Statement of Compliance with the UK Stewardship Code

May 2019

Introduction

Following the publication of the new UK Corporate Governance Code in June 2010, the Financial Reporting Council produced a Stewardship Code for institutional investors. The Stewardship Code ("the Code") aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. Engagement includes pursuing purposeful dialogue on strategy, performance and the management of risk, as well as on issues that are the immediate subject of votes at general meetings. The Code sets out good practice on engagement with investee companies to which the FRC believes institutional investors should aspire.

Institutional shareholders are free to choose whether or not to engage with the Code. Their choice should be a considered one based on their investment approach. Therefore the Code should be applied on a ''comply or explain'' basis.

This document sets out how SVM Asset Management Limited engages with the companies we invest in on behalf of our clients and how we apply the seven Principles of the Code. SVM invests and votes according to the client mandates it is given. Where clients permit judgement to be exercised in voting and engagement, we will follow the principles and policies set out in this statement.

Our top priority is to do our best for our clients, by maximising their portfolio and protecting their interests, whilst also driving benefit for society. 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 purely by exercising client voting powers alone. 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.

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

SVM uses a variety of approaches to discharge our stewardship responsibilities depending on the client mandate. 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 SRI screening service has expanded to include engagement with companies on environmental, social and corporate governance (ESG) issues across our range.

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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.

We are in a fiduciary relationship with our clients and recognise the importance of managing any potential conflicts of interests. SVM has a policy for identifying and managing potential conflicts and a process for ensuring that if conflicts cannot be removed that they are disclosed and managed so that clients are not disadvantaged. Client interests are SVM's priority. A conflicts committee has been established to have oversight of SVM's conflict management processes and controls. The committee provides an additional layer of governance, in addition to that of the board. Where a conflict arises between different client portfolios in relation to voting on resolutions proposed by a company the decision made will be documented, and disclosed to the relevant clients. A summary of SVM's conflicts of interest policy is published on our website, and the full version is available on request.

Principle 3
Institutional investors should monitor their investee companies.

SVM carries out fundamental analysis of potential investment opportunities to assess value, and regularly monitors progress of investments by reviewing Stock Exchange announcements, Annual and Interim Reports and trading updates. Meetings are also held with many companies to gain a better understanding of how management is developing the business.

We do not normally attend general meetings as we find that this is not the most effective method of engaging with company boards or management. We prefer to make direct contact with management when we feel the need to clarify a company's policy or our stance. We engage with companies where a company report raises concerns, and usually do this in writing or at a meeting with management or directors. We examine company's compliance with the UK Code on Corporate Governance and will carefully consider any reasons put forward for non compliance with any aspects of the Code. We do not actively seek to be made inside as that will affect our ability to trade in the investment.

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.

We seek to invest in companies that our analysis identifies as being well managed and offer potentially good returns for our clients. If we encounter areas of concern, we will address these with the company to understand the steps they are taking to mitigate any potential impact. We are prepared to utilise the influence we have at fund manager level, often through direct access to CEO's and CFO's.

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Where possible and practicable, we will endeavour to engage with management of investee companies on matters that cause us concern. This could include:

- Meeting with company management
- Speaking directly to the chairman or a senior board director
- Voting at company general meetings
- Proposing resolutions to be put forward at general meeting
- Collective engagement where we believe other investors have similar objectives and engagement policies.

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

While our policy is to engage directly with management of an investee company where possible, there may be occasions where we work with other major shareholders in order to achieve a better outcome for an investee company. Where a company appears to lack the support of a majority of its investors, we are willing to work with others in formal or informal groups. We believe that collective engagement is most effective where investors share objectives, including timescales and policies.

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

We endeavour to support the management of investee companies which adhere to good governance principles. We use the services of Institutional Shareholder Services ("ISS") which provides analysis and recommendations on voting, while determining ourselves the way in which we will vote on behalf of our clients. Our votes, therefore, may differ from the ISS recommendation. SVM publish online all voting and reasons for differences with board recommendations.

Our policy on stock lending is not to lend stock unless specifically requested by segregated institutional clients.

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

Our voting activity is reported on our website 30 days after the meeting date. We also publish a quarterly report on our engagement activities and reasons for any votes against management.

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Policy Activities

SVM actively contributes to key policy debates on stewardship, including submissions to The Kay Review and the November 2011 BIS Executive Pay Discussion Paper. SVM has submitted its policies and practices to the NAPF Stewardship Disclosure Framework 2013.

The contact at SVM for further information and collective engagement is Craig Jeruzal CFA, tel 0131 226 6699.