HOTTINGER

GROUP

THE UK STEWARDSHIP CODE
STATEMENT OF COMPLIANCE

The UK Stewardship Code, introduced by the Financial Reporting Council ("FRC") in July 2010 and revised in October 2012, sets out seven Principles and is directed predominantly at institutional investors with equity holdings in UK listed companies. Its aim is to enhance the quality of engagement between institutional investors and firms managing investments on their behalf through fund structures in order to help improve the long-term returns to shareholders. The Stewardship Code sets out good practice for dealing with investee companies and where parts of the Code might not be relevant due to proportionality.

Hottinger & Co. Limited ("HottCo") is fully committed to complying with the seven Principles of the Stewardship Code. HottCo applies the Stewardship Code on a 'comply or explain' basis. Where we do not comply with the Stewardship Code, we will clearly state this and explain why. Our Policy on the Stewardship Code is made in compliance with the requirements of COBS 2.2A.5 and COBS 2.2.3R of the FCA Handbook. We do not outsource any activities associated with the Stewardship Code to external service providers.

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

Our Stewardship Policy is set out in this statement and is published on the Hottinger & Co. Limited website at www.hottinger.co.uk so that investors and investee companies are aware of the way in which we engage with companies and how we will integrate stewardship activities into our investment process with the aim of enhancing and protecting the value of assets for our clients.

Direct equity holdings in UK listed companies do not represent a significant proportion of our investment asset allocation. All investee companies are monitored on a continuing basis by our investment management team. Principle 3 further outlines our approach to monitoring. Where investments are held in collective investment schemes and/or active funds, we will conduct meetings with the managers of the schemes and/or funds to discuss how they approach and implement stewardship within their schemes and/or funds.

Our lines of research and investment analysis helps us build a picture of the investee company so that we can make an informed investment decision on behalf of our clients within the chosen investment objectives, requirements and parameters of risk related to the mandate and our corporate governance. We undertake detailed analyses of an investee company's corporate governance, strategy, performance, attitudes towards risk, capital structures and financial statements, analyses of third party brokers' investment research and any market available information.

Although our holdings in investee companies are relatively small, we seek, wherever possible, to engage in an ongoing open communication with the management of investee companies. All investment decisions are undertaken by our investment management team, and any proxy voting decisions by the Investment Committee.

All decisions are made on a case by case basis and in compliance with any specific client requirements after considering the client's mandate, the investment objectives and restrictions and our duties and responsibilities as set out in either the investment management agreements or in the scheme particulars.

Given the relatively small holdings, we do not pursue an active policy on voting rights. However, we have a fiduciary duty to always act in the best interests of our clients and we will take all reasonable measures to ensure that any proxy votes (on behalf of one of our client mandates) are executed on this basis.

- **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 have established and maintain compliance and systems and control arrangements, which includes a Conflicts of Interest Policy. Our Conflicts of Interest Policy is available on request by contacting the Compliance Oversight Officer in writing at 4th Floor, 27 Queen Anne's Gate, London, SW1H 9BU, United Kingdom; or by telephone on 00 44 (0)207 227 3400; and is published on our website at www.hottinger.co.uk.

Our Conflicts of Interest Policy is reviewed on a periodic basis and forms an important part of our Terms and Conditions with our clients. We believe in full transparency. The tenet of our Policy is that any conflict of interest that arises is fully disclosed to our clients and is never detrimental to our clients' best interests.

We have a fiduciary duty to always act in the best interest of our clients and to perform our investment management services with the highest standards of corporate governance. We are aware that conflicts might develop in the conduct of our investment business and actively seek to manage any conflicts that have been identified fairly, both between us and our clients and between a client and another client. We review the specific issues relevant to our business on a case by case basis and we seek to tailor our conflicts management policies accordingly.

Where there is a conflict of interest between one of our clients and an investee company, for example voting on matters affecting a parent company or our clients, we will actively seek the approval from our clients, or obtain written approval from our Investment Committee prior to voting on that matter. Records of these approvals will be maintained for each client as an audit trail.

We will always seek to disclose an actual or potential conflict of interest as a method of our conflicts' management arrangements and as mitigation of the risks. Such disclosure will only be undertaken on the basis that it will prevent the risk of damage to our clients and/or investors interests.

Conflicts management is integral to our approach to governance. Our arrangements ensure that it is the responsibility of all members of staff to effectively manage conflicts and to prevent the possibility of market abuse being committed or facilitated and thereby ensure that proper market and business standards are maintained.

Our Policy includes but is not limited to the following possible conflicts: client take-on; client categorisation; investment suitability; investment strategy and objectives; best execution; investment errors; investment performance; unfair contract terms; periodic statements; communications; client commission; complaints; outsourcing; personal account dealing; gifts, entertainment and hospitality; political contributions; and outside business interests. Further details on our arrangements to monitor and mitigate possible conflicts are included in our Conflicts of Interest Policy.

- **Principle 3: Institutional investors should monitor their investee companies.**

All monitoring is undertaken on a case by case basis and to ensure that the investee company in question is in compliance with any specific client requirements set out in the client's mandate, the investment objectives and restrictions and our duties and responsibilities as determined in either the investment management agreements or in the scheme particulars; and to protect any investment value for the client.

Monitoring might include, but will not be limited to, detailed analyses of an investee company's financial statements, analyses of third party brokers' investment research and any market available information together with any 'in-house' investment research and analysis that might be undertaken by a member of the investment team.

Additional monitoring might include the determination of an investee company's governance structures and to ensure its compliance with the UK Corporate Governance Code. Normally, this would entail an open dialogue and or meetings between us and an investee company's senior management (both executive and non-executive). If we have a material concern over an investee company's management and or governance, including if it does not appear to us that the company's board and committees adhere to the spirit of the UK Corporate Governance Code, we will always endeavour to raise our concerns with the management and seek effective mitigating actions before seeking to divest the client's interests. Records of all meetings held with investee companies are kept by us. As outlined in Principle 1, we do not pursue an active policy on voting rights.

We maintain effective arrangements to cover market abuse and the potential misuse of inside information. We adopt the policy to endeavour to avoid the situation whereby we would be made an insider. Our Policy is to always ensure that inside information is not communicated by any investee company to any member of the investment management team without our prior agreement.

The research carried out by us is ongoing throughout the life cycle of the investment in order to keep abreast of developments in company practice or industry changes that might cause a revision in the appropriateness of an investment, particularly if it may cause significant loss in investment value or change the investment risk parameters. We will, where applicable, hold regular meetings with the senior management of investee companies or with the managers of the schemes and/or funds in which we invest. These meetings will, inter alia, analyse performance, value drivers, potential risks and management and corporate governance issues. We will seek to engage with investee companies or with the managers of the schemes and/or funds in which we invest, when we feel that they are not acting in the best interests of the shareholders and our clients.

- **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 will only escalate our activities with investee companies as a method of protecting and enhancing shareholder value after careful consideration and analysis of mismanagement or failings in corporate governance of an investee company. All meetings by any member of HottCo with the senior management of an investee company will always be undertaken on a confidential basis and in accordance with the applicable statutes in the relevant jurisdiction. In circumstances where our expectations differ from those of the management of the investee company, which could result in actions being taken to the detriment of our clients' returns on their investment, we will seek to escalate our involvement.

Escalation could result in, but not be limited to, additional meetings with senior management (both executive and independent) specifically to discuss either performance or governance issues; collaborative action with other investment institutions would normally represent our primary choice of action followed by active participation at an Annual General Meeting ("AGM") or an Extraordinary General Meeting ("EGM") through proposing specific resolutions where necessary. Where applicable, meetings with the investee company's corporate advisers would be a last resort due to the limited weight we wield as a small investor.

Situations where such actions may be warranted would include but not limited to concerns about company strategy towards social and environmental matters, approach to industry risk and corporate governance.

Where we have concerns about an investee company's or a scheme's and/or fund's strategy, performance, governance, remuneration or approach to risks, we will enter into an active dialogue with the manager of the scheme and/or fund or with the investee company if it is a direct holding. If following our engagement, we still have concerns, we will look to escalate our activities to include expressing concerns through the investee company's advisors, and/or voting against the investee company at its AGM or EGM. In such circumstances, we will seek to explain to the investee company the reasons for our decision, to reduce or sell our shareholding.

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

We do not and have not acted collectively with other investors since our FCA authorisation due to the limited weight we wield as a small investor. When appropriate and only as part of our escalation of an issue and acting in the best interests of our clients, would we consider collaborative action with other investors on a formal and informal basis. Such action and decisions would be taken on a case by case basis and made only after taking into consideration any conflicts of interest, market abuse issues relating to price sensitive information and the requirements under the FCA's treating customers fairly tenets. Examples of matters that we would consider acting collectively with other investors would include but not limited to a lack of corporate visibility, social and environmental incidents, director remuneration and the company's approach to strategic risk.

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

Our policy on proxy voting is clearly set out under Principle 1. All decisions taken will be made in the best interests of our investment clients and will be executed by us only after exhausting all opportunities to engage with the investee company in open dialogue. If we cannot reach a satisfactory outcome through open dialogue, then we will either seek to abstain or vote against the investee company. In all circumstances, we will notify the investee company in writing of our intentions and provide the reasons. We have not adopted a policy of automatically supporting the management of any investee company nor do we intend to actively seek to influence an investee company's governance. The occasions when we have abstained or actively voted against the investee company will be publicly disclosed on our website at www.hottinger.co.uk, unless otherwise requested not to do so by our clients. We will take such occasions on a case by case basis and we will specifically communicate with our clients to determine whether they wish their records to be made public.

It is our policy to vote on AGM or EGM resolutions and any corporate actions where our clients have a material interest in the outcome of such a resolution and/or action; and where such outcomes are for the protection and/or enhancement of shareholder value and investors' beneficial interests. We will also seek to vote in circumstances where our clients' holdings are material to the outcome of such a resolution and/or action. We will always vote in a responsible manner and in accordance with our fiduciary duties to our clients.

We do not and will not engage in stock lending; and do not engage in the use of proxy voting or other voting advisory firms.

- **Principle 7: Institutional investors should report periodically on their stewardship and voting activities**

Our clients are predominantly retail investors. We provide reports to our clients on a periodic basis and in accordance with our regulatory reporting requirements and our obligations under the client's mandate, the investment objectives and restrictions and our duties and responsibilities as set out in either the investment management agreements or in the scheme particulars. In general voting activity in relation to specific investee companies is not typically a relevant concern since the majority of our investment portfolios are held in schemes and/or funds. Where applicable, and where requested by our clients, reporting will include full disclosure of voting actions and all instances when we have enforced our Stewardship Code in the best interests of our clients.

Although we do not consider it necessary to seek an independent opinion of our engagement and voting processes (because, as outlined above we provide reports to our clients), we will seek an annual review from our Group internal audit function.

For further information, please contact Tim Sharp, Chief Executive Officer, Hottinger & Co. Limited.