Stewardship Code Statement

Cape Ann Asset Management Limited ("Cape Ann") is authorised by the Financial Conduct Authority ("FCA") and, pursuant to the FCA's Conduct of Business Rules, is required to produce a statement of commitment to the UK Stewardship Code ("the Code"), or explain why it is inappropriate for our business model. This document describes how Cape Ann has applied the principles of the UK Stewardship Code (the "**Stewardship Code**") in its role as a discretionary asset manager with respect to Client investments in publicly traded developing market equity securities. The statement also serves to provide information to unitholders in Cape Ann's commingled funds, the companies in which we invest, and other market participants of Cape Ann's approach to stewardship.[1]

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

Cape Ann has outlined the key characteristics it looks for in boards of portfolio companies, in its Proxy Voting Policy and Procedures as well as its Environment, Social and Governance Policy. Cape Ann actively monitors and, where appropriate, will engage in dialogue with portfolio companies. Cape Ann'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.

The Key Characteristics Cape Ann Looks for in a Board

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

- Boards must recognise 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 and ensure performance drivers and values are consistent with sound business practices.
- 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 capitalisation 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 Cape Ann's investment programme may not exhibit some or all of these characteristics. Cape Ann will, however, take them into account when voting proxies and engaging with management.

Cape Ann is a signatory to the UN Principles for Responsible Investment and has developed an Environmental, Social and Governance ("ESG") Policy which describes the incorporation of ESG issues into our investment process. A copy of Cape Ann's ESG Policy is available in the Appendix.

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[1] This document meets the requirements of an "engagement policy" under the amended EU Shareholders' Rights Directive ("SRD II").

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

Cape Ann recognises the importance of identifying potential material conflicts and the need to have adequate systems and controls to avoid or mitigate their impact on the Clients. Cape Ann has developed a process for identifying various types of conflicts of interest and a policy for managing conflicts of interest associated with voting proxies and engaging with investee companies to include enhanced oversight by senior staff. Cape Ann has outlined additional procedures in its internal compliance procedures. Where conflicts of interest arise, Cape Ann endeavours to ensure clients continue to benefit equally from an opportunity or will look to remove the conflict from the equation.

Principle 3 - Institutional investors should monitor their investee companies.

Cape Ann 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. Cape Ann starts by drawing a simple, but very important, distinction between share ownership and share options. These are not synonymous. Cape Ann expects management remuneration to have a significant variable element – typically 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. Cape Ann 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. Cape Ann sees a 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. Cape Ann 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.

Cape Ann supports as broad a level of share ownership as possible within a given portfolio company and does not favour schemes that are narrowly focussed. What is being sought is a system which helps to create a better ethos across the whole company. This can only be achieved by broad application. The essence must be to reward employees who think in terms of the long term interest of the business. 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.

- Cape Ann monitors the companies in which we invest and, where appropriate, will communicate our views to their management and their boards. This dialogue allows Cape Ann 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.
- Cape Ann 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, performance and capital allocation is integral to its investment

process;
- Cape Ann monitors the effectiveness of its engagement with the managements and boards of investee companies. Cape Ann's communications, and the success of any such communications, will play a part in our proxy voting decisions;
- Cape Ann votes the vast majority of shares it controls by proxy. Cape Ann will, in exceptional circumstances, attend meetings for companies in which there are large holdings, where a problematic issue is being discussed and/or if Cape Ann believes that this is reasonably necessary to fulfil its fiduciary responsibilities to the Clients. Cape Ann will introduce AGM and/or EGM motions where it believes it is in the best interest of the Clients to do so;
- In the unlikely event that Cape Ann is made an insider, Cape Ann follows its internal compliance procedures governing market abuse and insider dealing; and,
- In accordance with applicable law and its internal document retention policies, Cape Ann keeps electronic records of material engagements, voting and other corporate governance and corporate responsibility activities, including the rationale for voting decisions.

Principle 4 - Institutional investors should establish clear guidelines on when and how they will escalate their stewardship activities.

Cape Ann prefers to have confidential and private discussions with companies as we believe that this enables Cape Ann to build an effective relationship with boards and management. Cape Ann 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 its 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 - Institutional investors should be willing to act collectively with other investors, where appropriate.

Subject to regulatory restrictions, conflicts of interest and acting in concert restrictions, and where it is in the best interests of the Clients to do so, Cape Ann 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. Cape Ann looks to avoid situations where it will become an insider unless there is a clear economic benefit to the Clients from doing so.

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

Cape Ann ordinarily likes to support the management and boards of the companies in which we invest. However, we consider every motion individually and if we consider it is not in the best interests of our clients, we may consider voting against or abstaining. We are informed by internal research and also by voting guidance produced by the external firm ISS. In accordance with our proxy voting policy, a copy of which is available in the Appendix of this statement, we seek to vote all shares held. An overview of how Cape Ann applied its proxy voting and corporate governance policies during 2021 is set out below:

During 2021 Cape Ann voted on 1646 motions at 158 company meetings. Cape Ann voted against company management at over 50% of meetings on at least one proposal approximately 13% of those motions which included, amongst other items, voting against:

- unsustainable directors' remuneration packages;

- provisions which might disadvantage minority shareholders; and
- proposed amendments to a company's articles of association which might seek to reduce diversity on the company's board.

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

Unitholders may receive a quarterly summary of proxies voted or not voted by contacting Cape Ann's Client Services representatives and asking to be included on the quarterly proxy voting distribution list. Cape Ann does not provide other third parties with information on how it has voted proxies. Cape Ann does not subject its proxy voting systems and/or procedures to review by its auditors or any independent third parties due. Cape Ann believes this to be unnecessary given the simplicity of Cape Ann's business structure and the sophistication of its institutional client base.