

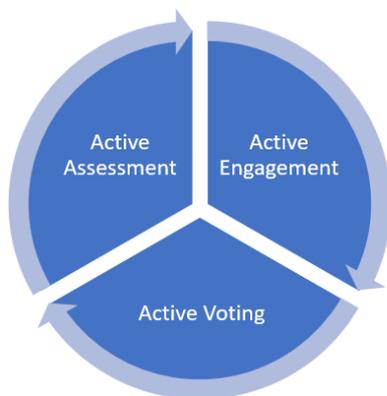
RESPONSIBLE INVESTMENT UPDATE – H2 2021

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

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

Having decided in 1H 2021 to introduce an in-house approach to ESG scoring of investments, 2H has seen the first full period of implementation. The background to this decision was partly to address the lack of standardised ESG data and external coverage of the UK small cap universe. However, it also reflected a desire to develop a process that we could ‘own’ as an investment team, such that the output could be meaningful to us and, hopefully, our clients.

Applied on a bottom-up basis by the investment team, feedback on the ESG scoring process from our Fund Managers has been positive. We have found that formally assessing companies we invest in through an ESG lens not only helps us consider and articulate specific ESG-related risk but also adds additional perspective to our broader understanding of companies and to the investment debate.

The positive impact on our investment decision making can manifest in various ways. For instance:

- Assessing the strengths and weaknesses of a company’s ESG approach helps us to take a view on the competence of management teams and boards more broadly.
- Companies with superior environmental credentials are increasingly being rewarded by both customers and the market – assessing these attributes helps us to identify earnings growth and re-rating opportunities.
- We expect that companies with strong employee engagement will increasingly gain an advantage in the labour market, particularly important in the current climate of labour tightness.

Whilst our funds are not ESG-first strategies, we view these aspects as increasingly important and expect investments we make to skew towards companies that we assess to have stronger ESG credentials. Likewise, areas of weakness will be considered carefully as part of the holistic investment decision and, where possible, we will use our influence as shareholders to seek improvement and mitigate ESG risk.

Active Engagement

The investment team has a good level of access to company management teams and boards, which provides an important platform to not only discuss ESG-related topics but to push for positive change where we see opportunities to do so.

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 - 2H 2021

Number of Recorded Direct ESG Engagements: **19**

<u>Company</u>	<u>Engagement Details</u>	<u>Outcome</u>
SCS	Several detailed discussions with the board regarding the remuneration proposal. Tellworth questioned the basis for variable pay target-setting and the scale of compensation for the outgoing CEO	Board now reassessing the LTIP scheme proposal, specifically noting the feedback received from Tellworth
Kier	In-depth feedback provided to board on remuneration proposal on two occasions. Tellworth took issue with the scale of a proposed salary increase, the lack of clear criteria around LTIP targets and low management shareholding requirements	Whilst shareholder feedback resulted in some improvement to rem proposal, not enough to allay our concerns. Contributed to sell decision
Science in Sport	In-depth discussion with management about ESG strategy. Tellworth supportive of improvement environmental credentials - e.g. development of recyclable pouches. Also welcome the partnership with a social mobility charity	Favourable feedback and discussion of ideas provides supports for further improvement

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 1H	2020 2H	2021 1H	2021 2H
Number of Items Voted	767	489	654	438
With Management	739	465	634	422
Against Management	28	24	20	16
With ISS	751	469	624	416
Against ISS	16	20	30	22

Some examples of votes against management and ISS in 2H21 are included in the following table.

Tellworth Voting Examples - 2H 2021

Against Management

Ricardo	Voted against remuneration proposal. Despite some areas of improvement - e.g. reducing salary & pension contribution of incoming CEO - LTIP proposal isn't acceptable. Upper bound increased from 100% to 150%, with EPS targets kicking in well-below consensus
Accrol	Voted against remuneration report, given the proposed second consecutive significant increase in executive pay. Not well-communicated to shareholders nor justified by company performance or benchmarking

Against ISS

Essensys	Voted for the re-election of NEDs vs. Against recommendation of ISS, which questioned their independence due to share option holdings. We view NEDs having a modest option holding acceptable, especially in the context of a growth-orientated company, like Essensys
Brooks Macdonald	Disagreed with ISS regarding an additional bonus being paid to the CFO. In context of the CEO leaving and additional responsibilities being taken up by the CFO, we viewed the payment to be in shareholder interests to encourage an orderly transition to an incoming CEO

Concluding Thoughts

As our enhanced ESG approach builds momentum, we look forward to being able to provide you with more examples where we have been able to use our platform to promote positive change, on behalf of our clients. We are keen to ensure that the way in which we apply responsible investment principles remains meaningful and additive, both to our investment approach and to our clients, so please do provide us with any feedback you may have to help us evolve.

James Gerlis

Fund Manager & Responsible Investment Lead

Ps. We read with sadness that the Head of Remuneration at SCS passed away in November. We had several interactions with George and, whilst our views sometimes differed, the discussion was always very beneficial. He came across as being particularly passionate about his role and was a credit to SCS, where we are sure he will be sorely missed.

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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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