



## UK STEWARDSHIP DISCLOSURE STATEMENT

Section 2.2.3R of the Conduct of Business Sourcebook included in the Financial Conduct Authority's Handbook of Rules and Guidance requires us to make a public disclosure in relation to the nature of our commitment to the Stewardship Code (the "Code"), a voluntary code which was published by the Financial Reporting Council (the "FRC") in July 2010.

Troy Asset Management Limited (the "Firm") acts as investment manager and/or investment adviser to a number of open-ended investment companies (including UCITS and Non-UCITS Retail Schemes), investment trusts and segregated accounts.

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. It sets out good practice on engagement with investee companies and is to be applied by firms on a "comply or explain" basis. The FRC recognises that not all parts of the Code will be relevant to all institutional investors and that smaller institutions may judge some of the principles and guidance to be disproportionate. Furthermore, the FRC recognises that it is legitimate for some asset managers not to engage with companies, depending on their investment strategy, and in such cases firms are required to explain why it is not appropriate to comply with a particular principle.

The seven principles of the Code are that institutional investors should:

- Publicly disclose their policy on how they will discharge their stewardship responsibilities;
- Have, and publicly disclose, a robust policy on managing conflicts of interest in relation to stewardship;
- Monitor their investee companies;
- Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value;
- Be willing to act collectively with other investors where appropriate;
- Have a clear policy on voting and disclosure of voting activity; and
- Report periodically on their stewardship and voting activities.

The Firm implements its investment philosophy with the aim of preserving and growing the real value of investors' capital over the long term. The Firm's approach combines decisive asset allocation with well-researched investment. Portfolios are constructed without any reference to benchmarks or investment fashion.

The following is an outline of how the Firm applies the principles of the Code in its engagement with certain equity issuers.

## **1. Policy on discharging stewardship responsibilities**

This document sets out how the Firm seeks to discharge its stewardship responsibilities. In particular, it sets out how the Firm monitors the companies in which it has invested as investment manager and/or investment adviser to its clients, its strategy on engagement and its policy on the exercise of voting rights on behalf of its clients.

Engagement with investee businesses is primarily the responsibility of the Firm's investment teams and the respective portfolio managers. The Firm's proxy voting procedures and record-keeping are overseen by the Firm's investment team who, subject to the Firm's policies and procedures designed to manage conflicts of interest, refer to the applicable portfolio manager for voting decisions.

## **2. Policy on managing conflicts of interest in relation to stewardship**

The Firm maintains a conflicts of interest policy which is designed to ensure that decisions are taken in the best interest of all of its clients. The Firm's principal objectives when considering matters such as company engagement and voting on shares held by or on behalf of its clients are always to act in the best of interests of the Firm's clients and to treat them fairly.

The Firm's conflicts of interest policy requires members of staff to notify the Compliance team on becoming aware of a potential conflict of interest arising. Should a potential conflict of interest be identified, the Firm's senior management will take appropriate steps to ensure fair treatment of all clients, including disclosure of the conflict to the affected clients, if appropriate. In such circumstances, voting instructions would be subject to assessment and approval by Compliance.

The Firm maintains a risk register with all identified potential conflicts of interest and outlines any systems and controls in place to manage or mitigate that conflict.

The Firm has a Personal Account Dealing Policy that all staff must adhere to when dealing on their own personal accounts. Each deal must be pre-approved by the Investment Directors before it can be actioned. Investment Directors cannot authorise their own trades.

## **3. Monitoring of investee companies**

A large proportion of the Investment Team's time is spent on monitoring investee businesses to ensure that each remains suitable for the Firm's portfolios. The process requires, amongst other things, the analysis of financial results, an assessment of any changes in capital allocation and an appraisal of management's financial incentives. Regular meetings with the management of investee businesses form a part of this process where discussions can take place about corporate strategy and the use of the relevant businesses resources.

The Firm is typically a passive investor and is careful to select companies that have sufficient business strength and corporate governance so as not to require the intervention of shareholders. The Firm will, however, seek to influence management when it believes it to be in the best interests of shareholders. This can involve meetings with members of the board of directors and/or senior management of the relevant business.

#### **4. Guidelines on escalation**

The Firm has a long term investment horizon and as such takes its responsibilities as a steward of assets seriously. The Firm aims to use meetings with management teams to engage in constructive discussion concerning any issues that arise. Where concerns persist, the Firm will use its voting rights as an investor, seek additional meetings (with management and/or board members) and more formal written submissions to endeavour to promote further constructive engagement.

If the Firm's concerns are not addressed during this process the Firm will consider the sale of its holding.

#### **5. Acting collectively with other investors**

The Firm has felt in the past, and may again feel, that it is appropriate to act collectively with other investors while any discussion with management remains productive. However, it is not compatible with the Firm's investment objectives to engage in hostile or public disputes with the boards of investee companies.

#### **6. Policy on voting and disclosure of voting activity**

The Firm considers proxy voting an important part of its investment process, and as such, seeks to vote where it has the authority to do so. The Firm seeks to vote in what it considers to be the best interests of clients.

Default voting has been set up with ProxyEdge for voting at general meetings with respect to various funds and/or accounts for which the Firm has proxy voting authority.

Voting records can be made available to investors on request from ProxyEdge. It is not the Firm's policy to disclose publicly its voting records in the same way that it is not the Firm's policy to disclose publicly its holdings (except where required to do so for legal or regulatory purposes).

The Firm has in place a procedural manual which includes guidelines on how corporate actions should be dealt with. Standing instructions have been set up on the different accounts and ad hoc elections can be made by the Firm's dealing team when advised to do so by a portfolio manager.

#### **7. Reporting on stewardship and voting activities**

The Firm does not believe it is in the investors' interests to disclose publicly its shareholdings or how it may have exercised its voting rights on behalf of a client. However, subject to underlying client confidentiality and investment strategy considerations, the Firm may provide clients with information on voting, engagement and stewardship activity on request or where required by law and/or regulation.

For further details on any of the above information, please contact the Firm's Senior Compliance Officer at [compliance@taml.co.uk](mailto:compliance@taml.co.uk).

September 2018