Cardano Stewardship Code Compliance Statement

September 2017

As an investment adviser and manager to institutional clients, Cardano acknowledges the importance of Environmental, Social and Governance (ESG) factors in investment outcomes and supports the Stewardship Code.

As Cardano does not include direct investment in companies in its portfolios or advice on direct investment, Cardano is not able to exercise stewardship itself. Stewardship is undertaken by the fund managers that Cardano researches and includes in delegated and advisory portfolios.

Where the investment strategy of a manager included in client portfolios involves taking long equity positions, Cardano actively engages with the manager on stewardship, monitoring activity and maintaining an open dialogue. Stewardship activity is driven by the desire to achieve the very best returns for our clients and Cardano acknowledges the role that effective stewardship plays in the long-term performance of companies, protecting and enhancing returns for our clients.

Where appropriate, Cardano encourages managers to sign up to independently established principles for responsible investing.

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The Stewardship Code

1. **Publicly disclose their policy on how they will discharge their stewardship responsibilities.**

The Cardano Environmental, Social and Governance (ESG) policy is available here (link).

As an investment consultant and portfolio manager, Cardano engages with clients to enhance their understanding of the role stewardship of investee companies plays in the delivery of an effective long-term investment strategy.

Cardano does not invest directly in listed companies. Cardano carries out research on managers of investment funds to recommend to our clients and / or include in Cardano managed portfolios.

As Cardano does not invest directly, Cardano does not maintain voting guidelines or employ a third-party research provider to assist with voting. The policies and practices of managers are reviewed as part of the research process. This approach allows for the assessment of a manager based on their scale and nature of their specific strategy (small concentrated regional activist compared to a global fund house) rather than having a single view on stewardship and ESG.

Cardano encourages active stewardship by managers and believes that a robust well governed investment approach and stewardship activity goes hand in hand. Poor stewardship engagement is viewed as potentially indicative of wider issues that could lead to increased risk or decreased return in a portfolio. Cardano maintains an ongoing dialogue with managers that incorporates both structured and less structured assessment activity of manager engagement in stewardship.

Cardano has protocols in place that ensures that the Manager Research Team is able to have an open dialogue with each manager and there is no information that in principle Cardano is not able to receive.

Stewardship is just one consideration in the assessment of a manager. Cardano will not make a decision on a manager on the basis of stewardship activity alone, however, where appropriate and through positive engagement Cardano will seek to understand why the manager is not as engaged as we would expect given their strategy.

The same ESG criteria, including stewardship criteria, are used in the assessment of managers for both the advisory and delegated solutions and feed into the ESG rating maintained for each manager. This reporting, including bespoke analysis on a manager where requested, aligns our approach with our clients' individual ESG agendas.

Managers from many different jurisdictions and strategies are assessed with the majority being based in either the UK, America or Asia (Hong Kong or Beijing). The importance placed on stewardship in the ongoing monitoring and engagement with any one manager will depend on the positive impact that engagement in stewardship could have on their investment strategy. Cardano will challenge where managers are not exercising the level of stewardship expected or their stewardship is not producing the expected value.

The extent of voting activity by all equity managers is monitored retrospectively. Additional stewardship activity is focused on the managers of the less diversified equity funds for which specific instances of stewardship may be discussed. On occasion a forward-looking stewardship strategy for a company may be discussed with a manager, covering areas such as remuneration, business strategy and performance, corporate governance and culture, key personnel etc. as appropriate.

2. Have a robust policy on managing conflicts of interest in relation to stewardship which should be publicly disclosed

Cardano Risk Management Limited has a Conflicts of Interest Policy which is reviewed annually by the Compliance Officer. The policy is supported by a Conflicts of Interest Register and a Conflicts of Interest Inventory which are updated with details of conflicts of interest identified and the mitigation activity undertaken. This approach is designed to ensure that conflicts of interest between clients of Cardano and between Cardano and one or more clients are managed appropriately. A summary of our Conflicts of Interest Policy can be accessed here (link).

As Cardano focuses on the extent of stewardship by managers, monitors their strategy and does not ordinarily intervene or vote itself, conflicts of interest will not ordinarily arise as a result of Cardano voting or influencing voting on matters affecting a client or parent company.

Cardano encourages active stewardship by managers and monitors stewardship activity retrospectively. Cardano will not ordinarily request that a manager undertakes specific stewardship activity or give a view on a stewardship decision to be taken. In the unlikely event that a conflict does arise due to Cardano giving a view to a manager on a stewardship decision in respect of an investee company that is connected to a client of Cardano, as required by the Cardano Conflicts of Interest Policy, the issue will be escalated to the Compliance Officer to oversee that the conflict is managed appropriately. This will involve consultation with the Legal function, the Chief Investment Officer and Chief Executive Officer as appropriate. As it is likely that more than one client will have exposure to the investment in question, in order not to favour one client over another and to stay within its mandate, Cardano will ordinarily push for the course of action that maximises the likely return under the stated strategy of the manager. Cardano will aim to be transparent with the client that it is in the conflicted position with, however, this may not be possible depending on the extent to which Cardano is an insider or subject to non-disclosure obligations.

The same assessment and reporting of ESG activity by managers is applied to both advisory and delegated services, therefore Cardano stewardship activity cannot be used to favour one service to the detriment of another.

3. Monitor their investee companies

As Cardano does not invest directly in the securities issued by companies, Cardano does not monitor or asses the performance of companies, including against the Corporate Governance Code.

Cardano maintains a dialogue with managers in respect to general stewardship approaches and specific activist activity. Cardano maintains adequate protocols and is often made an insider by managers in respect to their strategy on a specific holding in a company.

The approach to the assessment and monitoring of managers' stewardship activity is the same regardless of whether or not the manager is being researched as part of the delegated proposition, advisory or a legacy holding of a client. Managers are monitored on a monthly, quarterly, semi-annual and annual cycle of activities. The form that monitoring of managers takes is driven by a number of factors, including the operational arrangements of the manager, their location, quality of reporting, strategy, liquidity and nature of any identified concerns etc. The Stewardship policy and arrangements of each manager are assessed through this process.

This approach allows for the identification and monitoring of stewardship concerns through an open dialogue and not merely reliance on the formal fund / manager updates. Members of the Manager Research Team will on occasion be made insiders as a result of this process.

Performance is assessed against a metric of quantitative and qualitative KPIs which help to identify the drivers of performance of specific holdings. This assessment and subsequent challenge process enables the identification of stewardship activity that has not been as effective as expected which would then be taken forward with the manager.

The Cardano Manager Research Team has a defined process for evaluating manager activity. This includes internal challenge and escalation. Analysts identify issues for escalation to the Manager Research Committee which meets on a weekly basis. Analyst's notes are also circulated to all members of the Manager Research Team who may recommend an issue is escalated.

The Manager Research Committee will oversee further analysis of the options and outcomes including engagement with the manager.

An ongoing ESG score is maintained, for which the same criteria is applied in the assessment of both advisory and delegated managers. Each manager is ranked relative to peers (based on strategy) after taking into account the relative scale of each manager.

4. Establish clear guidelines on when and how they will escalate their stewardship activities

As Cardano is not the investor, Cardano does not have a dialogue with companies and does not escalate concerns directly with investee companies. Cardano will usually let each manager decide how best to steward investee companies in line with their investment strategy, stewardship policy, nature of any issue and upcoming opportunities to escalate.

Cardano will encourage active engagement and escalation by managers directly with investee companies but will not ordinarily intervene on a decision by a manager as to the extent to which they will make their concerns about a company public.

The stewardship discussions with managers focus on the size of underlying holdings, the manager's conviction in a company, opportunities to exercise stewardship and specific opportunities to challenge companies. Cardano expects managers to be open about their stewardship activity and inform Cardano of issues with particular holdings and is willing to open redemption discussions in order to force a manager to engage with Cardano and in active stewardship of a particular company. Where appropriate, Cardano expects to see managers engaging with companies to escalate concerns, and also proactively looking for opportunities to consult with other shareholders to establish the strength of concern.

5. Be willing to act collectively with other investors where appropriate

As Cardano does not invest directly in companies, Cardano does not have a policy on collective engagement.

Cardano acknowledges that in some instances joint action by shareholders, particularly in times of corporate distress, is advantageous. When researching managers, the extent to which managers review and use ESG factors in their investment decision making is considered and Managers are required to explain how they identify stewardship opportunities and monitor the impact of stewardship activity on individual investee companies.

Cardano discusses with managers whether or not in specific instances collaboration with other shareholders in line with local regulation / laws is advantageous.

6. Have a clear policy on voting and disclosure of voting

Cardano is not ordinarily able to vote as a shareholder. Therefore, Cardano does not have a policy on voting or disclosure of voting. Managers decide the cost benefit of voting, whether or not to attend general meetings, whether or not to use proxy voting services, whether or not to publicly disclose voting and stock lending activity and the need to consider the country specific regulatory constraints of their activity.

Cardano monitors the extent of voting activity of managers (including by proxy) and question managers that are identified through monitoring as not routinely voting. As part of the ongoing dialogue and assessment of managers, detailed evaluation of specific stewardship activity and action taken / required is focussed on holdings which are sufficiently large to have a material impact on the performance of the portfolio.

7. Report periodically on their stewardship and voting activities

Cardano is not ordinarily able to vote as a shareholder. Cardano does not therefore produce reports on voting activity undertaken, including by managers.

The output of the Cardano stewardship activity is shared with clients. On a quarterly basis each advisory client receives a manager monitoring report in respect to their portfolio which shows the ESG rating for each manager next to the overall rating for the manager. As required, additional stewardship reporting is provided to clients in line with client's own ESG policy requirements.

In addition, Cardano will assist clients develop and monitor their ESG policies. Educating them on which managers / strategies benefit from effective stewardship and why and how different managers engage in stewardship.

While the outcome of manager research including the ESG rating is not routinely shared with managers, managers are aware of the importance that Cardano's places on stewardship from the stewardship questions asked in the questionnaires completed and from the regular discussions that take place. As the expectation on the extent of stewardship activity depends on the strategy and size of the manager, there is not a document shared with managers that sets out Cardano's expectation of stewardship practices across managers. Where appropriate, Cardano encourages managers to sign up to independently established principles for responsible investing.

As Cardano is not able to exercise stewardship itself, Cardano has not obtained an independent opinion on engagement and voting processes undertaken.