

RESPONSIBLE INVESTMENT UPDATE – H1 2021

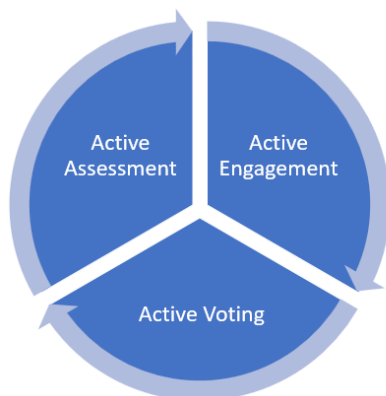
Tellworth’s Responsible Investment Approach

- Seeking both financial returns and positive ESG outcomes are **complementary goals**
- We aim to achieve this by capturing ESG risk in our portfolios and acting as stewards of our clients’ capital to promote positive change
- In-house bottom-up **ESG risk scoring, engagement and voting** are our tools
- The responsible investment process is **owned and managed by the investment team**

Half-Year Responsible Investment Update

Building on a long-held reputation for investing in a responsible manner and progress made in recent years on formalising our approach, 1H 2021 has been a key period at Tellworth for advancing our practices and reporting around responsible investment.

As a reminder, our approach to managing ESG risk in our portfolios and promoting positive change as stewards of our clients’ capital is achieved through a ‘triple active’ approach:



Assessment

In-house ESG scoring measures portfolio risk and highlights areas for improvement

Engagement

Working with companies to address issues and progress ESG policy

Voting

Utilise proxy voting rights to seek change where engagement has not resolved an issue

Active

The investment team itself owns and implements all aspects of the ESG process

Active Assessment

In 1H 2021, we concluded that outsourced approaches to measuring ESG risk in our portfolios could not yet provide a useful output for us. This is primarily due to the lack of standardised data for our small-cap holdings undermining the ability of third-party, quantitative-led providers to assess the ESG characteristics of our portfolios in a meaningful way.

Our answer has been to apply an in-house bottom-up approach to ESG risk assessment, combining a qualitative approach based on our research and company-specific knowledge with quantitative data, where available. This exercise has been conducted by the investment team, assessing every position held in our UK portfolios through the lens of environmental, social and governance factors. This has been a significant task but one that the team has found valuable, digging deeper on topics that are not new to us but benefit from being assessed more fully through our framework.

Our Responsible Investment Policy provides more details on our approach to ESG risk scoring, on which we welcome client feedback. We expect our Active Assessment process to continue to evolve and look forward to communicating process improvements and discussing portfolio characteristics in future updates.

Active Engagement

With the investment team holding 300+ company meetings per year, we discuss a broad range of topics with companies, including ESG-related issues. In viewing ourselves as ‘active owners’ of the businesses we invest in, we aim to be proactive in approaching boards and management teams to engage on ESG topics, in particular, where we feel there is room for improvement.

We record our ESG-related engagements in our internal ‘ESG Blotter’, which keeps track of relevant company interactions and should over time help us to provide examples where our engagement with companies is helping to drive positive change. Recent examples are included in the following table.

Tellworth Engagement Highlights - 1H 2021		
Number of Recorded Direct ESG Engagements:		9
Company	Engagement Details	Outcome
TT Electronics	Fed back to the RemCo chair with our view on the appropriateness of LTIP targets and the suggestion that the holding period of STIP shares should be increased	Portion of management STIP to be issued as deferred shares to be increased from 20% to 100%
Wincanton	In-depth discussion with Chairman on the company's decarbonisation plan, particularly around reducing fleet emissions. Also suggested amendment of CFO pension contribution level	New technology adoption in the fleet to be monitored as part of the ESG scoring process
Science in Sport	Proactive engagement with RemCo chair to highlight issue around 3yr cliff vesting for CEO LTIP and lack of disclosed performance targets	New RemCo chair already preparing to launch a revised remuneration approach, supported by Mercer

Active Voting

Proxy voting activities are undertaken directly by the investment team, which allows us to link our voting to Assessment and Engagement, as well as putting this activity in the context of our broader investment interactions with a company. Our voting activity is supported by a paid subscription to ISS, which provides third-party research on management resolutions and a vote management platform.

Our recent voting history is shown in the following table. Votes tend to be cast in line with management, reflecting our general support of the companies in which we have chosen to invest and the practices of their management teams. However, we are prepared to abstain or vote against on resolutions, where we feel that this is in the best interest of clients and shareholders. Such instances are considered on a case-by-case basis by the investment team and will tend to be supported by the Active Engagement process to establish a dialogue with the company on the issue and seek an improved outcome.

Tellworth Proxy Voting Record	2020	2020	2021
	1H	2H	1H
Number of Items Voted	767	489	431
With Management	739	465	421
Against Management	28	24	10
With ISS	751	469	405
Against ISS	16	20	26

Some examples of votes against management and ISS in 1H21 are included in the following table.

Tellworth Voting Examples - 1H 2021

Against Management

Gooch & Housego	Voted against re-election of RemCo chair on the view that the board's revised remuneration approach made improvements from initial proposal but still includes an excessive special LTIP grant and lacked sufficient stretch in targets
Instem	Voted against a NED's re-election, in line with ISS's recommendation, on grounds that board independence is lacking. The topic will be raised with the board with a view to increase independence

Against ISS

Tyman	Voted in favour of management on RemCo proposal, against ISS's Abstain recommendation. View the CEO's salary increase as being justified by the group's performance through restructuring and not excessive vs peers. LTIP targets are sensible
Attract	Voted in favour of management on approving report and accounts, against ISS's recommendation, having engaged with the company chairman to better understand the board's remuneration approach for the incoming CEO. Reasons for paying a sign-on bonus accepted given the context of the hire

Concluding Thoughts

This is our first formal responsible investment update and we hope that its content will be useful help clients understand our performance and progress in this area. Having become signatories of the UN PRI, in the second half of 2021 we will be preparing for our maiden submission in early 2022.

For the whole industry, responsible investment is a dynamic and increasingly important topic. In this context, we seek to keep improving and will update clients on developments as we do. As an independent investment boutique, we don't see our relative lack of scale as an excuse to resist change but as an opportunity to embrace it in a way that is meaningful and additive for our clients.

James Gerlis

Fund Manager & Responsible Investment Lead

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Tellworth’s Responsible Investment Policy is relevant to the following Funds. BennBridge was the appointed investment manager to the Schroders’ SARFCO UK Dynamic Absolute Return Fund and Schroders’ SAS UK Dynamic Absolute Return Fund on 2 October 2017. As of 14 November 2018, the SAS UK Dynamic Absolute Return Fund (the “Contributing Fund”) contributed all of its assets and liabilities in kind to Schroder GAIA UK Dynamic Absolute Return Fund (the “Receiving Fund”).

Shareholders in the Contributing Fund received the equivalent value of shares in the Receiving Fund in place of their current shares in the Contributing Fund. The Contributing Fund will close following the Contribution. The investment manager of the TM Tellworth UK Smaller Companies Fund is BennBridge Ltd and the authorised corporate director is Thesis Unit Trust Management Limited. The investment manager of the TM Tellworth UK Select Fund is BennBridge Ltd and the authorised corporate director is Thesis Unit Trust Management. The Fund is authorised in the United Kingdom and regulated by the Financial Conduct Authority. Please see the prospectus and key investor information document for full details.

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The counterparty to a derivative or other contractual agreement or synthetic financial product could become unable to honour its commitments to the fund, potentially creating a partial or total loss for the fund. The fund can be exposed to different currencies. Changes in foreign exchange rates could create losses. A derivative may not perform as expected, and may create losses greater than the cost of the derivative. If a fund uses derivatives for leverage, it makes it more sensitive to certain market or interest rate movements and may cause above-average volatility and risk of loss. Equity prices fluctuate daily, based on many factors including general, economic, industry or company news. In difficult market conditions, the fund may not be able to sell a security for full value or at all. This could affect performance and could cause the fund to defer or suspend redemptions of its shares. The fund may take positions that seek to profit if the price of a security falls. A large rise in price of the security may cause large losses.

Failures at service providers could lead to disruptions of fund operations or losses.