Q4 2018 Engagement Update

During the quarter we engaged with 27 companies on ESG issues.



- Reporting/ Disclosure
- Environment
- Remuneration
- Sustainability Strategy
- Diversity
- Governance
- Society
- Supply Chain
- Human Rights

Source: SVM

ENGAGEMENT TOPICS									
COMPANY	Reporting/ Disclosure	Environment	Remuneration	Sustainability Strategy	Diversity	Governance	Society	Supply Chain	Human Rights
Henkel						•			
Gamma Communications	•								
Smurfit Kappa		•						•	
Baloise	•								
Vontobel		•	•						
Orange	•		•				•		•
Green REIT	•			•					
Smurfit Kappa		•	•	•				•	
EON	•								
Total	•	•	•	•					
Umicore									•
Phoenix Spree			•			•			
Synthomer	•	•	•	•				•	
Carlsberg	•	•		•			•		
Leonardo	•		•		•				
ING			•	•			•		
Novartis	•			•			•		
Plastic Omnium	•	•				•			
SAP	•	•		•					

Source: SVM

The companies mentioned are for illustrative purposes only and are not to be considered a recommendation to buy or sell.



ENGAGEMENT TOPICS									
COMPANY	Reporting/ Disclosure	Environment	Remuneration	Sustainability Strategy	Diversity	Governance	Society	Supply Chain	Human Rights
Airbus	•	•		•					
CHR.Hansen	•			•					
Symrise	•								
Prudential	•	•	•	•	•		•		
Legal and General	•	•	•		•	•	•		
Barry Callebaut		•							
Hollywood Bowl	•	•			•				
Biffa	•	•	•					•	

Source: SVM

The companies mentioned are for illustrative purposes only and are not to be considered a recommendation to buy or sell.



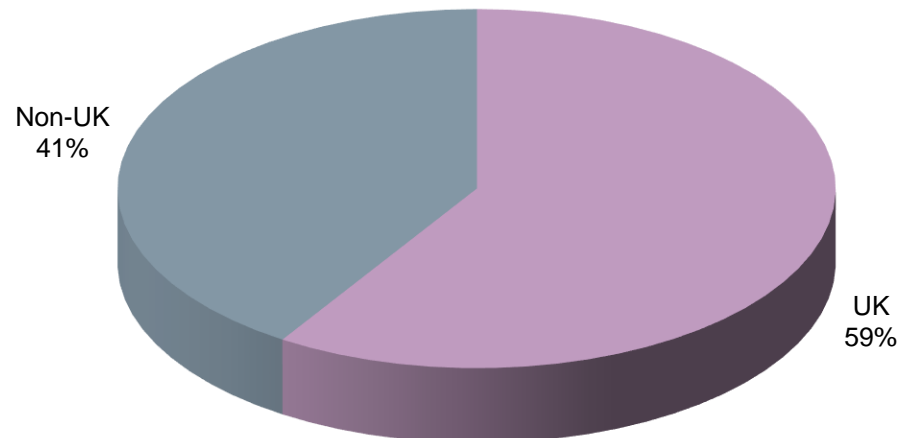
Voting Policy

We seek to promote corporate social responsibility through engagement and a negative vote will only be viewed as a final measure to be adopted when this process of engagement has not been successful. We have and will express our views in this way if necessary. Our emphasis is on engagement and resolving issues through dialogue.

Q4 2018 Voting Update

During the quarter we voted at 22 meetings with 191 resolutions.

We voted 'For' 100% of the resolutions.



Source: SVM

Company	Country	Meeting Date	Meeting Type	No. Resolutions	Vote	Reason
ABZENA PLC	United Kingdom	02-Oct-2018	Ordinary General Meeting	1	For	
ABZENA PLC	United Kingdom	02-Oct-2018	Court Meeting	1	For	
DUSTIN GROUP AB	Sweden	10-Oct-2018	ExtraOrdinary General Meeting	1	For	
HARGREAVES LANSDOWN PLC	United Kingdom	11-Oct-2018	Annual General Meeting	18	For	
RENISHAW PLC	United Kingdom	18-Oct-2018	Annual General Meeting	15	For	
DECHRA PHARMACEUTICALS PLC	United Kingdom	19-Oct-2018	Annual General Meeting	18	For	
APPLEGREEN PLC	Ireland	24-Oct-2018	ExtraOrdinary General Meeting	2	For	
K3 CAPITAL GROUP PLC	United Kingdom	26-Oct-2018	Annual General Meeting	9	For	
MEDIOBANCA BANCA DI CREDITO FINANZIARIO S.P.A.	Italy	27-Oct-2018	Ordinary General Meeting	6	For	
SYNCONA LTD	Guernsey	30-Oct-2018	ExtraOrdinary General Meeting	1	For	
IDEAGEN PLC	United Kingdom	30-Oct-2018	Annual General Meeting	7	For	
ABCAM PLC	United Kingdom	06-Nov-2018	Annual General Meeting	17	For	
CLINIGEN GROUP PLC	United Kingdom	08-Nov-2018	Annual General Meeting	15	For	
BIONOMICS LIMITED	Australia	14-Nov-2018	Annual General Meeting	2	For	
HARVEST MINERALS LIMITED	Australia	28-Nov-2018	Annual General Meeting	1	For	
MICROSOFT CORPORATION	United States	28-Nov-2018	Annual	16	For	
ASOS PLC	United Kingdom	29-Nov-2018	Annual General Meeting	14	For	
AB DYNAMICS PLC	United Kingdom	06-Dec-2018	Annual General Meeting	9	For	
ASSOCIATED BRITISH FOODS PLC	United Kingdom	07-Dec-2018	Annual General Meeting	17	For	
DUSTIN GROUP AB	Sweden	11-Dec-2018	Annual General Meeting	10	For	
REABOLD RESOURCES PLC	United Kingdom	11-Dec-2018	Annual General Meeting	8	For	
PT LINK NET TBK	Indonesia	20-Dec-2018	ExtraOrdinary General Meeting	3	For	

For further information please contact:

Colin Thomson

cthomson@svmonline.co.uk

Erin Elliot

eelliot@svmonline.co.uk

SVM Asset Management

7 Castle Street

Edinburgh

EH2 3AH

+44 (0)131 226 6699

www.svmonline.co.uk

www.thevaluekey.co.uk

This material is intended to be for information purposes only. The material is not intended as an offer or solicitation for the purchase or sale of any financial instrument.

The information provided in this document may not be reproduced in any form without the express permission of SVM Asset Management Ltd. To the extent that it is passed on, care must be taken to ensure that this is in a form which accurately reflects the information here.

Unless otherwise stated, the source of all information is SVM Asset Management Ltd. The document is accurate at the time of writing but is subject to change without notice.

SVM Asset Management Ltd is authorised and regulated by the Financial Conduct Authority. Registered address 7 Castle Street, Edinburgh, EH2 3AH. SVM Asset Management Ltd is the Authorised Corporate Director of SVM Funds ICVC.