



SANDERSON

ASSET MANAGEMENT

Stewardship Policy

Introduction

The UK Stewardship Code (the “Code”) was established by the Financial Reporting Council in 2010 and updated in September 2012. The Code outlines a series of benchmarks for UK institutional investors to meet with respect to the effective stewardship of their holdings in UK equity securities and also with respect to facilitating transparency and the communication of that stewardship as between the institutional investor, its portfolio companies and its Clients.

Whilst Sanderson Asset Management LLP (“Sanderson”) supports the Code’s objectives, it has decided not to make a formal commitment to its principles. However, Sanderson recognises its fiduciary responsibility to its Clients and understands how this dovetails with its stewardship responsibilities in serving the best interests of its Clients. Sanderson is aware of the need to engage with the management of its portfolio companies on stewardship and governance issues and is clear how this can assist in enhancing its Clients’ long term investment values and ensuring that portfolio companies are able to cope with competitive commercial pressures. Below is an explanation of how Sanderson meets its stewardship responsibilities, using the principles of the Code as a guide:

Principle 1 - An investment firm must publicly disclose how they will discharge their stewardship responsibilities.

Sanderson has outlined the key characteristics of how it will discharge its stewardship responsibilities in its Proxy Voting Policy (attached at Appendix 1) and its Environmental, Social and Governance Policy (attached at Appendix 2). Sanderson believes that active ownership, in the form of rigorous and long-term oriented analysis of investment prospects/ holdings, proactive exercise of shareholder rights, and constructive engagement with boards and management, effectively integrates stewardship and governance activities within Sanderson’s wider investment process, improving investment discipline, accountability, and long-term returns to Clients.

Principle 2 - An investment firm must have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Sanderson recognises the importance of identifying potential material conflicts of interest in its business and the need to have adequate systems and controls to avoid or mitigate their impact on Clients.

Sanderson has procedures for identifying and managing the various types of conflict of interest associated with voting proxies. Sanderson has outlined additional controls in its internal compliance procedures to assist in the early identification, monitoring and mitigation of conflicts of interest, which may be relevant to Sanderson’s stewardship responsibilities. For example, Sanderson has in place Personal Account Dealing Rules and a strict Gifts and Entertainment Policy for all staff, in recognition of the fact that, amongst broader conflict issues, personal interests have the potential to undermine effective company engagement. In accordance with the attached Policy, Sanderson also classifies certain proxy matters as “material”, including those with a potential conflict, and has implemented enhanced controls in this area.

Principle 3 - An investment firm must monitor their investee companies with respect to material issues, which may include matters related to executive remuneration and to acquisitions.

Sanderson pursues the following methods of engaging with and monitoring companies:

- Sanderson monitors the companies in which it invests and, where appropriate, will communicate its views to the management and/or boards of these companies when it has concerns. This dialogue allows Sanderson to monitor the development of companies' businesses and the quality of their reporting, including both internal and external issues such as overall strategy, business planning and delivery of objectives, capital structure, management remuneration, proposed acquisitions or disposals, attitude to risk and corporate responsibility.
- Sanderson seeks to satisfy itself, to the extent reasonably practicable, that the investee company's board and committee structures are effective, that independent directors provide adequate oversight and that, in general terms, the company has had appropriate recourse to relevant corporate governance guidance. Sanderson's monitoring of investee company strategy, operational, governance and management performance and capital allocation is integral to its investment process;
- Sanderson monitors the effectiveness of its engagement with the management and boards of investee companies. Sanderson's historic communications, and the success of such communications, will play a part in its proxy voting decisions;
- Sanderson votes the vast majority of its Clients' investments by proxy. Sanderson will, in exceptional circumstances, attend meetings where it has large holdings, where a problematic issue is being discussed or where it believes that this is reasonably necessary to fulfil its fiduciary responsibilities to its Clients. Sanderson will introduce AGM and/or EGM motions where it believes it is in the best interest of its Clients to do so;
- Sanderson does not envisage a scenario in which it would wish to be made an insider or to obtain, without prior consent, any information which may affect its ability to deal in the securities of a company. In the unlikely event that Sanderson is made an insider by accident or mistake, Sanderson follows its internal compliance procedures and training on market abuse and insider dealing; and,
- In accordance with applicable law and its internal document retention policies, Sanderson keeps electronic records of material engagements, voting and other corporate governance and corporate responsibility activities, including the rationale for voting decisions.

Principle 4 - An investment firm must have guidelines on when and how they will escalate their stewardship activities.

When escalating matters, Sanderson prefers to have confidential and private discussions with companies as it believes that this enables it to build a more effective relationship with boards and management. However, where it is necessary to protect its Client investments, Sanderson will consider engaging in more public communications and/or proxy activities. This may include voting against the management or board of an investee company or a given motion, issuing a press release documenting its opposition to a given issue, recommending to other shareholders that they take a specific action, introducing AGM/EGM motions and/or attending meetings in person.

Principle 5 - An investment firm must be willing to act collectively with other investors.

Subject to regulatory restrictions, conflicts of interest and acting in concert restrictions, and where it is in the best interests of its Clients to do so, Sanderson may participate in collaborative engagement activities. Any such activities will be considered on a case by case basis and addressed in the context

of the economic environment and other business issues. Collective activities could, for example, include conferences to discuss management issues or corporate values and may include matters such as succession planning and remuneration.

Principle 6 - An investment firm must have a clear policy on voting and the disclosure of voting activity.

Sanderson's Proxy Voting Policy is attached to this document and includes details of the proxy voting services of which Sanderson makes use and the providers of these services. As stated in the Policy, Sanderson does not outsource any part of its proxy voting decision-making. Sanderson does not engage in any securities lending transactions. This Policy is also set out in Sanderson's SEC Form ADV Part 2 disclosure and the Offering Memoranda of Sanderson's Funds.

Principle 7 - An investment firm must periodically report to clients on its stewardship and voting activities.

Investors may receive a quarterly summary of proxies voted or not voted and issues raised at meetings held by portfolio companies by contacting Sanderson's Client Services representatives and asking to be included on the quarterly proxy voting distribution list. Save as required by law or regulation, Sanderson does not ordinarily provide other third parties with information on its portfolio companies or how it has voted client proxies. Sanderson believes this information to be confidential to its Clients.

Questions on this Stewardship Policy, Proxy Voting Policy and/or Environmental, Social and Governance Policy should be referred to Sanderson's Chief Compliance Officer, James Longbottom at jlongbottom@sandersonam.com.

Appendix 1

Proxy Voting Policy

Sanderson considers it to be of paramount importance when assessing proxy voting responsibilities on behalf of its privately offered commingled funds and separate account clients (collectively defined as “Clients”) to recognize the fiduciary responsibility it assumes in acting as investment manager. Sanderson also recognizes the need to exercise its proxy voting obligations with a view to enhancing its Clients’ long term investment values. Sanderson believes that both are generally compatible with good corporate governance, as this generally provides the best operating environment for each underlying portfolio company to cope with competitive commercial pressures. It is Sanderson’s policy, subject to the considerations described below, to use its best efforts to vote proxies arising on all shares held on behalf of its Clients.

Standard issues typically arise at Annual General Meetings (“AGMs”) or Ordinary General Meetings (“OGMs”). Standard issues may include items of a routine nature such as the presentation of financial statements to shareholders, approval of routine executive compensation or incentive plans, approval of financial statements by shareholders, election of directors and approval of directors’ fees, election of auditors and approval of audit fees and declaration of dividends.

Material issues may arise at Extraordinary General Meetings (“EGMs”), Special General Meetings (“SGMs”), OGMs or AGMs. Material issues may include items that relate to corporate governance matters; changes in a company’s country of incorporation; mergers and other corporate restructurings; anti-takeover provisions such as staggered boards, poison pills, or supermajority provisions; changes to capital structures including increases and decreases of capital and preferred stock issuance; material stock options, management compensation or incentive plan issues; and social and corporate responsibility considerations. Sanderson also considers standard issues to be material issues when it has knowledge that a potential conflict of interest with management is present. These situations can arise where a portfolio company’s U.S. retirement plan assets are invested in one of Sanderson’s privately offered commingled funds or accounts, a portfolio company or one of its affiliated entities is also a brokerage counterparty to a Client’s security or foreign currency transactions, or where the person responsible for overseeing investments at a client that is invested in one of Sanderson’s privately offered commingled funds is also a director or officer of a portfolio company that would materially benefit from any executive compensation or incentive scheme subject to shareholder vote. Sanderson may not be aware of the roles performed for current and/or potential portfolio companies by underlying investors in its commingled funds and accounts. Investors should notify Sanderson of any known affiliations with publicly traded companies that could fall within Sanderson’s investment universe. Investors should also notify Sanderson if they are actively involved in the financial services industry or affiliated or employed by an investment bank, broker, custodian or asset management firm.

The Clients’ custodians (“Custodian”) have outsourced certain of their proxy processing responsibilities to either Institutional Shareholder Services (“ISS”) or Broadridge, leading providers of proxy voting and corporate governance services. ISS / Broadridge provide Sanderson with meeting notification and ballot delivery services, agenda summaries, detailed agenda content including original source documents, translation services, power of attorney maintenance, recordkeeping and custom reports, and vote instruction processing services. Meeting notifications are provided according to an established service level agreement in place between the Custodian and ISS/Broadridge and one in place between the Custodian and Sanderson. Sanderson does not outsource any part of its proxy decision-making process.

Following receipt of proxy voting materials from ISS / Broadridge, Sanderson’s staff gives a Proxy Voting Summary Form to a member of Sanderson’s portfolio managers for review. The form includes a summary of the voting issues, details of the number of shares held by a Client and a deadline for the response. If only standard issues are included on the proxy, the portfolio manager will decide on how to vote the proxy and sign the proxy voting summary form. If material issues are included, enhanced procedures apply. The portfolio manager will discuss the issues with a second

portfolio manager, assess the potential impact that the issues may have on the portfolio company, and decide on how to vote the proxy in question. Both of the portfolio managers will then sign the proxy voting summary form. Once approved, staff for Sanderson will process the proxy vote electronically using ISS's / Broadridge's proprietary system. A second staff member will verify the input.

In certain circumstances, Sanderson may be unable to vote a specific proxy including (but not limited to) when the Custodian or ISS / Broadridge does not provide a voting service in a given market, because the Custodian or its agent, in error, does not process a proxy or provide sufficient notice of a vote, or because an error is committed by any party involved in the proxy voting or registration process. Sanderson may also refrain from voting if, for example, it is considering liquidating a position (as shares may be blocked when proxies are submitted), where the costs of voting a specific proxy outweigh the economic benefit that Sanderson believes would be derived by the Client, where a specific class of shares does not carry voting rights with respect to a given issue subject to shareholder vote, or where re-registration of the shares into the Client's (rather than the Custodian nominee's) name may (or may reasonably be expected to) result in a violation of local privacy laws or adversely impact the Client's economic interests.

Clients are advised that when voting proxies in certain markets, Sanderson may be constrained by certain country or portfolio company specific issues. For example, some companies in the portfolio impose voting caps on the maximum number of proxy votes that any single outside shareholder may control. Others require all board issues to be resolved by a show of hands, rather than a poll. As the majority of Sanderson's client shares may be held by one nominee, these restrictions have the effect of substantially limiting the impact of any proxies cast. Furthermore, some companies in the portfolio may restrict Sanderson from voting proxies where disclosures of Client holdings or securities under Sanderson's control have not been made on a timely basis or in a format required under their articles of incorporation.

Clients may receive a quarterly summary of proxies voted or not voted and issues raised at meetings held by portfolio companies by contacting Sanderson's Client Services representatives and asking to be included on the quarterly proxy voting distribution list.

Appendix 2

Environmental, Social and Governance Policy

Sanderson occasionally receives requests for information regarding environmental, social or other governance matters and this policy may be provided to Clients and other third parties to assist in answering any such enquiries.

Sanderson's investment decisions are based primarily on business and financial considerations, but Sanderson recognises that political, environmental and social issues can have a material impact on a company's present or future financial position or cash flows, or conflict with Sanderson's ability to manage and develop Client investments. This approach enables Sanderson to take into consideration all appropriate risks, to make a balanced judgment on the investment opportunity and act in the best interest of all Clients. Sanderson recognises that there are many political, environmental or social issues about which investors feel strongly, but Sanderson is obliged to act in the overall interests of all Clients. Investors may not share the same view or may hold opposing views on the same issue.

At Sanderson, a prime concern is the recurring free cash flows that can come from any portfolio investment. Investments that depend on unsustainable business practices are likely to fall outside Sanderson's quality criteria. As a result, Sanderson would regard businesses that used enforced labour, child labour, uneconomic wage rates, and/or unsafe or harmful business practices (such as polluting or harming the environment), for example, as not being sustainable in perpetuity, suffering from falling rates of returns, leading to decreased normalised earnings. These types of companies make unlikely investment candidates. Sanderson views the issue of companies operating in industries or countries that may have poor environmental or social safeguards as being another uncertainty which the companies it invests in have to cope with.

As an investment manager, Sanderson wants to be aware of how and where its investee companies operate. However, Sanderson recognises that ultimately the decision to operate legally, either directly or indirectly, in an unpopular jurisdiction or industry, to deal with difficult political environments or unfriendly regimes in different regions around the world, the implementation of a business plan, and the reputational risk involved, lies with the management of a company. These are important issues, but important alongside many others – product positioning, financing, sustainability of cash flows, competitive threats, advertising and promotion, human resources, corporate governance and so on. In the end, these are all the responsibility of management, although they remain of significant interest to Sanderson as portfolio managers. In summary, the possibility that a portfolio company may legally operate in a given industry, country or region does not cause a change in Sanderson's investment process.

Sanderson expects that appropriate legal, governmental and other authorities around the world will take responsibility for addressing political, environmental and social matters fairly and wisely on behalf of their citizens. Accordingly, Sanderson strictly adheres to the laws of the countries in which it does business and follows rules and regulations applied by official agencies in those countries. Sanderson also expects that the companies in which it invests will do the same – and Sanderson pays close regard to their record in this respect.

Sanderson has found that many of its investors maintain a list of restricted securities for companies operating in certain industries or economic sectors from which they would like their investment managers to divest. However, Sanderson will be guided by the principles of its investment strategy, including the considerations set out herein, and has not agreed to dispose of any existing holdings or refrain from purchasing other securities that may meet its valuation and quality criteria.