

MORANT WRIGHT

MANAGEMENT LIMITED

43 St James's Place, London, SW1A 1NS
Telephone: 020 7499 9981 Facsimile: 020 7499 9981 Website: www.morantwright.co.uk

PRINCIPLES FOR RESPONSIBLE INSTITUTIONAL INVESTORS

JAPAN'S STEWARDSHIP CODE

2nd Revision 24th March 2020

Morant Wright Statement of Compliance

Introduction

Founded in 1999, Morant Wright Management Limited (MWML) is a long-only investment management company, specialising exclusively in quoted Japanese equities. We manage five open-ended investment funds, two in the UK and three in Ireland, and a number of segregated accounts on behalf of institutional clients. Our aim, in managing all our accounts, is to grow the real value of our clients' capital, and, where appropriate, income, over the medium to long term. We place great emphasis on capital preservation and are highly risk-averse. We are pure stock pickers, disregarding indices and other benchmarks. Our focus is exclusively on the companies in which we invest.

MWML employs 7 fund managers who have long experience of investing in Japan. We believe that the interests of our clients are best served if we focus on what we know best. This focus has enabled us to build up extensive and detailed knowledge of Japanese companies and the environment in which they operate and of the Japanese stock market. We consider that this benefits both the companies in which we invest and our clients.

MWML is entirely owned by its employees. This enables us to make long-term decisions to the benefit of our investment process and therefore our clients.

MWML believes that the most effective governance arrangements are those which align the interests of shareholders and management, while taking account of wider interests including other stakeholders, and environmental and social factors. In this context, we consider the adoption of the Stewardship Code in Japan has the potential to make a positive contribution to the sustainable, long-term growth of Japanese companies. We welcome the redefinition of "stewardship responsibilities" in the 2020 revision of the Code, requiring institutional investors to specifically include consideration of medium- to long-term sustainability (including ESG factors) within their investment management strategies and in the course of their constructive engagement with investee companies.

Principle 1

Institutional investors should have a clear policy on how they fulfil their stewardship responsibilities, and publicly disclose it.

We fulfil our responsibilities through engagement and voting with management. In-depth knowledge of the companies in which we invest and engagement with their management is at the core of our investment process. Our investment managers have many years' experience of investing in Japan. Throughout that time, they have visited, worked and, in most cases, lived in Japan. As a firm, we have been involved with some of the companies we invest in since the inception of the business 20 years ago. We would strongly emphasise that we are long-term investors and look to have a continuing and constructive relationship with the management of the companies we invest in.

Our approach to investing has remained unchanged since our inception. Our investment process is entirely bottom-up. It is based on our extensive experience and our long-term data base as well as external sources, including brokers' research. The process begins with initial screening for companies which meet our investment criteria. Having identified suitable candidates, we conduct detailed balance sheet analysis and an assessment of the business franchise. This analysis always seeks to assess the potential risks to an investment, including those ESG factors relevant to the specific company, which could adversely affect its viability as a sustainable long-term investment. We place particular emphasis on balance sheet strength and also on two key valuation ratios, PBR and EV/EBIT. If a company still looks like a potential candidate for investment, we seek to establish contact and to assess the attitude of management, particularly whether they seek to enhance shareholder value.

Lastly, we consider the current valuation. Details of our investment process are available on our website and are in our fund literature and are the subject of discussion during our many meetings with clients.

We publish a monthly newsletter for all our open-ended funds.

Principle 2

Institutional investors should have a clear policy on how they manage conflicts of interest in fulfilling their stewardship responsibilities and publicly disclose it.

We have deliberately organised our business to prevent, as far as possible, conflicts of interest arising, not just in the area of governance but in all aspects of our business. We have formally adopted a Conflicts of Interest Policy which is publicly available on our website and which sets out in detail the specific measures we have taken. The principles underlying the policy are that, firstly, we always put our clients' interests first and, secondly, we always treat clients equally.

Identified conflicts between MWML and our clients

Specific measures taken include:

- MWML acts only in an agency capacity. We never have any proprietary interest in any securities which may be held in client portfolios.
- MWML aims for full disclosure with each client of all the fees and charges they will pay. These are always agreed with the client in advance. MWML only accepts remuneration by way of fully disclosed management fees.
- MWML pays a flat rate of commission for execution across all accounts. This is kept under regular review. The amount paid by each account is fully disclosed.
- MWML pays for third-party research, corporate access and expenses incurred during trips to Japan by the fund managers (including travel and accommodation) from its own resources.
- MWML prohibits personal account dealing by all staff in Japanese equities and requires the prior permission of the Compliance Officer before personal account dealing is undertaken in funds investing in Japan, including those managed by MWML. Except for the possibility of owning a Japanese security prior to joining the Firm and which may only be sold with the Compliance Officer's permission, no employee of the Firm may therefore have any interest in a security which may be held in a client portfolio.
- If approached to be made privy to inside or proprietary information, it is the Firm's standard policy to decline. Nevertheless, the Firm takes extremely seriously its obligation only to

make proper use of such information and has established written procedures to ensure that this is the case should the situation arise, including the use of a stop list which is under the control of the Compliance Officer. (Inside Information and Stop List Policy).

Identified conflicts between clients

MWML seeks to achieve equal treatment between its clients. Measures to achieve this include:

- All investment decisions are taken in the light of the mandate agreed with the client or set out in the fund prospectus. Adherence to the mandate is regularly reviewed by the Compliance Officer.
- All investment decisions are taken by the fund managers on a collective basis. All accounts are managed on a team basis. No manager is assigned to a particular fund or client and no employee is remunerated according to the investment performance of any account or accounts.
- All orders are pre-allocated to their intended accounts in advance of being sent to a broker for execution. This is checked by administrative staff and the Compliance Officer. Where the bargain is not executed in full it is automatically allocated between clients on a pro rata basis by the Firm's dealing and management system (rounding up or down as appropriate for odd lots).
- Securities are never transferred directly between client accounts. Where one client is a seller of a security (eg because of a liquidation) which may be suitable for other client portfolios, the cross trade is always executed through a broker at market prices in order to ensure a fair market price to both parties.

Principle 3

Institutional investors should monitor investee companies so that they can appropriately fulfil their stewardship responsibilities with an orientation towards the sustainable growth of the companies.

The universe of companies in which we invest is clearly proscribed. This helps us in monitoring each company closely. News feeds and other sources such as brokers' reports are monitored daily for relevant items. Company accounts and news releases are studied in depth. We seek to meet regularly with management either in Japan, which we visit often, or in London when Japanese companies come to the UK, or through conference calls. All meetings and calls are recorded in detail and logged, creating an extensive database of company information going back over many years.

All fund managers share the same room which facilitates communication between them. Formal investment review meetings are held weekly. Amongst other things, these enable us to ensure that meetings with companies are properly scheduled and timetabled to make sure we keep in touch and are up to date with developments. All these meetings are minuted.

We regularly assess the attitude of management towards the creation of shareholder value and the extent of their adherence to the high standards of the Corporate Governance Code.

Principle 4

Institutional investors should seek to arrive at an understanding in common with investee companies and work to solve problems through constructive engagement with investee companies.

It is always our preference to engage privately and informally with companies in which we invest through the normal cycle of meetings and calls. This engagement encompasses all factors which consider affects the long-term sustainability of the company. We believe this is the most effective way of making our views known. Nevertheless, where there are items of major concern we have in the past and would in the future be prepared to engage with company management directly to make our views known or otherwise to escalate the issue.

We have no objection in principle to working in co-operation with other investors, although opportunities for doing so have historically been limited.

Principle 5

Institutional investors should have a clear policy on voting and disclosure of voting activity. The policy on voting should not be comprised only of a mechanical checklist; it should be designed to contribute to the sustainable growth of investee companies.

All votes put to shareholders by our companies are considered. While we will not necessarily vote on routine matters where we do not consider that there would be any benefit to our clients in doing so, we will always vote on matters of substance. How we vote is determined by the fund managers collectively. We do not use proxy advisors.

Deciding our voting preferences starts with the evaluation of management. There is a formal process by which our companies are “scored” on an on-going basis against a number of criteria including, but not exclusively, strategy, dividend policy, share buy-backs and progress in unwinding cross shareholdings.

Our general stance is to be supportive of those managements which we consider prioritise good governance and shareholders’ interests. While all shareholder votes are considered individually, we will generally vote in favour of proposals put forward by managements which we consider score highly in this regard.

Conversely, where we consider that management pays insufficient attention to these issues, we will vote appropriately. This may include, for example, voting against the reappointment of directors. We will always vote against measures which we consider to be contrary to shareholders’ interests in principle, for example “poison pills”.

It is extremely rare for shareholders to put forward voting proposals in respect of our companies. Were they to do so we would consider them on their merits and would co-operate where appropriate.

We use an electronic platform to submit voting decisions. Full records are kept of each vote and each voting consideration.

We do not undertake stock lending and so we are always in a position to be able to exercise voting rights at the determination date.

Principle 6

Institutional investors in principle should report periodically on how they fulfill their stewardship responsibilities, including their voting responsibilities, to their clients and beneficiaries.

We report regularly to clients through our monthly newsletter. The way we engage with our companies is kept under regular review and our stewardship statement updated annually. Both our

voting policy and how we have voted over each of the preceding 3 months are published on our website and are made available to clients in meetings and on request. It is also commonly discussed with clients in meetings.

Principle 7

To contribute positively to the sustainable growth of investee companies, institutional investors should have in-depth knowledge of the investee companies and their business environment and skills and resources needed to appropriately engage with the companies and make proper judgments in fulfilling their stewardship activities.

As stated in Principle 1, fundamental research is the basis of our investment process. Our fund managers have all spent virtually their entire working lives following Japanese companies and the Japanese market. This means an average of over 25 years' experience. Our fund managers spend the majority of their time analysing companies.

We remain committed to meeting and maintaining regular contact with our companies, both in London and Japan.

Principle 8

Service providers for institutional investors should endeavour to contribute to the enhancement of the functions of the entire investment chain by appropriately providing services for institutional investors to fulfill their stewardship responsibilities.

We do not use service providers or other third parties in our investment process

Up-date, Review and Self-evaluation

Each item of this statement is evaluated at least annually and with greater frequency if required by changes to internal procedures or external events. In common with all MWML policies, it is considered and approved by the MWML board.

Copies of our policies are available on our web-site www.morantwright.co.uk or on request from enquiries@morantwright.co.uk