SENECA
INVESTMENT MANAGERS

Statement of Compliance with the Stewardship Code

Seneca Investment Managers Limited ("SIML") acts as discretionary investment manager for a range of institutional funds according to investment mandates agreed by us and the customer. SIML is authorised and regulated by the Financial Conduct Authority, but does not have permission to deal on its own account or to hold client money or other assets. Our Part IV permissions include the customer types; professional and eligible counterparties, but not retail. As an institutional investor SIML supports the principles of the UK Stewardship Code ("the Code") and recognises the importance of effective engagement with the companies in whom we invest on behalf of our clients.

We are multi-asset managers investing in a range of assets in both type and size. In UK equities we are invested primarily in FTSE-250 "mid-cap" companies where market capitalisations range between £650m and £4.5bn. Across our clients the combined shareholding in anyone of these companies will be less than 1% of the issued share capital of that company. In our "specialist assets" investments we are allocating capital to vehicles that typically have a smaller market capitalisation and where our shareholding could feasibly account for more than 1% of the issued share capital. Experience has shown that it is in these smaller vehicles where we have to pay closer scrutiny and sometimes become more active to ensure the interests of our investors are protected and good corporate conduct is maintained.

Where we are in a position to directly influence business strategy such as capital raisings, acquisitions and disposals, corporate governance adherence and management remuneration, then we will do so where we feel it is appropriate. Such examples would be in small listed UK companies, or more likely in the closed-ended investment trusts where we hold a material position. Underpinning our decisions and conduct in this arena is what benefit our investors are likely to receive.

Wherever practical we incorporate adherence to the principles of the Code into our investment management processes. This statement describes the collective approach covering all of the funds we manage.

Principle 1 Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

We set out below the details of how we discharge our stewardship responsibilities and the extent to which we comply with the principles of the Code, including how we monitor our investee companies and our strategy on interventions. Where the funds we manage invest in overseas holdings we apply the principles of the Code on a best endeavours basis.

Meetings

We aim to meet the management of all our investee companies and funds at least once a year. Meetings are logged and notes written up on our internal reporting system for discussion in our weekly investment meetings.

These meetings are chaired by our Chief Investment Officer (CIO) and attended by all of the investment team. The level of accessibility to the management team that we can reasonably expect is one of the many factors we have to take into consideration when deciding whether to make an investment.

Any dis-satisfaction (or praise) we have with the companies in question would be directly raised in these meetings. If there is no meeting scheduled and a matter has arisen then we would either approach the company directly or communicate via the nominated company broker, with the expectation that this will be communicated onwards to the board.

Voting

In examples where our investment is immaterial to the investee company and where our influence is likely to be limited then the level of our communication is inevitably reduced. However, where there is a highly contentious issue, for example on inappropriate management pay then we would communicate our dis-satisfaction via our electronic voting service, "ProxyEdge".

We do not make use of standing instructions or third party recommendations. Voting decisions are made independently according to our assessment of the best interests of our clients.

Value to our clients

Active engagement is appropriate to ensure our investee companies are conducting themselves in a manner that gives value to our clients and that of the wider community. Where we feel a company is conducting itself in a manner or running an operation that gives no apparent benefit to investors or wider society then we would not seek to maintain an investment.

If we are in a position to influence behaviour, by means of the size of our investment, then we will seek to do so. However the level of engagement has to be considered in terms of what is likely to be achievable and what benefit and value will be achieved for our investors.

Principle 2 Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

We have in place a conflicts of interest policy that is freely available on our website (www.senecaim.com). The policy describes how we ensure we manage conflicts fairly and in the best interests of our clients.

SIML is a wholly owned fund management subsidiary of Seneca Asset Managers Limited, a non-trading holding company. The Boards of both companies are the same and there are no other companies in the group. We therefore consider that our structure does not pose a risk of conflict.

Due to the nature of our business, the main types of conflict we are likely to encounter are those between the interests of SIML or its employees and the interests of clients (firm and client) and conflicts between clients (client and client). All SIML individuals are responsible for identifying any actual and potential conflicts and notifying these to the Compliance Department who maintain a conflicts register detailing the systems, controls and procedures that are in place to manage the conflicts identified. As part of the identification process, employees are required to disclose details of directorships and interests in other companies. The register is provided to the Board for review and challenge.

We acknowledge that it may not be possible to prevent conflicts of interest from arising and ensure that we put in place robust procedures to manage those conflicts. These are then monitored by the Compliance Department as part of the risk based compliance monitoring programme, the results of which are reported regularly to the Board. Breaches of policies or procedures used to manage conflicts would be escalated to the Board without delay. Should we believe that the arrangements we have in place are not sufficient to manage a potential conflict, we would disclose the details to the client prior to doing business for them, however this would never be relied upon as a way of exempting SIML from operating effective processes and procedures.

Possible Conflicts – Investment and Voting Activity

We will obtain approval from a client before investing on their behalf in funds managed by SIML and would not usually exercise votes on behalf of our clients in those funds, unless specifically requested to do so by the client.

When voting on behalf of multiple clients we will take account of the clients' investment strategies and vote accordingly, even if this means voting in different ways for our various client holdings.

In either situation we keep detailed records of the process followed and the rationale behind any voting decisions.

Other Possible Conflicts

Other potential conflicts that have been identified in relation to our stewardship responsibilities are covered in detail in the policy: aggregation and allocation of client orders and personal account dealing (SIML does not have permission to deal on its own account)

Principle 3 Institutional investors should monitor their investee companies

We endeavour to identify problems at an early stage. Monitoring of company performance and activity is regularly carried out through our internal fund managers' due diligence process drawing on independent broker research, press coverage and direct investee company meetings.

We will view Board structures, independent or otherwise, review the CVs of Board members, to satisfy ourselves of the effectiveness of the investee company's board and committee structures and discuss with the company brokers any issues arising. While there can occasionally be divergence from generally accepted good practice in larger UK listed companies (although this is becoming less common) e.g. combined Chief Executive and Executive Chairman roles where an individual has served with a company for many years. Such instances are much less prevalent and we would consider them to be unacceptable in the "specialist assets" arena, where an independent non-executive board would normally exist above the executive team.

Given the number of positions held and the resources available, we do not usually attend General Meetings, finding one on one private meetings to be far more productive than those held in a public arena.

We would typically only become involved with investee company boards, if, through our general due diligence, we found that the Company's directors are not working in the interests of shareholders.

We generally prefer not to be made insiders if this is likely to entail a protracted period that would restrict our ability to trade in a company's shares.

Issues of particular interest

When investee companies are seeking to raise capital we explore in depth the rational for doing so, the costs involved and whether alternative routes to financing have been explored. If we feel the costs associated with equity or debt financing are unwarranted then we will communicate accordingly and if necessary vote against resolutions.

Management and performance fees, particularly in the area of closed ended-investment trusts, are an area of particular focus, in terms of levels, hurdle rates and timing of payment. Dis-satisfaction will be raised in the first instance with the company and/or the nominated house broker.

If we feel the board is not displaying sufficient levels of independence then we will raise the matter with the chairman or senior non-executive director. If we continue to be unhappy then we would consult with other shareholders and seek to remove any directors we felt were not discharging their duties appropriately. There have been occasions where we have been involved in such action e.g. a UK listed overseas property company, however such instances are unlikely in larger investee companies such as direct UK equities.

In circumstances where an investee company may encounter difficulties, we would engage in constructive meetings with the management and the board, propose a course of action or appraise suggestions on a course to recovery. Any requests for further capital would be considered in the context of the likelihood of a sufficient return on that capital, thereby rewarding our investors for the level of risk involved.

Departure from the Corporate Governance Code

The level of our engagement with larger investee companies, primarily in the direct UK equities arena, is conducted on a best-endeavours basis. For example direct dialogue with Chief Executives, Finance Directors and Chairpersons, may not be feasible. However our own investment focus is mainly (but not exclusively) in "mid-cap" companies where executives are more accessible and less beholden to the mainstream large scale institutional investors. Consequently, where we do invest in "large-cap" or FTSE-100 companies, we have to accept that the opportunity for direct engagement is commensurately less.

Principle 4 Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

We would generally only intervene where performance was poor and/or we felt a Board or individual directors are either conflicted or are not acting in the interests of shareholders. In the first instance we would discuss our concerns with the designated senior director or Chairman and subsequently use voting powers if our concerns have not been assuaged.

We would hold meetings first with management and then contact the company's advisers and escalate to Board level only if we felt that our concerns were not being taken seriously or addressed satisfactorily.

It is unusual for us to meet with the Board unless we have serious reservations on the level of competence of senior managers or wish to express views directly on matters of corporate strategy.

Whilst it is unusual for us to intervene, we will discuss our concerns with major shareholders to gauge how much influence we may be able to exert. We have, on occasion, worked with other institutions where we have felt that there may be a requirement to call a GM or vote against stated policy or reappointment of directors. We would only requisition a GM in very extreme circumstances when other dialogue has been exhausted or where we felt immediate action was required to protect shareholder (and our clients') interests.

Interaction with other shareholders will only be undertaken if we are satisfied that such collective engagement will not contravene any of our regulatory or legal obligations and on the basis that we shall maintain proper standards of market conduct. We will take all necessary steps to avoid being involved in a concert party and will not enter into discussions with other shareholders if their purpose is to acquire control of the company.

Occasions of escalation and intervention

Our policy of intervention will always be considered on a case-by-case basis, with reference to the size of our investment, the scope to co-operate with other shareholders, the likelihood of success and whether a successful outcome would give suitable reward to our investors.

Our method and strategy in each case will be discussed by the investment team with input from the CIO, the fund manager with research responsibility on the specific investment would take the lead in implementation of our intervention.

In order to illustrate the areas where we have taken action we summarise three examples below:

1. We felt the chairman of a company was not exercising sufficient independence from the management team. Along with other shareholders and a non-executive director we applied pressure to the board and management to improve the state of governance.
2. We voted along with other concerned shareholders against the proposed liquidator of a listed private equity investment company as we felt there was insufficient experience in the field by the company proposed.
3. A UK REIT was raising additional equity by means of a placing, part of which was to be used to pay down debt. However we were concerned the indicated pre-payment charges appeared punitive and rendered the action unnecessary. We drew the matter to the attention of other shareholders and raised the matter with the Finance Director. We voted against the action but it was voted through by shareholders. However, the REIT was subsequently able to negotiate a reduction to the exit fees levied by the bank.

We are unlikely to make a public statement ahead of a GM/AGM, preferring to work together behind the scenes to affect change and would generally only submit resolutions to shareholder meetings in very extreme circumstances, preferring to support other shareholders rather than putting forward specific resolutions ourselves.

Principle 5 Institutional investors should be willing to act collectively with other investors where appropriate.

We would (and have) worked together with other investors to try to effect change. Initial communication and action would be investigated on an individual basis however if this proved unsuccessful then we would seek to involve other shareholders. Subject areas where we would become exercised would include (and not be limited to) changes to investment objective of investee companies, continuation votes, adherence to discount control mechanisms,

independence of boards, inappropriate application of investment management fees or attempts to vary fees in a way we find unacceptable.

Following dialogue with other major shareholders to establish a common view we would then contact the company to let them know, prior to any AGM or GM, of any action or voting intentions we may have agreed.

Interaction with other shareholders will only be undertaken if we are satisfied that such collective engagement will not contravene any of our regulatory or legal obligations and on the basis that we shall maintain proper standards of market conduct. We would apply particular regard to our policies on conflicts of interest and insider information at all times.

We will take all necessary steps to avoid being involved in a concert party and will not enter into discussions with other shareholders if their purpose is to acquire control of the company.

As with other areas of our approach to the Stewardship Code, our action will be decided on a case by case basis.

Principle 6 Institutional investors should have a clear policy on voting and disclosure of voting activity.

For practicality reasons we do not vote on all shares held, but rather we assess contentious matters individually and will vote only in cases where we believe our client's interests need to be protected or where there is an area of public controversy. Our approach to Principle 5 discusses areas that we would consider important to our investors. We do not consider a blanket approach of voting on all routine matters to be of a reasonable use of time and limited resource for our investors.

The final decision will be made by the lead Fund manager for each client following discussion with the asset class specialist. We do not always support the Board and have on occasions voted against decisions recommended by a Board or against the re-election of Board members. If we feel it appropriate or indeed may help initiate change we may contact the company beforehand.

For reasons of practicality and client confidentiality we do not routinely disclose our voting activity publicly. However detailed information on our voting activity including both voted and unvoted shares as detailed below is provided quarterly to those clients who require the information and they may then disclose the information publicly if they consider it appropriate.

We will provide reports on our voting activity to all other parties on request, although to date we have not received any such requests. We do monitor this situation and will look to change our approach to disclosure if we believe it is required.

We do not permit stock lending on any securities via our custodians.

Principle 7 Institutional investors should report periodically on their stewardship and voting activities.

We maintain a log of all engagement with the management teams of our investments as part of our normal day to day investment process. Furthermore, we record any instances where we have taken action to address our concerns, either informally in discussion or formally through our voting action.

As part of our internal controls reporting we will report to our clients quarterly on how we have discharged our stewardship responsibilities. We provide a full vote audit report of all meetings for the companies comprised in their portfolio showing both voted and unvoted shares and the votes cast whether for, against or abstained. In addition we report on any instances of engagement with investee companies.

We do not seek independent assurance of our engagement and voting processes, however our stewardship activities are monitored by our in-house compliance department as part of their bespoke risk-based compliance monitoring plan that has been assessed by an external compliance consultant. Results of the plan are communicated to the Board. We are subject to due diligence visits by the authorised corporate director of the open-ended funds we manage to assesses the effectiveness of our compliance procedures, systems and controls including our voting policy and compliance with the Stewardship Code.

For further information regarding our policy please contact:

Elaine Smith, Compliance Officer, Seneca Investment Managers Limited,
Tenth Floor, Horton House, Exchange Flags, Liverpool L2 3YL or **seneca.compliance@senecaim.com**.

Important Information