UK STEWARDSHIP CODE REPORT

2022

CHELVERTON'S COMMITMENT TO STEWARDSHIP AND REPSONSIBLE INVESTING

DAVID HORNER
MANAGING DIRECTOR

As boutique asset managers, dedicated to investing in small and mid-sized companies, stewardship has always been at the heart of our investment approach.

We are active managers, following a bottom-up approach to stock selection and we understand successful investment in nimble, under-researched companies requires a high level of commitment to stewardship centred on direct company engagement. We consider our skill in this regard to be value enhancing, for both clients and wider stakeholders.

We build commitment to the companies in whom we invest slowly, meeting executive and non-executive managers regularly to ensure our understanding of all factors that may impact the investment case over time.

We consider in-house analysis and data collection to be particularly important when investing in small and medium-sized companies given a paucity of information which can result in pricing inefficiencies, including in relation to environmental, social and governance (ESG) issues, and we have developed a proprietary system for ESG data collection that informs active stewardship of individual companies.

Although we do not currently manage any specialist sustainability-focussed or impact strategies that exclude or select investments on the basis of sustainability objectives, we increasingly meet with company sustainability professionals to better understand each company's sustainability focus and how this relates to the maintenance of competitive advantage. We offer the executive teams of our smallest companies support in their development of improved ESG reporting capabilities, to address information gaps that may result in an increased cost of capital for those not providing required management data. Our investment managers devote significant resources to these activities, relying on the support of a dedicated ESG team working alongside them.

Against this backdrop of long-standing commitment to active stewardship and responsible investing, 2021 was a year of new commitments aimed at improving transparency, to ensure our alignment with evolving best-practice, most notably that set out in the revised UK Stewardship Code 2020 and associated United Nations-supported Principles of Responsible Investing.

Following submission of our first UK Stewardship Code 2020 report in 2021, we were pleased to be accepted as new signatories and we hope to maintain our signatory status in 2022, as we now present reporting improvements in 2022 in response to the constructive feedback offered by the Financial Reporting Counsel (FRC).

Our report again seeks to highlight the solid foundations of our stewardship and how this is designed to protect and enhance value for our clients within the context of rapid change in a more divided world.

We hope to convey the evolution that is underway at Chelverton regarding aspects of our responsibility, both as a business and as an investor, as we continue to respond to the opportunities of the next decade, for the benefit of both our clients and wider stakeholders.

THEMES IN 2022

SALLY CLIFTON
HEAD OF RESPONSIBLE INVESTING

Without doubt 2022 was another challenging year, particularly for small and medium-sized companies.

Optimism at the start of the year, based on expectations of post-pandemic demand generating modest inflation as supply chain problems eased, was quickly dashed by the advent of war in Ukraine.

The resultant energy crisis, spurring inflation to levels not seen since the 1970's and leading to sharply rising interest rates, created a perfect storm.

As Chelverton navigated this storm and increasingly considered what it means to be a responsible investor, it seems important to acknowledge that even war has not displaced climate and related environmental and social issues as the key challenges of our time.

The depletion of the world's natural capital, caused by over-exploitation in combination with damaging levels of pollution and waste, requires increasing focus and we expect nature restoration to rise up the agenda of risks to manage.

Social issues similarly remain pressing. The rising threat of cybercrime and responsibility for consumer protection in a digital age undergoing rapid transformation due to advances in AI, is high on the agenda. Addressing inequality and human rights, particularly abuses within complex supply chains, remains important when considering how companies behave.

Half-way through the year we wrote regarding whether we expected the spiralling energy and food prices that have led to the cost-of-living crisis and sustained wage inflation, particularly in the UK's tight post -Brexit labour markets, to divert attention from country level and company ESG focus, threatening a reversion to the long grass for systemic problem solving.

In our view, the scale and urgency of required change maintains the need for system reform, and we foresee supportive policies and the continued development of more sustainable business practices as valuable sources of competitive advantage going forward. Whilst we are aware of concern the UK may be slipping behind the EU on ESG standards, the argument is relative and the UK and EU both remain leading in this field.

In consequence our year has been one of action, not least through the creation of a new leadership role, Head of Responsible Investing, as an indication of our commitment to Responsible Investing and Stewardship.

We have implemented changes, formalising an ESG Policy for our investments and working to develop an ESG Policy for our business, as two pillars of our responsibility, and we have been laying foundations that will allow us to adopt targets relating to the control of system risk within stewardship objectives and the management of our business going forward.

Our focus on filling prevalent ESG data gaps within our investing niche, and encouraging improved reporting, is one way we seek to unlock unrecognised value and control risk, and it forms an integral part of our engagement approach ensuring appropriate balance between attention to financial and non-financial investment quality indicators.

As specialist investors we are mindful that, despite the importance of small and medium-sized companies in the delivery of required change, their needs are often overlooked in policy, framework, and standards development.

In consequence, our year has been characterised by increasing participation in consultations that have a bearing on the inclusion of small and medium-sized companies in appropriate policy development related to systemic risk control and responsible investing.

Finally, we have been dedicating time to staff training and capacity building in the areas of both responsible business and responsible investing.

Notably, as a supplement to the proprietary ESG data that we have been gathering over several years now, we have continued to add external resources that provide contextual insight in the areas of carbon risk, controversy risk (including human rights), and governance risk, for indicative purposes. We do not rely on this data for a range of reasons primarily related to large-cap context, but we nevertheless find it a useful indicator of the strength of our bottom-up selection processes.

Our processes have proved robust in troubled times. We continue to invest in well led companies with strong cash flows, low debt, and a wide economic moat, and have maintained strong focus on company engagement to understand how our companies are coping with the current trading environment and planning for the future. Whether we are considering how employment brands and talent management correlate with shifting employee preferences in tight labour markets, or looking at company investment in digitalization, automation, and resource efficiency, the advantages of strong leadership remain clear, and we remain impressed by the agility and resilience of our companies.

The Ukraine crisis has undoubtedly accelerated overdue actions to improve energy security and efficiency, promoting faster energy transition. This will be a resource hungry process in terms of energy, materials and enabling technologies. Whilst debates may remain around coal use, the need for new fossil fuel exploration and production, and the sourcing of essential materials to fulfil needs in the short-term, the arrival of climate and nature-related risks has strengthened resolve. Pragmatism must ensure the change pathway adheres to the highest possible sustainability standards if nations are to achieve required goals.

We welcome new policy measures designed to support change and consider that our region’s regulatory strength, historically considered too costly for business success, is becoming an increasing source of competitive advantage. Indeed, we have written about this theme during the 2022.

We remain confident in our investment approach and the importance of our investing niche within the context of the challenges discussed, but we are never complacent. As we summarise our Stewardship in 2022 and reflect upon responsible investing as an approach that can deliver long-term investing objectives, we are already working to improve areas of focus, ensuring efficient capital allocation and appropriate participation in the delivery of system change from the bottom-up.

INTRODUCTION

The following document outlines the Chelverton Asset Management Limited ("CAM") approach to stewardship and our alignment with the principles of the UK Stewardship Code, for the period to 31 December 2022.

Stewardship is defined in the UK Stewardship Code as the responsible allocation, management, and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Interested parties requiring further details about this report, or any of our stewardship activities, should contact our Head of Responsible Investing, Sally Clifton at sdc@chelvertonam.com.

Associated stewardship and responsible investing documents, namely CAM's Engagement and Voting Policy, ESG Policy, Quarterly Engagement and Voting Report(s), and annual Engagement Plan(s), are available to view on our website alongside this report.

PRINCIPLE 1

Signatories' purpose, investment beliefs, 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.

CONTEXT

Established in 1998, CAM is a boutique asset management company dedicated to investing in quoted and AIM traded small and medium-sized companies. We follow a bottom-up approach to stock selection, managing one open-ended investment company (OEIC) comprised of three complementary strategies serving differing client investment needs, and one closed-ended investment trust.[1]

Assets under management (AUM) at the end of December 2022 were £1.60 billion, split as follows:

OEIC:

MI Cheverton UK Equity Growth - Launched October 2014, fund size £1,015m
MI Chelverton UK Equity Income - Launched December 2006, fund size £376m
MI Chelverton European Select - Launched March 2018, fund size £156m

Closed- ended Investment Trust:

Chelverton UK Dividend Trust - Launched May 1999, gross assets £53.1m

For clarity, CAM invests 100% in quoted and AIM traded equities and the geographical breakdown of our AUM is:

- UK 90.25%
- Europe 9.75%

Our clients are the four funds that we manage, shown above.

We are appointed as the investment manager of the OEIC funds by the Authorised Corporate Director (ACD), Maitland Institutional services Ltd, with responsibility for managing the assets according to the mandate set for each fund on behalf of the investors within it.

We are appointed by the Board of the UK Dividend Trust as the investment manager, with responsibility for managing the assets according to the mandate for the Trust on behalf of the investors within the trust.

[1] For reasons of proportionality Chelverton Growth Trust (NAV: £2.89m, as at 31.12.2022) is omitted from this report. Further details available on request.

We recognise our responsibility to the ultimate beneficiaries of the assets that we manage, and our responsibility to other stakeholders, and discuss this further in Principle 6, including how and with whom we communicate. However, for clarity, most fund investors are professional investment advisors seeking exposure to small and medium-sized companies on behalf of their individual or institutional clients.

We do not market directly to retail investors but provide prospective and current professional investors investing on their behalf with regular monthly updates, investment bulletins, webinars, and one-to-one meetings detailing our investing activities and approach.

As can be seen from the geographical asset split, we invest predominantly in the UK but also in Europe (ex UK).

The MI Chelverton European Select Fund is the only strategy permitted to invest across the company size spectrum. However, the managers of this fund share CAM's investing belief that superior returns can be delivered over the long-term by investing in small and mid-sized companies, and over 80% of the fund is invested in this segment at the time of writing.[2]

Stewardship of the assets that we manage lies at the heart of each investment process as a core activity and source of valuation creation. We devote significant resources to stewardship and consider company engagement and targeted collaborative work to be a key factor in securing investment success over the long term. We engage with companies to better understand the investment dynamics, monitor investment risk and, where appropriate, enhance the prospects of targeted companies for the benefit of our clients.

The investment managers of each fund undertake stewardship activities with the support of CAM's dedicated Environmental, Social and Governance (ESG) team working alongside them.

The interplay between our purpose, investing beliefs, strategy, and culture coheres to support our stewardship on behalf of our clients. Interested parties may like to refer to our Responsible Investing Policies Pack for further details, which compiles in one place the responsible investing principles and policies that guide the stewardship of our funds.

Coherence is simplified by the shared investment focus of our strategies on small and medium-sized companies and, within this, on specific financial and non-financial investment quality characteristics.

Purpose

Our purpose is to ensure the delivery of our client's investment objectives over the long-term through investing responsibly, predominantly in small and medium-sized companies.

[2] Source: Factset Chelverton Asset Management 31 January 2023

Whilst our clients drive our purpose and sit at heart of everything we do, we believe our purpose serves wider stakeholders, by ensuring investment is allocated efficiently in an under-researched but important segment of the market.

Our consistent long-term lens necessitates consideration of change trajectories that present both investing opportunities and challenges for investors, such as those relating to climate change and more sustainable business practice.

Investing beliefs

CAM is a responsible investor, believing this approach will deliver long-term benefits for clients, beneficiaries, the economy, environment, and wider society.

We recognise an evolution is taking place in what it means to be a responsible investor and we understand that the use of general terms can lack clarity given the diversity of investing approaches that have emerged in recent years. We welcome the clarity the proposed UK fund labelling regime should bring when the Sustainability Disclosures Regime (SDR) is finalised in 2023. However, in the meantime, we offer the following infographic to explain our current approach to responsible investing, based on guidance from the United-Nations supported Principles of Responsible Investing (UN PRI) and other relevant bodies, such as the Investment Association[3].

Style	Traditional Investment	Responsible Investment ESG Integration and Stewardship		Sustainability Characteristics	Sustainable Thematic	Impact
Definition	Limited or no consideration of ESG issues	ESG issues considered within analysis and decision making to protect and enhance investment returns	Active ownership of investments, including voting and engagement, to protect and enhance investment returns	Investments selected on defined sustainability criteria	Investments selected on defined sustainability themes	Investments targeting defined environmental or social returns
Examples	No systematic inclusion of ESG issues within investment processes	Systematic inclusion of material ESG risks and opportunities within investment processes	Responsible allocation, management, and oversight of investments	Best in class selection criteria Positive tilt selection criteria Exclusion criteria	Thematic inclusion criteria such as those relating to climate, water, biodiversity, or social themes	Impact measured against one or more of the UN Sustainable Development Goals
Approach	✗	✓	✓	✗	✗	✗

We believe small and mid-sized companies play an important role within the economy, creating jobs and delivering changing needs at pace. We recognise our companies as solution providers, innovators, and agile change actors, who are frequently relied upon to

[3] https://www.theia.org/sites/default/files/2019-11/20191118-iaresponsibleinvestmentframework.pdf

participate in the delivery of more sustainable business practice. However, small and medium-sized companies are under-researched, generating information gaps and valuation anomalies that CAM seek to identify for the benefit of clients and wider stakeholders.

Each investment strategy follows its own investment process regarding the financial criteria chosen to refine the universe of stocks to an investible universe, followed by meeting the company management to understand more about the business. However, our managers share a focus on certain financial and non-financial investment quality indicators, including free cash flow metrics, balance sheet strength, and management quality indicators.

CAM believe strong governance (G) is an essential management quality indicator and this is a primary focus for our stewardship, alongside each company's approach to the management of relevant environmental (E) and social (S) factors.

Our engagement approach has evolved in 2022 to include collecting data that will enable us to invest with specific ESG intentions should our clients require this going forward. We are currently laying the groundwork necessary for us to set targets and monitor company progress, allowing us to participate in country-level commitments such as Net Zero[4]

We discuss how we integrate stewardship and investment in detail in Principle 7. However, our current objective in integrating ESG criteria within analyses is three-fold, and we believe this adds value for clients and other stakeholders:

- To optimise our management of investment risk and opportunity
- To improve the quality of our company engagement and stewardship
- To fulfil our fiduciary duty

We manage well diversified investment portfolios, and whilst we frequently hold substantial stakes in smaller companies, we generally limit ownership of one company to 10% across all strategies, investing for an average period of 3-5 years.

We are not 'forever' investors and look to recycle funds into new opportunities once an investment thesis has been delivered, or circumstances change preventing the delivery of the original investment case.

Our approach is to foster constructive relationships with the executive and non-executive management teams of committed holdings through regular engagement. Increasingly we also foster relationships with sustainability and other associated professionals, such as investor relations. We engage in purposeful dialogue on all matters that may impact the success of the company and returns to shareholders, in line with our purpose.

[4] https://www.gov.uk/government/publications/net-zero-strategy

Business Model and Strategy

Our business model and strategy are simple. The company is a boutique equity asset manager focussed on small and mid-sized company investment.

Our employees are predominantly investment managers, supported by a specialist ESG team, finance and regulatory specialists, and business support staff.

As dedicated investment managers, CAM are not directly involved in the role of fund administration, custodial roles, or depository.

Our investment management activities are the primary source of our revenue, with approximately 2% of revenue derived from any other activities.

Our strategy rests on leveraging our expertise as investors in small and mid-sized companies. This drives all decisions relating to resource allocation, capability building, and talent management, ensuring we can create, sustain, and protect value for our clients and, in so doing, wider stakeholders.

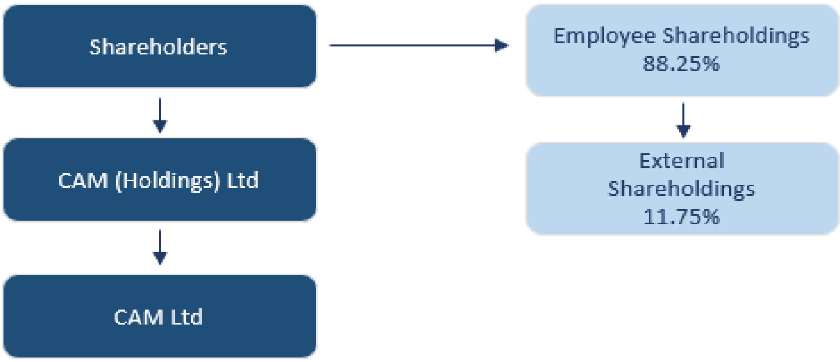
Culture

Our culture is essential to the delivery of our purpose, investing beliefs and strategy, and it influences our stewardship.

We consider corporate culture to be a management quality indicator when assessing potential investee companies, understanding that culture forms an important ingredient of sustained competitive advantage, inter-playing with purpose to influence how a business operates and whom it serves.

This perspective is relevant to our understanding of the importance of nurturing and managing culture within our own business.

Essential to our culture is the fact that our business is a majority employee-owned company. Our employees are primarily investment professionals involved in the day-to- day delivery of our client's investment objectives.



Our culture, led by our directors, creates a purposeful, collegiate working environment that aligns business and client objectives. It is supported by a variety of policies and procedures, including recruitment practices and an annual culture letter, outlining expectations regarding how we work together and for our clients. This is supported by training, a Compliance Manual containing a Code of Conduct, and a Staff Handbook. Policies include equal opportunities, conflicts of interest, anti-bribery and corruption, data protection, whistleblowing, acceptable behaviour, and disciplinary and grievance.

Policies are reviewed and updated on a regular basis, at least annually, and consistency is ensured by appropriate training. This is discussed further in Principles 3 and 5.

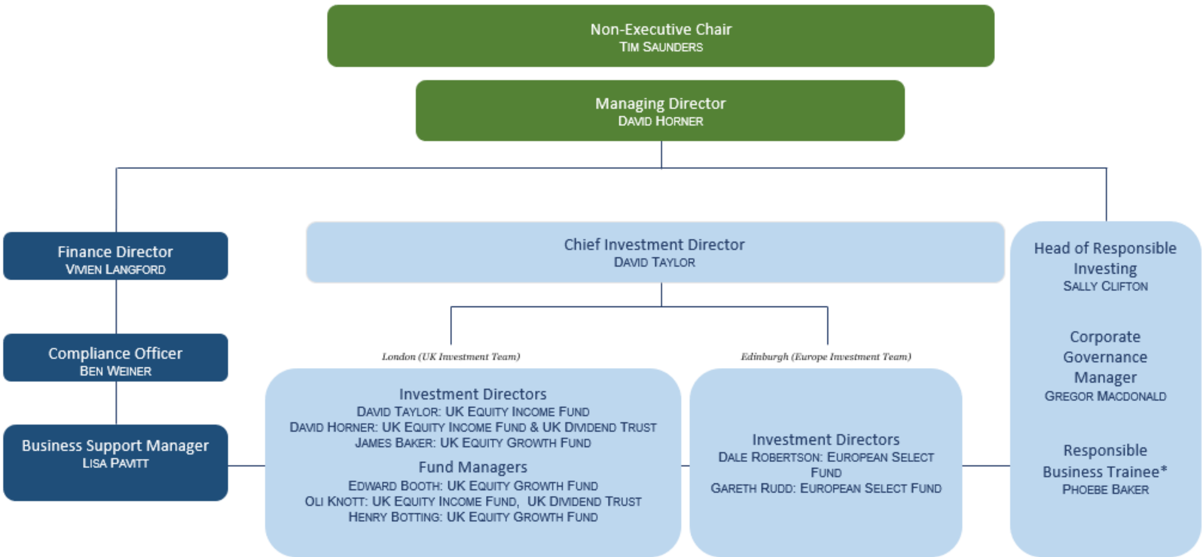
CAM dissuades employees from any activities that may negatively impact client interests or the business in a variety of ways, but most particularly by aligning employee and client interests in these two ways:

- employee participation in the company's share ownership
- employee participation in the investment strategies that we manage.

We operate a 'flat' management structure, designed to optimise oversight and the sharing of ideas and information. Importantly this provides clear lines of responsibility to our board, which consists of four directors: non-executive chairman, managing director, chief investment director, and finance director.

The managing director and chief investment director are involved in day-to-day investment decision-making and stewardship.

Our organisational structure is discussed in Principle 2 but is represented in this diagram:



*Added to the Team in March 2023 following work experience in 2022

Our team is diverse in respect of age, with a keen eye to succession planning. Twenty-five percent of board members are female, as are twenty-six percent of staff, and CAM had fourteen employees during 2022.

Diversity, Equity and Inclusion (DEI) is a subject we recognise requires focus to address systemic challenges related to opportunity. We understand improving DEI is important for the maintenance of a healthy financial and economic system, and for society in general. We hold our investee companies to account regarding their approach to DEI, understanding this is an important management quality indicator that has a bearing on sustained competitive advantage in tight labour markets.

We continuously discuss DEI with respect to our own business, especially given the poor levels of diversity within our industry and talent constraints within our niche. Focussed company-wide discussions are allowing us to progressively address DEI in ways that are appropriate to our small size and industry, as we expect of those in whom we invest.

ACTIVITY

Our Shareholder Engagement and Voting Policy, guides our stewardship, outlining the principles that underpin our approach, which is central to each investment process. Our engagement and voting activity should be viewed within the context of the process steps for each investment strategy, outlined in Principle 7.

We devote particular attention to corporate governance (G) and expect investee companies to comply with the principles expressed in the UK Corporate Governance Code, or UK Quoted Companies Alliance (QCA) Code for small and medium-sized companies or explain why they have not done so. We consider the individual circumstances of smaller companies when reviewing governance code compliance and in respect of European (ex UK) companies, we recognise regional corporate governance code differences and consider these as relevant.

Alongside our primary focus on corporate governance, we recognise the increasing importance of considering the management of environmental (E) and social (S) issues within company analyses.

Our ESG Policy, outlines how ESG issues are integrated within each of our investment processes and, in particular, how and which ESG risks are identified, monitored and controlled.

Our approach to engagement and voting pivots on a regular cycle of company meetings to monitor each investment, outlining our expectations and, where appropriate, providing advice and support with the aim of improving company prospects.

Our meeting cycle is supported by annual Engagement Plans initiated in 2021 and progressed in 2022, designed to ensure ESG management quality is appropriately monitored as part of our stewardship.

During 2022 we sought to maintain and strengthen the delivery of our purpose, adherence to investment beliefs, and the strategy and culture that enables stewardship, in the following ways. Many of the initiatives mentioned are discussed in more detail in subsequent Principles, but are nevertheless relevant in support of Principle 1:

- We developed our governance, maintaining a flat structure but confirming our non-executive director as non-executive Chair.
- We progressed our annual programme of director sponsored culture meetings, focussing discussions in two areas of importance for us:
  - Diversity, Equity and Inclusion, inviting the female founder and then CEO of Finn Cap, to discuss her insights. Finn Cap is the largest broker for companies traded on the AIM market, and a top 5 broker for London Stock Exchange lists companies.
  - Proposed business level ESG Policy, to include a carbon emissions reduction strategy alongside other environmental and social initiatives of relevance to us.
- We continued to develop our talent pipeline to support our business model and strategy:
  - All investment managers up to Fund Manager level attended supplementary Responsible Investing training via the PRI Academy.
  - We sponsored a work experience candidate within the ESG Team, who has subsequently accepted a Responsible Business Trainee role.
  - We created a new role of Head of Responsible Investing to ensure adequate leadership within this fast-developing area.
- We worked to improve the alignment of our stewardship activities with the revised UK Stewardship Code, taking into consideration the constructive feedback provided by the Financial Reporting Council (FRC) in 2021.
- We progressed our annual Engagement Plan requesting additional information relating to specific ESG issues to fill data gaps and inform active stewardship, preparing us to consider setting targets for our AUM and business-level commitments, such as those relating to Net Zero commitment[4].
- We intensified participation in consultations regarding the evolution of responsible investing and the development of the UK sustainable fund-labelling regime (SDR), to ensure consideration of small and medium-sized companies within framework and standards development, alongside other relevant collaborative work.
- We improved the structure and oversight of our ESG integration in several ways:
  - Developed an ESG Policy, approved by our Board, detailing how ESG issues are incorporated within each investment process and the risks monitored.
  - Added additional ESG risk monitoring capabilities, including subscriptions to ASR Macro ESG research insights, and MSCI ESG controversies, identifying violations of accepted Global Norms relating to business principles and human rights, and highlighting controversial business exposures.

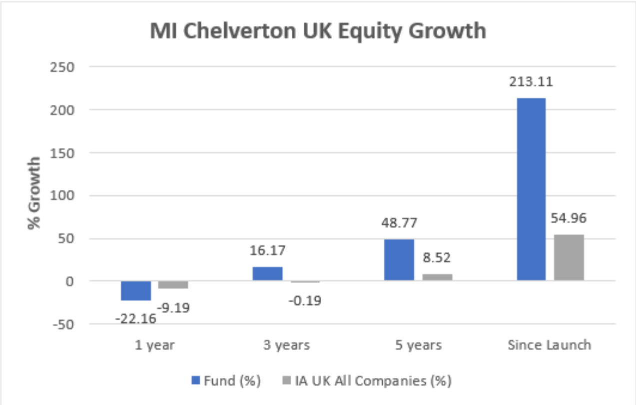
OUTCOMES

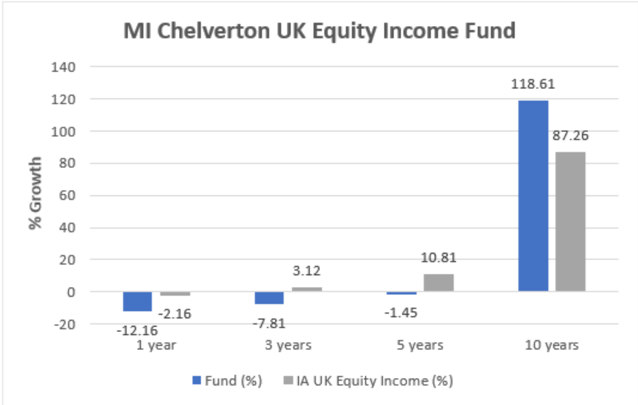
We discuss our stewardship within the context of a challenging year for UK and European small and medium-sized companies in subsequent Principles. The challenges of the year underpinned the centrality of our stewardship as an essential component of protecting and enhancing client objectives and contributing to market stability in relation to small and medium-sized companies.

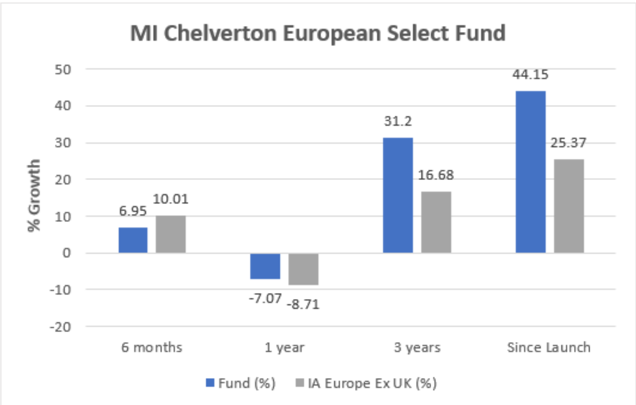
However, in relation to how our purpose, investing beliefs, strategy and culture enables stewardship that creates long-term value for clients and other stakeholders, we again point to two indicators of long-term success:

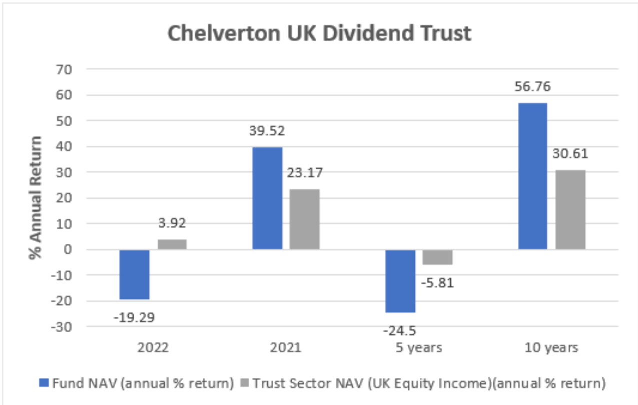
- the relative outperformance of each strategy over the long-term despite the underperformance of small and medium-sized companies relative to larger company peers in 2022.
- the trend of improving fund level ESG quality over a three- year period for each strategy, using MSCI methodology.

Relative Outperformance of Each CAM Strategy over the Long Term:









Sources: OEIC % cumulative performance: Morningstar and CAM Ltd 31.12.2022
UKDT % Annual Returns: Morningstar and CAM Ltd 31.12.2022

Fund ESG Quality Scores During 2022:

The MSCI Fund ESG Quality score is based on a compilation of three factors:

- the weighted average MSCI ESG score of underlying fund holdings.
- the positive or negative momentum of company ESG scores over time
- the total exposure within the fund to below average ESG risk holdings

Links to the methodology for scores can be found here but it is helpful to say that the scale adopted is from 1 (laggard) to 10 (leader), with MSCI band descriptions shown as follows.

Fund ESG Quality Score	Fund ESG Rating
8.6* - 10.0	AAA
7.1 - 8.6	AA
5.7 - 7.1	A
4.3 - 5.7	BBB
2.9 - 4.3	BB
1.4 - 2.9	B
0.0 - 1.4	CCC

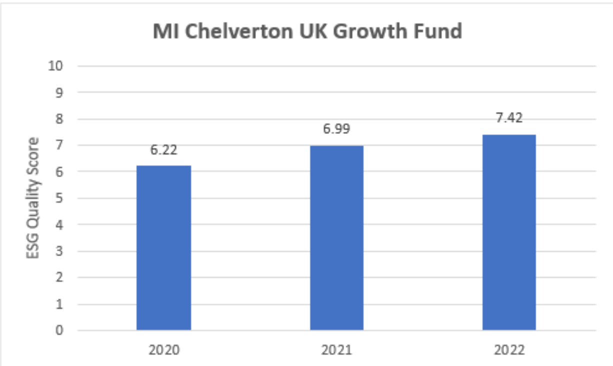
FUND ESG RATINGS		WHAT IT MEANS
AAA AA	LEADER	The companies in which the fund invests tend to show strong and/or improving management of financially relevant environmental, social and governance issues. These companies may be more resilient to disruptions arising from ESG events.
A BBB BB	AVERAGE	The fund invests in companies that tend to show average management of ESG issues, or in a mix of companies with both above-average and below-average ESG risk management.
B CCC	LAGGARD	The fund is exposed to companies that do not demonstrate adequate management of the ESG risks that they face or show worsening management of these issues. These companies may be more vulnerable to disruptions arising from ESG events.

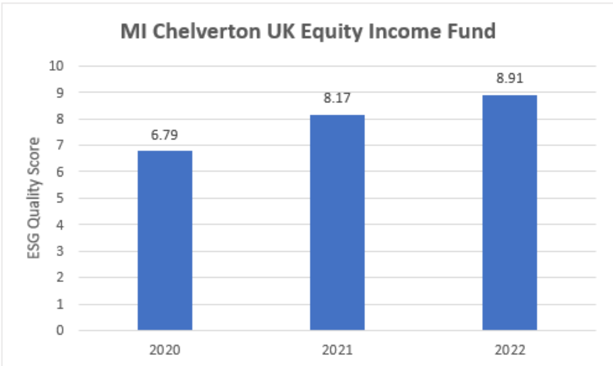
Source: MSCI ESG Fund Rating Methodology January 2023

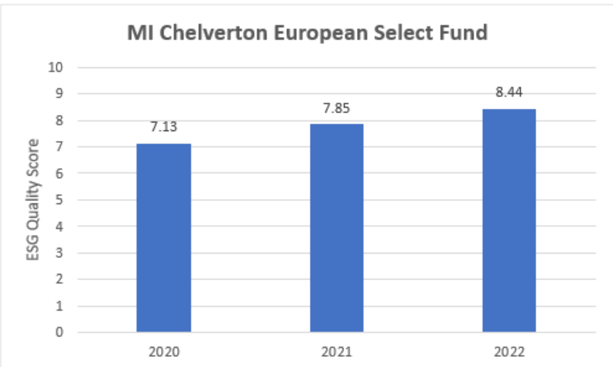
We have been monitoring fund ESG quality scores over a three-year period by generating internal reports using MSCI data services, amongst a range of other risk parameters.

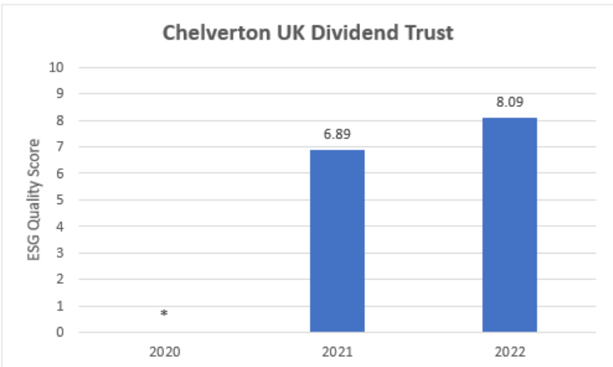
We consider the results should be viewed within the context of the MSCI company research coverage for each fund, given there are limitations[5]. However, within the context of these limitations, we feel the information is indicative.

All funds have improved their ESG quality score over the three-year period, and all are now in the AAA or AA band, as shown in the infographic below:









*Score unavailable for 2020. Indicatively score for Q1 2021 was 6.25.

Source: CAM Ltd internal ESG Risk Reports using MSCI data services, 2022

[5] Fund coverage at end Dec 2022, CUEG 51%, CEIF 78%, CESF 54%, UKDT 33%

Principle 2

Signatories' governance, resource and incentives support stewardship.

Context

As discussed in Principle 1, as a majority employee-owned company CAM's simple business model and flat organisational structure support our commitment to stewardship in the following ways:

- niche investment expertise in the small and mid-cap market segment
- client focus
- clear lines of responsibility and oversight
- dedicated resources
- alignment of employee incentives with client objectives

As mentioned in Principle 1, stewardship sits at the heart of every investment process as a core, value adding activity. Our stewardship activity is guided by our Shareholder Engagement and Voting Policy and supported by a complementary annual Engagement Plan designed to ensure adequate focus on ESG issues. CAM's ESG Policy guides how ESG issues are integrated within each investment process and the risk controls in place to monitor exposures.

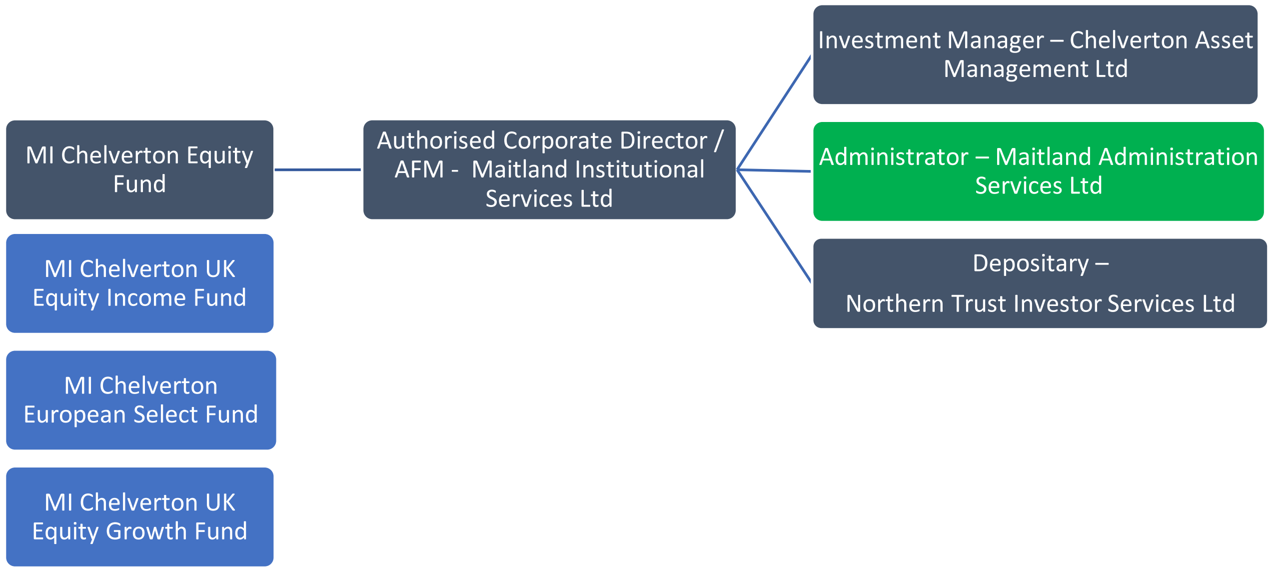
The advantage of CAM's long-standing but continuously evolving approach to Stewardship is manifest in fund outperformance records.

Activity

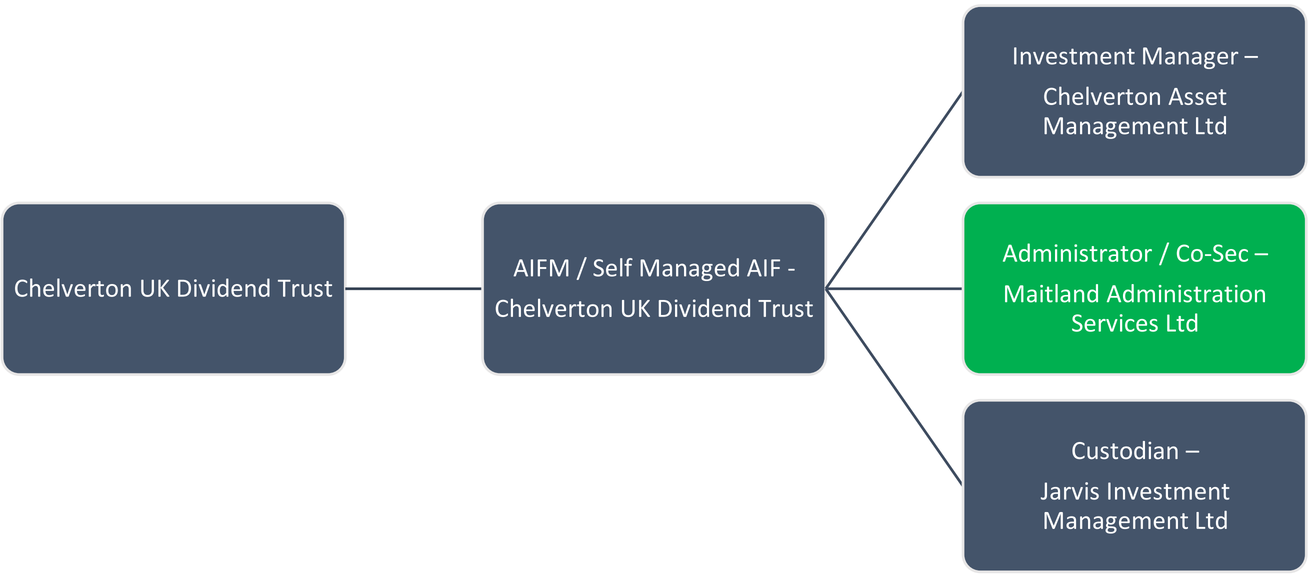
- **Governance**

Stewardship is supported by our flat management structure and size, which create clear lines of responsibility and oversight.

Oversight elements for the OEIC strategies are described in the following diagram:



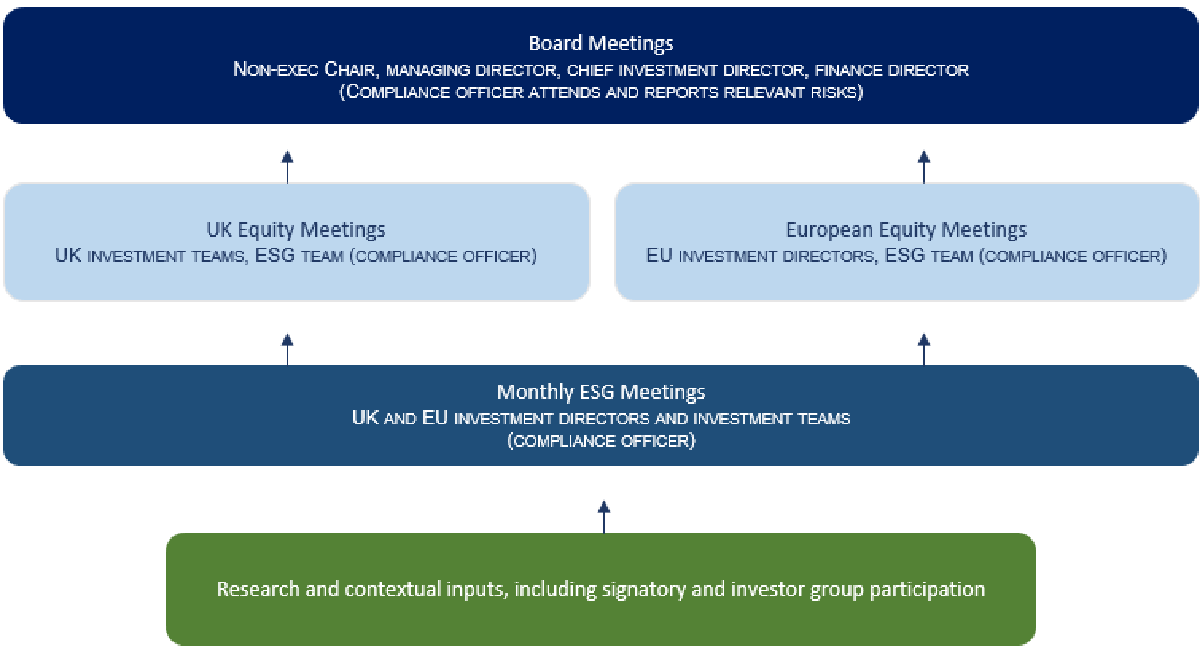
Oversight elements for the UK Dividend Trust are similarly described:



All companies and funds within the dark blue diagram areas are approved by the Financial Conduct Authority. CAM is appointed as Investment Manager on behalf of those funds.

Within this context, management of the funds by CAM managers is supported by a formal meeting structure, designed to provide peer challenge and ensure information flows between investment teams, informing company engagements in line with each fund's investing objectives.

The following infographic summaries the formal meeting structure and information inputs, including the mechanism for reporting investment risk to the board via our compliance officer.



Monthly ESG meetings provide an independent review of fund level ESG risk (overall ESG risk, carbon risk, controversies risk, controversial business exposures), with reports flowing to Board level. The forum is an opportunity to discuss the following:

- Company governance issues, agreeing the engagement approach.
- Progress against the annual engagement plan, and matters arising.
- Relevant ESG themes and news for investment context and to inform company engagement.

Inputs from ESG meetings provide a backdrop for regular UK and EU equity meetings, which focus on macro context, the positioning of funds, and relevant investment activity. Again, reports from these meetings flow to the Board.

Information flows are iterative given two board directors are also members of investment teams.

The recent addition of a non-exec Chairman of the Board strengthens the independence of the process, and the Compliance Officer also provides independent oversight of investment activity.

- **Resources**

Resourcing of stewardship is discussed in greater detail in Principle 5 and 7. However, CAM's primary resource is the experience of our skilled investment managers who are all specialist in small and medium-sized company investment, and other relevant team members who are similarly experienced in their respective areas of responsibility.

Specifically, each strategy is managed by a team of at least two experienced Fund Managers working together, at least one of whom is an Investment Director.

Each Investment Director has at least 20 years of experience working within the small and medium-sized company segment and our talent pipeline for each investment strategy is assured by the recruitment of carefully selected additional team members with experience working within the small and mid-cap market segment. All investment team members up to Fund Manager level have undertaken specific training in active stewardship in addition to the professional qualifications that they hold which are relevant to the field of fundamental equity investment.

Similarly, the Head of Responsible Investing and Corporate Governance Manager each has over 20 years of experience relevant to providing in-house governance and voting analysis, E and S pillar analysis and devising and managing the annual Engagement Plan that sits alongside CAM's company meeting cycle to enable the setting and monitoring of our stewardship objectives.

Finally, we have an experienced Board, and a Compliance Officer and operational team with the requisite qualifications and experience to support our Stewardship.

The CAM website provides details regarding the background and experience of the entire Chelverton team, including our Board, accessible here.

Of note, the investment teams are not currently diverse, and this is a matter of continuous discussion. Relevant experience within our investing niche makes recruitment a challenge and we will continue to address this issue as opportunities arise, particularly through any opportunities we may have to support trainee roles.

As discussed in Principle 8, whilst each investment process undertakes its own research, each investment team and the ESG team has access to contextual inputs and relevant training from a range of sources, that include:

- Broker research from different research houses specialising in small and mid-sized companies.
- Macro ESG and other market research from ASR Research
- MSCI ESG data, thematic research, and educational webinars
- Summary ESG ratings from Sustainalytics, ISS and Robecco SAM via Bloomberg, and sponsored webinars
- CDP environmental data, and sponsored webinars
- Other webinar training by industry groups, such as ICGN and UN PRI
- Industry information and webinar training from groups such as EDIE

At the business level we have access to Carbon Analytics scope 1, 2, and 3 emissions data for our Company (ex-portfolios), plus a range of other business support services.
As we discuss in Principle 6, we use a third-party marketing partner, Spring Capital Partners Ltd, to provide sales and marketing support that ensures we meet our clients' demands for information relating to our stewardship activities.

- **Incentives**

As discussed in Principle 1, CAM's employee-ownership structure and employee participation in the investment strategies that we manage, support the alignment between employee interests with the needs of our clients. In so doing, this incentivises the stewardship activity that lies at the heart of each investment process as a key element of investing success.

All full-time employees are shareholders in the firm, and we consider stewardship activity a core capability and investing strength. Individual managers and support staff are rewarded based on the firm's overall performance rather than individual fund performance. Thus, whilst stewardship is not explicitly incentivised in individual packages, it is implicit as central to the success of each investment process, and consequently the firm, in whom most employees are shareholders.

OUTCOMES

2022 has been another year of review and the implementation of improvements in governance and resources as we build adaptive capabilities enabling us to develop more intentional management of identified sustainability issues going forward, in addition to risk monitoring and control, should our clients demand this.

Our review process and the developments we have put in place are discussed further in Principles 4, 5, 7 and 8 and in aspects of other Principles. However, in relation to Principle 2, the following improvements have been implemented:

- The monthly ESG meeting, first introduced in 2020, has become increasingly established. The feed from this meeting through to other meetings and up to board level, continues to improve the identification of relevant ESG risks to control and monitor.
- The progression of our annual engagement plan, launched in 2021 and developed in 2022, is providing the data we require to develop intentional management of identified systemic issues in the future, should our clients demand this.
- The addition of a non-executive Chairman has brought an independent perspective, strengthening oversight.

Regarding resources, the creation of a Head of Responsible Investing leadership role has enabled focussed resource building to develop stewardship capabilities and risk oversight, including:

- Team training via the PRI Academy
- Subscription to additional MSCI ESG data services, most notably MSCI ESG controversies, identifying any violations of accepted Global Norms relating to business principles and human rights, and Controversial Business Exposures
- Monitoring of additional fund risk trend data, used for indicative guidance and oversight, including governance risk, climate risks, and selected social risks.
- The maintenance of signatory commitments to CDP and UN PRI, offering access to resources for research, training, and development.
- Maintained ability to provide bespoke ESG risk reports for clients on request.
- Enhanced use of Carbon Analytics services to enable the development of responsible business planning, include consideration of a Net Zero commitment[11] in the future as our insight and control improves.

PRINCIPLE 3

Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

CONTEXT

As discussed in Principles 1 and 2, CAM is a largely employee-owned, boutique asset manager placing client interests at the centre of its activities.

There are no separate performance fees in respect of CAM managed funds, and therefore many of the types of conflicts of interest which are relevant to larger investment management groups do not apply to CAM.

CAM have policies and processes in place to manage and identify conflicts of interest, which are supported by our culture and training, and assured and reviewed on an annual basis, as we discuss in Principle 5.

The intention behind our policies and processes is to ensure that conflicts of interest do not negatively impact clients, and implementation is supported by the small size of our company and flat organisational structure, which strengthen oversight, as discussed in Principle 2.

Any conflicts of interest that arise are raised with our compliance function and discussed with senior managers.

All Conflicts of Interest are reported to the CAM Board and noted on a Conflicts of Interest register. The intention is to manage conflicts so that all clients are treated fairly.

A link to our Conflicts of Interest Policy can be found here. The Conflicts of Interest Policy is reviewed annually, alongside all other policies, as discussed further Principle 5.

ACTIVITY

In terms of managing any conflicts of interest that may arise, the following can be said in respect of our stewardship:

- The firm uses pre-approved brokers when placing orders to buy and sell stock on behalf of clients.
- CAM never deals on its own account meaning there can never be a conflict between CAM and any client when dealing.
- Allocation of orders is managed via the firm's trade allocation policy, available on request. This ensures that any potential conflict between funds investing in the same equity at the same time is managed in line with our policy. All shared allocations are noted in the allocation spreadsheet and allocation of orders between different clients is recorded within Bloomberg EMSX. Allocation records are kept on the firm's servers.

- CAM has gift and benefit policies in place to ensure no gifts or benefits given or received could give rise to a conflict of interest between clients or the firm. Gifts and Benefits limits are in place, and any increasing amount or frequency of gifts or benefits are likely to be scrutinised by compliance. No increase in the amount or frequency of gifts or benefits was recorded in 2022.
- CAM has a Personal Account Dealing policy in place, available on request. Pre-approval for any deal is required from compliance or a director of the company on any discretionary trade where applicable, to ensure any conflicts of interest between employees and CAM managed funds are monitored and controlled.
- It is possible a CAM investment strategy may have a stake in a quoted or AIM traded wealth manager, who in turn may invest its client's assets into one of our investment strategies. In this case, our investment management decisions will be made in line with client mandates, as is always the case for all investment decisions.
- UK Dividend Trust interests are represented by the independent board of the trust. CAM managed OEICs have an independent authorised corporate director (ACD). Therefore, all client interests are represented by independent entities, to whom CAM has obligations to monitor and report pertinent Conflicts of Interest.
- No CAM director or employee has a board position on an investee company within any OEIC or the UK Dividend Trust.
- CAM runs annual training, which includes training for all staff on how to spot and manage conflicts of interest.
- The conflicts of interest policy sits within our Compliance Manual, which in turn forms an element of how we embed our company culture.

As noted in CAM's Conflicts of Interest Policy, employees must disclose all external business interests including:

- Directorships or details of companies in which they have an interest or holding.
- Any personal relationships with employees of the company.
- Positions held as an officer of any organisation.
- Beneficial interests under the terms of a trust, the trustee of which is a person connected to you.
- Any business or employment activity that is in addition to the employee's principal employment with CAM.

Employees have an ongoing obligation to inform the Compliance Officer and Board of Directors if they propose to become involved (or accept an appointment) in any of the activities described above.

Outcomes

Compliance runs an annual training program that includes specific focus on Conflicts of Interest, attended by all Chelverton employees.

The training is bespoke and delivered by CAM's Compliance officer, using materials sourced from a third-party compliance consultancy. The training always includes an open discussion regarding conflicts, to ensure all team members actively consider whether there may be any undisclosed conflicts.

Conflicts is an item for discussion at every CAM Board meeting, whether or not any new conflict is being reported, to ensure appropriate focus and control.

Examples of potential conflicts discussed in 2022:

Scenarios regarding potential conflicts of interest were considered relating to David Horner's involvement as Director in both a newly created entity, Macaulay Capital, and CAM.

For context, Macaulay Capital is focused on the financing of private equity transactions, not listed companies, so the Board considered any conflicts of interest between Macauley Capital and CAM unlikely due to different investment focus. However, the scenarios explored included:

- Actions required should Macaulay Capital be approached with a financing/acquisition opportunity relating to a listed stock owned by, or of potential interest to, CAM.

David Horner would be in receipt of potentially market sensitive information. The action required would therefore be that David Horner must immediately discuss the situation with Ben Weiner (Compliance Officer), so the stock is placed on the Inside List, if necessary.

Extending this scenario, if Macaulay Capital continue into negotiations, and CAM is offered a company meeting, the action required is that the advisor/broker must be made aware prior to any meeting with CAM, to ensure no information that could be prejudicial to either entity is divulged.

- Action required if a Macaulay Capital vehicle were to seek a listing and shares are offered to a CAM managed fund:

The Board considers that if CAM managers wished to participate, then the action required is that the transaction be reported in advance to the Authorised Fund Manager of the fund for approval (i.e., not a CAM entity), in consideration of the potential conflict.

Principle 4

Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Context

As discussed in Principle 1, CAM's investment managers are all bottom-up stock pickers managing equity and AIM traded investment strategies investing in small and medium-sized companies, predominantly in the UK but also in Europe.

We recognise that small and medium-sized companies can be disproportionately vulnerable to market-wide and systemic risk, as evidenced by their underperformance relative to larger peers in the market conditions prevalent during 2022. We noted a widening of the small and medium-sized companies discount during the year, leaving many high quality small and medium sized companies undervalued and exposed to opportunistic takeover.

CAM also recognise that whilst small and medium-sized companies play an important role within the economy and in the delivery of required change, their importance is often over-looked in the development of policies and frameworks designed to promote market stability and systemic change, or their needs marginalised.

Consequently, the identification of market -wide and systemic risk provides important context for our investment activity and stewardship.

We discuss our bottom-up approach to investment and stewardship in greater detail in Principle 7, but summarise here how we identify issues and respond, with the aim of protecting and enhancing value for our clients and, in so doing, wider stakeholders.

Activity

As discussed in Principle 2, our meeting hierarchy and dedicated resources support the identification of market-wide and systemic risk.

Our investment teams and ESG team monitor risk continuously, scanning the horizon for emerging risks and opportunities.

Our stock selection processes ensure we select companies with a robust financial profile and wide economic moat, and each portfolio is designed to be aligned with the risks and opportunities that we identify within the investing time horizon, including consideration of those relating to climate change and other ESG risks.

We maintain a constant dialogue regarding the identification and management of relevant risks, discussed in investment and ESG meetings, and reported up to our Board.

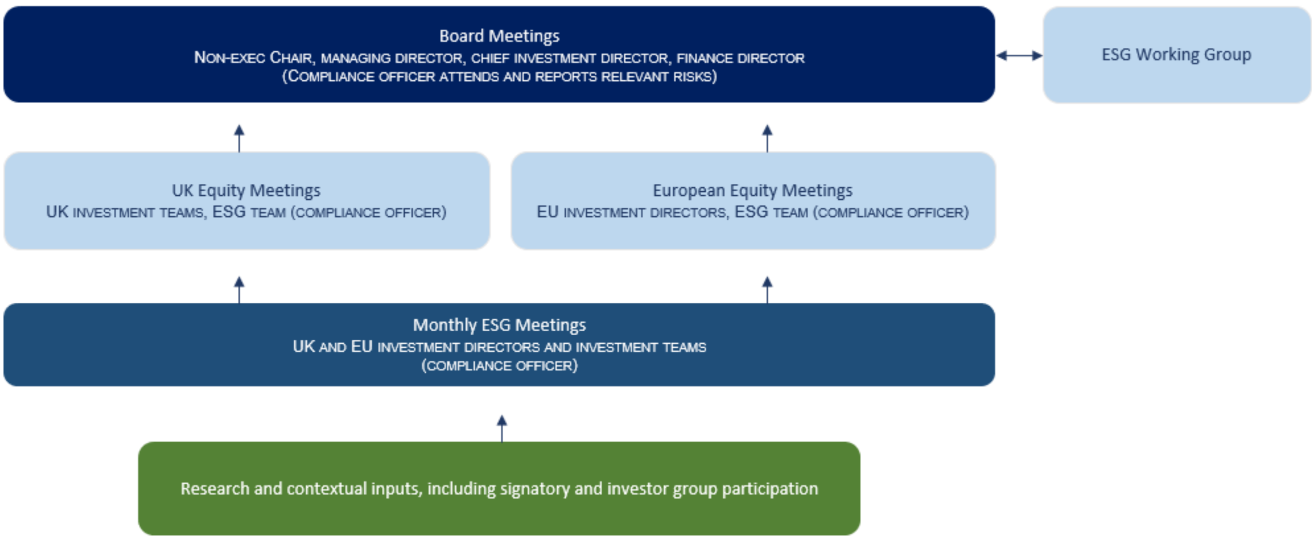
Increasingly we participate in consultations to ensure the needs of our investing niche are considered in policy and framework development designed to support a well-functioning financial system and more sustainable business practice.

Participation in relevant consultations has been a feature of our 2022 stewardship, given the development and implementation of the EU SFDR regulatory regime[6] designed to address green-washing, and proposals for a similar UK SDR framework[7], which are likely to have an impact on the reporting requirements of companies as investors seek transparency regarding management progress relating to systemic risk control.

For the avoidance of doubt, we are not subject to the SFDR reporting regime as we do not market our funds in Europe. However, we have been watching the development of the regime with interest given the bearing on UK SDR proposals and the developing needs and expectations of some clients.

Our investment directors and ESG team lead the input from horizon scanning to the investment teams for consideration in our meetings, and this informs our investment activity and interactions with companies.

The infographic extends that referenced in Principle 2 to show the presence of our ESG working group (which focuses on our responsibilities at the business level), and how inputs from signatory and investor groups feed into our stewardship matrix.



Macro-economic inputs at the start of 2022 were upbeat in anticipation of a rebound in demand following the pandemic. The prospect of rising inflation and interest rates as demand

[6] EU Sustainable Finance Disclosure Regime https://finance.ec.europa.eu/sustainable-finance/disclosures/sustainability-related-disclosure-financial-services-sector_en

[7] UK Sustainability Disclosures Regime https://www.fca.org.uk/publications/consultation-papers/cp22-20-sustainability-disclosure-requirements-sdr-investment-labels

potentially outstripped supply (given over-hanging supply chain issues from the pandemic) was identified, but economic growth was nevertheless expected, enabled by digitalisation and technology delivering efficiency gains, solutions to systemic problems, and improved supply chain management.

Macro ESG inputs at the start of 2022 continued to identify rising climate change risk and resource constraints, including labour, green transition resources, and natural resources due to over-exploitation, pollution, and the impact of global warming.

Associated with many of these challenges, despite the mature and well-regulated domiciles of our companies, we continued to identify a rising need to ensure acceptance of Global Norms relating to business principles and human rights, given the complexity of international trade, rising resource competition, and the drivers of many resource constraints. Most notably, with reference to supply chain issues, we continue to identify not just operational challenges, but also challenges in relation to human rights abuses within supply chain that may result in reputational risks for companies not controlling the risk adequately.

In the UK, political instability remained on the risk radar given over-hanging Brexit and pandemic issues, but within the EU and UK, post-Brexit clarifications and a more positive relationship between the trading partners was anticipated.

Thus, whilst the war in Ukraine, associated energy crisis, and speed and scale of inflation and interest rates rises had not been not anticipated, elements had been within scope in our investment decision making as investment and stewardship drivers.

The cost-of-living crisis in 2022, sparked by significant energy and food price inflation as a result of the Ukraine war, damaging consumer and investor confidence and triggering recessionary fears, became a defining feature of expectations and forward thinking.

We noted a steep rise in profit warnings by UK listed companies (over 97% of our AUM, as reported in Principle 1) and the rapid and significant impact of ‘Trussonomics’ that sparked market instability in the wake of Kwasi Kwarteng’s mini budget in the UK had not been anticipated. The number of profit warnings in the first six months of 2022 increased by 66% compared with the same period in 2021, and 58% of all profit warnings cited rising costs, labour market issues, and supply chain issues.

The de-globalisation trend accelerated by the Ukraine war, suggesting permanent changes in supply chain management in a more divided and resource constrained world, had been identified given gradually rising geo-political tension between China and the US and the pandemic-induced necessity to home or near-shore supplies, but the speed of the de-globalisation as a result of the Ukraine war had not been anticipated.

The featured acceleration in national energy transition plans following the Ukraine War, particularly in the form of announced subsidy and support packages in the EU[8] and US[9], was somewhat anticipated by the continued evidence of the prevalent need to accelerate national efforts[10].

The following outcomes regarding how we have identified and responded to market -wide and systemic risk to contribute to a well-functioning financial system are also discussed elsewhere in this report and, in particular, within Principles 7, 9, and 11.

Outcomes

Our focussed lens on the small and mid-cap market segment is the primary way we contribute to a well-functioning financial system, following rigorous, risk-controlled investment processes to ensure efficient capital allocation within the segment, including assessing the quality of ESG management as an integral indicator of strong company governance.

Our lens across all strategies on well-managed companies with strong cash flow generation, low debt, strong balance sheets, and superior pricing power, ensured our holdings were well aligned with the shocks of 2022, including rising costs, higher interest rates, and accelerated change such as that related to the energy transition and need for more sustainable business practice in response to resource constraints and supply chain issues.

The perception of small and medium-sized companies within the higher market-risk context of 2022 did not favour their performance and we saw the discount between small and medium sized companies widen relative to larger peers. However, the long-term performance of our funds confirms the success of our bottom-up investment selection processes within the context of the macro-economic and ESG forces identified.

We took every opportunity to re-cycle proceeds from companies that were the subject of successful bids, or those in whom we held less investment conviction, into higher-quality undervalued opportunities aligned with the challenges identified.

We placed heightened focus in company meetings, and by letter, on the issues identified as potential drivers of market-wide and systemic risk, questioning managements on their strategies to mitigate risks.

Records for the period, contained in our shared Company Engagement Log, outlined a high frequency of discussions relating to the following topics in company meetings, in addition to routine updates:

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8 https://commission.europa.eu/strategy-and-policy/priorities-2019-2024/european-green-deal_en
9 https://www.epa.gov/green-power-markets/inflation-reduction-act#:~:text=The%20Inflation%20Reduction%20Act%20of,of%20new%20clean%20electricity%20resources.
10 https://www.ipcc.ch/reports/

- Management experience during recessionary periods
- Demand outlook and pricing power
- Structural changes in supply chain management
- Availability of key components, materials, and other resources
- Resource efficiency, particularly energy efficiency and cost management
- Wages, employee attrition rates, recruitment and retention issues

Letters to portfolio holdings, as part of our structured Engagement Plan, reiterated the importance we attach to ESG management and reporting. However, we progressed engagements to include gathering data relating to three themes identified as important systemic risks for all companies to address, regardless of materiality, with the intention of monitoring management progress going forward and consider target-setting in 2023 and beyond.

The three themes were:

- Adoption of science-based Net Zero carbon emissions reduction strategy[11]
- Board Diversity alignment with the Hampton-Alexander Review 2016[12]
- Executive remuneration linked to appropriate ESG targets[13]

In addition, we used new MSCI ESG data services to monitor the Global Norms compliance of our holdings relating to business principles and human rights,

We stepped up participation in relevant collaborations and consultations to ensure the needs of our investing niche were appropriately recognised in the development of policy to control climate change, nature restoration, and frameworks relevant to more sustainable business practice:

Signatory participation in the CDP (Carbon Disclosure Project) Science-Based Targets campaign, aimed at accelerating the adoption of science-based climate targets in the corporate sector, to substantiate the roadmap for limiting global warming to 1.5 degrees above preindustrial levels by 2050, in line with global agreements and the latest IPCC report (Intergovernmental panel on climate change).
The CDP is a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states and regions to manage their environmental impact.

Signatory participation in a public consultation organised by the CDP seeking feedback on proposed guidance for companies to set science-based targets for nature, focussed on

[11] https://sciencebasedtargets.org/net-zero
[12] https://ftsewomenleaders.com/2016-2020-the-hampton-alexander-review/
[13] https://www.unpri.org/sustainability-issues/environmental-social-and-governance-issues/governance-issues/executive-pay

helping companies assess and prioritize environmental impacts ahead of target setting, beginning with freshwater.

The consultation aimed to inform the first release of Science-Based Targets for Nature (SBTN), planned for early 2023. With the latest science reinforcing the urgency for action, this first release from SBTN for companies should include target-setting resources for freshwater as well as land.

Signatory participation in a PRI (Principles of Responsible Investing) workshop entitled 'Changing the World', exploring the key issues for the future of responsible investing.

This PRI consultation included reflections regarding the relevance of the PRI's vision, mission and purpose and how the PRI is serving the developing needs of signatories, to ensure the delivery of signatory best practice in responsible investing.

Our objective was to represent our perspectives as a niche equity investor, to ensure consideration and inclusion in policy development.

CAM also participated in the same consultation as a part of the IIMI (Independent Investment Managers Initiative) ESG working Group.

The IIMI is a think tank that gives voice to owner-managed independent asset management firms that are entirely focused on and aligned with the interests of their clients and investors, recognising the growing role these firms play in preserving the stability and long-term focus of the financial sector, which is of benefit to society at large.

The core values of the IIMI are to serve as an independent, expert voice in the debate over financial reform, to restore society's trust in the financial sector, to promote the values and practices of owner-managed firms which align their interests with those of their clients, and to raise awareness of the positive, stabilising contribution small entrepreneurial firms can make to the economy and society as a whole.

Participation as part of the IIMI in a Financial Conduct Authority (FCA) consultation providing feedback on the proposed UK Sustainability Disclosures Regime (SDR).

The proposed SDR regime is a sustainable fund-labelling regime designed to tackle greenwashing and provide clarity to investors regarding fund sustainability objectives.

The alignment of our funds with the market and systemic risks identified is evidenced by our long-term investment performance, detailed in Principle 1, and by the ESG risk control metrics outlined below.

On a quarterly basis we monitor and report as inputs to our investment meetings, and Board, the following ESG risk exposures using MSCI ESG data for the covered proportions of all funds:

- Carbon risk
- Reputational risk
- Governance risk

Definitions for these risk perspectives are provided by MSCI as follows, and further details regarding MSCI ratings methodologies are provided here.

MSCI Definitions	
Carbon Risk	Measures exposure to carbon intensive companies. Based on MSCI Carbon Metrics, it is calculated as the portfolio weighted average of issuer carbon intensity. At the issuer level, Carbon Intensity is the ratio of annual scope 1 and 2 carbon emissions to annual revenue. Carbon Risk is categorized as: • Very Low (0 to <15) • Low (15 to <70) • Moderate (70 to <250) • High (250 to <525) • Very High (>=525)
Reputational Risk	Represents the percentage of a portfolio's market value coming from holdings involved in very severe controversial events. It is based on MSCI ESG Controversies. Portfolio level Reputational Risk is categorized as: • Very Low (0%) • Low (>0% to <1%) • Moderate (1% to <5%) • High (5% to <10%) • Very High (>=10%)
Governance Risk	Represents the percentage of a portfolio's market value coming from holdings classified as: • Governance Leaders (76-100% global percentile) • Average (26-75% global percentile) • Laggards (0-25% global percentile)

Summary metrics are considered for indicative purposes only given MSCI coverage of our universe of stocks[14] and the maturity of our small and medium-sized companies within the large-cap global context. Nevertheless, the data can, in our opinion, offer insight into the quality investment criteria we adopt and how this aligns with the market-wide and systemic risks identified:

- **Carbon Intensity and ESG Quality for each fund:**

Portfolio	Carbon Intensity	ESG Quality Rating
MI Chelverton UK Equity Income	Moderate	AAA
MI Chelverton UK Equity Growth	Moderate	AA
MI Chelverton European Select	Moderate	AA
Chelverton UK Dividend Trust	Moderate	AA

Source: CAM Ltd internal MSCI ESG Risk reports year end 2022, covered proportions of funds

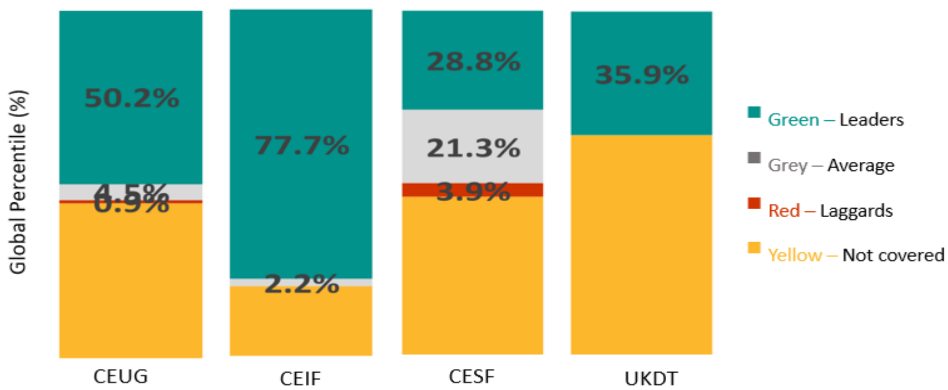
[14] Available on request

- **No Reputational Risk was identified for any fund and any exposure to any ESG controversy is shown here:**

- Red - Very Severe ongoing issue, implicating company directly through actions, products, or operations.
- Orange - Severe ongoing issue, implicating company directly, or partially resolved very severe issue.
- Yellow - Noteworthy issue.
- Green - Less significant issue or none at all.

Source: CAM Ltd internal MSCI ESG Risk reports year end 2022, covered proportions of funds.

- **Exposure to Governance Risk is shown here:**



CEUG = MI Chelverton UK Growth Fund CEIF = MI Chelverton UK Equity Income Fund
CESF = MI Chelverton European Select Fund UKDT = Chelverton UK Dividend Trust

Source: Source: CAM Ltd internal MSCI ESG Risk reports year end 2022, covered proportions of funds.

Of note in relation to the above infographic, any flag of governance laggards, shown in red, is fully reviewed to ensure we are satisfied with all aspects of the company's leadership structure and behaviour. Generally, we find any laggard ratings are explained by the small size or maturity of the identified stock, but we engage with every company within the category to ensure company awareness, discuss the background, and understand planned developments in order to satisfy ourselves.

Finally, as discussed in Principle 7 and mentioned in other Principles, CAM do not currently manage any sustainability-focussed or impact strategies that apply selection criteria based solely on ESG characteristics or objectives.

Nevertheless, in line with the fund's investment objective and selection criteria, the MI Chelverton European Select Fund managers positioned their fund in 2022 to take advantage of structural growth 'megatrends', identified as:

- Commodities and the Energy Transition (34.3%)[15] segmented by energy products and service, transition essential commodities, and Net Zero drivers.
- Digitalisation (36.8%)[15] segmented into software companies, IT Services and Niche technology leaders.
- Other (28%)[15] including financials, healthcare, defence, consumer, growth cyclicals.

Whilst the exposure of UK portfolios is not expressed in this form, the risks identified naturally provide context for investment decisions. Stock examples are offered in Principle 7 and discussed in other Principles.

[15] Source CAM Ltd data 31st December 2022

PRINCIPLE 5

Signatories review their policies, assure their processes, and assess the effectiveness of their activities.

CONTEXT

CAM's stewardship and associated policies are reviewed internally on a regular basis, at least annually. As discussed in Principles 1, 2, and 3, our size and operating structure ensures that CAM's directors continuously monitor stewardship in line with related policies.

CAM recognise stewardship policies form a part of wider firm culture and fit within the context of conduct and compliance risk. Conduct and compliance risk is also reviewed annually and supported by relevant training and reference to our staff Code of Conduct and Compliance Manual.

CAM is committed to working continuously to improve its policies and associated monitoring processes. Enhancements have resulted from efforts to align activities better with the principles of the revised UK Stewardship Code and the Principles of Responsible Investing, and this will remain ongoing.

We consider internal review is adequate assurance of our stewardship and other policies, when viewed within the context of CAM's employee-ownership structure, culture, and the importance we attach to stewardship activity as an investing success factor. However, we will keep this under review.

The Board has ultimate responsibility to assure our policies, associated processes, and assess the effectiveness of our activities. However, improving transparency regarding stewardship objectives and outcomes adds additional strength.

ACTIVITY

During 2022 CAM monitored and developed stewardship activities within the context of our Shareholder Engagement and Voting Policy, and the aspirations of the associated Engagement Plan, in conjunction with conduct, compliance and investment risk review processes.

The Investment Teams and ESG Team responsible for stewardship activities continuously discussed and reviewed progress in a variety of ways:

- **Informally** through daily interactions as stewardship issues arise.
- **Formally** through three regular meeting structures that feed up to Board level (UK Equity Meeting, EU Equity Meeting, and monthly ESG Meeting)
- **Formally** through the review and publication of quarterly Engagement and Voting Reports records contained within our shared Company Engagement Log

We work to continuously reconcile engagement and voting activity with investment objectives, including reconciling voting instructions with the voting records held by our fund administrator, Maitland Administration Services Ltd.

Engagement and voting reports were prepared by the ESG team and reviewed and amended as necessary by the investment teams.

Engagement and voting reports are approved by the Chief Investment Director, to ensure fair, balanced, and understandable reporting to clients. The Chief Investment Director has oversight of stewardship activities and therefore, in CAM's opinion, reports do not require further external confirmation.

OUTCOMES

Our review, assurance, and assessment process has led to the following enhancements:

- Wider conduct and compliance risk relates to Conflicts of Interest. CAM reviews its conflicts of interest policy on an annual basis, with regular external review of its compliance policies and procedures from a third-party compliance consultant.
- The following policies and procedures were updated and approved by the Board in 2022:
    - Board Terms of Reference
    - Risk Compilation Document
    - Broker Vote Minutes
    - Financial Procedures and Operations
    - Order Execution Policy
    - CAM Remuneration Code Policy Statement
    - Money Laundering Reporting Officer Report
    - Business Continuity Plan
    - Conflicts of Interest Policy
    - Transaction reporting and STOR Policy (incl. MAR Best Practice)
    - Anti-Bribery Policies & Procedures (Incl. 2022 risk assessment)
    - Social Engineering Policy
    - Trade Allocation Policy
    - Risk Management Process
    - SMFs Statements of Responsibility
    - ICARA
    - Risk and Harms Register
    - Compliance Plan

- We have updated our UK Stewardship Code Report, increasing transparency in certain areas in response to constructive feedback from the FRC following submission of our 2021 report.

- We have continued to develop quarterly reporting of engagement and voting activity, following instigation in 2021, publishing data on our website.

- We continued to use our internal meeting structure, including culture meetings, as an adjunct to policy development and implementation resulting in two things:
  - Board approval of updates to elements of our Shareholder and Engagement Policy
  - Board approval of an ESG Policy designed to improve the consistency and level of ESG integration across all investment processes.

- A non-executive director appointed to the Board during 2021, became non-executive Chair in 2022 with the aim of providing additional oversight of policies and processes that is independent of investment functions.

PRINCIPLE 6

Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

CONTEXT

As discussed in Principle 1, CAM's clients are the four investment funds that we manage. To remind, these are one open-ended investment company (OEIC) comprised of three complementary strategies, and one closed-ended investment trust[1]

OEIC:

MI Cheverton UK Equity Growth - Launched October 2014, fund size £1,015m
MI Chelverton UK Equity Income - Launched December 2006, fund size £376m
MI Chelverton European Select - Launched March 2018, fund size £156m

Closed- ended Investment Trust:

Chelverton UK Dividend Trust - Launched May 1999, gross assets £53.1m

CAM invests 100% in quoted and AIM traded equities and the geographical breakdown of our asset under management is:

- UK 90.25%
- Europe 9.75%

We are appointed as the investment manager of the OEIC sub-funds by the Authorised Corporate Director (ACD), Maitland Institutional Services Ltd, with responsibility for managing the assets according to the mandate set for each fund on behalf of the underlying investors within the funds.

Similarly, we are appointed by the Board of the Chelverton UK Dividend Trust as the investment manager, with responsibility for managing the assets according to the mandate set for the Trust on behalf of the underlying investors within this fund.

The register of investors in the OEIC sub-funds is diversified but shows that funds are primarily invested via Professional Clients and Eligible Counterparties, such as Independent Financial Advisors, Discretionary Fund Managers and Wealth Managers, acting as professional advisors to their clients, who are the ultimate beneficiaries of the assets that we manage.

The following table is provided for indicative purposes only as the data changes daily. It is provided via our marketing intermediary, from an analysis of nominee accounts and platform data by a third-party data provider:

OEIC Sub Fund Investors (%)	
Independent Financial Advisors	34.70
Discretion Fund Managers	30.99
D2C Execution Only	10.92
Life and Pensions Co.	9.78
Retail Platform	5.51
Other	4.54
Institutional	2.46
Fund Manager	0.90
Employee Benefits Company	0.12
Retail Bank	0.08
Total	100

The vast majority of the shareholders in the UK Dividend Trust invest via nominee companies, therefore, it is not possible to ascertain the individual holdings. As a close-ended investment vehicle, marketing is limited.

We have a responsibility to communicate with the Authorised Corporate Director (ACD) of the OEIC, the Board of the investment trust, and the underlying professional clients with holdings in our funds, according to their needs and information requests. We never market to retail investors.

We communicate regularly and directly on a formal and impromptu basis with the ACD of the OEIC and Board of the investment trust, in response to their reporting needs and information requests.

We similarly communicate regularly and directly on a formal and impromptu basis with our professional investors in response to their reporting needs and information requests.

CAM communicate via multiple channels to meet client needs, including via our website, individual one-to-one meetings, webinars, investment bulletins, and specific written communications in response to requests for information.

Our marketing intermediary, Spring Capital Partners Ltd, are the main point of contact for professional investors within our OEIC sub-funds, communicating needs and information requests above and beyond routine communications from Chelverton.

Activity

CAM place a high priority on understanding the needs of our clients, including any evolving expectations. We work closely with relevant partners to ensure our understanding of their needs and prompt responses to any information requests.

The ACD of the OEIC and Board of the investment trust approve Prospectuses and Key Investor Documents (KIDs) for current and prospective investors in the fund. These documents outline all relevant details relating to investment in our funds, including the investment objectives and details of the investment approach.

CAM ensures communications with the ACD of the OEIC and Board of the investment trust remain appropriate and meets expectations through regular discussion.

CAM prepare quarterly investment trust Board reports and investment team representatives join board meetings to ensure that board members have adequate opportunity to discuss the investment manager's performance and relevant topics relating the period, or prospective periods. This is the forum where any stewardship questions or concerns are reported and can be discussed.

Similarly, CAM have regular updates with Maitland Institutional Services Ltd, the ACD of the OEIC. Maitland has a regulatory obligation to monitor the funds' performance and investment risk, and review CAM against investment objectives on a quarterly basis, as well as conducting an annual review of the firm's policies and procedures, which may or may not include the firm's stewardship and voting arrangements. CAM respond to all requests for communications in these regards.

In relation to underlying professional investors, we communicate routinely via monthly factsheets, which include details of fund holdings and relevant contextual investment information, such as current investment views, macro investment context, and fund activity.

CAM communicates ad hoc investment information as needs arise in response to individual requests.

As discussed in Principle 1 and 2, CAM is also able to produce bespoke ESG risk reports for clients in response to individual requests.

Stewardship and other relevant policies are communicated to underlying professional investors via our website and relevant partners, alongside our quarterly engagement and voting reports, details of our annual engagement plan, and investing updates.

Voting reports are discussed in more detail in Principle 12.

CAM investment managers participate in one-to-one meetings with prospective and current underlying investors on request, including in relation to our stewardship activities.

Communicating why stewardship sits at the heart of each investment process, and how stewardship activities protect and enhance value for clients, is a key message for CAM investment managers to communicate. Considerable time and resources are devoted to this, with the support of the ESG team.

Voting reports are discussed in more detail in Principle 12.

OUTCOME

We continued to adapt the channels through which we communicate with clients to account for changing needs and in response to individual requests. Professional investors, in consequence, continued to invest in our funds despite the challenging backdrop.

In particular, we increased participation in recorded, interactive webinars and Investor Days arranged by our marketing intermediary, Spring Capital Partners Ltd and recordings are published for appropriately qualified investors.

CAM continued to respond to the need for greater transparency regarding how our funds are managing exposures to ESG risks, resulting in the publication of our ESG Policy detailing the ESG integration steps that exist within our investment processes, alongside our stewardship policies.

We plan a dedicated Responsible Investing area within an updated website, currently in design. The website area will be home to all published stewardship communications for ease of access.

As discussed in Principles 4 and 7 and aspects of other Principles, enhancements to our annual Engagement Plan have been made in preparation for target setting, in response to client needs, where appropriate.

Examples of topical publications are available on our website, such as ESG Round-up and thoughts on COP27.

PRINCIPLE 7

Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

CONTEXT:

CAM funds systematically integrate stewardship and investment. This includes the consideration of relevant ESG issues, such as climate change and sustainable business practice, within investment decision-making.

Interactions between the ESG team and investment managers, to support the inclusion of ESG issues in investment decision-making, has been discussed in Principle 2 and 4. ESG team members are not investment decision-makers. However, the ESG team work alongside the investment teams, participating in daily interactions, relevant meetings, and joining company meetings or adding comment prior to meetings, as appropriate.

As mentioned in Principle 1, 2, and 4, small and mid-sized companies are under-researched, generating information gaps and valuation anomalies that CAM seek to identify for the benefit of clients.

The managers of each investment strategy undertake their own company research, assessing quantitative and qualitative information within the context of the current market valuation.

Significant time and resources are devoted to company engagement and voting, which lies at the heart of each process, and is discussed in greater detail in Principles 9, 10, 11 and 12.

The financial criteria used to select investments varies according to the objectives of each fund and all managers research qualitative characteristics to build a comprehensive picture of the business and management dynamics.

Managers focus on management and business strengths, opportunities, barriers to entry, disruptive threats, competitive dynamics, and ESG influences, and assess how these factors relate to the current market valuation and the anticipated macro environment throughout the investment time horizon.

Once a committed holding has been established the managers constantly review the investment case to ensure the investment trajectory is maintained. Valuation, risk and sell disciplines vary according to each investment mandate and these are communicated to clients, as discussed in Principle 6.

In relation to climate change and other ESG issues, as mentioned before, CAM do not currently manage any specialist sustainability-focussed or impact strategies that apply selection criteria based solely on ESG characteristics. However, whilst CAM do not apply exclusion policies, our investment focus on management quality includes assessing each company’s recognition and management of the material ESG risk and opportunities expected within the investment time horizon. This focus tends to exclude companies operating within inherently high-risk sectors that are assessed as managing ESG risk badly, or with no credible strategy or development plan, as laid out in our ESG Policy

Activities

The following description outlines the investment and stewardship approach for each fund:

The **MI Chelverton UK Equity Growth Fund** focuses on small and mid-sized growth stocks. The aim is to generate long-term outperformance by buying cash generative companies on sensible valuations that can grow faster than the market. Key to this is finding companies that are sufficiently cash generative to fund their own development, so that growth is not dissipated by new equity issuance. The fund takes advantage of the long-term small and mid-cap outperformance effect, exploiting relatively inefficient market pricing to find attractively priced growth opportunities.

The **MI Chelverton UK Equity Income Fund** and the **Chelverton UK Dividend Trust** are amongst the longest standing UK equity Income funds investing for income and capital growth solely in small and mid-sized companies. The managers seek to capture the long-term outperformance effect of investing in small and mid-sized stocks, combined with the superior total returns of higher yielding equities. The managers apply the disciplines of equity income investing to the pricing inefficiencies inherent within the small and mid-cap universe. The funds aim to find relatively high and growing dividends from a broad range of sectors and industries.

The **MI Chelverton European Select Fund** aims to deliver capital growth to investors over the longer term by buying companies with strong free cash flow characteristics that the managers believe are undervalued by the market. The fund invests across the size spectrum down to a minimum market capitalisation of €50m. The managers believe by focusing on free cash flow yield it is possible to take advantage of the mis-pricings in stocks across the market cap spectrum, with a disposition to target small and mid-cap companies. Qualitative and quantitative analyses undertaken by European Select managers are incorporated within valuation, risk and sell disciplines via adjustments to cash flow forecasts and the discount rate applied to future cash flow forecasts.

UK and European funds build conviction to stocks slowly over time and company governance is always a focus of attention as leadership is considered the guiding hand of success.

As referred to Principles 1, 2 and 4, in recognition of rising ESG risks, including climate change and the need for more sustainable business practice in the face of resource depletion and damage, CAM has progressively been adopting a more structured approach to ESG integration which has now been formalised within our ESG Policy.

Process enhancements include the use of pre-investment ESG risk sense checks, referencing a recognised ESG materiality map to highlight relevant issues across the three ESG pillars. Managers review ESG management and priorities within this context, referring to the ESG team if they have concerns. Referral boundaries guide managers and relate to risk levels.

Once a company enters the conviction building stage more detailed analysis is undertaken. As discussed, a company operating in a sector with inherently high ESG risk and identified as managing this poorly, without a credible plan, is unlikely to reach a fund.

As discussed in Principle 4, we monitor a range of ESG risk exposures at the portfolio level for each fund on a quarterly basis using MSCI data for indicative purposes. This includes carbon intensity measured as tonnes CO2e/$M revenue, exposure to ESG controversies that may lead to reputational or other risk, and exposure to governance risk.

Once a company enters a UK or European fund monitoring begins with a heavy reliance on company engagement.

In relation to ESG issues we write to each company, outlining the importance we attach to ESG management and reporting. We request an ESG questionnaire. The ESG questionnaire is designed to assess the following:

- Quality of the company's material risk identification
- Sustainability strategy and how relevant it is in addressing their risk.
- Integration of the sustainability strategy within business planning
- Priorities set and direction of travel in relation to achieving objectives.
- Development of ESG management and reporting capabilities

In 2022, letters to committed holdings included requests for information relating to three themes, in preparation for the possibility of more intentional management of these specific ESG risks, and others, via target setting:

- Adoption of science-based Net Zero carbon emissions reduction strategy[11]
- Board Diversity alignment with the Hampton-Alexander Review 2016[12]
- Executive remuneration linked to appropriate ESG targets[13]

UK and European managers consider information should be viewed relative to company size and level of maturity.

UK managers do not favour E, S, and G pillar scores for individual companies, and no CAM funds rely on third party ESG scoring other than contextually, considering the backward lens of most scoring methodologies to be inappropriate for dynamic smaller companies.

In particular, we note a recognised large-cap rating agency bias, which favours the volume of ESG data reported by companies, which can disadvantage leaner small cap companies without the resources to monitor and report less material ESG data. Resultant unrecognised value is a driver of our investment selection process and subsequent engagement activity.

UK managers have adopted dynamic diagrams that summarise the fields targeted by our ESG questionnaire, in preference to ESG scoring. These diagrams are used to communicate improvements in time series.

An anonymised example is offered here, accompanied by a comment exert, to describe how the diagram and comment inter-relate to communicate identified investment strength or weakness and target value-adding engagement for the benefit of clients:

The industry segment and operational specifics for this company place them in a relatively high-risk category for ESG risk (6/10), so need an eye to their management as they grow and develop.

From what I can see they are building ESG management capacity appropriately, with a particular focus on investment in efficiency (energy and water), and on training for LEAN manufacturing processes to deliver iterative improvements. Also supply chain controls, which are important given their customer has ESG requirements to ensure as a selection element.

They did kindly complete a questionnaire for us in December and the below is a snip of the aspirations outlined for this year – so it would be good to see if there is an ESG slide in the deck, and if so, what developments are reported.

The annual report discusses the decision to develop an ESG strategy, using a selection of relevant the UN SDGs to give form to the strategy, but no details.

The questionnaire shows a decent focus on ISO accreditations for product quality and H&S management, and green financing (loan facility), but no details of the delivery metrics for qualification – however this is a good discipline and statement of intent, so places the company on the right path.

a) Setup of ESG committee recently put in place
b) Undertake formal assessment of ESG risk using a recognized framework
c) Central co-ordination of ESG policies and processes (underway)
d) Implementation of a supplier code of conduct (mid-term)
e) Adoption of Project SMART at our Italian manufacturing facility is underway to accelerate the implantation of measurable sustainable development goals.

I'd like to see the ESG Slide as the structure they put around the steps already taken (which are encouraging), to enable the reported ESG transparency many investors now require prior to investment is important (metrics and targets), but they look on the right track.

In our spheres of general interest:

- They reference on the questionnaire a net zero target but no delivery details yet.
- Diversity is on the radar (predominantly female workforce) but no data yet re management tiers or other diversity metrics.
- No remuneration links to ESG targets as yet.

European managers favour the use of in-house E, S and G pillar scores, using adjustments to the discount rate they apply to cash flow projections to reflect their view of heightened or well controlled ESG risk and opportunity, an approach they have adopted since the inception of this strategy in 2018. The company engagement process for this fund follows the same principles and objectives as for all CAM funds.

During 2022 the MI Chelverton European Select Fund managers have positioned their fund in to take advantage of the following structural growth 'megatrends':

- Commodities and the Energy Transition (34.3%)[15] segmented by energy products and service, transition essential commodities, and Net Zero drivers.
- Digitalisation (36.8%)[15] segmented into software companies, IT Services and Niche technology leaders.
- Other (28%)[15] including financials, healthcare, defence, consumer, growth cyclicals.

Shareholder voting is an important element of our stewardship and is discussed in Principle 12. The team rely on in-house voting analysis from CAM's dedicated corporate governance manager, who has been part of the team since 2018.

As discussed in Principles 2 and 4, CAM's flat organisational structure and regular cycle of ESG and Equity meetings ensures informal and formal information flows between teams, enhancing stewardship.

Monitoring of investments is supported by IT and other resources, including our Company Engagement Log, enabling progressive dialogue.

Investment and stewardship activity is guided by relevant policies and the annual engagement plan.

Links to our ESG Policy, Engagement and Voting Policy and annual Engagement Plan are found here, here and here.

OUTCOMES

Company interactions and voting lie at the heart of our approach and are discussed further in Principles 9, 10, 11, and 12.

Examples of ESG integration influencing investment decisions, including alignment with our ESG Policy and areas of specific focus, are offered as follows.

BUY: MARSHALLS (UK Income and Growth Funds) (Environmental and Social Considerations)

Marshalls is a construction materials company. Weakness in the UK new-build housing and RMI markets caused a significant stock de-rating during 2022, presenting an attractive medium-term opportunity for our income strategies as the shares fell within the yield criteria for fund inclusion.

Material ESG risk mapping for construction material companies places these companies within the highest ESG risk category. Therefore, to be considered for inclusion within the fund the company's sustainability focus and market positioning are important elements of the investment case.

For example, Marshalls is a market leader in concrete facing bricks, which have a c.50% lower carbon footprint than clay alternatives. We see this as an attractive growth opportunity, given concrete bricks currently have a low penetration rate within the overall brick market. Additionally, the group recently completed the acquisition of "Marley", a UK market leader in the manufacture and supply of pitched roof systems. The deal has multiple synergies, but also gives Marshalls access to the Solar PV market. Solar is currently c.15% of Marley's revenue but is expected to be a key growth area for the group, helping to improve the sustainability of UK housing stock whilst also offering the group a significant growth opportunity during a period of macro uncertainty.

With reference to our 3 general stewardship themes, we note a high level of transparency in the company's ESG reporting, adoption of a SBTi approved Net Zero strategy, 43% female Board representation (above average for industry sub-sector), and the integration of appropriate ESG targets within executive remuneration. No controversies related to the environment, human rights and communities, customers, or governance have been identified but in December 2021 the trade union Unite criticized Marshalls for an alleged "fire and rehire" policy, alleging the company had issued a redundancy notice to its employees a few days before entering negotiations regarding the holiday pay. Marshalls has denied the allegations, stating that it had not yet consulted with its employees regarding the standardization of employment terms and conditions. We are monitoring this situation and in 2023 plan to engage with the company regarding the reporting of compliance with environmental regulations, waste recycling, emissions of air pollutants, and their employee safety incident rate as areas of reporting improvement with the potential to enhance company value for the benefit of our clients and wider stakeholders.

BUY/HOLD: AMG (European Fund) (Energy Transition Commodities)

Advanced Metallurgical Group is a Dutch company on a free cashflow yield approaching 9% with double-digit revenue growth expected in the coming years, hence being attractive to the fund. It has two main activities: Firstly, the extraction of ferrovanadium from spent catalytic converters used in the oil and gas sector, which is used as an additive to strengthen steel, consistent with the shift towards a circular economy. Secondly, the operation of Lithium spodumene mines, from which lithium is extracted. Lithium-ion batteries play a critical role in vehicle electrification, essential to the delivery of country level Net Zero emissions pledges.

Material ESG risk mapping for extraction companies places such companies within the highest ESG risk category. Therefore, to be included within the fund the company's market positioning and sustainability focus are particularly important elements of the investment case.

70% of this strategy is exposed to two structural megatrends identified by the managers as 'Commodity and Energy Transition', and 'Digitalisation'.

AMG is considered a transition essential commodities company with the commodity and energy transition segment. The managers believe these companies, operating within well-regulated jurisdictions and adopting the highest possible sustainability standards, will have significant competitive advantage as transition commodity demand outstrips supply.

Horizon scanning suggests that China's domination of the green transition supply chain will intensify competition for inputs in a more divided world, where deglobalisation and near and friend-shoring trends may impact supply chains.

With reference to our 3 general stewardship themes, we note a high level of transparency in the company's ESG reporting, ambitious CO2 emissions reduction goals and a commitment to evaluate the potential for establishing a credible Net Zero Target, 33% female Board representation (above the average for their industry sub-sector) and the integration of ESG targets within executive remuneration. No controversies related to the environment, human rights and communities, customers, labour rights and supply or governance have been identified. However, during 2023 we plan to engage with AMG regarding emissions reduction targets as an area of reporting improvement with the potential to enhance company value for the benefit of our clients and wider stakeholders.

BUY: GENUIT (Growth Fund) (Resource Efficiency)

Genuit is a leading UK-focused provider of sustainable water, climate, and ventilation management solutions for the built environment. Having identified climate adaptation and the management of natural resource constraints as growth areas of opportunity for companies providing solutions, our growth fund used the recent sell-off in the shares to build a position given financial criteria placed the company within our selection universe.

Material ESG risk mapping for building materials companies places these companies within a high ESG risk category. Therefore, to be considered for inclusion within the fund the company's sustainability focus and market positioning are important elements of the investment case.

The company is aided by trends to better manage water from roof to river, service energy efficiency needs within built environments, and better manage ventilation to ensure clean and safe air. The company's ESG management focus is strong; however, we identify areas of required improvement that we will plan to engage on.

With reference to our 3 general stewardship themes, we note the company's GHG emissions (tCo2e per unit of revenue) lead industry peers and include a SBTi Net Zero target, 33% female Board representation (above average for industry sub-sector), and the inclusion of relevant ESG targets within executive remuneration packages. No controversies related to the environment, human rights and communities, customers, labour rights and supply or governance have been identified. However, during 2023 we plan to engage with the company regarding the management and reporting of compliance with environmental regulations, waste recycling, and emissions of air pollutants as areas of reporting improvement with the potential to enhance company value for the benefit of our clients and wider stakeholders.

SELL: LASTMINUTE.COM (European Select) (Governance)
Lastminute.com is a Swiss registered company. The initial investment case was that as a software-based disruptor in the travel sector, the company would be well placed to enjoy recovery from Covid-related problems which had hit the sector hard.

The valuation met our standard criteria, showing an attractive balance of value and growth as well as looking attractive on our discounted cashflow calculation, even with an elevated discount rate.

We used an elevated discount rate for two reasons:

- Firstly, we noted residual balance sheet risk given the industry use of prepayments.
- Secondly, we noted that governance risk was elevated by the nature of the holding company structure, and the Italian management team basing the company in Switzerland.

Nevertheless, we felt that the risk/reward compensated for these issues.

It subsequently emerged that senior management were being indicted for the potential misuse of Covid Loans in Switzerland. We had a number of questions and concerns at this time, not least of which was the ongoing management of the company. Following the response, we took the decision to sell due to elevated levels of governance risk.

Principle 8

Signatories monitor and hold to account managers and/or service providers.

Context

As discussed in Principles 1, CAM are equity stock pickers and therefore manager selection is not a feature of our activities.

Regarding service providers, as discussed in Principle 2, the following can be said:

- We do not subscribe to third-party proxy voting advice, preferring in-house analysis. We consider third-party proxy voting advise to be of generally poor quality in relation to small and mid-sized companies, due to the application of large company standards to smaller companies without regard to developmental context or individual circumstance.
- We do not rely on ESG ratings from third-party ESG data providers due to poor coverage of our investment universe and inconsistency in the quality of some assessments. However, we do subscribe to ESG data and company research from MSCI and receive summary ESG ratings from Sustainalytics, ISS and Robecco SAM via Bloomberg, to provide context and inputs for our own assessments and monitoring purposes.
- We receive broker research from different research houses specialising in small and mid- sized companies, to provide context for our own assessments.
- All other service providers, such as administration, IT, and the appointment and review of audit teams are part of the individual engagement and wider firm policies.
- Our process for considering new services is to trial new services before subscription and, where possible, trial competitive services concurrently or consecutively.

Activities

CAM has semi-annual broker review meetings, which review trading performance as well as the research provision. Any alpha to be paid to brokers for good performance are discussed during these meetings. Brokers are placed into tiers as to the level of research provider, with lower tier provisions being those ‘under review.’

The administrator of our OEIC sends monthly KPI (key performance indicator) reports to CAM, as well as providing an annual third-party audit (ISAE 3402 document.) Any queries in relation to these documents can be raised by compliance or the wider team.

The research outputs of ESG data providers are monitored daily by the investment team and ESG team as appropriate, as an adjunct to our own analyses and as part of our stewardship.

Where we find material errors in MSCI ESG company research that we consider may impact the market perception of an individual investee company, we have a process by which the ESG team raise this with MSCI via client services and inform the investee company.

We also review ESG service coverage on a monthly basis in our ESG meetings. We raise our coverage list with MSCI on an annual basis, the last time being April 2022, to ensure our coverage priorities can be considered in MSCI's development plans.

During 2022 we trialled 3 potential additional ESG services.

Our third-party marketing intermediary services for the OEIC are subject to annual review,

OUTCOMES

The following is an ongoing example of our monitoring of ESG research and holding MSCI to account for data errors impacting the assessment of an individual company that we own:

Diversified Energy operates in the Appalachian Basin and central US states of Louisiana, Oklahoma and Texas. They acquire mature assets (primarily natural gas) and invest in operational efficiencies, retiring wells responsibly at the end of their economic life. In October 2021 we noted anomalies in the carbon intensity trend data reported by MSCI compared with that reported by the company, distorting a downward underlying trend. On investigation this had resulted from the use of estimated data by MSCI for 2019, rather than data reported for the period in the company's sustainability report.

We continued to raise this and other anomalies with both the company and MSCI and are pleased to acknowledge the continuing revision of the company's ESG rating as errors have been corrected. In September 2022 from ESG rating awarded improved from BBB to A.

During 2022, across the fund range, we ran a number of trials with research providers, which we did not take on.

We removed two research providers from our EU products and added one new one. We added one research provider in respect of our UK products.

Regarding new ESG services following trials, we agreed two new subscriptions.

During 2021, the operations team had various discussions with our IT service provider about the level service due to a number of issues (none of which had an impact on clients.) This led to the appointment of a new IT service provider in 2022.

Third-party administrative and marketing intermediary services were found to be acceptable.

PRINCIPLES 9, 10 AND 11

Signatories engage with issuers to maintain or enhance the value of assets.
Signatories, where necessary, participate in collaborative engagement.
Signatories, where necessary, escalate stewardship activities to influence issuers.

CONTEXT

We have chosen to combine our reporting against Principles 9, 10 and 11 to minimise repetition, given our stewardship approach is simpler than many asset manager counterparts due to our size, niche, and consistent approach.

For the avoidance of doubt, in response to constructive feedback regarding how we can improve the transparency of our stewardship reporting, we offer the following clarifications:

- Our engagement approach is the same for all quoted and AIM traded small and medium-sized company holdings in the UK and Europe. These companies represent over 98% of total AUM[15].

- Less than 2% of AUM are invested in quoted large-cap European stocks. We apply process tweaks for engagement with these companies. Most notably, we do not necessarily meet with the company management during conviction building, nor write to ask for an ESG questionnaire or improved reporting, given these companies are generally extensively researched and offer higher levels of reporting transparency. We rely primarily on investor days and collaborative engagements with these companies.

As discussed in Principle 1 and 7, and aspects of other Principles, constructive company engagement sits at the heart of CAM's stewardship and always has done.

We have chosen to enhance long-established engagement processes, which relative fund outperformance indicates have delivered value for clients historically, for the following reasons:

- to stay abreast of best-practice
- to enable greater transparency and continued value creation for clients as certain change trajectories accelerate
- to ensure we play an active role in the control of rising systemic risk, including but not limited to climate change, given the importance of small and medium-sized companies within the financial eco-system.

Engagement structures and risk monitoring processes continue to mature, and we have added additional risk monitoring capabilities in 2022, as described in Principles 1, 4 and 7. We use this data, and that gathered from questionnaires and other research sources, to help target our engagements.

For the avoidance of doubt, we engage with every small and medium-sized company in whom we invest companies rather than selecting companies for engagement on the basis of holding size or sector. The process is continuous and iterative, becoming focussed by company specific events, or relevant concerns.

Whilst we do not rely on third-party ESG ratings we use indicative risk metrics from MSCI to highlight holdings with high carbon risk, controversies risk, or governance risk, and engage with any company that has flag of concern to ensure management attention to the risk.

Whilst we continue to develop our stewardship approach in response to changing client needs, the core of our activity remains unchanged.

This includes:

- High frequency of regular and constructive company interactions
- Flexible approach that considers the individual circumstances, size, and maturity of companies when applying standards and setting expectations
- Focus on strong governance as the guiding hand of company success.

Our Engagement and Voting Policy, which guides our activities, is available here.

Process enhancements relate to further structuring of ESG engagements with the aim of enhancing insight to better inform company interactions in order to optimise the protection and enhancement of value for our clients. Our annual Engagement Plan (s) describes our approach and objectives, but is summarised here:

- Raise the profile of material ESG issues within investment decision-making.
- Build our proprietary ESG tools (questionnaire database and shared Company Engagement Log) to enhance company interactions.
- Outline ESG management expectations to our companies
- Support improved ESG management and reporting
- Lay the foundations for the adoption of targets, allowing intentional management of specific systemic issues in response to country level commitments, such as Net Zero[4]

Collaborative work aims to support the needs of small and mid-sized companies within a well-functioning financial system and promote their participation in more sustainable business practice. We target collaborative work that addresses the market-wide and systemic risks we have identified through our investment processes.

Given we seek to foster constructive relationships with small and mid-cap companies we do not favour collaborative engagement that targets individual holdings as a form of escalation, preferring one-to-one dialogue, except in exceptional circumstances.

Regarding escalation, the desired outcome of engagement is to reduce investment risk and enhance the prospects of the companies in whom we invest through dialogue and support.

However, we are not ‘forever’ investors and sell holdings where the investment case is in doubt due to perceived management failure or circumstances.

Escalation may include shareholder voting and this is discussed in Principle 12. However, as long-term investors our investment approach results in a high commitment to fund holdings and we expect to be supportive of management resolutions, discussing contentious issues prior to voting on a one-to-one basis.

Activity

As discussed in Principles 1, 4, and above, we engage in a high frequency of company meetings, meeting all of the small and medium sized companies in whom we have committed holdings on a regular basis.

In 2022 meetings settled into a hybrid pattern of remote and in-person, as a permanent change in the frequency of face-to-face meetings has embedded post-pandemic. Although we consider face-to -face meetings a preferable way to build and maintain rapport, we appreciate there is a balance to be struck between controlling the negative impact of unnecessary business travel and optimising engagement outcomes on behalf of our clients.

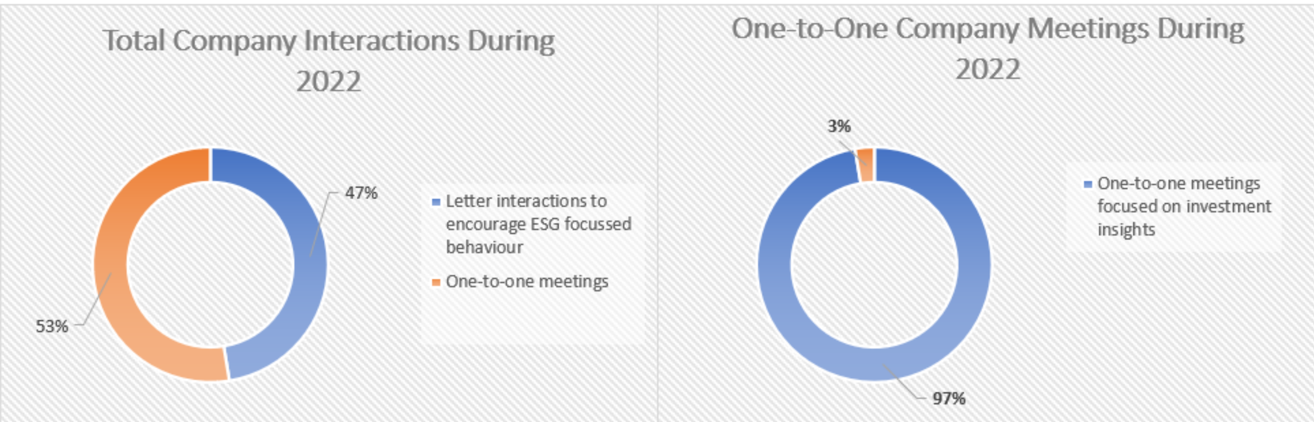
In 2022 we maintained an increased volume of written engagements, established in 2021 as part of work to build and maintain a proprietary ESG database.

We have kept under review the benefit of a manager of our size providing more detail regarding how we engaged (split between virtual, face-to-face, and written engagements), and with whom (the split between executive, non-executive, sustainability professionals or other relevant company specialists).

At this time, we offer the following granularity:

We attended 418 one-to-one meetings with our companies.

For the first time we have segmented our engagement records to illustrate the proportion of one-to-one meetings attended solely to discuss ESG insights, and the split between written engagements and one-to-one meetings.



Source: CAM Ltd 2022

In 2022 we continued to expand the shared Company Engagement Log established in 2018, to improve the tracking of engagement themes. The benefit of a manager of our size providing segmented rather than aggregate information regarding the topics discussed in meetings remains under review and we discuss in every regular one-to-one meeting all factors that we consider are relevant to the investment case, including ESG issues.

At this time, as in Principle 4, we list the following topics in aggregate, as those most regularly discussed in one-to-one meetings in addition to routine updates regarding company strategy, trading, and financials:

- Management experience during recessionary periods
- Demand outlook and pricing power
- Structural changes in supply chain management
- Availability of key components, materials, and other resources
- Resource efficiency, particularly energy efficiency and cost management
- Wages, employee attrition rates, recruitment and retention issues

Leadership and remuneration issues are generally discussed apart from regular company meetings with investment managers, between our corporate governance manager and a relevant non-executive director or the Chairman, following discussion with the investment team.

As mentioned within the context of other Principles, letters to fund holdings reiterated the importance we attach to ESG management and reporting, with the aim of protecting and enhancing value for clients. We note the recognised small and medium-sized company market valuation discount relative to larger peers extends to ESG ratings from third-party rating agencies. This discount can negatively impact market sentiment and the cost of capital and relates, in large part, to more limited reporting by small and medium sized companies, hence our focus.

As mentioned, we progressed our 2022 ESG engagements to include asking all companies for information relating to three themes identified as important systemic issues for all to address, regardless of materiality. Our intention is to monitor management progress in these areas and consider relevant target-setting in 2023 and beyond.

As mentioned within the context of other Principles, the 3 themes were:

- Adoption of science-based Net Zero carbon emissions reduction strategy[11]
- Board Diversity alignment with the Hampton-Alexander Review 2016[12]
- Executive remuneration linked to appropriate ESG targets[13]

As mentioned in Principle 4, we stepped up our participation in relevant consultations to ensure the needs of our investing niche are recognised in the development of policy to control climate change, nature restoration, and frameworks and regulations relevant to supporting the development of more sustainable business practice.

Of note, several of the consultations we participated in were organised by the CDP, a not-for-profit charity that runs a global disclosure system for investors, companies, cities, states, and regions to manage their environmental impacts, consistent with the environmental risks we identify as relevant to investment decision-making going forward.

Signatory participation in the CDP (Carbon Disclosure Project) Science-Based Targets campaign, aimed at accelerating the adoption of **science-based climate targets** in the corporate sector, to substantiate the roadmap for limiting global warming to 1.5 degrees above pre-industrial levels by 2050, in line with global agreements and the latest IPCC report (Intergovernmental panel on climate change).

Signatory participation in a public consultation organised by the CDP seeking feedback on proposed guidance for companies to set **science-based targets for nature**, focussed on helping companies assess and prioritize environmental impacts ahead of target setting, beginning with freshwater.

The consultation aimed to inform the first release of Science-Based Targets for Nature (SBTN), planned for early 2023. With the latest science reinforcing the urgency for action, this first release from SBTN for companies should include target-setting resources for freshwater as well as land.

Signatory participation in a PRI (Principles of Responsible Investing) workshop entitled ‘Changing the World’, **exploring the key issues for the future of responsible investing**.

This PRI consultation included reflections regarding the relevance of the PRI’s vision, mission and purpose and how the PRI is serving the developing needs of signatories, to ensure the delivery of signatory best practice in responsible investing.

Our objective was to represent our perspectives as a niche equity investor, to ensure consideration and inclusion in policy development.

CAM also participated in the same consultation as a part of the IIMI (Independent Investment Managers Initiative) ESG working Group.

The IIMI is a think tank that gives voice to owner-managed independent asset management firms that are entirely focused on and aligned with the interests of their clients and investors, recognising the growing role these firms play in preserving the stability and long-term focus of the financial sector, which is of benefit to society at large.

The core values of the IIMI are to serve as an independent, expert voice in the debate over financial reform, to restore society’s trust in the financial sector, to promote the values and practices of owner-managed firms which align their interests with those of their clients, and to raise awareness of the positive, stabilising contribution small entrepreneurial firms can make to the economy and society as a whole.

Participation as part of the IIMI in a Financial Conduct Authority (FCA) consultation providing feedback on the **proposed UK Sustainability Disclosures Regime (SDR).**

The proposed SDR regime is a sustainable fund-labelling regime designed to tackle greenwashing and provide clarity to investors regarding fund sustainability objectives.

Other collaborative work included:

We continued to contribute to the CDP's **Small and Medium Enterprise Climate Action Tracking, Accountability and Acceleration Project,** the purpose of which was to develop a streamlined climate reporting framework designed for smaller and medium sized companies. This work resulted in the launch of an SME Climate Disclosure Framework in November 2021. However, during 2022 we participated in the next stage of the project, aimed at refining the framework to include additional reporting modules.

We participated as investor signatories to the CDP, in the development of **proposals to include questions relating to plastics in CDP Questionnaires from 2023**, providing our feedback on the proposals. The ambition of this work is to extend the current CDP reporting framework to include information relating to the production, use and disposal of plastics, to help companies better understand and mitigate plastic-related risks and accelerate the delivery of a sustainable circular economy for plastics.

Finally:

We participated as panellists at a Non-Executive Director event sponsored by a corporate broking firm specialising in small and medium-sized companies, discussing the following:

- the issue of greenwashing
- investor ESG management and reporting expectations
- the benefits of adopting frameworks
- the benefits of improving ESG disclosures for small and mid-cap companies.

OUTCOMES

In relation to outcomes the following is reported for 2022.

Our smaller company holdings have shown gradual and sustained improvement in ESG management focus and relevant reporting. We have contributed to an increasing number of ESG materiality mapping exercises following our requests for improved materiality mapping using a recognised materiality map.

Several of our small and medium sized companies published inaugural sustainability strategies as a result of earlier interactions and requested feedback on materials published.

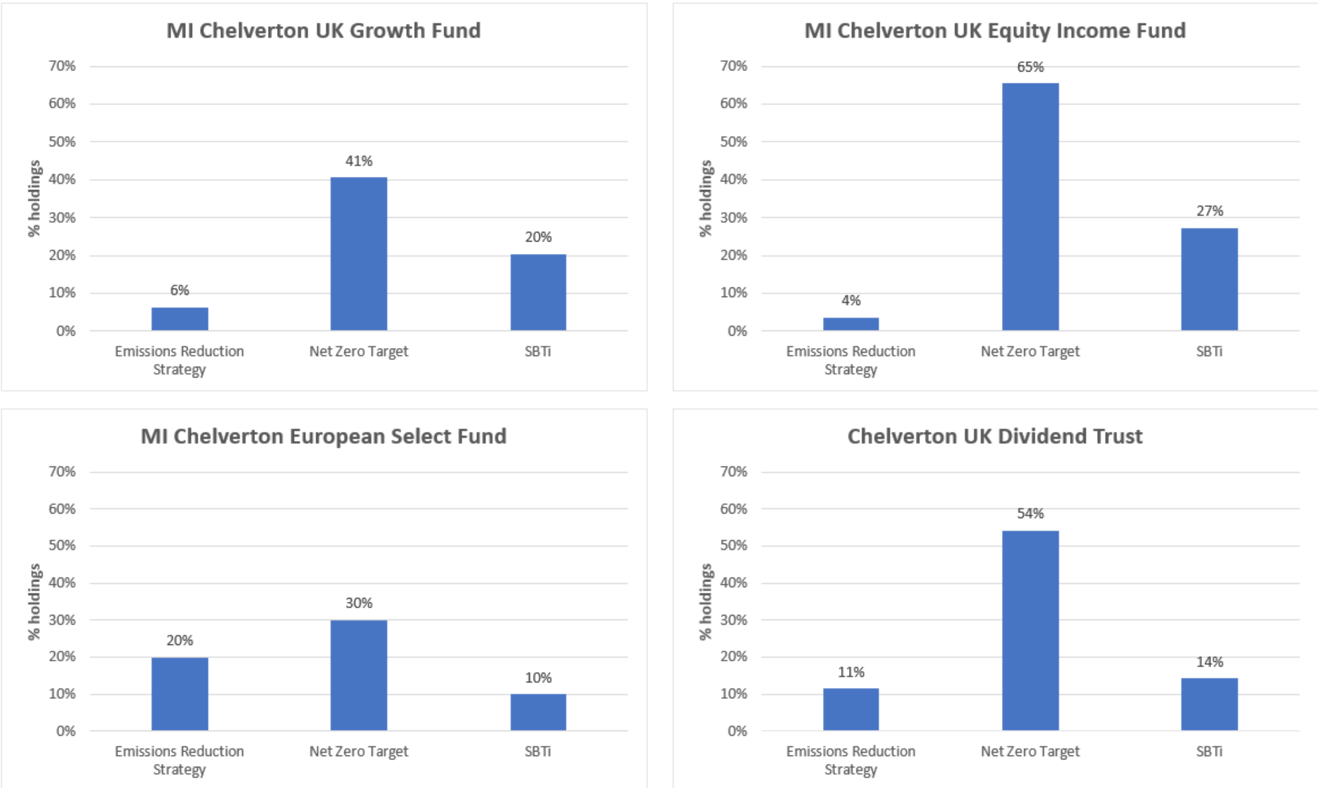
In total we received 170 completed ESG questionnaires allowing us to plot improvements in sustainability management and reporting over a two-year period. This represents a reduction in the overall number of questionnaires held within our proprietary database from the 188 gathered last year, for two reasons:

- A greater proportion of our companies have reached a level of reporting maturity whereby we no longer require an ESG questionnaire, disclosing through recognised reporting frameworks and adopting relevant management standards, as we requested.
- We have consolidated the number of our UK holdings.

In relation to information relating to the three engagement themes pursued in 2022, we offer the following insights:

- **Adoption of science-based Net Zero Carbon Emissions Reduction Strategy**

The following charts summarise the proportion of each fund's holdings now monitoring GHG emissions who have adopted a Net Zero target, other GHG emissions reduction strategy, or an accredited science-based Net Zero strategy:



Source CAM Ltd Data, 31st December 2022

More detailed analysis of each funds' position using questionnaire data is as follows:

MI Chelverton UK Equity Income Fund:

82% of fund holdings are currently monitoring and reporting GHG emissions. We have no reported data for 2% of holdings. 2% of holdings report plans to monitor and report on GHG emissions in the near future.

Regarding those companies for whom we hold a proprietary questionnaire for both 2021 and 2022, the number monitoring and reporting GHG emissions increased by 32%.

MI Chelverton UK Equity Growth Fund:

56% of fund holdings are currently monitoring and reporting GHG emissions. We have no reported data for 16% of holdings. 2% of holdings report plans to monitor and report on GHG emissions in the near future.

Regarding those companies for whom we hold a proprietary questionnaire for both 2021 and 2022, the number monitoring and reporting GHG emissions increased by 21%.

MI Chelverton European Select Fund:

55% of fund holdings are currently monitoring and reporting GHG emissions. We have no reported data for 15% of holdings.

Regarding those companies for whom we hold a proprietary questionnaire for both 2021 and 2022, the number monitoring and reporting GHG emissions increased 33%.

Chelverton UK Dividend Trust:

67% of fund holdings are currently monitoring and reporting their GHG emissions. We have no reported data for 8% of holdings.

Regarding those companies for whom we hold a proprietary questionnaire for both 2021 and 2022, the number monitoring and reporting GHG emissions increased by 33%.

- **Board Diversity alignment with the Hampton-Alexander Review 2016**

The following summarises the proportion of each fund's holdings that currently align with the Hampton Alexander Review's recommendation of 33% Board gender diversity, as an indication of company leadership in this regard.

MI Chelverton UK Equity Income Fund:

79% of fund holdings have diverse boards. We have data regarding board diversity for all holdings and therefore know that 21% do not have diverse boards.

Regarding those companies for whom we hold a proprietary questionnaire for both years 2021 and 2022, the number with diverse boards increased by 26%.

MI Chelverton UK Equity Growth Fund:

60% of fund holdings have diverse boards. We have data regarding board diversity for all holdings, therefore know that 40% do not have diverse boards.

Regarding those companies for whom we hold a proprietary questionnaire for both years 2021 and 2022, the number with diverse boards remained the same.

MI Chelverton European Select Fund:

68% of fund holdings have diverse boards. We have data regarding board diversity for all holdings, therefore know that 32% do not have diverse boards.

Regarding those companies for whom we hold a proprietary questionnaire for both years 2021 and 2022, the number with diverse boards remained the same.

Chelverton UK Dividend Trust:

60% of fund holdings have diverse boards. We have data regarding board diversity for all holdings, therefore know that 40% do not have diverse boards.

Regarding those companies for whom we hold a proprietary questionnaire for both years 2021 and 2022, the number with diverse boards increased by 36%.

- **Executive remuneration linked to ESG targets.**

The following summarises the proportion of each fund's holdings with executive remuneration linked to ESG targets, as an indication of ESG management focus.

MI Chelverton UK Equity Income Fund:

56% of fund holdings have executive remuneration linked to ESG performance. We have no data regarding executive remuneration for 11% of holdings.

Regarding those companies for whom we hold a proprietary questionnaire for both 2021 and 2022, the number with executive remuneration linked to ESG targets increased by 79%.

MI Chelverton UK Equity Growth Fund:

32% of fund holdings have executive remuneration linked to ESG performance. We have no data regarding executive remuneration for 22% of holdings.

Regarding those companies for whom we hold a proprietary questionnaire for both 2021 and 2022, the number with executive remuneration linked to ESG targets increased by 41%.

MI Chelverton European Select Fund:

20% of fund holdings have executive remuneration linked to ESG performance. We have no data regarding executive remuneration for 33% of holdings.

Regarding those companies for whom we hold a proprietary questionnaire for both 2021 and 2022, the number with executive remuneration linked to ESG targets increased by 100%.

Chelverton UK Dividend Trust:

33% of fund holdings have executive remuneration linked to ESG performance. We have no data regarding executive remuneration for 16% of holdings.

Regarding those companies for whom we hold a proprietary questionnaire for both 2021 and 2022, the number with executive remuneration linked to ESG targets increased by 43%.

Regarding Collaborative Engagements we can report the following outcomes:

- The CDP have announced increasing adoption of the streamlined climate reporting framework designed for smaller and medium sized companies, accessed via the SME Climate Hub. The initiative is the official pathway for small and medium-sized companies to join the UN Race to Zero Campaign. Over 5,500 companies from over 100 countries have made the commitment since the launch of the SME Climate Hub[16]

- The CDP have announced that during 2023 a new plastics module will be added to their water disclosure questionnaire, consisting of 5-9 unscored questions that cover plastics-related risks, targets, value chain mapping, and raw material content, among other topics.

- Implementation of the proposed UK SDR regime targeting greenwashing has been postponed by the Financial Conduct Authority until Q3 2023, in response to a high level of feedback regarding aspects of the regime. We await the new regime with interest.

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[16] https://www.cdp.net/en/events/disclosure-for-smes/webinar-on-demand

PRINCIPLE 12

Signatories actively exercise their rights and responsibilities.

CONTEXT

Principles 1, 6, 7 and 8 discuss aspects of our approach to exercising shareholder rights and responsibilities.

The principles that underpin our approach are outlined in our Shareholder Engagement and Voting Policy.

As the mangers of 4 collective investment schemes, CAM take full responsibility for exercising shareholder rights and responsibilities on behalf of our clients and ultimate beneficiaries, communicating our policy and activities clearly given underlying unit holders and investment trust shareholders cannot over-ride CAM's policy or vote directly.

As bottom-up equity stock pickers investing solely in quoted and AIM traded shareholdings we exercise our rights and responsibilities in 3 main ways:

- Through active shareholder engagement, which sits at the heart of every CAM investment process.
- Through our voting activity, where it is our policy to vote 100% of our rights at shareholder meetings.
- Through our right as active managers to sell our shareholding.

Shareholder engagement sits at the heart of our approach and is central to how we exercise our responsibility. We seek to build constructive relationships with the managements of the companies in whom we invest and engage with the objective of monitoring risk and enhancing value through our influence.

Once a company has entered a fund as a committed holding, we have satisfied ourselves that we support the company's strategy and management approach and we are unlikely to vote against management resolutions at shareholder meetings, preferring to communicate and influence matters arising on a one-to-one basis. Issues such as board structure, dividend policy, executive remuneration or share issuance will generally be discussed and influenced prior to shareholder meetings given the frequency of our interactions and the relationships that we hold.

Voting is an important shareholder right and we consider every shareholder vote to be significant. However, given our disposition to vote in favour of management resolutions, reporting of significant votes relates only to those which differ from this standard practice of voting in favour.

Maitland Administration Services Ltd are responsible for monitoring the voting rights for which CAM have decision making responsibility. Maitland cast our votes in line with our instructions, as required. As discussed in Principle 5, we reconcile the votes cast with the instructions given on a quarterly basis, with particular focus on reported significant votes.

As discussed in Principle 8, we do not use the services of a third-party proxy voting advisor for voting advice, preferring to view company governance, and management and shareholder resolutions, within the context of company size, level of maturity, and our understanding of the dynamics of the company.

Our managers rely on their own detailed knowledge of each company and expertise as small and mid-sized company investors when making voting decisions.

As discussed, managers have the support of our dedicated corporate governance manager when making their decisions and consider this more appropriate than advice from third-party advisors focussed on larger organisations. Our dedicated corporate governance manager closely monitors the voting proposals of every company we have invested in, particularly proposals which aim to alter the companies' articles of association and /or management remuneration and incentive schemes.

As a general rule, as discussed in Principle 1, CAM expects all investee companies to comply with the principles expressed in the UK Corporate Governance Code or Quoted Companies Alliance (QCA) Code for UK small and mid-sized companies or explain why they have not done so. We consider the individual circumstances of smaller companies when reviewing governance code compliance. In relation to European companies, we also recognise regional corporate governance code differences and consider these as relevant.

We do not participate in stock lending. We believe that whilst this practice can add to market liquidity at the large company end of the market, it has the opposite effect for small and mid-sized companies and can lead to adverse share price movements for those companies where the stock has been borrowed.

Our right to Sell: As discussed in Principles 1 and 8, we are not 'forever' investors, and look to recycle investments when we consider the moment is right. Our usual investment time horizon is 5 years and our average holding period 3 – 5 years. However, as equity investors our ultimate shareholder right is to sell our shareholding if we are not happy with the behaviour or performance of the management team. This escalation is a powerful right. We exercise this right in the event of unforeseen management issues that we cannot reconcile through constructive dialogue.

Activity

During 2022 our managers followed our Engagement and Voting Policy, voting 100% of our shareholdings.

We reported our voting activity in our quarterly Engagement and Voting Report(s) here: Q1 2022, Q2 2022, Q3 2022 and Q4 2022.

CAM reviewed and voted in favour of all management resolutions in line with our policy, except in a small number of exceptional circumstances. Details are provided below.

Explanations for voting decisions which differed from our standard procedure of 'vote in favour' are provided below, including any planned escalations.

No voting decisions were taken by another entity on our behalf.

OUTCOMES

Reconciliations between our voting instructions and the votes that were cast by our funds' administrator, Maitland Administration Services Ltd, showed no discrepancies regarding the significant votes itemised below.

The breakdown of the voting record for each fund shows strong alignment with our policy:
MI Chelverton UK Equity Income Fund:

	Breakdown of resolutions (#)	Breakdown of Resolutions (%)
Total Resolutions	1543	100%
Votes in Favour	1540	99.8%
Votes Against	3	0.2%
Abstentions	0	0.0%

MI Chelverton UK Equity Growth Fund:

	Breakdown of resolutions (#)	Breakdown of Resolutions (%)
Total Resolutions	2168	100%
Votes in Favour	2140	98.7%
Votes Against	22	1.0%
Abstentions	6	0.3%

Chelverton UK Dividend Trust:

	Breakdown of resolutions (#)	Breakdown of Resolutions (%)
Total Resolutions	1108	100%
Votes in Favour	1091	98.5%
Votes Against	9	0.8%
Abstentions	8	0.7%

MI Chelverton European Select Fund:

	Breakdown of resolutions (#)	Breakdown of Resolutions (%)
Total Resolutions	828	100%
Votes in Favour	825	99.6%
Votes Against	3	0.4%
Abstentions	0	0.0%

All Funds:

	Breakdown of resolutions (#)	Breakdown of Resolutions (%)
Total Resolutions	5647	100%
Votes in Favour	5596	99.1%
Votes Against	37	0.7%
Abstentions	14	0.2%

Source: Chelverton Asset Management Ltd 2022

Explanations for reported significant votes, on a quarterly basis, are shown below:

Votes cast from 1st January 2022 to 31st March 2022 which differed from the standard procedure of “Vote in Favour” were:

Novartis – Vote Against Remuneration Packages

The Chelverton European Select Fund voted against 3 remuneration votes at this Swiss listed company’s most recent AGM, applying a UK Corporate Governance Code lens to the proposals. The proposals related to the inclusion of share incentives and pensions payments in non-executive director remuneration packages. Applying a UK lens, we consider share incentives and pension payments made to non–executive board members of a company render them non-independent, hence voting against the resolutions on principle. However, we accept that Swiss governance code conventions do not currently deter such incentives, whilst noticing these awards are diminishing as Swiss corporates converge upon other best-practice European code standards. Ninety-seven percent of Novartis’s shareholders supported the proposals, and we have no plan to follow-up our action directly.

Votes cast from 1st April 2022 to 30th June 2022 which differed from the standard procedure of “Vote in Favour” were:

John Wood Group – Vote Against Directors’ Remuneration

The Chelverton Equity Income Fund voted against Resolution 2 ‘To approve the Report on Directors Remuneration’. Sales in the 12 months to 31st December 2021 were down 15%, earnings fell 25%, and the shares have consistently underperformed the FTSE 250 index over a 5-year period. Dividend payments have been suspended since the payment of the interim dividend in 2019 and the company share price has fallen from 310p to 191p per share in the year. Despite these disappointing indicators the executive directors received short term bonuses of £318K in aggregate, and long-term bonuses with face value awards of £2.4m (subject to performance), in addition to salary awards of £1.3 m.

The company is now a smaller entity having recently sold its consultancy arm. A new CEO has been appointed and we await contact to ask him to consider the size and makeup of the board given our disappointment in the management.

Randall & Quilter Investment – Abstained from Voting on Cash Offer for Company

The Chelverton UK Equity Growth Fund and UK Dividend Trust abstained from votes relating to a recommended cash offer for the company (6 abstentions from each fund).

The shareholders received a “recommended cash offer” for the company from the largest shareholder. We believed the offer substantially undervalued the company, despite the existence of an urgent funding issue. We discussed with management the option of going to the market to recapitalise in preference to recommending the bid. However, the board proceeded to recommend the bid.

The bid was rejected by a narrow margin and the company has subsequently successfully completed a Placing and Open Offer to recapitalise the company.

Despite this preferable outcome we are concerned by the actions of board members in relation to the original bid and met non-Executive members of the board to discuss this.

RTC Group – Abstained and Voted Against Company Resolutions

Chelverton UK Dividend Trust abstained on 2 votes and voted against 3 company resolutions.

During a difficult trading year, the company suspended payment of the dividend citing the poor trading environment. Despite this, the directors received an aggregate £280k in annual bonuses and on 24th May 2021 carried out a repurchase, from the directors, of 1.5m share options at the market share price of 46.5p. Chelverton were offered the opportunity to sell some shares to the company at the same price.

Following a substantial fall in the share price in the wake of failure to secure contract renewals, we have engaged with the Chairman to voice our disquiet, and in particular the payment of “performance bonuses” to executives despite the poor total shareholder return.

Votes cast from 1st July 2022 to 30th September 2022 which differed from the standard procedure of “Vote in Favour” were:

Randall & Quilter Holdings – Vote Against Re-election of Non-executive Directors

Following on from voting activity reported in the second quarter for this shareholding, the Chelverton UK Dividend Trust and Chelverton UK Equity Growth Fund each cast 4 votes against the re-election of 4 non-executive directors.

The background to this decision was a recommended cash offer for the company in the second quarter. Despite our engagement, the board recommended an offer from the company’s largest shareholder in preference to going to the market to recapitalise. Chelverton believed the offer substantially undervalued the company. Chelverton voted against the offer which was rejected by a narrow margin, and the company subsequently successfully completed a Placing and Open Offer to recapitalise the company which we supported.

Despite the favourable outcome, having voiced our concern at the action of the board members, Chelverton chose to vote against the re-election of the 4 non-executive directors whom we believe have consistently failed to act in the best interests of all shareholders, both when the initial balance sheet problems came to light resulting in the need to refinance, and in a hasty recommendation of a cash offer by the company’s largest shareholder substantially undervaluing the company.

Randall & Quilter Holdings – Vote Against Replacement of Current CEO for Previous CEO

The Chelverton UK Dividend Trust and Chelverton UK Equity Growth Fund each voted against 2 shareholder proposals which sought to replace the current CEO of the company and reinstall the previous CEO. We are supportive of the current CEO and the ongoing company strategy that he is leading, and therefore saw no reason to vote to replace him.

XPS Pensions Group – Vote Against Re-election of the Joint Chief Executive Officers

The Chelverton UK Equity Income Fund and Chelverton UK Equity Growth Fund each voted against 2 resolutions relating to the re-election of the joint Chief Executive Officers.

Chelverton believe that responsibility for executive control is best served by having one Chief Executive Officer at the helm of a company. We have raised this issue with the management on numerous occasions, but they remain steadfast in their belief in having dual Chief Executive Officers.

Euromoney – Vote Against Bid for the Issued Share Capital of Euromoney

The Chelverton UK Equity Growth Fund voted against 2 resolutions in relation to a recommended bid by Becketts Bidco Limited for the entire issued share capital of Euromoney, valuing the shares at £14.61 each. We believe this bid materially undervalued the company. However, a majority of eligible shareholders voted in favour of the bid. We have now received a cash payment for our holding and the company has delisted.

Votes cast from 1st October 2022 to 31st December 2022 which differed from the standard procedure of “Vote in Favour” were:

Alphawave IP Group PLC – Vote Against Altering Long-Term Incentive Plan

The UK Equity Growth Fund placed one Vote Against Alphawave IP’s Long-Term Incentive Plan alterations. Listed on the UK stock market in May 2021, Alphawave IP is relatively new to the world of quoted marketplace governance. The company contacted us in November 2022 seeking permission to alter their Long-Term Incentive Plan dilution limits. Implementation of this plan would mean the company management could fall heir to more than 10% of the company’s equity within a 10-year time horizon.

We support the Investment Association principles on remuneration which set out to promote long term value creation through transparent alignment with the agreed corporate strategy for a company. Those principles promote dilution limits for Long Term Incentive Plans to ensure “the rules of a scheme must provide that commitments to issue new shares … when aggregated with awards under all of the company’s other schemes, must not exceed 10% of the issued ordinary share capital in any rolling 10-year period.” We informed the company that we were likely to vote against their proposals due to the divergence from these Investment Association principles.

The company went ahead with the vote which took place on the 7th of December 2022. The single resolution was approved by 92.7% shareholders “For” the proposal and 7.3% “Against”. We will continue to express our concerns to the remuneration committee regarding this issue and seek the attachment of stringent performance criteria to this Long-Term Incentive Plan.

Reabold Resources – Vote Against Removal of the Board of Directors

The UK Equity Growth Fund voted Against 11 resolutions. In November 2022 Reabold Resources was subject to a request from Requisitioning Shareholders, representing 7% of the company’s equity holders. They sought the removal of the Board of Directors of Reabold and their replacement with candidates proposed by the shareholder group. We are content with the progress made by the company, its strategy, and the existing Board of Directors. Consequently, we voted against all 11 proposed resolutions to remove the Board of Directors. Votes In Favour were around 25%, Votes Against were approximately 75%, so the current Board remains in place.

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Fund performance figures are net of the ongoing charges and portfolio transaction costs unless otherwise stated.

The Investments underlying CAM managed funds do not take into account the EU criteria for environmentally sustainable economic activities.