

Shareholder Engagement Policy September 2020

1. Background

Following the revision of the Shareholder Rights Directive (“SRD”), the European Parliament and European Commission have introduced the Shareholder Rights Directive II (“SRD II”), of which the requirements are set out in Directive (EU) 2017/828.

The purpose of the SRD II is to address shareholder engagement for the companies whose shares are traded on an EU regulated market by requiring asset managers and institutional investors to put in place a shareholder engagement policy and to increase the transparency of their investment strategies.

The SRD II was transposed and implemented by the Financial Conduct Authority (“FCA”) in the UK on 10 June 2019. The requirements came into force on 3 September 2020.

The SRD II requires relevant firms to develop and publish a shareholder engagement policy which describes how they take into account shareholders’ engagement into their investment strategies, their processes with monitoring and interacting with investee companies and exercising of voting rights on behalf of shareholders.

2. Introduction

The main business of Henderson Rowe Limited (“Henderson Rowe”, “the Firm”) is to provide investment management solutions to predominantly private and high-net-worth individuals. The Firm offers various investment management streams via discretionary managed, advisory and execution-only services (“the Services”). The Services invest in a combination of global equities, fixed income, exchanged-traded funds and regulated collective investment schemes based on various investment strategies.

The Firm’s investment selection approach is based on the quantitative-based investment research provided by Rayliant Global Advisers Limited (“Rayliant”), its parent company.

The Firm also acts as the sponsor and investment manager for the Rayliant Quantamental Emerging Markets Equity Fund (“the Fund”), a regulated collective investment scheme authorised in the UK. The client base of the Fund consists of individuals and financial institutions.

3. Scope

This Shareholder Engagement Policy applies to the extent where voting rights have been acquired by the Firm through the provision of its discretionary portfolio management service, as well as the investment management for the Fund.

For the purposes of this Policy, the term “shareholders” refers to clients of Henderson Rowe whose investments are managed on a discretionary basis.

4. Monitoring of Investee Companies

4.1 Strategy

The Firm has an independent Investment Research team which is responsible for monitoring investee companies both prior to the time of investments and on an ongoing basis. Given the Investment Research team conducts investment research across a wide range of securities, engagement with the investee companies is limited to the extent that further understanding is required for making investment decisions. Our Investment Research team relies mainly on the information which can be accessed in the public domain and secondarily on management engagement. It does not conduct site visits to the investee companies.

Currently, the Investment Research team utilises the following tools to undertake monitoring of investee companies:

- calculating financial, market and regulatory metrics relevant to the performance and valuation of securities;
- reviewing news and analytics relevant to securities valuation via Bloomberg or other available sources;
- communications with the investee companies' management team;
- identifying and monitoring public and market announcements, including industry and peer news;
- identifying and reviewing non-financial information; and
- monitoring of regulatory announcements to identify any regulatory and litigation fine, including market censure relating to the investee companies, their directors and employees.

4.2 Financial and Non-Financial Performance and Risk

The main focus of monitoring of investee companies includes their financial and operating performance, composition of the management team and governance, capital structure and other information which may present a significant risk to the performance of the investee companies.

Information which the Investment Research team uses to monitor the investee companies includes:

- Financial information including investee companies' reports and accounts, financial statements, financial result announcements, capital allocation, balance sheet efficiency, cash generation and sustainability of returns;
- Information related to the capital structure of the investee companies, including how they are financed, their investment policies, securities issuance, merger and acquisition activities and other matters subject to voting by shareholders;
- Non-financial information including the investee companies' governance arrangements, business model strategy, capital structure and risk management;

- Environmental, social and governance (“ESG”) metrics and risks; and Other information relating to investee companies including proposed acquisitions or disposals and business planning that may affect their valuation and risk and compliance with the regulations.

4.3 Social and Environmental Impact and Corporate Governance

In addition to the financial performance, the Firm recognises that the governance arrangements of investee companies play an important role in impacting their overall performance and sustainability. The governance metrics that the Firm utilises include metrics that measure overinvestment, accounting conservation and excessive issuance.

Given the Firm’s investment selection and research processes, it recognises that environmental elements are not likely to affect the performance of investee companies in the near-term. The Firm has in place a set of environmental metrics which investee companies are screened against.

5. Conducting Dialogue with Investee Companies

As noted in Section 5, the Firm does not engage with investee companies extensively. However, under the circumstances where engagement with investee companies is inevitable in order to conclude investment decisions, dialogue with investee companies is undertaken via email communications and telephone calls between their management team and the Investment Research team.

6. Exercising Voting Rights and Other Rights Attached to Shares

By virtue of the discretionary arrangement, the Firm, who acts as investment manager, has been delegated the authority to make decisions to vote in the cases of market events, such as corporate actions, and at Annual General Meetings and Extraordinary General Meetings of the Fund, unless otherwise instructed by the shareholders or the decisions to vote present conflicts of interest between the shareholders and the Firm.

The processes of voting decisions vary depending on the type of market events. In the cases of corporate actions, the Investment Management team, together with the Investment Research team, will analyse clients’ portfolios on a case-by-case basis and to ensure that the decisions made are in the best interests of the shareholders. For voting decisions relating to the financial and operations of the investee companies, decisions are made on a blanket approach by the Investment Research team.

Where voting decisions are made by the shareholders, the Firm may act on their decisions by proxy, provided that instructions are clear and authorisation has been delegated to the Firm.

The Firm does not currently utilise a third party proxy service provider.

7. Cooperation and Communication with other Investors of the Investee Companies

The Firm may, under certain circumstances and conditions, engage with and act collectively with other investors, such as a class action. However, the Firm will only do so where the collaboration is in the best interest of the shareholders and in compliance with applicable laws and regulation. Such collaboration is rare in practice.

8. Managing Actual and Potential Conflicts of Interests in relation to the Firm's Engagement

The Firm has in place a Conflicts of Interests Policy which can be accessed via its website at: <https://hendersonrowe.com/conflicts-of-interest-202206/>

9. Annual Disclosure Obligation

The Firm will review this Policy on an annual basis and where arrangements have changed for the publication on its website