

UK Stewardship Code Compliance Statement

Highclere International Investor LLP (Highclere) is authorised by the Financial Conduct Authority (the “FCA”) and pursuant to the FCA’s Conduct of Business Rules, is required to produce a statement of commitment to the UK Stewardship Code (the Code) or explain why it is not appropriate to its business model or its investment process. Highclere is not a signatory to the Code. However, we have set out below our responses to the twelve principles detailed in the Code and explain how these are currently integrated into Highclere’s investment process.

Principle 1 – Describe how the asset manager’s purpose, investment belief, strategy and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Highclere is an independent investment management firm with a clear focus: small and mid-cap investing on behalf of our clients. We are active investors, spending the bulk of our time on fundamental company analysis and meetings with company management.

We believe the best way to approach investing in the small and mid-cap (SMID) universe is with a focus on absolute returns through stock price appreciation and dividends received. Although there is no guarantee, we believe that seeking the best possible absolute returns for our clients will enable us to exceed the returns of the benchmark over the longer term. This will create long-term value for clients and encourage the allocation of capital to the most efficient end of the investment spectrum.

As part of our investment process, we integrate ESG analysis because we believe that doing so can lead to the identification of factors that have the potential to materially impact a company's long-term value. Our sector-specialised analysts also understand the specific ESG risks and opportunities within their respective sectors. We believe that this analyst-led, hands-on approach helps us identify long-term growth opportunities to maximise value creation for our clients.

Principle 2 – Explain how the asset manager’s governance, resources and incentives support stewardship.

Governance: The Chief Investment Officer is responsible for setting the investment philosophy and stated investment goals. The Fund Managers implement the investment process, and the Director of Research oversees and measures the process. This ensures continuous improvement and a consistency of application.

Resources: Our sector-specialised analysts understand the specific ESG risks and opportunities within their sector. If material ESG issues arise, then we will engage with the company directly. We have also developed a list of governance and accounting questions, as well as a sector-based question bank to support the team in their ESG analysis.

Incentives: Highclere is a partnership. All partners and employees have equity investment in the firm and in the funds managed by Highclere. This provides direct alignment with our clients and encourages all members of the firm to act as stewards of client capital.



Principle 3 – Explain how the asset manager manages conflicts of interest to put the best interest of clients and beneficiaries first.

Highclere has a fundamental obligation to act in the best interests of its clients and to avoid potential conflicts of interest. Highclere has identified potential material conflicts and has put in place systems and controls to avoid or mitigate these conflicts.

Highclere's Compliance manual and Code of Ethics highlights these conflicts and sets out the specific requirements and responsibilities of the individual. All members of staff are required to attest that they will adhere to both the Compliance Manual and Code of Ethics on an annual basis.

Principle 4 – Explain how the asset manager identifies and responds to market-wide and systematic risk to promote a well-functioning financial system.

Our investment team makes its assessments on a bottom-up company-by-company basis. Through these assessments, it can be possible to identify broader systemic risks that could impact the functioning of the financial system.

We may respond to these risks through engagement. We always engage with management and/or investor relations at least once (usually more often) before making an investment decision to gain a greater understanding of how well the business is managed and whether we have confidence in management to deliver sustainable growth and profitability of the business.

We encourage portfolio companies to act responsibly and with integrity, which will enhance investment returns and improve the functioning of public markets.

Principle 5 – Explain how the asset manager reviews their policies, assure their processes and assess the effectiveness of their activities.

Our Responsible Investing Policy has been developed by our senior management team with representation from our investment team. This policy undergoes routine reviews to ensure it remains relevant and effective. Changes to the policy are made based on learnings from our engagement activities, market developments, and changes in regulations.

To assure our processes, we maintain an extensive ESG database, a record of engagement activity and keep track of all our proxy voting decisions. We are also signatories to the UNPRI, who provide a framework through which we can enhance and formally assess our ESG processes. The effectiveness of our efforts is measured by monitoring improvements to a company's ESG profile.

Principle 6 – Describe how the asset manager takes account of client and beneficiary needs and communicates activities and outcomes of their stewardship and investment to them.

The majority of Highclere's clients are US based institutional investors such as charities, foundations, endowments and pension plans. We do not offer segregated accounts or client direction on proxy voting and corporate governance issues. We have a fiduciary obligation to seek the best investment return for all our clients and we will act responsibly in everything we do.

All clients receive quarterly newsletters with commentary on the portfolio and the recent investment decisions taken. Clients may request to receive quarterly proxy voting records, daily performance estimates, monthly holding lists and attribution data.

Principle 7 – Explain how the asset manager systematically integrates stewardship and investment, including material environment, social and governance issues, and climate change to fulfil their responsibilities.

Highclere does not offer or promote an ESG fund. Highclere does however incorporate ESG analysis into our fundamental bottom-up investment process. We believe that this can lead to the identification of factors that are not always captured in quantitative analysis but have the potential to materially impact a company's long-term value. We believe that the best way to identify ESG factors is to engage with companies directly.

Given the size of the companies we invest in, we prioritise direct engagement with company management over the use of 3rd party databases. This allows us to promote and ensure good ESG practices, instead of relying solely on third-party data or screens, which may not always be exhaustive or comparable.

We always engage with companies before investing and routinely during our investment tenure, focusing on promoting sound governance and evaluating ESG's impact on performance. Over time we accumulate a lot of detailed stock specific knowledge which helps guide investment decisions in the future.

We also use our proxy vote to address unresolved ESG concerns with management. We vote in the best interest of our clients and maintain a log of our team's voting decisions.

Principle 8 – Explain how the asset manager monitors and holds to account managers and/or service providers.

Highclere does not outsource ESG analysis or proxy voting decision-making to service providers. However, we use Institutional Shareholder Services (“ISS”) for their proxy voting research and we instruct the vote via Broadridge. Broadridge is provided to Highclere by Northern Trust as custodian. Highclere makes all voting decisions and does not employ default ISS proxy voting recommendations.

Principle 9 – Explain how the asset manager engages with issuers to maintain or enhance the value of assets.

We believe that engagement is a valuable tool in maintaining and enhancing the value of our assets and we work diligently to develop a comprehensive understanding of the companies in which we invest. Before making an investment decision, we always talk to management and/or investor relations at least once, often more, to gain a greater understanding of how well the business is managed and whether we have confidence in the management to deliver sustainable growth and profitability. This interaction allows us to understand and assess the quality of their stewardship, strategic direction and handling of ESG factors.

Once invested, we routinely monitor any changes that may affect our conviction level. We use our influence on management and via proxy voting to promote sound governance and good ESG practices, which we believe enhance long-term value.

Principle 10 – Describe when the asset manager, where necessary, participates in collaborative engagement to influence issuers.

We typically do not take part in collaborative engagements as we prefer to engage independently and directly with our companies, rather than adopting a public pressure group approach. However, we recognise the potential benefit of collaboration and will participate in these engagements when we believe that acting in such a way would likely achieve a result that is in the best interests of our clients.



Principle 11 – Describe when the asset manager, where necessary, escalates stewardship activities to influence issuers.

If material concerns arise during our investment tenure, then we will voice our concerns with management. If these concerns are not resolved satisfactorily, we will vote accordingly in the company's Annual or Extraordinary General Meetings. We are prepared to vote against company management if we consider it to be in the best interest of our clients.

Progress is measured by monitoring improvements to a company's ESG profile and maintaining a dialogue. If progress is deemed to be insufficient, we may reduce our exposure and in extreme cases exit the position completely.

Principle 12 – Describe when the asset manager, actively exercises their rights and responsibilities.

Highclere likes to support the management and boards of the companies in which we invest. However, we consider every motion individually and may consider voting against or abstaining if we believe that doing so would be in the best interests of our clients. We are informed by internal research and by voting research provided by Institutional Shareholder Services ("ISS").

We use our best efforts to vote all proxies. However, we may periodically be unable to vote a specific proxy when a custodian provides no voting service in each market or because the custodian's agent, in error, does not process a proxy or provide sufficient notice of a vote. We may also refrain from voting if we are considering liquidating a position or if we want to avoid a share blocking event.

Our proxy voting summary for 2024 is listed below:

Meetings voted at	229
Resolutions voted on	3,207
% resolutions where HII voted with management	91.96%
% meetings with at least 1 vote against, withhold, or abstain	37.55%
% meetings where HII voted contrary to the recommendation of ISS at least once	18.26%

Clients can elect to receive quarterly summaries of proxy voting activity.