

IM Asset Management Limited UK Stewardship Code Policy

Background

IM Asset Management Limited (or “the Firm”) is a UK discretionary investment manager, managing assets for both retail and institutional clients. The UK Stewardship Code is published by the Financial Reporting Council (FRC), the UK body responsible for promoting high quality corporate governance. The UK Stewardship Code sets out good practice standards for institutional investors, such as investment managers, for their dealings with the UK-listed companies in which they invest.

This policy sets out the Firm’s commitment to the FRC’s UK Stewardship Code (or “the Code”).

Investment approach

The Firm’s investment philosophy is based on techniques which have a significant body of evidence demonstrating how they have produced superior long-term investment performance. These techniques fall under a number of headings with the most common one being momentum investing. Momentum investing is based on the overwhelming evidence that, on average, financial instruments (or indeed many other features in life generally) that have performed well in the recent past, will continue to do so for some time. It is an investment approach that requires a strict discipline and objective rules to follow and allows us to exploit short-term market sentiment and movements in price.

As the process is based on opportunities identified by academic research it is essential that it is pursued in a disciplined and consistent manner with no extraneous factors allowed to distort the recommendations. The process does, however, allow for a conceptual overlay when markets are extremely volatile, for example, during periods of extreme uncertainty.

It is not a part of the Firm’s general investment philosophy to engage with senior management of the companies in which it invests. Such a fundamental or “bottom up” approach is not part of its investment philosophy or approach and would be inconsistent with what is explained to clients about the investment process.

The Firm understands the importance of implementing and monitoring a rational and constructive corporate governance framework in creating an environment under which companies operate and prosper. As a result it is aware of information flows on companies where it has a shareholding on behalf of its clients. It would intervene in shareholder resolutions in such companies where guidelines set out by the leading shareholder groups are in serious breach and where it believes, by doing so, it would affect the result or the interpretation of the result.

Compliance with the UK Stewardship Code

As a UK-based asset manager, the Firm has a duty to act in the best long-term interests of its clients and is committed to achieving this.

The Firm recognises, however, that due to the very nature of its process, it is not always feasible to comply with the Code. Set out below is the approach taken by the Firm to the Code's key recommendations.

The 2012 revisions to the Stewardship Code encourage asset managers to have the policies described in their stewardship statements independently verified, however due to the nature of the Firm's investment approach and its small size relative to other asset managers, the Firm does not consider that the costs of independent verification are justifiable to clients. The Board is sufficiently confident that it adheres to its policy statements and therefore no external verification is deemed to be required.

The Firm's contact details for those interested in collective engagement are as follows:

Telephone: 0370 1500 900

Email: finplanservices@irwinmitchell.com

Principle 1

Institutional investors should publically disclose their policy on how they will discharge their stewardship responsibilities.

- The Firm believes its first priority to its clients is to follow the investment process it has outlined to them. It is the Firm's belief that management should be allowed to manage their companies as they see fit, wherever possible, but within guidelines, to maximise returns to shareholders and be judged accordingly.
- Any individual investment will always be governed by the Firm's investment approach which centres around a signal to buy a particular company or sector. It is not the Firm's policy to engage with senior management of the companies in which it invests. In the unlikely event that it did hold a company in a client's portfolio where intervention became necessary, it would investigate and where appropriate, cooperate with any wider shareholder action, rather than engage directly and in isolation.
- Based on this philosophy, the Firm will generally support the management of companies it invests in. If it could not support the management, it would not, in normal circumstances, invest in them or it would sell any such investment.

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publically disclosed.

- The Firm will always vote in the best interests of its clients and, as an independent investment manager which does not conduct any proprietary investment, can vote in most situations free of any conflicts of interest.
- The Firm is owned by Irwin Mitchell Holdings Limited and has an independent board of directors. It is the Firm's view that it is unlikely that acting in the best interests of its clients would conflict with the views of its parent or its sibling organisation, Irwin Mitchell LLP, a law firm. Should such a conflict of interest arise, the matter would be escalated to the independent board for resolution.
- The Firm's Conflicts of Interest Policy is available on its website.

Principle 3

Institutional investors should monitor their investee companies.

- Due to the nature of the investment philosophy employed at the Firm, as described above, investee companies are monitored very closely on a daily, weekly and monthly basis to ensure the ownership of the company continues to be in clients' best interests. This monitoring is done primarily on the basis of price movements and would in all cases be the primary indicator of when a decision to buy, sell or continue to hold a particular company would be made. Hence the focus is on preserving and increasing capital value and income for clients whilst creating and maintaining a healthy corporate environment as described above.
- When it becomes apparent through its monitoring that better opportunities exist elsewhere, the Firm alters its investment position.
- Generally, it is not the Firm's policy to meet with investee companies or attend their General Meetings.
- Due to the resulting restrictions in its ability to deal in the shares of investee companies, the Firm is not willing to have access to information about investee companies that is not in the public domain, and therefore does not wish to become an insider.

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

- Where the Firm does not believe (as evidenced by the collective view of the market) management is acting in the best interest of shareholders, it will not make an investment. Where it becomes concerned (based on market comment or action) that management's actions or intentions are not in the best interest of shareholders then it will, in general, cease to invest.
- Due to its investment approach, it is unlikely the Firm would ever wish to escalate any activity but could in theory be party to a wider shareholder action group. This is particularly the case where a discontinuity in the share price movement (resulting from management actions) has prevented the Firm from selling a shareholding at a fair value and therefore the existing, historic, share price trend is perceived not to be a good guide to future performance.
- Unless otherwise agreed with its clients, the Firm does not apply any kind of environmental, social or ethical screens to its investment approach; the signals produced by the investment model are objective and not influenced by anything other than the criteria identified as being consistent with superior investment performance in the past.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate.

- Where permitted by law and regulation, the Firm would act jointly with other institutions, in a class action for example, when it is deemed to be both in the best interests of its clients and the most effective course of action to address a specific issue or concern. Clearly, the views of other shareholders would need to be consistent with those of the Firm for a collaborative approach to be considered.

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity.

- It is the Firm's policy to vote on behalf of all clients, where it is deemed necessary and appropriate, unless it has been expressed explicitly in the Investment Management Agreement that the client wishes to opt out of this process. Whilst the Firm generally hopes to support the incumbent management, where it is believed that management is not acting in investors' best interests, the Firm will vote against resolutions or abstain from voting.
- The Firm does not undertake or participate in any stock lending activities.
- Details of the Firm's voting activity are updated quarterly and displayed in its website.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities.

- It is set out in clients' Investment Management Agreements that the Firm will vote on behalf of its clients, unless the client wishes to opt out of this process.
- The Firm provides details of its proxy voting decisions on its website on a quarterly basis. Any additional stewardship activity, such as publically disclosable meetings or other engagement with companies, will also be disclosed on this page.
- This Stewardship Policy is available on the Firm's website, www.irwinmitchell.com