**IM Asset Management Limited**

**Approach to Stewardship**

**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.

Whilst the Firm is not a stated signatory of the UK Stewardship Code, given its size and investment approach detailed below, it aims to abide by its principles, clearly stating where this is not the case. The Firm’s investment universe is limited to established companies on recognised exchanges, predominantly the UK, so reliance is placed on LSE rules.

**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 dual momentum investing. Dual 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 political and economic extreme uncertainty. This conceptual overlay enables the firm, where sufficient concerns around a companies governance arise, to exclude such companies irrespective of its ranking.

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. However, we believe the Market will reward those companies that undertake positive corporate governance and our process would capture these.

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, or necessary given the filtering process applied. 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:

Email: InvestmentTeam@IrwinMitchell.com

**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.*

* 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. Our focus is on large and medium UK companies which are required to comply with certain listing and disclosure rules, thereby provides a sound governance footing.
* Any individual investment will always be governed by the Firm’s investment approach which centres on 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**

*Signatories’ governance, resources and incentives support stewardship.*

* The Firms governance framework is such that stewardship is effectively embedded and overseen across the business. The Board is ultimately responsible for the management of our business, including setting our strategic direction and delivering on our objectives. We have a number of committees to support the implementation of our strategy and a number of senior managers that are responsible for managing the business on a day to day basis. The Investment Committee is the most relevant to overseeing the implementation of good stewardship practices, in the context of the universe of companies we select from.

**Principle 3**

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

* 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. The firm operates a conflict register so avoid this from arising, though 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 4**

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

* The firm undertake monthly, weekly and daily monitoring and screening process that looks to identify information flows associated to macro-economic and political events (Narrative).
* This is used in conjunction with our investment policy to ensure that the assumptions that we have made when assessing the macro and narrative environment is consistent with what we are seeing at the asset class level.

**Principle 5**

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

* As with the foundational and evolutionary principles of the Firm’s investment process, the architecture in which investment decisions are made is periodically reviewed by the Firm’s investment committee.
* The Firm utilises as an external consultancy to carry out an annual business risk assessment which assesses the Firm’s activities against its policies and procedures to ensure they are compliant, and offer good client outcomes.
* The Firm’s compliance monitoring programme provides reassurance to Senior Management that it is operating in a compliant framework. Any exceptions are escalated to the appropriate Governing body within the firm.

**Principle 6**

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

* 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](http://www.irwinmitchell.com)

**Principle 7**

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

* 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.
* The firm has bespoke best of breed offerings for those clients that request this type of investment.

**Principle 8**

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

* 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, alongside the news flow and associated narrative, 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.

**Principle 9**

*Signatories engage with issuers to maintain or enhance the value of assets.*

* 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 10**

*Signatories, where necessary, participate in collaborative engagement to influence issuers*

* 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.
* The Firm’s investment process however, as noted previously, means this situation is unlikely to occur.

**Principle 11**

*Signatories, where necessary, escalate stewardship activities to influence issuers.*

* 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.

**Principle 12**

*Signatories actively exercise their rights and responsibilities*

* 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.