

2020

STEWARDSHIP REPORT

SLATER INVESTMENTS LIMITED

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FOREWARD

These are unprecedented times during which we have continued to actively engage with company management. We did not see a fall off in the number of company meetings, in fact the opposite is true. Companies adapted quickly to virtual meetings, as we tried to understand how they were dealing with the pandemic. Our ESG team attended 294 meetings with companies, and cast 1,966 resolutions across 116 AGMs and EGMs.

We continuously strive to be the best possible long-term stewards of our clients' capital, and, in this role, the active management of our Funds and Portfolios is central to our work as investment managers.

We do not invest in a company with the view of engaging; in an ideal situation we aim to buy into a high-quality business and monitor it. However, ongoing monitoring of investee companies is equally important as the initial investment decision itself, and sometimes shareholder engagement can help to support good corporate governance. This is important not only because it enhances shareholder interests directly, but also owing to the wider benefits it can have from an Environmental, Social and Governance ("ESG") perspective.

We believe ESG investing is based on creating shared value which generates greater innovation and growth for both companies and society at large. Similarly, ESG investing is a form of risk management; focusing on risks that may not be priced in the markets, and as a result can lead to significant downside if these risks materialise.

In September 2019, we became a signatory to the United Nations supported Principles for Responsible Investment ("UNPRI"), confirming our commitment to responsible investment. We are pleased that Slater Investments is now at the heart of a global community seeking to build a more sustainable financial system, encouraging investors to use responsible investment to enhance returns and better manage risks.

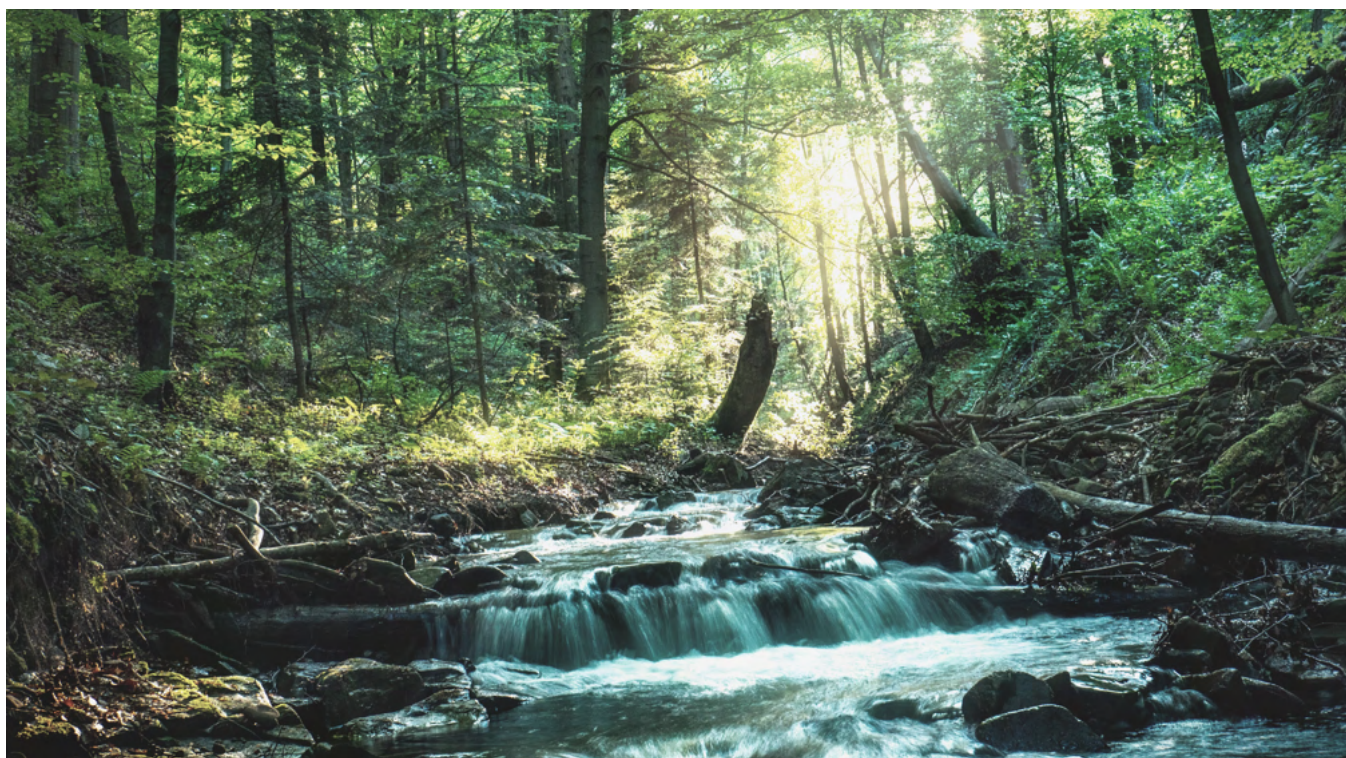
We are seeking to become one of the first signatories to the Financial Reporting Council's UK Stewardship Code 2020, having been one of the original signatories to the UK Stewardship Code in 2010, as we believe this sets the highest stewardship standards for asset owners and asset managers.


Therefore, the structure of this report is aligned in accordance with the Financial Reporting Council's 2020 UK Stewardship Code.

We view the future with some optimism as the vaccine and government actions have created a roadmap for a return to normal life. We are pleased to see that governments have put climate change on the map as companies are beginning to respond in a positive way. One fall out from the pandemic will be the effect on all stakeholders including customers, employees, suppliers and shareholders of social injustice. Our engagement in the coming year will focus on climate change and social issues.

We are pleased to present our Stewardship Report for the year ended 31 December 2020.

Slater Investments Limited





PURPOSE, STRATEGY & CULTURE

Slater Investments was established in 1994 as an investment management company focused on UK equities. All employees hold integral roles in our success; and our firm, investment beliefs, corporate values and culture have been built around this. We aim to add material long-term value for our clients by providing a framework for their desired returns, be that sustainable capital growth, income or a combination of the two; our track record in this regard is our most valuable asset. We are UK equity investors following a clearly designed investment process:

- we believe that the stock market regularly misprices shares, which creates opportunity;
- we believe that most sensible criteria work if they are consistently applied, with our combination of criteria being optimal;
- we look to build a margin of safety;
- we are patient investors adopting a long-term approach;
- we regularly screen the market looking for companies that have sustainable above average growth; and
- we integrate our in-house ESG philosophy and standards into investment making decision.

As long-term investors, we use ESG factors to help to identify companies positioned for strong long-term performance. As a business we approach ESG integration from a practical perspective, considering these issues against the backdrop of our investment time horizon and goals of our Funds and Portfolios.

Slater Investments is wholly owned by its directors, staff and former staff. The directors and staff have invested materially in our Funds ensuring that our interests are directly aligned with those of our clients.



GOVERNANCE, RESOURCES & INCENTIVES

In our view, stewardship and governance requires resources and expertise. We also recognise that the risk posed by ESG factors (including climate change risk and most recently those risks relating to the COVID pandemic) is an identifiable investment risk. Therefore, to further augment our stewardship, governance and ESG capabilities, our Board, at the end of 2019, formally created an ESG Committee with a range of backgrounds including law, corporate finance, compliance, risk, accountancy and asset management. This ensures we all approach matters from different angles and helps prevent the work we do from becoming blinkered.

The ESG Committee's focus is to understand the ESG risk that may emerge which might threaten the price earnings ratio or earnings growth prospects of our investee companies. Our screens are run prior to making an investment decision and updated when investee companies report. Its role is not to screen out companies but identify any ESG risk that exist and articulate whether there is a pathway to deal with the risk. The ESG Committee works closely with our in-house Research and Investment Team to ensure stewardship and ESG are integrated into our wider investment process.

During 2020 we added a new artificial intelligence screening system to monitor each investee company's ESG profile. The database is a comprehensive tool that allows us to track not only ESG risk but impact measurement as well. This complements our own in-house research.

CONFLICTS OF INTEREST

Conflicts of interest arise in two forms, at the company level and at a personal level. It is our policy to take all reasonable steps to maintain and operate effective organisational and administrative processes to identify and manage any potential conflicts.

A company level conflict can arise when a stock is held in more than one Fund and/or Portfolios where the strategies differ, i.e. one Fund has a mandate for growth and the other a mandate for income. More specifically, as has been highlighted recently, where paying a dividend may not be in the investee company's best interests for long-term growth but cancelling the dividend would be against its inclusion in an income mandate.

We are long-term investors. It is of greater benefit to both mandates for the investee company to act in its best interests of all stakeholders, and not jeopardise its future by being straight-jacketed by a particular dividend policy.

On occasion, we may encounter conflicts of interest related to our stewardship activities. It is incumbent on all investment professionals and members of the Compliance and Risk Committee to identify and manage such conflicts, in line with the Slater Investments Conflicts of Interest Policy. In all such instances, our objective is to ensure that these conflicts are identified and managed appropriately, to ensure our clients' best interests are served.

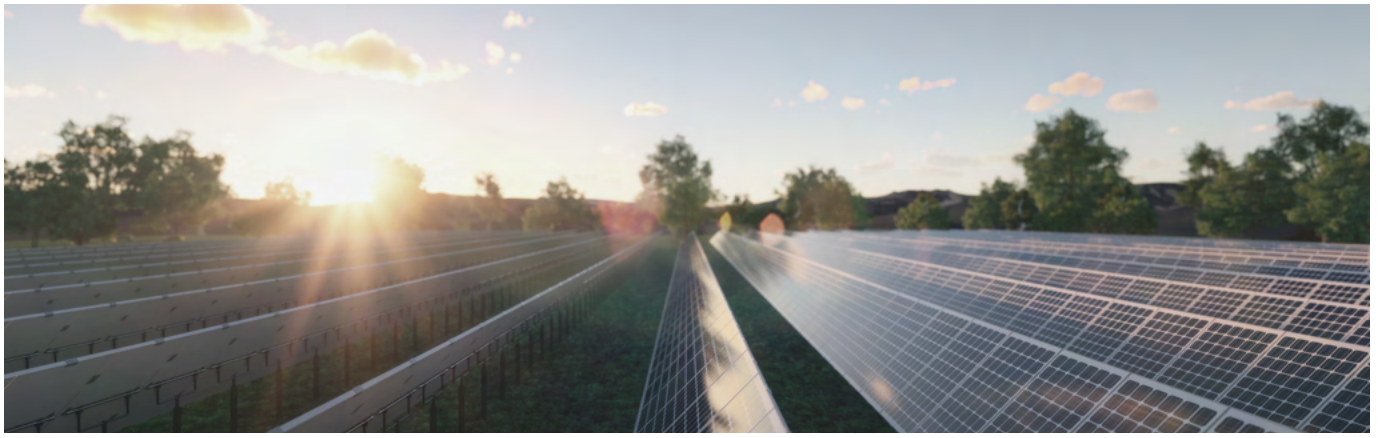


11 potential conflicts were identified in 2020 within Slater Investments and dealt with in accordance with our Conflict of Interest Policy.



Given the discretionary nature of our business we take steps to try to ensure we are not generally exposed to price sensitive information during our engagement activities, in respect of particular companies or transactions. We believe that acting in our clients' best interests involves us retaining the freedom to make independent investment decisions on their behalf. Sometimes, however, we do believe it necessary to receive price sensitive information. In this event, we follow company policy regarding insider dealing and market abuse to ensure that at all times we are in compliance with our legal and regulatory obligations.

We have procedures and controls which identify actual and potential conflicts of interest that may exist within the company. All directors and staff are given conflict of interest training and it is their responsibility to identify and report any potential or actual conflicts as they occur. We also undertake an annual face to face review of conflicts where each employee is asked to further clarify and confirm any or all conflicts.



REVIEW AND ASSURANCE

Our investment and stewardship processes are reviewed on an ongoing basis by our Compliance and Risk Committee and are signed off by the Board annually. This Report has also been reviewed by the Board and in doing so, the Board considers the Report to provide a fair and balanced view of our approach to Stewardship.

Our processes ensure that we are able to test the effectiveness of our stewardship and whether there are improvements which can be made. This year, we have increased the internal and dedicated resource to ESG. We believe that this will improve, amongst other things, engagement with companies and improve engagement outcomes both on specific company related issues or a more general issue.

External auditors conduct an annual review of the internal controls of administration services of our third-party service provider, JTC Fund Solutions

RSA (Pty) Limited, which is prepared in accordance with the International Standard on Assurance Engagement 3402. This helps us to ensure we are meeting the standards we have agreed with our clients and investors. All votes cast on behalf of our clients are reviewed by the ESG team on a weekly basis and reported quarterly on our website. We do not use external auditors for our stewardship activities. However, our stewardship activities are reviewed by someone independent to the ESG team. We have the following internal procedures and policies in place including:

- Conflict of Interest
- Voting
- Engagement
- Personal Account Dealing
- Best Execution
- Gifts and Benefits
- Anti-Bribery

These policies and procedures are monitored on an ongoing basis by the Compliance and Risk Committee with policies reviewed on an annual basis.



CLIENT AND BENEFICIARY NEEDS

Recognising the increasing statutory requirements of some of our clients to understand how their funds are being managed and invested and, in particular, in respect of our clients which are occupational pension schemes, we realise that we have to adapt how we approach and engage with our clients and investors. An investment commentary, an ESG report and information of how we exercised votes are incorporated into our quarterly reports.

Occupational pension schemes are now required by statute to publish the arrangements they have with us, as their investment manager, and include this in their respective Statement of Investment Principles. Over the course of 2019 we therefore started to engage with these schemes. Furthermore, by October 2021, these schemes are required to publish how they have implemented their engagement policy, including voting behaviour by, or on behalf of the Trustees, of the respective Schemes. With this in mind we are currently reviewing how we can improve our engagement with all of our clients in respect of improving stewardship and governance of their accounts and, in particular, in respect of the pension schemes, how we can best report to them in order for them to fulfil their statutory reporting obligations. Our objective is to ensure that the information they receive is clear and meaningful.

We note the Pensions and Lifetime Savings Association voting template recently published with an objective for Pension Trustees to receive more consistent reporting from all their asset managers. We are engaging with the Investment Association prior to finalising our chosen reporting method to ensure consistent and comparable reporting.

COMPANY STATISTICS

£1.31 bn

TOTAL ASSETS UNDER MANAGEMENT
AS AT 31/12/20



100% UK BASED & FOCUSED EQUITY TEAM





STEWARDSHIP, INVESTMENT AND ESG INTEGRATION

Our growth process has been biased towards “capital light” businesses which typically present relatively few material environmental concerns. From time to time, capital intensive companies have appeared in our screens and very occasionally were included as investments. Our integration of ESG factors with our investment process involves the following:

1) A greater emphasis on governance. Without effective governance there is limited prospect of positive developments in ESG and little prospect of profitable engagement. The initial focus is on the constitution of the board, the track record of the individuals and their incentivisation. This initial work is conducted by the investment team, which is followed up by a more comprehensive study by the ESG team including, but not limited to, diversity, upwards mobility within the work force, tenure, compensation, culture, transparency, capital discipline, risk management, independence, and asymmetrical ownership dynamics. A key factor where we spend time is executive remuneration. We try to understand how incentives are aligned with our interests.

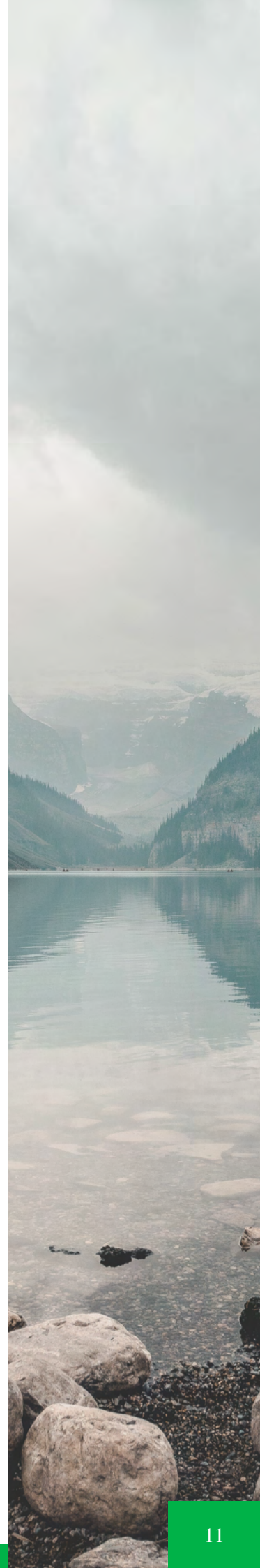
2) Companies that emerge from our fundamental screens as potential investments are screened for ESG factors. Depending on the nature of the business, between three and six of the most relevant sub-categories from our internal standards are identified. There is some overlap with the areas identified by the companies themselves which makes monitoring easier. If issues are identified that might undermine the prospect of an upwards re-rating in the price earnings ratio, these are flagged to the investment team. Companies which we believe might present a reputational threat are also flagged.

3) External ratings are in their infancy. The ESG team monitors these as they form a starting point for engagement. The ESG team reviews external ESG ratings for companies under consideration. These ratings will gain in value once globally acceptable standards are adopted.

4) The nature of our engagement depends on the size of our shareholding/strength of our relationship with directors and the level of concern about issues that arise from the ESG team's initial research and ongoing monitoring.

5) We also conduct themed engagements where we seek to identify the most important issues that are relevant to companies we own and engage across the board. For example, in 2020, we engaged with all investee companies on nil-paid options and are in the process of publishing our findings.

6) Ongoing monitoring of portfolio companies is conducted throughout the year and is linked to the results cycle and other company statements. Companies are monitored against their own KPIs and we sometimes need to seek additional information when we are following progress on issues where companies do not publish data. We also seek to monitor press coverage of portfolio companies. Any new concerns or ideas are communicated to the investment team.



MONITORING MANAGERS AND SERVICE PROVIDERS

We are not currently reporting on this element as we do not delegate any investment management services outside of Slater Investments, nor do we delegate voting to third parties. Slater Investments has never recharged investment research to its clients.

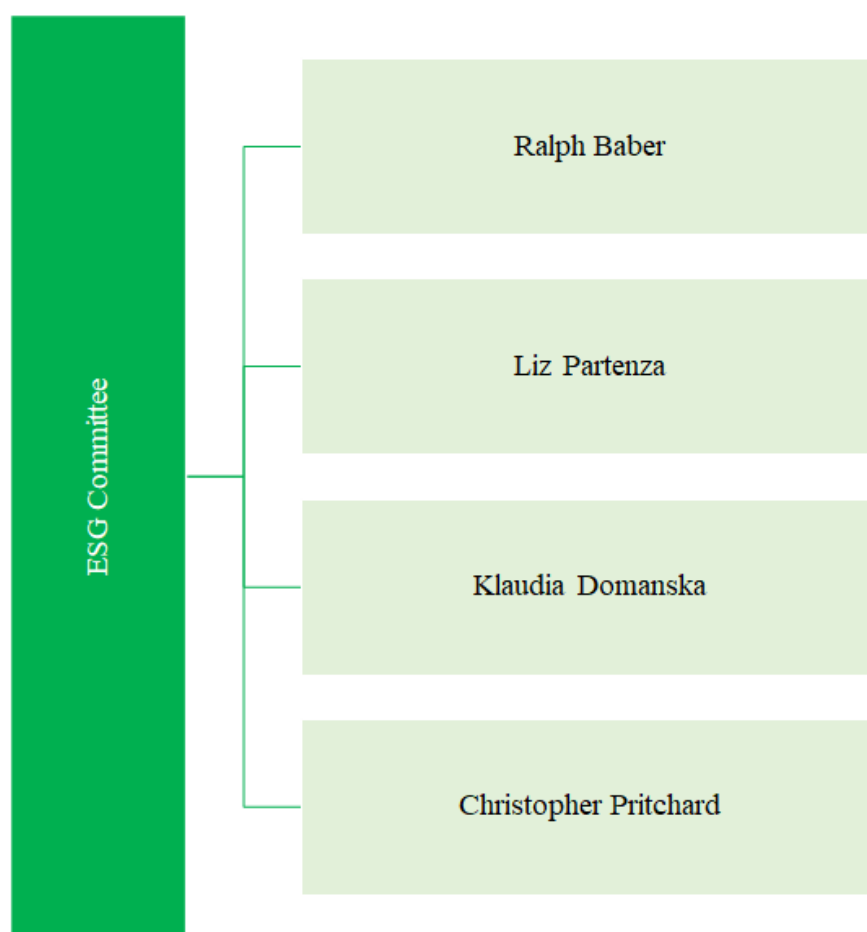
In 2020, after conducting a review of all the major ESG data providers, we engaged the services of Clarity AI, an innovative service provider. We shall report on this next year.



ENGAGEMENT

We expect all dialogue with companies to be constructive and have recently introduced an Engagement Policy at Slater Investments. Our engagement with companies forms a core part of our stewardship responsibilities. Instances where it may be necessary for us to engage with investee companies include where we have concerns about the company's strategy, performance, governance, remuneration or approach to risk including those which may arise from social and environmental matters.

All investment managers, analysts and members of the ESG team are involved in the process of monitoring and engaging with our investee companies. Neither engagement with companies nor discussions and considerations of ESG factors are conducted by one section of the business. The ESG team is listed below:



CASE STUDIES

Our engagement falls into one of two categories; that conducted with individual companies on specific issues, and thematic engagement on a broader scale with a group of companies.

Thematic Example: Nil-Cost Options

At the end of 2019, and the start of 2020, we sent an open letter to the Chair of the Remuneration Committee for each of our holdings on the subject of directors' remuneration, focusing on the following:

- The importance of simplified remuneration reports, ideally with a summary at a length of no more than two pages;
- The use of nil-cost options;
- The spiralling quantum of awards for Directors; and

We continue to work with companies that engaged with us on this matter. Overall, we are encouraged by the number of responses and amount of positive feedback we have received from both the Boards themselves and the wider investment community.

Company Specific Example: Codemasters

In November 2020, Take-Two Interactive tabled a cash plus shares bid totalling 464p per share for Codemasters which was subsequently recommended for acceptance by Codemasters's Board. We engaged with the Executive Directors and their Rule 3 advisor. We also engaged with the Independent Non-Executive Directors. We accepted that the bidder offered an exciting home for the staff. However, the price offered did not truly reflect the price of such a strategic asset. We felt the Non-Executive Directors were conflicted by the relative large pay out on the option scheme. The award of options to non-executive directors presents a conflict of interest that compromised their independence. We informed the bidder and the Board that we would not accept the bid price. Subsequently, a secondary full cash bid was received from Electronic Arts at 604p per share; 140p per share and 30% higher.



Thematic Example: Building Efficiency

Over the course of 2020, we have reached out to a number of companies we hold that manage, build, or operate property with the aim of creating an internal database of what actions are currently undertaken and what standards/ratings agencies are adhered to. This allowed us to construct a benchmark, enabling us to continue the discussion in more depth with those that we deemed to be falling behind. We have found companies more receptive to this type of engagement as we can actually help build a roadmap for positive progression. Buildings being more environmentally friendly also comes with financial benefits. More efficient buildings save, for example, on energy costs through lower consumption.

Company Specific Example: Social

We engaged with the Chair of the Remuneration Committee of an investee company that employed several thousand near minimum wage workers. The CEO was entitled to a 25% contribution to his pension, which was going to be reduced in two years. Following our engagement, the CEO voluntarily brought the reduction forward to be in line with his employees. We are encouraged by this behaviour and believe it showed real leadership.

Over the course of 2020, our ESG team met with representatives from 294 companies on separate occasions.

COLLABORATIVE

In certain circumstances, we may partake in collaborative engagement with other institutional investors if we believe that this will lead to a more positive outcome. However, before deciding to do so, we consider a range of factors including, but not limited to:

- whether or not collective engagement is likely to be more effective than independent involvement;
- the size of our position;
- the extent to which the objectives of the other investors are aligned with our own; and
- Slater Investments's conflict of interest policy as well as regulatory requirements, such as market abuse and insider dealing.

We are active members of The Investment Association, the UK investment managers trade body, and the UN PRI. We take pride in that we do not, and never will, outsource any aspect of our stewardship responsibilities to a third-party. If we do so partake in collaborative engagement, we will always ensure that we speak for ourselves and do not rely on others to take responsibility for articulating our views.

Example: Dotdigital

Investee company Dotdigital, of which we are one of the largest shareholders, engaged with us regarding their proposed new Long-Term Incentive Plan. Notwithstanding the inclusion of nil-cost options, we could not support the proposed performance targets as half were based on adjusted Earnings Per Share. Upon voicing our concerns, we were surprised to be told we were the only shareholder to have had any qualms. Therefore, in the fourth quarter of 2020, we wrote to the other nine largest holders asking them to reconsider their position. Subsequent conversations mean this engagement is ongoing.



ESCALATION

We have long believed that confidentiality can allow the frank and robust exchange of views that is essential to bring about change. However, occasionally we believe public pressure can go a long way in fostering change. In exceptional circumstances, we will actively seek to make our feelings more well known, be that with other significant shareholders or the general public.

Escalation is normally conducted by the Investment Team, and may involve meeting with the company's Chairman and/or senior independent director, the executive team, other shareholders and/or company advisers. Focused intervention will generally begin with a process of enhancing our understanding of the company's position and communicating our position to the company. This might include initiating discussions with the Chairman and/or the company's advisers. We may also speak to senior independent directors or other non-executive directors and other shareholders. The extent to which we might expect change will vary, depending on the nature of the issue.





EXERCISING RIGHTS AND RESPONSIBILITIES

Beyond engagement with investee companies, exercising our voting rights is the most powerful tool we have at our disposal. It is the one absolute way in which we can hold companies accountable. We vote at every shareholder meeting, regardless of the size of our investments in accordance with our Voting Policy.

The matters to be voted on are assessed internally using our Voting Policy for each general or extraordinary meeting of an investee company. It is our policy to vote in favour of company management usually. The ESG Committee is responsible for developing and monitoring the Voting Policy which builds on established best practice. Voting in line with the policy helps us to execute our responsibilities under the UN PRI.

In 2020, we voted on 1,966 resolutions across 116 meetings.

Resolutions	Number	Percentage
Voted with management	1,559	79.30%
Voted against management	402	20.45%
Abstained	0	0.00%
Voted against voting policy	5	0.25%

Towards the end of 2020 we made a decision to increase the transparency of our vote reporting, which we will introduce in next year's report.

PRINCIPLES OF THE UK STEWARDSHIP CODE 2020

The Principles of Financial Reporting Council's UK Stewardship Code 2020 for Asset Owners and Asset Managers:

Purpose and Governance

- 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
- 2) Signatories' governance, resources and incentives support stewardship
- 3) Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first
- 4) Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system
- 5) Signatories review their policies, assure their processes and assess the effectiveness of their activities

Investment Approach

- 6) Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them
- 7) Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities
- 8) Signatories monitor and hold to account managers and/or service providers

Engagement

- 9) Signatories engage with issuers to maintain or enhance the value of assets
- 10) Signatories, where necessary, participate in collaborative engagement to influence issuers
- 11) Signatories, where necessary, escalate stewardship activities to influence issuers

Exercising Rights and Responsibilities

- 12) Signatories actively exercise their rights and responsibilities



Important Information

The views expressed are the authors own and are not considered to be investment advice.

This document does not provide, and should not be relied on for, accounting, legal or tax advice, or investment recommendations. For more information on the Slater Investments Funds or the risks of investing, please refer to the most recent Fund factsheets, Prospectuses or Key Investor Information Document (KIID), available via the Strategies pages on www.slaterinvestments.com/.

Portfolio characteristics and holdings are subject to change without notice. This does not constitute an investment recommendation.

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