

RIVER AND MERCANTILE
INVESTMENTS LIMITED

River and Mercantile Investments Limited

Voting Policy for Pooled Investment Vehicle Holdings

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Voting Policy for Pooled Investment Vehicle Holdings updates

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FRAMEWORK FOR THE APPLICATION OF THE VOTING POLICY FOR POOLED INVESTMENT VEHICLE HOLDINGS

ASSET CONSIDERATIONS:

It is important to note that this voting policy is specifically focused on voting in relation to pooled investment vehicles (“fund”), including exchange traded funds (“ETF’s”). This is a consequence of the portfolios managed and advised by River and Mercantile Investments Limited (“RAMIL”) which primarily constitute investments in pooled investment vehicles, alongside sovereign debt and derivative instruments that do not have associated voting rights.

The Policy is designed to be utilized regardless of country of domicile of the pooled investment vehicle. It should be noted that a large proportion of the pooled investment vehicles held by our clients are not listed and that governance practices may subsequently differ from those in listed markets, meaning that this policy may be less prescriptive in areas than if it was focused on listed companies.

Whilst we will use our voting in relation to this policy to seek to enhance the governance standards of the pooled investment vehicles held by our clients, it is also necessary to recognise existing market standards and acknowledge that further enhancement may require a period of ongoing engagement. There are also common aspects of corporate governance that do not translate to pooled investment vehicles, such as having separate audit committees. Nevertheless, we seek to incorporate the standards related to listed securities, such as the UK Corporate Governance Code, where possible.

It is common market practice for pooled investment vehicle general meetings to be held on the basis of one vote per shareholder, rather than one vote per share, as is typical in listed markets. Where RAMIL’s clients have a substantial holding in a pooled investment vehicle this may result in their voting rights being diluted relative to their economic interest.

There may be the opportunity to request a vote is carried out based on one vote per share, for example by calling a poll, however this is not RAMIL’s standard approach, although it may be considered in very limited circumstances where the outcome of a resolution is considered materially significant.

IN-HOUSE FUNDS:

Where RAMIL uses its expertise to make proxy voting elections on behalf of its fiduciary clients, this may include voting on an in-house fund (being a fund managed by RAMIL or an affiliate of RAMIL). When voting on an in-house fund, the following procedures will apply:

- Routine matters and those objectively in the favour of underlying shareholders will be voted in accordance with this policy and following the same process as for funds not managed by RAMIL or its affiliates. Examples of routine votes include: the approval of financial statements, approval of distributions and the reappointment of the fund auditor.
- Non-routine matters presenting no conflicts of interest and objectively in the favour of underlying shareholders will be voted in accordance with this policy and follow the same process as funds not managed by RAMIL or its affiliates. Examples of such votes include: a change in the name of the fund, changes to the fund or its operation to bring it in-line with regulatory, legal or market requirements.

- Where voting on a matter presents a potential conflict of interest between the fiduciary clients and RAMIL, RAMIL will seek to manage this in accordance with the River and Mercantile Group Conflicts of Interest Policy, with the mitigants reviewed by the Compliance Department as required.

Votes which could present potential conflicts of interest include; significant changes to the fund terms, changes in remuneration paid to RAMIL or an affiliate, appointment of affiliated individuals or corporations to provide services to the fund.

- In the event that RAMIL is unable to fully mitigate the risk associated with the conflict, RAMIL will disclose to the relevant clients (i) the conflict, (ii) the mitigants implemented to reduce the associated risk and (iii) RAMIL's proposed approach, prior to voting on clients' behalf.

CLIENT CONSIDERATIONS:

Fiduciary: RAMIL will use its expertise to make proxy voting elections on behalf of discretionary clients, under delegated authority. The voting decisions will be based on this policy. Where RAMIL determines that it is in client's best interests to deviate from this policy when voting on client's behalf, it will document this decision and the rationale.

Advisory: advisory clients retain control of their voting rights and subsequently make their own proxy voting elections. Nevertheless, if advisory clients request guidance on proxy voting RAMIL will use its expertise to provide assistance as necessary. It should be noted that RAMIL may not be notified of proxy votes related to funds held only by advisory clients, as we do not have authority over the accounts, which may limit our ability to assist and notify advisory clients of matters of interest. RAMIL will not actively contact advisory clients in relation to proxy votes unless RAMIL believes the matter is material.

Client vote direction: Clients should be aware that where RAMIL invest on their behalf in a pooled investment vehicle, via a pooled arrangement (e.g. another pooled investment vehicle, or an omnibus account) it is not possible for RAMIL to vote the clients share of the investment under client direction, due to pooled investment vehicle votes typically being one vote per shareholder, rather than one vote per share.

VOTING AUTHORITY:

RAMIL's Operational Due Diligence ("ODD") Team, which has responsibility for non-investment aspects of the pooled investment funds on RAMIL's buy list, manages the research and policy aspects of RAMIL's voting on pooled investment vehicles.

For routine AGM proxies the ODD Team will make the election and record the result in the proxy voting log under delegated authority.

For special resolutions & EGMs, the ODD Team will oversee the process, but seek authorisation from the portfolio manager before making the proxy election and recording it in the proxy voting log.

RAMIL do not utilize a voting advisor such as ISS to formulate and implement its voting policy. This is because in our experience pooled investment vehicles do not appear to be a core focus for these providers, whilst we believe the voting advice available is primarily formulated for direct securities (e.g. equities) which can result in voting recommendations that we do not believe are appropriate for pooled investment vehicles. We also believe that there is a strong alignment between voting on pooled investment vehicle resolutions and the broader responsibilities of our ODD team. We will nevertheless review our arrangements on a periodic basis to ensure they remain appropriate.

REPORTING:

RAMIL will keep records of its proxy voting activities and provide reporting as required in relation to regulatory and governance requirements.

GUIDELINES FOR VOTING AT POOLED INVESTMENT VEHICLE MEETINGS

Fundamental principles are set out below and applied in the majority of cases. However, RAMIL discourages passive box ticking and aims to take an informed and pragmatic approach to voting. RAMIL will give due consideration to the specific circumstances and facts available before voting.

We will typically look to engage with a manager prior to voting against a resolution, which can include supporting resolutions which we would otherwise vote against where we felt we had exhausted dialogue. This engagement also helps inform our voting as there may be occasions when rigidly enforcing a policy could inadvertently increase the risk associated with our client's investment.

BOARD OF DIRECTORS

The board of directors, as an entity, and each of its members, as an individual, is a fiduciary for all investors, and should be accountable to investors as a whole.

We would not typically expect for there to be sub-committees of the board (e.g. Audit, remuneration and nomination/succession committees), as we do not believe the mandate of a pooled investment fund board is wide enough to warrant this. Additionally, the magnitude and complexity of conflicts in areas such as remuneration is not expected to be as acute as for traditional company boards.

Director Independence: When determining how to vote on matters relating to directors, we will give close consideration to the proportion of independent directors on the Board as a whole. Whilst we have a preference for a majority independent board of directors, our minimum expectation is for each board to include two independent directors.

As the funds held are often unlisted, the information available on the directors varies and it can be necessary to rely on representations as to the level of independence of the directors.

Remuneration: We do not believe that remuneration for fund directors will typically be a point of concern and would subsequently expect to support director remuneration resolutions. However, where we believe remuneration is excessive, in the absence of the agreement of action to address our concerns we will vote against. We will determine our position on the level of proposed director remuneration (or in the absence of a proposed remuneration amount, levels of remuneration for prior years) based on the comparison to our understanding of remuneration in the wider market.

We would expect remuneration for fund directors to be a set fee, supplemented by an allowance for expenses and possibly also additional fixed fees for additional specific responsibilities.

REPORT AND ACCOUNTS RESOLUTIONS:

A separate resolution proposing the adoption of the annual report and accounts should be tabled at all annual general meetings (AGMs). Where we have general and persistent concerns about a company's governance or the actions of the Board as a whole during the year, or where concerns cannot be linked to a particular resolution, we may withhold support for the annual report and accounts.

The decision to vote against the annual report and accounts at a company meeting will not be taken lightly and will be considered on a case-by-case basis.

Where the annual report and accounts are not available prior to votes needing to be submitted, we will abstain.

BUNDLED RESOLUTIONS:

Bundling of matters for consideration that should be put to separate shareholder votes is strongly discouraged. RAMIL will not generally support if we cannot support one of the underlying elements.

AUDITOR CONSIDERATIONS:

Fees: We will determine our position on the proposed level of audit related fees (or in the absence of a proposed remuneration amount, levels of remuneration for prior years) based on the comparison to our understanding of remuneration for similar providers in the wider market.

Appointment/reappointment: We will typically consider the following factors when determining whether to support an auditor appointment/reappointment:

- Is the firm a credible audit firm (KPMG, PWC, E&Y, Deloitte, BDO, Grant Thornton etc.)
- Does the firm have the relevant expertise for this type of audit?
- Tenure of the auditor; too long and independence/effectiveness maybe compromised, too short maybe evidence of 'opinion shopping' or adverse practice

In relation to the requirement to vote on the reappointment of Fund auditors, we have adopted the EU Mandatory Firm Rotation ("MFR") Regulations in relation to auditor tenure (noting they are primarily related to listed entities), as we think there is some additional protection to investors from rotation of auditors (assuming the quality of the appointed party is maintained).

Given the ongoing oversight from the Fund Administrator, which is not in-place for corporations captured by the regulations, we have taken on-board the flexibility within the MFR Regulations (e.g. UK extension to 20 years). Subsequently once a Fund Auditor has been in-place for 10 years, we would flag with a Manager regarding the competitive retendering of the audit position, with our focus on this increasing once the tenure reaches 15+ years.

Where an auditor has been engaged for in excess of 20 years it is likely we will vote against retaining the auditor; subject to us having given the manager reasonable notice. However, where the Manager commits in this scenario to rotating an auditor within a reasonable timeframe (e.g. one to two years), we may support the resolution on this basis.

RESOLUTIONS DISCHARGING FUND PROVIDERS E.G. DIRECTORS, AUDITORS:

This resolution is specific to Luxembourg Funds, being required under Luxembourg Companies Law (Article 461-7) and involves discharging the relevant provider from liabilities in relation to their duties on behalf of the fund over the year. Where the resolutions occur in relation to a non-Luxembourg Fund this will need to be considered on its own merit to ascertain whether the below approach remains applicable.

The discharge is conditional subject to:

- The accounts containing no omissions or false information.
- Any acts falling outside of the Memorandum & Articles (“M&A”) of the Fund being declared in the AGM notice (i.e. acts outside the M&A that are not declared, are not covered by the discharge).

We will also consider the following factors when determining whether it is appropriate to support the resolution:

- The nature/reputation of the parties involved
- Regulation of the Fund and the parties involved

RESOLUTIONS APPROVING FUND DISTRIBUTIONS:

Where clients are invested in a distributing share class, we will generally support these resolutions.

Where we are invested in an accumulating share class we will generally abstain in relation to these resolutions, as the associated gain is incorporated in the Fund NAV rather than being distributed. If it is not possible to abstain, we will support the resolution.

RESOLUTIONS REGARDING OTHER BUSINESS PROPERLY BROUGHT BEFORE THE MEETING:

We will generally pre-emptively vote against this resolution due to its open-ended nature, which allows other unspecified resolutions to be voted here.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG):

RAMIL has clear voting guidelines on governance issues as laid out in this policy, but to date we have not taken a specific stance on other environmental and social resolutions at company meetings because these are currently unusual in the context of pooled investment vehicles. Subsequently these resolutions are addressed on a case-by-case basis, however we will look to expand this policy to address E & S considerations in the future where we believe it is appropriate.

INVESTOR RIGHTS:

All investors should be treated equitably. Major modifications to the term of a fund should not be made without prior investor approval, including those that dilute the equity or erode the economic interests or ownership rights of existing investors. We will not support proposals that have the potential to materially negatively affect investor rights.