Shareholder Engagement Policy

Background

This Engagement Policy (the "**Policy**") has been adopted by Ranmore Fund Management Limited ("the **Investment Manager**") to not only demonstrate compliance with the relevant regulatory requirements as prescribed under the Shareholder Rights Directive II ("**SRD II**"), and relevant local transpositions across the European Union, but to also demonstrate to its clients the approach it has taken with respect to an effective Environmental, Social & Governance ("**ESG**") framework.

SRD II aims to promote shareholder engagement and improve stewardship practices across the European Union. The Investment Manager is committed to ensuring that investments made by it on behalf of its clients are consistent with their needs and objectives, while ensuring these investments are part of the Investment Manager's holistic ESG framework.

Definitions

For the purposes of this policy, an "investee company" refers to a company which is traded (i.e. listed) on an EU regulated market[1], for example, the Irish Stock Exchange.

Where it is noted in the policy that the Investment Manager has acquired equity holdings in investee companies, it is to be understood these holdings are for the exclusive benefit of the collective investment schemes ("**CIS**") (which are UCITS schemes) for which the Investment Manager acts as portfolio manager.

Monitoring of Investee Companies -

The Investment Manager monitors investee companies on relevant matters, which are outlined below.

1. Strategy

The Investment Manager understands that the ultimate decision making with respect to strategy will remain with the board of directors and senior management of the investee companies. Indeed, EU law specifically precludes UCITS from acquiring shares carrying voting rights which would enable them to exercise significant influence over the management of an issuing body. That being said, prior to the acquisition of holdings in such investment companies, the Investment Manager assess whether the strategy of the investee companies are aligned, in the Investment Manager's opinion, with generating medium to long-term earnings for shareholders.

Prior to investing in relevant listed securities, the Investment Manager will conduct investment due diligence on the investee companies it proposes to invest in to understand its strategy. Members of the Investment Manager's equity research team make use of readily available materials, such as

[1] List of EU Regulated Markets

annual and quarterly reports, company presentations and analyst reports to form an understanding of the company's strategy and competitive positioning. The Investment Manager will not meet with senior representatives of the prospective investee companies to inform their investment decision making process because they do not wish to form any personal biases based on their interactions with certain individuals of investee companies; rather they utilise readily available public information to gather information.

Thereafter, through reviewing investee companies' annual reports, the Investment Manager will ensure that the strategies of the investee companies remain consistent with the objectives of itself and of its clients.

2. Financial, Capital & Non-Financial Performance

Through its initial investment due diligence and ongoing engagement, the Investment Manager will ensure it understands the financial position and performance of each investee company. To effectively review the company's financial position, the Investment Manager will review the balance sheet prior to investment and following each set of published results. In general, the Investment Manager's portfolio of investee companies will have lower debt to equity ratios than the average for companies in the MSCI World Index. This reflects the Investment Manager's view that companies with stronger balance sheets are more likely to survive in the medium to long-term than those with more challenging debt burdens. In addition, the Investment Manager will review investee companies' historic and projected (based on consensus analyst estimates) performance to build an understanding of the investee company's future prospects. The Investment Manager may consider engaging investor relations departments of investee companies if it believes management is not allocating capital in a manner that could benefit the company's long-term prospects.

The Investment Manager will utilise some or all of the following to determine the financial performance and position of investee companies; market data providers e.g. Bloomberg/Morningstar, publicly available reports, press releases, regulatory filings, consensus analyst estimates.

In terms of non-financial factors, the Investment Manager remains appraised of all considerations of a material nature with respect to investee companies, for example, departures of senior management, significant business continuity events, potential for regulatory sanctions etc. The Investment Manager will consider these material events on an ongoing basis to appraise whether the investee company's activities are consistent with the interests of investors in the CISs.

3. Risk

The Investment Manager invests in listed companies and it is extremely rare for the market capitalization to be less than $0.5bn. As such, the Investment Manager draws comfort that such large companies will have experienced and independent risk function and an appropriate risk framework is in place. Furthermore, the Investment Manager will review the risks and uncertainties outlined by investee companies in their annual and quarterly reports, as well as any risks raised by analysts during earnings call question and answer sessions, any risks revealed during the Investment Manager's team's research process and any other risks the Investment Manager's research teams themselves highlight.

The Investment Manager may also use its own modelling to assess the risk to investee company earnings due to the effect of different variables.

4. Social & Environmental Impact

The Investment Manager considers some or all of the following with respect to the social and environmental impact of investee companies;

- The industry and primary activities of the investee company and any related group entities;
- Named individuals responsible for the operations of the investee companies;
- Negative press releases/publications in respect of the activities investee companies undertake;
- Results of its investment research which might present negative news.

The Investment Manager does not publish a list of industries in which it will not invest; neither of the prospectuses of the UCITS funds to which it serves makes any explicit exclusion of any industries. The prospectus is the main offering document of the funds, and the Investment Manager is of the view that to exclude any industries would be to pursue an investment approach which does not have investor consent. Notwithstanding, the Investment Manager is very cognisant of environmental and social impacts and does maintain a list of industries and activities which it would prefer to not invest in if more compelling investment opportunities present themselves – the investment universe in which it sources investment ideas is typically sufficiently large to allow this to occur.

5. Corporate Governance

Corporate Governance refers to the way in which companies are governed, who has power and accountability, and who makes decisions. The Investment Manager invests in large listed companies, primarily in developed markets and therefore are likely to be subject to corporate governance codes, practices and disclosures in place in those countries. For example, UK-listed companies and German-listed companies are subject to corporate governance codes (the UK Corporate Governance Code and Kodex, respectively). During its research, the Investment Manager may consider the board composition and committee structures which have been enacted in investee companies as an effective way of monitoring investee companies in relation to corporate governance. As an example, the Investment Manager has publicly raised concerns where it believes the tenure of independent directors, and their shareholdings in the companies on whose boards they sit, calls into question their ability to act independently and hold the board to account.

Voting Rights

The Investment Manager has adopted a broad proxy voting policy (outlined further down in the document) which has been adopted to ensure that any voting rights acquired generally in its activities are conducted in a manner consistent with the best and long-term interests of the investors for which it acts.

Where the Investment Manager acts as portfolio manager with respect to a CIS, all voting rights will be carried out in a manner which is consistent with the investment objectives and policy of each CIS as well as ensuring that any potential conflicts of interest are appropriately identified and mitigated.

Co-Operation with Other Shareholders

In acquiring equity holdings in investee companies, the Investment Manager understands that it may be appropriate to engage with other shareholders to promote and effect positive change with respect to the operations and governance of these investee companies. The Investment Manager, as appropriate, is willing to engage and collaborate with other shareholders in the pursuit of promoting positive change in investee companies.

This engagement with other shareholders shall be exclusively in the best interests of its clients.

Conflicts of Interest

The Investment Manager has adopted a comprehensive conflicts of interest policy, which is also available on our website www.ranmorefunds.com, which governs the approach the Investment Manager has taken with respect to the identification, mitigation and monitoring of any potential conflicts of interest. In adopting this policy, the Investment Manager is placing additional focus with respect to its engagement with investee companies.

The Investment Manager is committed to ensuring that no unmitigable conflicts of interest arise between its interests in investee companies the interests of its own clients.

Annual Transparency Obligations

On an annual basis, the Investment Manager shall publicly disclose on its website how this policy has been implemented which will consider the following –

1. A general description of voting behaviour;
2. An explanation of the most significant votes taken;
3. Information on the use, if any, of the services of proxy advisers; and;
4. Information on how it has cast votes in the general meetings of companies in which it holds shares

Additionally, where the Investment Manager invests on behalf of an institutional investor (i.e. life assurance companies or occupational pension schemes), the Investment Manager shall publicly disclose annually how it has;

1. Complied with the terms of the arrangement to invest on behalf of an institutional investor
2. Contributed to the medium to long-term performance of the assets of the institutional investor or a fund managed by an institutional investor

In disclosing how the Investment Manager has contributed to the medium to long-term assets of the institutional investor, the Investment Manager shall report on -

1. The key material medium to long-term risks associated with the investments
2. Portfolio composition
3. Turnover and turnover costs
4. The use of proxy advisors for the purpose of engagement activities
5. The Investment Manager's policy on securities lending and how it is applied to engagement activities

The Investment Manager has considered the factors above in order to be able to address them should the situation arise.

The key material medium to long-term risks associated with the investments

The most material risk is that the share prices of the investee companies decline and that the value of the institutional investors' investment in the fund has not only failed to grow but is less than the amount initially invested. Investors acknowledge that this is an inherent risk of equity investing – there are no capital guarantees.

However, research indicates that over the long-term share prices correlate with corporate earnings. As such, the Investment Manager's investment approach is to seek a portfolio of investee companies which, it believes, will grow earnings in the future and whose financial strength gives them a better than average chance of existing in the medium to long-term to generate those earnings. The Investment Manager attempts to do this by investing in companies which exhibit some or all of the following characteristics:

- An above average return on assets when compared to companies in the MSCI World Index;
- Are forecast to grow earnings over the medium to long-term;
- Have a history of generating free cash flow;
- Have strong balance sheets
- Whose share prices trade at attractive valuations which suggest appreciation potential

Portfolio composition

The Investment Manager's portfolios typically comprise around 45-50 equities. Although UCITS investment restrictions allow position sizes of up to 10%, it is rare for the Investment Manager to have individual sizes exceeding 5%, preferring instead to limit stock specific risk. News that materially undermines an equity can emerge without any warning, and therefore, to limit significant exposure to any particular stock, the Investment Manager prefers a more diversified portfolio.

Turnover and turnover costs

The Investment Manager is aware that in some quarters there is a perception that high portfolio turnover might not enable an asset manager to engage with an investee company in an effective way. Furthermore, that high portfolio turnover may be an indicator of a lack of conviction in investment decisions and indicative of momentum-following behaviour, both of which are seen as unlikely to be in the institutional investor's best interests in the long-term, with the view that high turnover both increases the costs borne by investors, thereby reducing their chances of receiving market-beating returns, and can influence systemic risk. Equally, there is a view that very low turnover may signal inattention to risk management and a drift towards a more passive investment approach. By implication, therefore, there is a perception that a certain level of portfolio turnover indicates that the asset manager's processes are aligned with its investment strategy and the interests of the institutional investor.

The Investment Manager believes that portfolio turnover is a nuanced subject.

The investment management profession frequently fields questions or uses terms which may imply that the longer a stock is held is associated with better judgement. For example, it is not uncommon for portfolio managers to field questions such as “Which stock(s) would you never sell?”, or for a portfolio manager to say of an investee company, “I have high conviction in this stock”. Conditions for companies will, and do, change, and often very rapidly. The Investment Manager prefers to not commit to the aforementioned terminology because it may prevent acting quickly when required and may lead to cognitive bias (for example, justifying why an investment thesis still holds true when the evidence points to the contrary). At the time of writing, Microsoft is a major constituent of many global equity fund portfolios. Many portfolio managers have very strong conviction in the investment thesis - as many of them did in the late 1990s. But had a portfolio manager invested in Microsoft at the end of 1999, the share price was only 6% some 15 years later (and not factoring in the effect of inflation reducing their purchasing power), at a time when the MSCI World Index rose 57%. A more recent example can be seen in the Energy sector. Few investors could have envisaged the twin blows to the oil industry from the collapse in global trade and travel from the Covid-19 pandemic and the failure of Saudi Arabia and Russia to agree further curbs. The pace of change and level of disruption that can and does occur in industries can undermine the most robust of investment theses in a very short period of time. Therefore, the Investment Manager does not commit to a minimum or target length of holding – circumstances and outlook can change very quickly. That being said, the Investment Manager’s investment process always begins with an analysis of what the upside to the stock price of an investee company could be if the share was sold in two years’ time, at the portfolio manager’s exit multiple of forecasted earnings – therefore taking a position in an investee company begins with at least a medium-term outlook.

Equally, there may be a perception that a level of portfolio turnover which is deemed high reflects momentum-following trading behaviour, whereas “buy and hold” strategies have determined the “intrinsic worth” of companies and are better suited to generating long-term returns for investors. The Investment Manager is not aware of academic research which substantiates such a thesis, and indeed would suggest that evidence could be found that momentum has been one of the best returning strategies over the past five years. In addition, commentators state that transaction costs associated with buying and selling securities diminish investor returns – all else being equal, this is true. However, active investment management has faced increased scrutiny and pressure on fees for several years, particularly with the rise of low-cost passive strategies. Therefore, portfolio managers are acutely aware of the costs of every trade they make and must weigh those costs against the benefits they think can accrue to investors by changing the holdings. Sales of holdings are undertaken to crystallise gains or to reduce risk. Trading is therefore not undertaken lightly and only takes place if the Investment Managers believes it is in the best interests of investors of the funds to which it serves. Furthermore, since the introduction of MiFID II and the unbundling or research costs from execution-only fees, the Investment Manager has negotiated lower and, it believes, very competitive fees with its brokers.

Portfolio turnover level does not preclude engagement with the management of investee companies or a misalignment with medium to long-term objectives of investors in the Fund. The Ranmore Global Equity Fund plc’s objective is to grow investors’ capital over the medium to long-term and the Investment Manager’s process is to seek investee companies that will contribute to that, and while holding shares in the investee company, the Investment Manager may engage with management in some of the ways outlined elsewhere in this document.

Portfolio turnover ratio may be measured in several ways over a twelve-month period, for example percentage of names still held in the portfolio compared to a year ago; percentage of the fund held in stocks that were held 12 months ago. However, the most common measure and the one which the Investment Manager will use is to divide the lesser of purchases or sales of portfolio securities over a year by the average net asset value of the Fund over the same period. Turnover costs will be measured as the broker commissions incurred in the purchases and sales, divided by the average net asset value over the period.

There are no regulatory definitions of what percentages constitute low or high portfolio turnover rates, but anecdotal publicly available material would suggest a turnover of 20-30% is considered low, and indicative of a buy-and-hold strategy, whilst more than 100% would indicate a high turnover rate. The Investment Manager believes that whatever portfolio turnover rate is returned for the portfolios under its investment management is neither inherently bad nor good for investors' medium to long-term returns and neither is it indicative of a lack of engagement with investee companies; instead, the Investment Manager would welcome any queries from investors regarding trading patterns.

The use of proxy advisors for the purposes of engagement activities

The Investment Manager uses the services of ProxyEdge (Broadridge) to enable it to receive electronic ballots for which Ranmore Global Equity Fund plc, as the ultimate beneficial owner of shares, is entitled to vote. The Fund's Depositary/Custodian passes details of Ranmore Global Equity Fund plc's positions in listed shares to Broadridge, which in turn passes ballots electronically to ProxyEdge. The Investment Manager has a secure portal login with which it can cast votes.

The Investment Manager has not engaged the use of proxy advisors for the purposes of recommending voting on each ballot proposal.

However, the Investment Manager has used publicly available broad guidelines from proxy advisor firm Glass Lewis to assist in formulating its voting approach. In general, the Investment Manager's policy with respect to more common voting matters are as follows:

<u>Separation of roles of CEO and Chairman</u>

The Investment Manager will, in general, vote against any management proposal to combine the two roles because executives report to the board on their performance and a separation of the two creates a better governance structure.

<u>Election of directors</u>

Ideally, the board will comprise directors who have a history of making objective decisions and, where possible, have served on boards which have not been tarnished by matters such as excessive compensation, poor performance, issues raised by auditors. A typical ballot paper will require a vote on the election of ten or more directors. As a practical matter, the Investment Manager does not have the resources to research each candidate. The Investment Manager will therefore abstain. The same approach will be taken with votes on director remuneration packages, unless the Investment Manager is aware that the proposal promotes remuneration more closely with company performance and long-term alignment with shareholders, in which case it will vote in favour of the proposal.

<u>Election/appointment of auditor</u>

The Investment Manager will vote in favour of management's proposed auditor, unless it is aware of audit failings or that that the auditor's independence is compromised.

<u>Dual-class shares</u>

The Investment Manager will, in general, vote against any dual-class share proposals, believing that a one share-one vote ensures greater accountability of the company and greater shareholder protections.

Repurchase of shares / dividend proposal

The Investment Manager will generally vote in favour of share repurchases and dividend payments unless its investment thesis suggests capital could be allocated more effectively (for example, to pay down debt).

Amendment to the Articles of Association

Where practical, the Investment Manger will investigate the proposal and vote accordingly. Otherwise, the Investment Manager will abstain.

Proposals that increase shareholder rights

The Investment Manager will vote in favour of such proposals.

Environmental, social and other governance proposals

Where practical, the Investment Manager will research such proposals and vote accordingly.

The Investment Manager’s policy on securities lending and how it is applied to engagement activities

The Investment Manager does not engage in securities lending.

The Investment Manager will complete its first annual disclosure by 3 September 2021 which is one year following the adoption and publication of this policy.

Policy Governance

This Policy is subject to at least annual review.