



CHELVERTON
ASSET MANAGEMENT

Corporate Governance Engagement Policy

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1. INTEGRATING SHAREHOLDER ENGAGEMENT INTO THE INVESTMENT STRATEGY

Chelverton Asset Management Ltd (“CAM”) invests in UK Smaller and Medium Sized Companies (4 Funds) and, in European All Sized Companies (1 Fund).

The Chelverton UK Equity Income Fund (“CEIF”), UK Dividend Trust (“Dividend Trust”) and UK Equity Growth Fund (“CUEG”), Chelverton Growth Trust (“CGT”) each invests in smaller and medium sized companies, out-with the FTSE100 in the UK, and considers these will deliver superior investment returns to the patient investor.

Smaller and medium sized companies are followed by fewer analysts than larger companies allowing information gaps and valuation anomalies to occur. CAM managers have demonstrated the knowledge, experience and skills to identify these anomalies and make investments in undervalued situations to create portfolios which can provide superior returns over the medium term to the diligent investor.

The Chelverton European Select fund (“CESF”) invests in Continental European listed equities. This is an all-cap strategy. The fund may, depending on the market opportunity, have a significant exposure to small and medium sized companies, sharing the above belief regarding superior returns that can be generated by investing in smaller and mid-sized companies.

CAM’s fund managers understand that they are responsible for managing client money and invest it in line with Client Mandates, with the same due care and diligence, underlined by CAM’s investment principles, as if it they were taking care of their own finances.

CAM understands that when representing our shareholders CAM does not directly involve itself in the management of the investee companies but may seek to influence the management team, including in matters of corporate governance, sustainability, social or other ethical considerations.

CAM is supportive of the general principles expressed by the Corporate Governance Code and encourages investee companies to discuss governance matters with a CAM representative.

CAM considers that board should be balanced in terms of having the right balance of executive and non-executive directors, and a good mixture of abilities, knowledge and experience. In exceptional circumstances, it may be appropriate to break with convention and make allowance for unique skillsets and unusual circumstances.

Ultimately, CAM is not a “forever” investor in a company. Where CAM determines that its investment case has been met, exceeded, or is not likely to be met within the investment time horizon, it will recycle shareholders capital into another more appropriate holding.

2. MONITORING & COMMUNICATING WITH INVESTEE COMPANIES

Once CAM has bought into a company, it is important to allow the management teams time to effect both positive corporate change, and to deliver on the investment case, which attracted our investment in the first place.

As responsible shareholders, CAM engages with management teams where appropriate in order to understand the evolving business risks and dynamics of the investment.

CAM re-evaluates the business case on each investment as new information becomes available and balances the expected returns with the associated risks to arrive at an informed investment view.

There is a balance to be achieved across the business cycle between reinvesting in the underlying business, remuneration of directors and employees and, returns to other stakeholders.

CAM invests across a multitude of investment sectors. Both macro-economic and micro risks are inherent and evolving in each sector. CAM manages its portfolios in line with investment mandates, and manages risk in accordance with these mandates to mitigate those risks in line with its risk management policies. If CAM identifies a risk, it may look to engage with portfolio companies to seek clarifications where it deems appropriate.

Each of our funds should hold an appropriate number of holdings for the strategy being pursued to reduce the overall risk of that portfolio towards that of the underlying asset class.

CAM managers engage in continuous dialogue with management teams throughout the life of the investment with the aim of achieving a balanced outcome for all stakeholders. All managers are knowledgeable, experienced and have a patient approach towards investment management in line with investment mandates.

CAM regularly meets with the management of investee companies and where appropriate enters into a dialogue with them on strategy, remuneration, capital structure, corporate governance, ethics and corporate culture.

CAM funds employ differing investment strategies which take an even-handed view on the varying risks and return expectations across the whole business cycle.

3. EXERCISING VOTING RIGHTS

In principle, having made an investment, CAM is likely to be fully supportive of the company management. The process of understanding the management, its style, culture and strategy is a crucial part of the investment process. CAM encourages respective management teams to contact a CAM representative directly on governance matters to discuss matters more fully and provides them with a sounding board where appropriate.

Normally, CAM votes in favour of management resolutions at shareholder meetings, and the default position is to support management resolutions.

However, when management actions diverge from those CAM has bought into or, the return expectations change markedly from the original investment hypothesis, CAM seeks to engage directly with the company management to re-evaluate the situation.

If CAM believes the management strategy or delivery has become contrary to the initial grounds for the investment or if CAM believes that further shareholder action has become necessary, it will look to have a meaningful dialogue with the Chairman or non-executive directors to understand the new situation.

In the main, CAM believes that those conversations, should, in the first instance, be carried out through company advisors.

4. CO-OPERATING WITH OTHER SHAREHOLDERS

In extremis, where CAM considers further action to be warranted CAM may endeavour to engage with other like-minded shareholders, again through appropriate qualified channels, to provide a springboard for positive change.

5. MANAGING CONFLICTS OF INTEREST

CAM's employees and directors manage Conflicts of Interest in line with its policy, which is available on the CAM website ([Conflicts of Interest policy](#)).

6. DISCLOSURE OF VOTES CAST

Disclosure of votes cast from 1 January 2019 to 31 December 2019 which differ from our standard procedure of "Vote in Favour":

- 2/12/2019 - Gattaca - voted against the remuneration report since it did away with a TSR measure for the management LTIP.

7. REVIEW OF POLICY

The policy will be reviewed at least annually.