



AJ Bell Asset Management Limited

Voting & Stewardship Policy

Introduction

This document details the policy and approach used by AJ Bell Asset Management Limited (“**AJBAM**”) and voting arrangements in its role as discretionary manager of its range of UCITS funds (the “**Funds**”) and its Managed Portfolio Service (the “**MPS**”). It covers the background and general principles underpinning the team’s voting & stewardship philosophy, including the practical steps undertaken for implementing voting decisions.

General Principles

The majority of the securities held within the AJBAM product range are collective investment schemes – through the adoption of a “fund of funds” approach. As there are few direct holdings, in practice, entitlements to vote do not occur very often and there are therefore few opportunities for the team to vote on corporate activity directly.

The managers of the products within our portfolios, however, do have direct holdings and therefore regularly undertake voting activity.

Our expectation is that the managers of the products held within our portfolios conform to the principles outlined in the FRC’s UK Stewardship Code¹, either through being a signatory of the Code or through a commitment to the principles in another way. Fundamentally we are looking for alignment with the FRC’s Principle 1; that the manager’s “...*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.*”

Should a manager lose its UK Stewardship Code signatory status, we would assess the reasons for this on a case-by-case basis. Where we are not satisfied with the company’s approach to stewardship we would divest from affected funds.

The guiding principle underpinning our voting philosophy is that we would vote and expect the managers of the products within our portfolios to vote in such a way as to **maximise the long-term best interests of our customers**.

Policy

The precise nature of any voting event cannot be predicted in advance and so a comprehensive set of rules cannot be detailed here, however we will assess each event on a case-by-case basis and as per the general principles outlined above, AJBAM will act in a way that maximises the long-term best interests of the Fund shareholders and MPS customers. It will also seek to ensure that the managers of the products within its portfolios have policies in place to do likewise.

Where AJBAM has an entitlement to vote, each event will be reviewed by the investment management team. Any decisions taken by AJBAM in relation to voting events will be documented and noted at the Portfolio Implementation Forum, including details of the event, action taken and underlying rationale for the decision made. If a decision is made to vote, this will be processed as follows:

- For events affecting securities held within the Funds, AJBAM will instruct the custodian to those entities.

¹ https://www.frc.org.uk/getattachment/5aae591d-d9d3-4cf4-814a-d14e156a1d87/Stewardship-Code_Dec-19-Final-Corrected.pdf

- For events affecting securities held within the MPS held on the AJ Bell Investcentre platform, AJBAM will instruct a bulk election via the AJ Bell Asset Servicing team; this will override any instructions that are processed from advisers
- For MPS distributed via third party platforms, other than AJ Bell Investcentre, AJBAM will instruct its decision to the appropriate area at that entity.

Voting Process

As there are two different process flows for voting, determined by whether this activity is being conducted on either the Funds or the MPS, the below outlines the steps taken in each process. Whilst the overall approach to the decision-making process for voting remains the same, as outlined with this Policy.

MPS

Legal ownership for the securities, held in the name of the client, within the MPS is the custodian, that is responsible for the safekeeping of client assets.

In the case of the MPS, incorporating the Partnership MPS, held on the AJ Bell Investcentre platform this is AJ Bell Securities Limited (AJBS).

The AJBAM MPS that are distributed through other 'third-party platforms', external to the AJ Bell Group, client assets will be held by the relevant custodian to those platforms.

The AJ Bell Investcentre Terms & Conditions outlines the powers of discretion that AJBAM has, as the investment manager, to act in relation to corporate actions (including voting) on behalf of clients receiving the MPS:

"Where we notify you of a corporate action in respect of any investment included within a Managed Portfolio, we will have the discretion to act as we consider appropriate in relation to that corporate action, and you will not be able to override our discretion"

Note that here, 'We/Us/Our' refers to whichever AJ Bell entity provides the relevant Services and therefore includes AJBAM.

AJBAM is notified by email of any corporate actions affecting the securities within its managed products. The process of electing as discretionary manager is then a manual procedure of instructing the appropriate AJ Bell Asset Servicing team via email.

The functionality supporting the MPS, however, currently also routes information relating to corporate action voting directly to the underlying customers and advisers. It is therefore possible that an adviser may process a vote in addition to AJBAM; the adviser's vote will be overwritten by AJBAM's bulk election.

For MPS held on third-party platforms, AJBAM will inform the relevant platform by email of an instruction to exercise a vote on behalf of the underlying MPS customers.

The Funds

Legal responsibility for the safekeeping of securities held within the Funds lies with the appointed Depositary, NatWest Trustee & Depositary Services who in turn have delegated responsibilities to the appointed custodian, Caceis UK Branch ("Caceis").

The Investment Management Agreement between AJBAM and Valu-Trac Investment Management Limited (Authorised Corporate Director to the Funds) outlines the powers of discretion that AJBAM has, as the investment manager, to act in relation to corporate actions for assets held within the Funds:

“The Investment Manager shall monitor corporate events in relation to those entities in which the Sub-Funds are invested and in which the Assets carry voting rights and shall be entitled to exercise (or instruct the Depositary to exercise) any voting rights attaching to the investments of the Company”.

AJBAM can therefore vote via instruction to the depositary (and its delegate, the appointed custodian).

Limitations

Whilst AJBAM can exercise voting instructions on behalf of its customers, this policy recognises the limitations to AJBAM's control over enacting those instructions.

In the case of the MPS legal responsibility, and ultimately the final decision in respect to voting over client assets remains with the platform custodian (where assets are held in a nominee account).

Whilst the same is applicable to ACD and Depositary in the case of the Funds.

Therefore, whilst AJBAM will act in good faith with these parties in the exercise of their decisions, these may not always be carried out, albeit this is expected to be the case only in exceptional circumstances.

Approach to Stewardship

A key component of our role is how we effectively discharge our responsibilities as stewards of our investors' capital.

The overriding aim of which is seeking to improve the financial outcomes for the beneficial owners of the investments managed on their behalf.

This policy sets out the broad principles adopted as a guiding framework in the effective stewardship of our investors' capital. These principles represent a commitment to our obligations under the rules of the Shareholder Rights Directive (SRD II) and have been employed with consideration to the Financial Reporting Council (“FRC”)’s UK Stewardship Code.

1. Purpose, Strategy and Culture

The AJ Bell group of companies has a clearly stated mission and purpose to ‘help people invest’. As a subsidiary of this group, AJBAM has committed to investors to do this through the provision of simple, transparent and low-cost investment solutions.

Our investment solutions through out practical approach and working culture are guided by an investment philosophy that adopt:

- An outcome orientated approach. This takes the form of providing investment solutions that target a specific outcome, whether that be focused on capital growth or income.
- A long-term investment approach.

2. Governance, Resources and Incentives

AJBAM employs a robust governance framework that facilitates the effective decision making, monitoring and oversight processes in place to support the product range.

The framework has been constructed with a variety of governance forums designed to cover the variety of activities and tasks undertaken in the management of investors' capital.

Each forum ultimately reports into the Investment Proposition Committee with representation from the AJ Bell Group Executive Management Committee and independent members that provide oversight to AJBAM's activities.

AJBAM's remuneration policy is designed to support the delivery of investment solutions and does not promote excessive risk-taking. Remuneration packages are structured around a competitive base salary, with discretionary performance-based bonuses making up a non-material proportion of overall compensation.

3. Conflicts of Interest

AJBAM is subject to the Conflicts of Interest Policy for the wider AJ Bell Group, which maintains and operates effective organisational and administrative arrangements, taking all reasonable steps to prevent a conflict from adversely affecting the interests of its customers.

The complete AJ Bell Group Policy is available to customers on request (with the main portion of the document available to be viewed on the AJ Bell corporate website at the following link:

https://www.ajbell.co.uk/sites/ajbell.co.uk/files/AJB_conflicts_of_interest_policy.pdf

This policy contains specific provisions relating to the activities of AJBAM.

4. Promoting well-functioning Markets

As part of its core tenets AJBAM promotes a high level of transparency within the capital markets that it interacts, seeking to communicate to investors clearly around its investment solutions as well as proactively engaging with industry participants in the promotion of best practices.

AJBAM frequently engages with industry groups including the Investment Association and Personal Investment Management & Financial Advice Association.

5. Stewardship, Investment and ESG Integration

AJBAM invests across multiple asset classes (i.e. stocks and bonds) and implements its investment strategy predominately through a universe of mutual fund instruments (i.e. Funds) that are either actively or passively managed. This, in turn, provides investors with well diversified portfolios that seek to achieve a risk-adjusted, or income, targeted return.

Owing to the nature of the implementation of strategy, stewardship is integrated into our process by only selecting products from investment firms that are themselves signatories to the UK Stewardship Code or can provide a strong explanation as to why they do not comply.

The UK Stewardship Code's definition of stewardship is 'the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.' The Code's 12 principles for asset owners and asset managers cover purpose and governance, investment approach (including ESG integration), engagement and exercising rights and responsibilities (including voting). Fundamentally we are looking for alignment with the FRC's Principle 1; that the manager's "...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."

Should a manager lose its UK Stewardship Code signatory status, we would assess the reasons for this on a case-by-case basis. Where we are not satisfied with the company's approach to stewardship (inclusive of ESG integration, engagement and voting) we would divest from affected funds. Additionally, we monitor whether a manager is a signatory to the UN PRI. The UN PRI principles also cover ESG integration, engagement and voting.

ESG criteria are explicitly taken into consideration in the provision of the VT AJ Bell Responsible Growth Fund and AJ Bell Responsible MPS range of portfolios. Each of which invest, not exclusively, from a universe of investments that have been constructed with consideration to the MSCI SRI methodology. Specific Partnership MPS ranges of portfolios have also been constructed to integrate ESG criteria

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Version Control

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0.1	Mark Gillan	Document Created	10/06/2020
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