

The UK Stewardship Code and The Shareholder Rights Directive II

UK Stewardship Code

Under Rule 2.2.3R of the FCA's Conduct of Business Sourcebook, Goodhart Partners LLP is required to disclose the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the "Code") or, where it does not commit to the Code, its alternative investment strategy. The Code is a voluntary code and sets out a number of principles relating to engagement by investors with UK equity issuers. Firms which commit to the Code can either comply with it in full or choose not to comply with aspects of the Code, in which case they are required to explain their non-compliance.

The Code comprises twelve Principles that can be summarised as follows:

Purpose and governance	<ol style="list-style-type: none">1. Purpose, strategy and governance2. Governance, resources and incentives3. Conflicts of interest4. Promoting well-functioning markets5. Review and assurance
Investment approach	<ol style="list-style-type: none">6. Client and beneficiary needs7. Stewardship, investment and ESG integration8. Monitoring managers and service providers
Engagement	<ol style="list-style-type: none">9. Engagement10. Collaboration11. Escalation
Rights and Responsibilities	<ol style="list-style-type: none">12. Exercising rights and responsibilities

The Firm pursues a fundamental investment strategy across global equity markets with a focus on core Japanese equities. A consistent global approach is taken to engagement with issuers and their management in all of the jurisdictions in which the Firm invests and, consequently, the Firm does not consider it appropriate to commit to any particular voluntary code of practice relating to any individual jurisdiction and feels that the Code is not appropriate to the Firm's business model.

However, whilst the Firm has not made a formal commitment of compliance with the Code, its alternative investment strategy as set out above, is generally supportive of the spirit and aims of good stewardship as contained within the Code. As such, in practice, the Firm take into consideration the principles as set out in the Code.

This Statement is reviewed annually and updated where necessary to reflect changes in circumstances and actual practice. Should the Firm's position change we will review our commitment to the Code and make appropriate disclosure at that time.

The Shareholder Rights Directive II

The Second Shareholder Rights Directive which took effect in the UK on 10 June 2019, aims to improve shareholder engagement and increase transparency around stewardship. As the Firm invests in listed equities we are required to disclose and make publicly available our policies on how we engage with other shareholders and the companies that we invest in, and how our strategies create long-term value.

Integrating Shareholder Engagement in our Investment Strategy

With regards to the Firm's Japanese Equity, the Firm has appointed a Japanese equity advisory firm based in Tokyo ("Advisor") to provide non-discretionary investment advisory services. The Advisor works exclusively with Goodhart. Through research provided by the Advisor the Firm is able to integrate shareholder engagement within the Firm's investment strategy.

Monitoring Investee Companies

The monitoring process may include assessment of a companies' own and market data, consideration of research from brokers and other independent research providers – including attending meetings with management and directors, talking to competitors, customers and other stakeholders.

Being locally based, the Advisor will meet with companies and attends many national industrial trade shows and exhibitions to broaden their industrial knowledge as well as a source of new idea generation.

As a fiduciary, the Firm owes each of its clients a duty of care and loyalty with respect to services undertaken on the client's behalf, including proxy voting. To this end, the Firm takes all reasonable steps to vote proxies in the best interest of its clients – being mindful of due diligence and recommendations provided by the Advisor.

Conflicts of Interest

The Firm is required to manage conflicts of interest fairly, both between the Firm and its clients as well as between one client and another client. As applicable, the Firm is also required to identify conflicts of interest between an investor in a fund managed by the Firm and other investors, funds managed by the Firm, other clients of the Firm or the Firm itself.

Goodhart maintains a robust policy on managing conflicts of interest in relation to stewardship which is designed to ensure its decisions are taken wholly in the interest of its clients. All personnel are requested to notify the Chief Compliance Officer ("CCO") if they become aware of any material conflict of interest arising, including in relation to proxies on behalf of clients. Voting instructions will be subject to assessment and approval by the CCO in such circumstances. In addition, the Firm, is aware that conflicts of interest may arise when assessing whether and how to engage with companies and will escalate any concerns to the COO of Goodhart. A summary of Goodhart's Conflicts of Interest Policy is available to clients on request from the Chief Compliance Officer.

Acting Collectively with Other Investors where appropriate

At times our engagement interests will align with other shareholders. When it is appropriate to do so, we will engage with other shareholders on a collaborative basis, provided taking collaborative action is in the best interests of our clients. We will not engage in any collusive or consort behaviour and will adhere to our Conflicts of Interest Policy.

Proxy Voting

The Firm owes each of its clients a duty of care and loyalty with respect to services undertaken on the client's behalf, including proxy voting. To this end, the Firm takes all reasonable steps to vote proxies in the best interest of its clients.

The Firm has a Proxy Voting Policy that – amongst other things – sets out the Firm's general approach when voting on behalf of its clients.

On client request, the proxy voting policy is available from nkonschu@goodhartpartners.com

For further information on any of the above please contact:

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Goodhart Partners LLP

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