

Edgbaston Investment Partners Limited
UK Stewardship Code Statement

The UK Stewardship Code (the “**Stewardship Code**”) was established by the Financial Reporting Council in 2010. It outlines a series of benchmarks in the UK for institutional investors to meet with respect to their holdings in UK equity securities. This document describes how Edgbaston Investment Partners Limited (“**Edgbaston**”) has applied the principles of the Stewardship Code. Edgbaston considers it to be of paramount importance to recognise the fiduciary responsibility it assumes as investment manager when acting for Clients. Edgbaston recognises the need to engage with the management and directors of its portfolio companies and exercise its proxy voting rights with a view to enhancing its Client’s long term investment values. These steps are both compatible with good corporate governance and provide the best operating environment for portfolio companies to cope with competitive commercial pressures.

Principle 1 - An investment firm must publicly disclose their proxy voting and corporate governance policies and how they will discharge their stewardship responsibility.

Edgbaston has outlined the key characteristics it looks for in the boards of portfolio companies, its Proxy Voting Policy and Procedures as well as its Environment, Social and Governance Policy. Edgbaston actively monitors and, where it is deemed appropriate, engages in dialogue with its portfolio companies. Edgbaston’s belief is that active ownership – in the form of rigorous and long-term oriented analysis of investment prospects and holdings, proactive exercise of shareholder rights, and constructive engagement – can improve discipline, accountability, and long-term returns to shareholders.

The Key Characteristics Edgbaston Looks for in a Board

Edgbaston looks to ensure that the boards of portfolio companies possess the following characteristics:

- Boards must recognize that they owe a service to their shareholders and, as an objective, must ensure that the company earns an attractive return on the capital contributed by shareholders.
- Boards must exhibit a good understanding of their business risks and opportunities.
- Boards must develop a sound business plan backed by good capital allocation and not a series of high priced acquisitions.
- Boards must maintain the sound capitalization of their companies. Too much debt is discouraged and any debt should be funded long term. Boards must avoid diluting shareholder returns by retaining excess capital that cannot be invested at appropriate returns.
- Boards must ensure that their company recruitment and human resources policies are structured to maintain competent management at a reasonable cost to shareholders without high cost imports.

Companies in Edgbaston’s investment programme may not exhibit some or all of these characteristics. Edgbaston will, however, take them into account when voting proxies and engaging with management.

Proxy Voting Policy and Procedures

Edgbaston consider it to be of paramount importance when assessing proxy voting responsibilities on behalf of its Clients to recognise the fiduciary responsibility it assumes in acting as investment manager. Edgbaston also recognises the need to exercise its proxy voting obligations with a view to enhancing its Client’s long term investment values. Edgbaston believes that both are generally compatible with good corporate governance as they provide the best operating environment for each underlying portfolio company to cope with competitive commercial pressures. To help achieve its objectives, it is

Edgbaston's policy, subject to the considerations described below, to use its best efforts to vote proxies arising on all shares held on behalf of its Clients.

Standard issues typically arise at Annual General Meetings ("AGMs") or Ordinary General Meetings ("OGMs"). Standard issues may include items of a routine nature such as the presentation of financial statements to shareholders, approval of routine executive compensation or incentive plans, approval of financial statements by shareholders, election of directors and approval of director's fees, election of auditors and approval of audit fees, and declaration of dividends. Material issues may arise at Extraordinary General Meetings ("EGMs"), Special General Meetings ("SGMs"), OGMs or AGMs. Material issues may include items that relate to corporate governance matters; changes in a company's country of incorporation; mergers and other corporate restructurings; anti-takeover provisions such as staggered boards, poison pills, or supermajority provisions; changes to capital structures including increases and decreases of capital and preferred stock issuance; material stock option, management compensation, or incentive plan issues; and social and corporate responsibility considerations. Edgbaston also considers standard issues to be material issues when it has knowledge that a potential conflict of interest with management is present. These situations can arise where Edgbaston manages a portfolio company's retirement plan assets, a portfolio company or one of its affiliates is also a brokerage counterparty to a Client's security or foreign currency transaction, or where the person responsible for overseeing investments at an underlying investor in one of Edgbaston's privately offered commingled funds is also a director or officer of a portfolio company that would materially benefit from any executive compensation or incentive scheme subject to shareholder vote. Edgbaston may not be aware of the roles performed for portfolio companies by underlying investors holding Units in Edgbaston's privately offered commingled funds. Clients are requested to notify Edgbaston of any known affiliations with publicly traded companies that could fall within Edgbaston's investment universe. Clients are also requested to notify Edgbaston if they are actively involved in the financial services industry or affiliated or employed by an investment bank, broker/dealer, custodian or asset management firm.

The Northern Trust Company ("**Northern Trust**") acts as the custodian of Edgbaston's privately offered commingled funds and holds all securities owned by these commingled funds for the benefit of their underlying Unitholders. Northern Trust has outsourced certain of its proxy processing responsibilities to ISS, a leading provider of proxy voting and corporate governance services. ISS principally provides Edgbaston with meeting notification and ballot delivery services, agenda summaries, detailed agenda content including original source documents, translation services, power of attorney maintenance, recordkeeping and custom reports, and vote instruction processing services. Meeting notifications are provided according to an established service level agreement in place between the Northern Trust and ISS and one in place between Northern Trust and Edgbaston. *Edgbaston does not outsource any part of its proxy voting decision making process to ISS or Northern Trust.* Longer term and temporary separate accounts clients generally name their own custodians who may use a different provider of proxy processing services and may occasionally direct Edgbaston with respect to proxy voting issues.

Following receipt of proxy voting materials from ISS, staff of Edgbaston gives a "Proxy Voting Summary Form" of the issues to a member of the Edgbaston's Portfolio Implementation Committee ("**PIC**") for review. The form includes the details of the number of shares held by a Client and a deadline for the response. If only standard issues are included on the proxy, one PIC member will decide on how to vote the proxy and sign the proxy voting summary form. If material issues are included, enhanced procedures apply. The PIC member will discuss the issues with a second portfolio manager, assess the potential impact that the issues may have on the portfolio company, and decide on how to vote the proxy in question. Both the PIC member and the second portfolio manager (who may also be a PIC member) will then sign the proxy voting summary form. Once approved, staff for Edgbaston will process the proxy vote electronically using ISS proprietary system. A second staff member for Edgbaston will verify the input.

In certain circumstances, Edgbaston may be unable to vote a specific proxy including (but not limited to) when Northern Trust or ISS does not provide a voting service in a given market, because Northern Trust's agent, in error, does not process a proxy or provide sufficient notice of a vote, or because an error is committed by any party involved in the proxy voting or registration process. Edgbaston may also refrain from voting if, for example, it is considering liquidating a position (as shares may be blocked when proxies are submitted), where the costs of voting a specific proxy outweigh the economic benefit that Edgbaston believes would be derived by the Client, where a specific class of shares does not carry voting rights with respect to a given issue subject to shareholder vote, or where re-registration of the shares into the Client's (rather than Northern Trust nominee) name may (or may reasonably be expected to) result in a violation of local privacy laws or adversely impact the economic interests of Edgbaston's Clients.

Clients are advised that when voting proxies in certain international markets, Edgbaston may be constrained by certain country or portfolio company specific issues. For example, some companies in the portfolio impose voting caps on the maximum number of proxy votes that any single outside shareholder may control. Others require all board issues to be resolved by a show of hands, rather than a poll. As all Client shares may be held by one nominee, these restrictions have the effect of substantially limiting the impact of any proxies cast. Furthermore, some companies in the portfolio may restrict investment managers (such as Edgbaston) from voting proxies where disclosures of Client holdings or securities under Edgbaston's control have not been made on a timely basis or in a format required under their articles of incorporation.

Clients may receive a quarterly summary of proxies voted or not voted and issues raised at meetings held by portfolio companies by contacting Edgbaston's Client Services representatives and asking to be included on the quarterly proxy voting distribution list. Edgbaston does not provide other third parties with information on how it has voted client proxies.

Environmental, Social and Governance Policy

Edgbaston has found that the frequency of queries on environmental, social and governance issues has increased as the public has been provided with information on climate change, whether through reports of broken temperature records, extreme weather events, or the disappearing habitat of various animals. We are aware that many unitholders that are colleges, universities and/or private charities also maintain a list of securities of restricted companies operating in certain industries or economic sectors from which they would like their investment managers to divest. Edgbaston's policy is to respond to any inquiries that we receive on environmental, social or other governance matters. Edgbaston has not, however, agreed to dispose of any existing holdings or refrain from purchasing other securities that may meet our valuation and quality criteria.

Edgbaston's investment decisions are based primarily on business and financial considerations. Edgbaston also take into account political, environmental and social issues if these are likely to have a material impact on a company's present or future financial position or cash flows or conflict with Edgbaston's ability to manage and develop investments. This approach enables Edgbaston to take into consideration appropriate risks, to make a balanced judgment on the investment opportunity and act in the best interest of all Clients. Edgbaston recognises that there are many political, environmental or social issues about which Clients feel strongly, but Edgbaston is obliged to act in the overall interests of all Clients. Clients may not share the same view or may hold opposing views on the same issue.

At Edgbaston, a prime concern is the repeat free cash flows that can come from any portfolio investment. Investments that depend on unsustainable businesses practices are likely to fall outside of our quality criteria. As a result, Edgbaston would see businesses that used enforced labour, child labour, uneconomic wage rates, and/or unsafe or harmful business practices (such as polluting or harming the environment), for example, as not being sustainable in perpetuity, suffering from falling

rates of returns, leading to decreased normalised earnings. These types of companies make unlikely investment candidates. Edgbaston views the issue of companies operating in industries or countries that may have poor environmental or social safeguards as being another uncertainty with which our investee companies have to cope with.

As an investment manager, Edgbaston wants to be aware of how and where our investee companies operate. However, Edgbaston recognises that ultimately the decision to operate legally, either directly or indirectly, in an unpopular jurisdiction or industry, to deal with difficult political environments or unfriendly regimes in different regions around the world, the implementation of a business plan, and the reputation risk involved, lies with the management of a company. These are important issues, but important alongside many others – product positioning, financing, sustainability of cash flows, competitive threats, advertising and promotion, human resources, corporate governance and so on. In the end, these are all the responsibility of management, although they remain of keenest interest to Edgbaston as portfolio managers. In summary, the possibility that a portfolio company may legally operate in a given industry, country or region does not cause a change in our investment process.

Edgbaston expects that appropriate legal, governmental and other authorities around the world will take responsibility for addressing political, environmental and social matters fairly and wisely on behalf of their citizens. Accordingly, Edgbaston adheres to the laws of the countries in which we do business and follows rules and regulations applied by official agencies in those countries. Edgbaston also expects that the companies in which we invest will do the same – and Edgbaston pays close regard to their record in this respect.

Principle 2 - An investment firm must have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

Edgbaston recognises the importance of identifying potential material conflicts and the need to have adequate systems and controls to avoid or mitigate their impact on Clients. Edgbaston has developed a policy for managing conflicts of interest associated with voting proxies and engaging with investee companies. We have outlined additional procedures in our internal compliance procedures.

Principle 3 - An investment firm must monitor their investee companies with respect to material issues, which may include matters related to executive remuneration and to acquisitions.

Edgbaston takes an active approach to share ownership rights and responsibilities.

- Edgbaston monitors the companies in which we invest and, where appropriate, will communicate our views to their management and their boards. This dialogue allows Edgbaston to monitor the development of companies' businesses, including areas such as overall strategy, business planning and delivery of objectives, capital structure, proposed acquisitions or disposals, corporate responsibility and corporate governance.
- Edgbaston seeks to satisfy itself, to the extent reasonably practicable, that the investee company's board and committee structures are effective, and that independent directors provide adequate oversight. Our monitoring of investee company boards, strategy, operational, governance and performance and capital allocation is integral to our investment process;
- Edgbaston monitors the effectiveness of our engagement with the managements and boards of investee companies. Our historic communications, and the success of any such communications, will play a part in our proxy voting decisions;
- Edgbaston votes the vast majority of our Client shares by proxy. However, we will, in exceptional circumstances, attend meetings where we have large holdings and/or where a problematic issue is

being discussed. We will introduce AGM and/or EGM motions where we believe it is in the best interest of our Clients to do so. We will attend meetings in person rather than vote by proxy if we believe that this is reasonably necessary to fulfil our fiduciary responsibilities to our Clients;

- In the unlikely event that Edgbaston are made insiders, Edgbaston follows its internal compliance procedures governing market abuse and insider dealing; and,
- In accordance with applicable law and its internal document retention policies, Edgbaston keeps electronic records of material engagements, voting and other corporate governance and corporate responsibility activities, including the rationale for voting decisions.

Statement Regarding Executive Remuneration and Stock Options

Edgbaston believes that it is desirable for management and staff of a public company to be owners or shareholders in that company. It is desirable because employees can share in the long term prosperity that they work to create. Shareholders then find that their interests are as aligned as possible with the interests of those working in the company. There are different ways to achieve this objective. Edgbaston start by drawing a simple, but very important, distinction between share ownership and share options. We do not regard these as synonymous. Edgbaston expects management remuneration to have a significant variable element – a bonus to reflect both individual merit and the success of the business. The more senior the management the more closely these criteria come together. Edgbaston also believes that some proportion of this bonus should be received in shares. The precise amount of bonus and the proportion that should be received in shares should be at the discretion of a remuneration committee that reviews available indicators of individual and business performance. Edgbaston draws an important distinction between business performance and share price performance. Management have the opportunity to help deliver good business performance – attractive returns on capital and a good growth in earnings, dividends and asset value – but the share price may be an entirely different matter for extended periods of time. Edgbaston favours remuneration that is geared to business performance not stock market performance. By awarding shares in this way, the expense becomes part of the overall remuneration cost and is properly and transparently charged.

Edgbaston supports as broad a level of share ownership as possible within a given portfolio company and does not favour schemes that are narrowly focussed on a small cross-section of management. What is being sought is a remuneration system which helps to create a better ethos across the whole company and its shareholders. This can only be achieved by a broad application. The essence must be to reward employees who think in terms of the long term interest of the business. Accordingly, schemes should be put in place for the long term, not as a short term matter. The main beneficiary becomes an employee who makes a sustained commitment to the company.

An Illustration of How These Policies are Applied

In order to illustrate how Edgbaston applies its proxy voting and corporate governance policies, we felt that it would be helpful to provide some proxy voting statistics from 2011. During the period, Edgbaston voted on motions at approximately 80 AGM's, OGM's, SGM's and EGM's. We voted against at least one resolution at 27 of the meetings and abstained from at least one resolution at one meeting.

As noted elsewhere, Edgbaston will, with careful consideration, generally vote against the election or re-election of boards who Edgbaston believes have not properly fulfilled their duties. In addition, Edgbaston has voted against the election of directors where there are no independent directors, motion were included where a portfolio company could distribute up to 20% of their shares without pre-emptive rights for existing shareholders. The execution of these rights could result in significant dilution for existing shareholders and could result in a sizeable new investor whose interests may not be

aligned with the existing owners. Companies that need significant additional equity capital for an acquisition or to strengthen their finances should, in Edgbaston's opinion, first approach existing shareholders. In accordance with its normal practice, Edgbaston vote against mechanisms designed to evade takeovers.

Principle 4 - An investment firm must have guidelines on how they will escalate their activities.

Edgbaston prefers to have confidential and private discussions with companies as we believe that this enables Edgbaston to build an effective relationship with boards and management. However, where it is necessary to protect our Client investments, we will consider engaging in more public communications and/or proxy activities. This may include voting against the management or board of an investee company or a given motion, issuing a press release documenting our opposition to a given issue, recommending to other shareholders that they take a specific action, introducing AGM and/or EGM motions and/or attending meetings in person.

Principle 5 - An investment firm must be willing to act collectively with other investors.

Subject to regulatory restrictions, conflicts of interest and acting in concert restrictions, and where it is in the best interests of our Clients to do so, Edgbaston will participate in collaborative engagement activities. These are considered on a case by case basis and addressed in the context of economic environment and other business issues.

Principle 6 - An investment firm must have a clear policy on voting and the disclosure of voting activity.

Edgbaston has documented its Proxy Voting Policy and published it earlier in this document. Clients may receive a quarterly summary of proxies voted or not voted and issues raised at meetings held by portfolio companies by contacting Edgbaston's Client Services representatives and asking to be included on the quarterly proxy voting distribution list. Edgbaston does not provide other third parties with information on how it has voted client proxies.

Principle 7 - An investment firm must periodically report to clients on its stewardship and voting activities.

As noted elsewhere, Clients may receive a quarterly summary of proxies voted or not voted and issues raised at meetings held by portfolio companies by contacting Edgbaston's Client Services representatives and asking to be included on the quarterly proxy voting distribution list. Edgbaston does not provide other third parties with information on how it has voted client proxies. Edgbaston does not subject its proxy voting systems and/or procedures to review by its auditors or any independent third parties.

Questions on the UK Stewardship Code Statement, Proxy Voting Policy and/or Environmental, Social and Governance Policy should be referred to Edgbaston's Chief Operating Officer, Matthew Myles at mmyles@edgbastonip.com.