STENHAM
ASSET MANAGEMENT

Responsible Investment Policy

August 2023

Stenham is proud to provide a high standard of investment services to its clients, while constantly ensuring that ethical rules as applicable to a financial services firm are adhered to. As a financial institution, our ethical standards should be such that our clients trust that we deliver on our investment objectives while operating at the highest level of integrity.

We have also long held the belief that success comes not only from fulfilling our financial objectives, but in creating a business that invests in its people, culture, processes and surrounding communities. A business that can achieve all of the above should have greater longer-term success than one that seeks to deliver on financial metrics alone. With that in mind, we formalised our responsible investment approach in 2019 and, at the same time, acknowledged the need for an unwavering commitment to critically assess and evolve this on an ongoing basis.

What is Responsible Investment?

Responsible investment is an approach to investing that aims to incorporate environmental, social and governance ("ESG") factors into investment decisions to better manage risk and generate sustainable, long-term returns. In a world that is faced with increasing challenges that are not solely financial, it has never been more important to consider the implications that other factors, such as climate change, will have on businesses and to be able to assess how firms are addressing such risks. We fully recognise that the integration of ESG factors can lead to superior long-term returns, while simultaneously having a lasting beneficial impact on the environment, on society and on our business through best-in-class governance.

Our Approach

Fund of Hedge Funds

Our investment style is focused on capital preservation and our duty to clients is to deliver strong risk-adjusted returns by avoiding extreme loss while finding managers that deliver sustainable alpha. In order to do that we must understand and quantify all measurable risks. As mentioned, we believe that ESG factors are an increasing component of such risks, however, we do face some challenges. We invest across a number of asset classes, with some strategies taking a very short-term time horizon. The data available on ESG factors

varies by asset class and strategy with limited ability to assess ESG metrics in a systematic way. As this improves over time, so too will our ability to assess such factors.

Our main area of focus to date has been on governance factors, something which has been an inherent part of our investment process for many years. We have a dedicated Operational Due Diligence ("ODD") division responsible for assessing every aspect of a business's operations to ensure they meet the required standards. These include, but are not limited to:

- **Organisational Structure:** adequate segregation of duties, employees are qualified and experienced, boards are diverse and correctly structured and there is no unusual level of employee turnover
- **Conflicts of Interest:** any conflicts are correctly identified and managed
- **Legal, Regulation & Compliance:** correct procedures, people and processes are in place to correctly implement and monitor legal or regulatory requirements
- **Risk Management:** the manager is operating in accordance with its stated objectives and risk management policies
- **Internal Processes:** correct control measures and systems are in place
- **Third-party Service Providers:** no excessive counterparty risk and that each service provider has the correct controls and procedures in place
- **Transparency:** adequate information to correctly assess risks present at both an operational and investment perspective
- **Pricing & Valuation:** independent verification of the assets and pricing of the portfolio

Stenham's standardised ODD report rates each of these areas independently, from 'A - Excellent' to 'E - Very Poor'. This analysis results in an 'Approved' or 'Not Approved' status. Any fund receiving an E in any one area of its operations is automatically rejected. Only approved funds can be put forward to the Investment Advisory Committee ("IAC") for review. A detailed ratings matrix outlines our expectations of findings in each area. It is important that the ODD division has power of veto over fund approvals and has exercised this veto on a number of occasions when an investment did not meet the necessary requirements.

While this process is focused on governance and does not explicitly set out environmental and social factors, we have established a similar process for collecting such information from underlying managers. Based on the strategies in which we invest, which means we are exposed to a range of different asset classes and thousands of instruments, it is difficult to ensure full ESG compliance. Therefore, at this stage we seek to understand our underlying managers' approach to ESG. We request that all existing and prospective managers complete an ESG Due Diligence Questionnaire ("DDQ"), which generally follows the template provided by the Alternative Investment Management Association ("AIMA"), with additional, relevant ESG-related questions. A ratings matrix similar to the above has been created based on our expectations of answers to each of the questions in the DDQ. Given the complexity of the underlying investments, we have not at this stage set out criteria for exclusion or not approving a manager, other than on governance factors as covered under ODD. However, the completion of the ratings matrix gives us a greater understanding of the approach each of our underlying managers take and where we have the opportunity to engage with those who could make improvements.

We note however, that as part of our overall policy, any manager that had significant, discretionary exposure to investments believed to be environmentally or socially harmful would also be vetoed. ESG is now a standing agenda item at our monthly IAC meeting where the matrix of each manager being approved is presented and discussed.

Stenham Equity UCITS Fund

Governance

Alongside our fundamental research process, we realise the importance of strong corporate governance in the businesses that we invest in. As such, we utilise a third-party provider to evaluate corporate governance and relevant proxy voting considerations. We seek to invest in businesses where management compensation and incentives are aligned with that of shareholders and increasing value per share over the long term and not the short term. Furthermore, we look to analyse the historical practices of a given business to identify if there have been instances where codes of conduct or regulatory breaches have occurred in order to establish whether this poses a risk for the future investment outlook. Lastly, we examine the risk management framework in place by management teams for potential business disruptions. Those businesses that screen poorly on this basis, or that do not disclose sufficient information around these issues and broader governance protocols, are negatively evaluated from our investment process. Given that we run a concentrated and high conviction investment portfolio of 15-20 positions, we seek out the best-in-class businesses across our investment criteria.

ESG Rankings

We have built a framework and process to account and analyse for ESG factors when investing in a prospective business. ESG factors are considered through our due diligence process of an investment both through a quantitative and qualitative lens. From a quantitative perspective, we consider the rankings produced by MSCI and Bloomberg which evaluate businesses across multiple metrics and rank them on both an absolute and relative basis. Moreover, we combine this with a qualitative evaluation of ESG factors included in the company filings we review (annual reports, quarterly reports, etc.) such as executive compensation being tied to certain ESG milestones and progress or a corporate culture that promotes and rewards diversity; inclusion and social wellbeing for their employees. We are well aware that ESG factors have the potential to impact the future cost of capital for an investment, i.e. it is our best approximation that ESG can indeed have a greater impact (versus specific fundamental changes) on the future returns on any given business that we invest in.

Our Business

ESG considerations are not only important as part of our investment approach but inherent in the day-to-day running of our business. As such we commit to the following:

Environmental

- We track our carbon footprint through ESI Monitor, an external provider that supports Stenham in the efforts of embedding environmental sustainability onto our business

- We promote the use of recyclable materials in our workplace and recycle/repurpose used equipment and furniture
- We continue to upgrade our IT systems and infrastructure to be as energy efficient as possible

Social

- We contribute to the local community and employees are encouraged to take part in volunteer programmes and charity fundraising
- We provide internships and work experience opportunities for those that might not otherwise have access to such opportunities
- We provide our employees with a proper working environment that is fair, respectful and based on each and everyone's commitments to integrity towards all our stakeholders
- We treat all employees and candidates on an equal and fair basis, without discrimination based on age, race, gender, colour, sexual orientation, ethnicity, physical ability, religion or political views. We encourage diversity and tolerance towards each other, both with regard to employees and external stakeholders

Governance

- We operate at the highest level of integrity at both the investment and operational level
- Our boards are fair and diverse, and our fund boards have at least two independent directors
- We continuously aim for best practice in all areas of our business

At all times we seek to evaluate and improve how we operate in accordance with the above.

Principles of Responsible Investment ("PRI")

In May 2019, Stenham became a signatory to the PRI (www.unpri.org) to further embed our core values with respect to ESG. As such we commit to the following Six Principles:

1	We will incorporate ESG issues into investment analysis and decision-making processes
2	We will be active owners and incorporate ESG issues into our ownership policies and practices
3	We will seek appropriate disclosure on ESG issues by the entities in which we invest
4	We will promote acceptance and implementation of the Principles within the investment industry
5	We will work together to enhance the effectiveness in implementing the Principles
6	We will each report on our activities and progress towards implementing the Principles

For further information on Stenham's Responsible Investment Policy, please contact:

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