

SG KH Group Engagement Policy

Principles for the Monitoring of, Voting in & Engagement with Investee Companies.

The Shareholder Engagement Policy provides SG KH Group's Stakeholders with an Outline of the Controls & Procedures Adopted by SG KH Entities that Provide Investment Management Services, to Ensure Compliance with Article 3g of the Shareholder Rights Directive II and Adherence to the European Fund and Asset Management Association (EFAMA) Stewardship Code.

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1 About the engagement policy statement

1.1 General Background to the Shareholder Engagement Policy Statement

- The Shareholder Rights Directive II (SRD II), is a European Union (EU) directive, which sets out to strengthen the position of shareholders and to ensure that decisions are made for the long-term stability of a company. The SRD II amends SRD I (2007), with the objective of improving corporate governance in companies whose securities are traded on the EU's regulated markets. SRD II is implemented via: (a) the FCA Rules, with an implementation date of June 2019 and (b) SRD II regulations, with an implementation date of September 2020. The SG KH Group aims to implement the SRD II through this Shareholder Engagement Policy.

1.2 Purpose

- The SG KH Group manages the assets entrusted to them by clients in accordance with strict statutory and regulatory requirements. SG KH Group invests the capital in financial instruments on behalf of its clients and as such, has a duty to act in their best interests. SG KH Group seeks to preserve and / or enhance clients' assets by providing high-quality investment management services, in accordance with clients' investment objectives.
- SG KH Group aims to implement the minimum requirements as set out in FCA Policy Statement 19/13 (Proposals to promote shareholder engagement) and in Articles 3g and 3h(2)) of the SRD II through the engagement policy statement. The engagement policy statement demonstrates how these requirements are met by SG KH Group (see section on Scope below) and provides details of the same, as required by the FCA Rules.
- SG KH Group's Engagement activities may, amongst other things, include:-
 - Monitoring investee companies on: strategy; financial and non-financial performance and risk; capital structure; social environment impact; and corporate governance
 - Engaging in dialogue with companies invested in
 - Exercising voting rights and any other rights attached to shares
 - Cooperating with other shareholders
 - Communicating with relevant shareholders of the companies invested in
 - Managing actual and potential conflicts of interest
- The scope and procedures contained within the engagement policy statement reflect SG KH Group policies and will be modified in-line with the business environment and regulatory guidelines.

1.3 Scope

- The engagement policy statement applies to SG KH Group, which includes SG Kleinwort Hambros Bank Ltd and SG Kleinwort Hambros Bank (Gibraltar) Ltd.
- The engagement policy statement is predominantly relevant to where SG KH Group invests on a Discretionary basis: in direct equities listed on a European Market, KH funds or within life insurance wrappers.

- For Offshore Bonds, the engagement policy statement is relevant where we invest in KH Funds and direct equities
- The list of services to which the engagement policy statement may apply is as follows:-
 - SG KH Funds Service (KHFS)
 - SG KH Discretionary Portfolio Service (Collective investment schemes)
 - SG KH Discretionary Portfolio Service (Direct)
 - SG KH Discretionary ISA Service
 - SG KH Discretionary Offshore Bonds (KHFS and / or Direct)
 - SG KH Discretionary SIPPs (KHFS and / or Direct)
 - SGH Managed Discretionary Service (KHFS and / or Direct)
 - SG KH Discretionary Offshore Managed Discretionary (London SLA) (KHFS and / or Direct)
 - Wealth Planning
- In addition, the engagement policy statement applies to Collective Investment Schemes where SG Kleinwort Hambros Bank Ltd, SG Kleinwort Hambros Bank (CI) Ltd and SG Kleinwort Hambros Bank (Gibraltar) Ltd have been appointed Discretionary Portfolio Manager under an Investment Management Agreement with the Fund or the Fund's Authorised Corporate Director.
- It also applies to any other portfolio where SG Kleinwort Hambros Bank Ltd, SG Kleinwort Hambros Bank (CI) Ltd and SG Kleinwort Hambros Bank (Gibraltar) Ltd have been appointed to manage assets on a discretionary basis.
- As required by the SRD II, SG KH Group have developed the engagement policy statement and have publicly disclosed it on the SG KH Group website. The engagement policy statement will be reviewed and approved annually by the Head of Investment Management. Specifically, the Head of Investment Management has created a recurring calendar invitation to update and review the engagement policy statement annually.
- The engagement policy statement can be accessed through the link:
<https://www.kleinworthambros.com/en/important-information/stewardship-code/>

2 Principles of the SG KH Group Shareholder Engagement Policy Statement

- SG KH Group adheres to the engagement principles below, as set out by Article 3g of the Shareholder Rights Directive II and the EFAMA Stewardship Code.

2.1 Principle 1: investment managers should have an engagement policy available to the public on whether, and if so how, they exercise their stewardship responsibilities. Where investment managers decide not to develop an engagement policy, they should provide a clear and reasoned explanation.

- SG KH Group considers its obligation of ownership and stewardship on behalf of its clients and has published the engagement policy statement to the extent applicable.

Integration of engagement in SG KH Group's investment strategy

- SG KH Group's level of engagement will depend on several factors. SG KH Group may, where appropriate, actively engage with management on strategy, financial and non-financial performance and risk capital structure, social and environmental impact, corporate governance or other issues.
- Where appropriate, SG KH Group seeks to consider Environmental, Social and Corporate Governance (ESG) factors in the investment strategy of products and services offered. The engagement approach depends on several factors, such as: (i) whether the product or services is marketed as a sustainable investment; (ii) whether any sustainability data are available for the investee companies; (iii) clients' investment instructions regarding sustainability; and (iv) ESG compliance of the instrument universe of a portfolio (e.g. direct equity or collective investment schemes portfolios).
- Ethical investment principles are important to our investment process, especially for SG KH Group Ethical portfolios and 'Responsible Investing' investment strategies. In such strategies, we aim to invest in companies that meet our required criteria, not just excluded sectors, but also adherence with e.g. human rights, labour, environment and anti-corruption. Sustainability is also of importance; ensuring investments match investment profiles and objectives from an environmental, social and governance standpoint. SG KH Group Ethical portfolios and 'Responsible Investing' investment strategies aim to help our clients build a sustainable legacy for future generations.
- For SG KH Group Ethical portfolios and 'Responsible Investing' investment strategies, the SG Stock Selection Group (SSG) review the impact of a company's social and environmental footprint and corporate governance policies as part of the stock selection process. The SSG monitor the social and environmental impact of a company through a further screening process (ie in addition to the normal stock selection process highlighted in the Appendix), which aims to exclude stocks with high controversy ratings and low Socially Responsible Investing ("SRI") company ratings, as defined by the MSCI. Such a process is particularly relevant for securing the integrity of SG KH Group Ethical portfolios and 'Responsible Investing' investment strategies.

Monitoring of and dialog with investee companies (see also Principle 2)

- SG KH Group may monitor investment exposure in its investee companies through meetings with the Board of Directors, executive management members and / or investor relations teams

of relevant investee companies. Owing to the diversity and scale of the investment strategies offered by SG KH Group, individual investment teams may employ different styles when monitoring and engaging with investee companies. While not an exhaustive list, the following may be considered, where appropriate:-

- Business strategy and the execution of the strategy
 - Risk management
 - Environmental and social concerns
 - Corporate governance issues, such as executive remuneration and structuring, board composition, election of independent directors
 - Compliance, ethics and culture
 - Performance and capital structure
- In addition to the above monitoring activities, SG KH Group may also review its position in investee companies during regular review meetings.

Management of conflicts of interest

- SG KH Group investment managers are aware that conflicts of interests may arise in assessing whether and how to engage with companies. SG KH Group has in place policies to define disclosures, limitations and approval of activities that may cause potential conflicts of interests. SG also maintains a register of conflicts of interest.
- SG KH Group's Conflicts of Interest Policy, to mitigate or manage actual and potential conflicts of interest, can be accessed using the following link:
<https://www.kleinworthambros.com/en/important-information/conflicts-interest/>

Handling of inside information

- SG KH Group investment teams may receive insider information (material and non-public information). If a member of the investment team gains access to such information, internal control functions will be immediately informed. The insider will be told of his / her responsibilities and details will be documented and recorded in dedicated repositories. Internal control functions have implemented a strict trade surveillance framework to ensure, within reason, that employees are not trading on insider and / or confidential information.

Collective engagement (see also Principle 4)

- SG KH Group prefers to express its own views separately to companies. However, where suitable, SG KH Group may look to collaborate formally with other significant shareholders or investors.

Exercise of voting rights (see also Principle 5)

- Typically, SG KH Group would exercise its voting rights for material equity and collective investment scheme positions. For accounts managed on a discretionary basis, SG KH Group does not actively offer the execution of voting rights services. To the extent that SG KH Group has been granted discretionary contractual voting authority, SG KH Group will follow the same principles adopted by the collective investment schemes. SG KH Group will does not typically

utilise the service of external proxy voting and advisory services organisation to facilitate the voting of proxies.

2.2 Principle 2: investment managers should monitor their investee companies in accordance with their engagement policy.

- SG KH Group may actively monitor investee companies. Subjects may include issues regarding company strategy, ongoing performance, operational and corporate governance issues, in addition to environmental and social factors. Where appropriate, SG KH Group may have discussions with company officials.
- SG KH Group investment managers would review and monitor investee companies (e.g. in-house funds and the CIS / 3rd Party Funds / Investment Trusts) to ensure they pursue and maintain their investment strategy. Individual SG KH Group investments teams would review the activities of investment companies in accordance with the SG KH Group engagement policy and against their individual investment policy (see Appendix for details).
- Within SG KH Group, investment managers (e.g. SG Kleinwort Hambros Stock Selection Group or “SSG”, made up of internal Equity Analysts and Discretionary Portfolios Managers), are responsible for reviewing, selecting and monitoring investee company's held across discretionary managed portfolios on a regular basis (ie at least monthly) to discuss and decide on the stocks held across Discretionary portfolios. They would also hold ad-hoc meetings to address stock related news that may have an impact on Discretionary portfolios, such as changes to an investee company's dividend policy, which may impact SG's decision to retain client positions in the company.
- Specifically, investment teams may monitor the strategy of underlying SG KH Group investments via regular reviews of the holdings in accordance with an internal stock selection process (see Appendix for details) . For instance, discussions of major changes to an investee company's strategy or changes to the strategic direction of a company – often via a major corporate acquisition – may prompt a review of the company by the investment team. Decisions made after a regular or ad-hoc investment team meeting are typically expressed to Discretionary Portfolio Managers within 1-5 business days, depending on the immediacy of the decision and / or recommended action.
- SG KH Group offshore bond accounts are set up under the offshore bond, therefore the assets are owned by the insurer but are segregated and as such do not form part of the insurer's balance sheet. Offshore bond companies do not influence SG KH Group investments, processes, costs or monitor performance. SG KH Group client relationship management and investment teams will, in accordance with specific SG KH Group client account opening policies and procedures, document clients' knowledge and experience, risk appetite and investment objective, to provide the most suitable solutions and protect clients' interests. This information is strictly confidential between SG KH Group and the client, and would not be shared with third parties, including but not limited to offshore bond companies.
- SG KH Group client relationship management and investment teams would review and agree the above with the client directly. The offshore bond companies would not be party to or involved in this. SG KH Group discretionary investment managers have in place specific offshore bond investment strategies, created and monitored by individual teams to ensure that clients investing their assets in offshore bond accounts invest only in securities permitted to be purchased and held in offshore bonds. These strategies are monitored and updated, at least once every quarter of a year, to ensure that their offshore bond strategies, and securities held in the strategies, follow the rules and regulations attached to offshore bonds (ie. regarding wealth planning and taxation) as well as SG KH Group's investment policies, procedures and investment processes. SG KH Group investment and wealth planning teams provide a monthly feed to relevant insurers to show the securities and values of those securities in their offshore

bond accounts. The duration of an offshore bond with SG KH Group would be either until the engagement policy statement has been surrendered or the client leaves SG KH Group.

2.3 Principle 3: investment managers should establish clear guidelines on when and how to escalate engagement with investee companies to protect and enhance the value of their clients' investments.

- SG KH Group may decide in certain instances to engage, for instance, where SG KH Group has concerns about the following:-
 - The company's business strategy and its execution
 - Risk management;
 - Environmental and social concerns;
 - Corporate governance issues, such as election of independent directors, board composition, or executive remuneration and its structuring;
 - Compliance and ethics;
 - Performance and capital structure
- In addition to regular discussions with officials at investee companies, SG KH Group has adopted the protocols applicable, but not limited, to the following situations: meetings with the Board of Directors; voting against the company at its AGM; reducing of liquidating SG KH Group's holding.

2.4 Principle 4: where appropriate, investment managers should consider acting with other investors, considering applicable rules on acting in concert.

- SG KH Group prefers to directly engage in conversation with investee companies. However, it may, where suitable, collaborate with other shareholders where such actions are in the best interests of its clients and not in violation of anti-trust or other laws, SG KH Group policies and procedures and where there are no conflicts of interest that could result in legal, reputational or regulatory risks to SG KH Group.
- SG KH Group may decide to collaborate with other shareholders where the size of its position in a company, on a standalone basis, is insufficient to exert influence on the voting of critical company issues, such as capital market transactions or corporate governance.
- In theory, collaboration would take place through a formal meeting, which would include other institutional investors, including but not limited to SG KH Group, and may be expanded under special situations to trade associations or government entities. In addition to formal meetings, collaboration could involve participating in informal meeting with other investors, such as analyst events, conference calls.

2.5 Principle 5: investment managers should exercise their voting rights in a measured manner.

- SG KH Group accepts that the exercise of voting rights is an important element in bearing stewardship responsibilities for clients' assets.

Approach to exercising voting rights

- Owing to the diversity and scale of SG KH Group's investment strategies, investment teams may employ various approaches to exercise its voting rights. SG KH Group is developing a

voting policy, which will define the threshold criteria for material holdings and the general criteria for voting for or against routine matters. However, SG KH Group businesses in different jurisdictions may vary their approach to voting due to the differing fiduciary duties of each investment team to act in the best interest of their clients and the assets they are managing.

- SG KH Group management companies may decide to adopt and implement the SG KH Group voting policy on behalf of the CIS they control and sponsor. Alternatively, SG KH Group may delegate the responsibility to the investment manager or advisor voting in accordance with SG KH Group's voting policy. SG KH Group investment managers will accept mandates by third party CIS or management companies to exercise voting rights, only where SG KH Group is permitted to apply SG KH Group's voting policy. SG KH Group does not accept specific voting instructions from individual investors in CIS.
- **Collective Investment Schemes, Investment Trusts & KH Funds.** For instance, SG KH Group investment managers may engage with board members of investee companies (e.g. in-house funds and the CIS / 3rd Party Funds / Investment Trusts), particularly on matters of corporate governance as well as voting at shareholder meetings. Recently, SG KH Group (SG Hambros specifically) engaged in a shareholder vote for Empiric Student Property, where it voted in favour of the company's move to becoming an operational company and not an investment company.
- SG KH Group's ability to engage in dialogue with investee companies may depend on the availability of the companies and whether they share the same third party broker. However, investment decisions will be made by investment teams according to their fiduciary duties to act in the best interest of their clients and the assets they are managing.
- **Direct equities.** For instance, SG KH exercises voting rights and other rights attached to shares in most cases. These rights are exercised through the SG KH Group voting policy. Recently, SG KH Group (specifically, SG KH) voted against all the resolutions for the Extraordinary General Meeting for Unilever held on the 26th October 2018, where it held a material holding.
- Clients signed up to SG KH Group's Discretionary Portfolio Management (DPM) Service are usually informed by their EU or non-EU custodians about AGMs, which are necessary according to the SRD II to facilitate the exercise of shareholder rights. For clients of SG KH Group's DPM Service, SG KH Group does not actively offer proxy voting services. Where SG KH Group are granted contractual voting authority, it will apply the SG voting policy. Generally, SG KH Group does not accept voting instructions from the client for specific investee companies or agenda points.
- Typically, SG KH Group does not attend AGMs for all companies it is invested in, unless there is a specific reason to do so. However, if SG KH Group has a material holding – as defined by the SG KH Group voting policy – individual team members may attend post-AGM industry analyst discussions. For material investments, SG KH Group may attend AGMs or arrange for representation at AGMs via proxy advisors. Generally, any holdings below the material threshold – as defined by the SG KH Group voting policy – are deemed immaterial and, as such, SG KH Group would not be able to exert influence on certain issues put to the vote, and the possible costs arising for investors may not be defensible.
- Individual SG KH Group investment teams should decide their own intervention strategy, as fiduciary managers have a duty to act in the best interest of their clients who many have diverging interests. Thus, although investment teams will seek a unified SG KH Group 'House View', based on the SG KH Group voting policy, this may not be achieved in all circumstances. In exceptional situations, SG KH Group teams may vote independently of each other.

Use of proxy advisor services

- To reach well-informed voting decisions, SG KH Group relies on numerous sources of information. To cover the vast scope of investment companies, SG KH Group reserves the right to use the services of external proxy advisors as appropriate. Proxy advisors provide

shareholder voting research and analysis while efficiently facilitating the delivery of voting decisions to companies.

- However, at present, SG KH Group investment managers do not use proxy advisors, preferring instead to use their own expertise and decision-making capabilities. SG KH Group investment managers could in future decide to delegate vote decisions to proxy advisors but, currently, SG KH Group prefer not to.

Conflicts of interest arising from the exercise of voting rights

- SG KH Group could encounter actual or potential conflicts of interest in the exercise of voting rights. Therefore, SG KH Group has in place a Conflicts of Interest Policy, to mitigate or manage actual and potential conflicts of interest, which can be accessed using the following link: <https://www.kleinworthambros.com/en/important-information/conflicts-interest/>

2.6 Principle 6: investment managers should reveal the implementation and results of their engagement policy, EFAMA stewardship and voting activities.

- Through the engagement policy statement, and on an annual basis, SG KH Group will publicly disclose how their engagement policies has been implemented.
- As required by the SRD II, SG KH Group will publicly disclosed the engagement policy statement on the SG KH Group website. The engagement policy statement will be reviewed and approved annually by the Head of Investment Management. Specifically, the Head of Investment Management have created a recurring calendar imitation to update and review the engagement policy statement annually.
- The individual engagement policies of the companies, collective investment schemes, investment trust companies SG KH Group may invest in are available on their websites or within their annual reports.
- SG KH Group adopts a transparent approach to its engagement activities, however, in specific circumstances, it will refrain from making public disclosures if the availability of such disclosures would not be in the best interests of their clients.

Appendix

SG KH Group (SG Kleinwort Hambros) investment management general approach to investing

Our investment philosophy centres on three guiding principles:

- 1** Get the big decisions right: asset allocation¹ will be managed dynamically
- 2** Take risk only when risk is likely to be well rewarded: valuation will be the key driver of long term returns
- 3** Avoid large losses: your portfolio will be constructed in a way which will seek to withstand market stress scenarios



Our VaMoS™ framework puts investment philosophy into practice. Organised around four core pillars, it provides structure to our investment decision making, through objective analysis of what can be shown to drive future investment returns.



Economic Scenario

Adjust the level of portfolio risk, taking into consideration expectations for individual asset classes according to the different stages of the macro-economic cycle



Valuations

Favour assets with good fundamentals² trading on attractive valuations while avoiding weak and expensive assets



Momentum

Acknowledge and exploit market behaviour – e.g. by buying assets that are trending higher and selling any assets that are trending lower



Sentiment

Add to risk assets when investors are overly pessimistic and reduce exposure when investors have become overly optimistic

¹Asset allocation is an investment strategy that aims to balance risk and reward by apportioning a portfolio's assets according to an individual's goals, risk tolerance and investment horizon.

²Fundamentals include the basic qualitative and quantitative information that contributes to the financial or economic well-being and the subsequent financial valuation of a company, security or currency.



Your portfolio manager will exercise discretion to construct and manage your investment portfolio, guided by your agreed investment objectives and risk tolerance.



Your portfolio will be monitored and rebalanced as necessary, to reflect changes in the outlook for particular asset classes, markets and securities.



Our complete range of discretionary portfolio management services, aligned to meet your investment needs, provides an efficient means of accessing our disciplined and repeatable investment process.

3 Discretionary Services

1. Kleinwort Hambros Funds Service (KHFS)

Your portfolio will be managed and implemented using one or more of the range of funds managed by us.

2. Discretionary Portfolio Service (Collectives¹)

Your portfolio will be managed and implemented using a range of collectives, including active and passive funds².

3. Discretionary Portfolio Service (Direct)

Your portfolio will be managed and implemented typically by investing directly into securities.

¹A collective investment scheme (CIS), which is sometimes referred to as a 'pooled investment', is a fund that several people contribute to. A fund manager will invest the pooled money in one or more types of asset, such as stocks, bonds or property. Collectives include third party and in-house funds, and Exchange Traded Funds.

²Actively managed funds are where the fund manager uses their expertise to pick investments to achieve the fund's objectives. With Passive funds the fund manager aims to track the performance of a stock exchange index or another investment.

SG KH Group (SG Kleinwort Hambros) investment management philosophy, strategy and approach to stock selection and risk management

- SG Kleinwort Hambros (SG KH) use an internal stock selection process in order to generate a total return higher than that of the relevant stock market benchmark, while exhibiting a similar – if not lower – level of risk.
- The stock selection process is as follows (for more detail see below information):-
 - Look to buy “above average businesses at below average prices”. That is, the Stock Selection Group (SSG) / SG KH will look to invest in quality companies trading at valuation discounts. Above average businesses are those meeting a mix of quality factors covering profitability, cash flow, leverage, liquidity and operating efficiency. The impact of a company’s capital structure would also be incorporated as part of the review of a company’s overall ‘quality’. The SSG considers a stock to be trading at a below average price when the Enterprise Value to Cash Flow from Operations multiple (EV/CFO) is low relative to its sector peers. We recognise the limitations of this when analysing Financials (banks, etc.) and focus on alternative metrics including price-to-book, return on common equity and dividend yield.
 - Build a diversified portfolio weighting individual stocks according to their risks. The SSG will allocate a greater amount of portfolio capital to the stocks that demonstrate lower risk; i.e. weight stocks according to their observed volatilities, with a greater weight to the lower volatility stocks. (This form of risk-weighting alone tends to result in outperformance versus the market)
- Risk management is also an inherent aspect of the stock selection process. Companies SG KH chose to hold in Discretionary portfolios are initially screened using the above quantitative process. The main criteria of the process is based on the quantitative assessment of each company’s quality and value characteristics. If necessary, additional research may be carried out by the SSG, using third party research. See below chart illustrating the risk management of the stock selection process.

Three key tenets of what we believe about markets and investing



What we aim to achieve, and the risks of investing in equities

Through active stock selection, we aim to generate a total return **higher than that of the relevant stock market benchmark** while exhibiting a similar *if not lower* level of risk

Relevant markets include:

- **Global**
FTSE World Index
- **UK**
FTSE All-Share Index

Risk in this context refers to:

- **Volatility**
The standard deviation of monthly returns
- **Drawdown**
The largest peak to trough loss experienced by the portfolio or market

Our strategy **does not avoid the risks** of investing in single stocks or equities generally

- Not every stock will be a winner; we diversify the portfolio for good reason.
- Although equities historically generate some of the highest investment returns available, this is only consistently the case over sufficiently long timeframes (“markets do not go up in a straight line”).
- Our recommended portfolios of stocks – in and of themselves – do not attempt to market time the allocation between equities and other assets (e.g. cash), and so they will from time to time experience periods of loss, as do stock markets as a whole.

‘Total return’ is the return on an investment after considering both capital appreciation and dividends

Look to buy “above average businesses at below average prices”

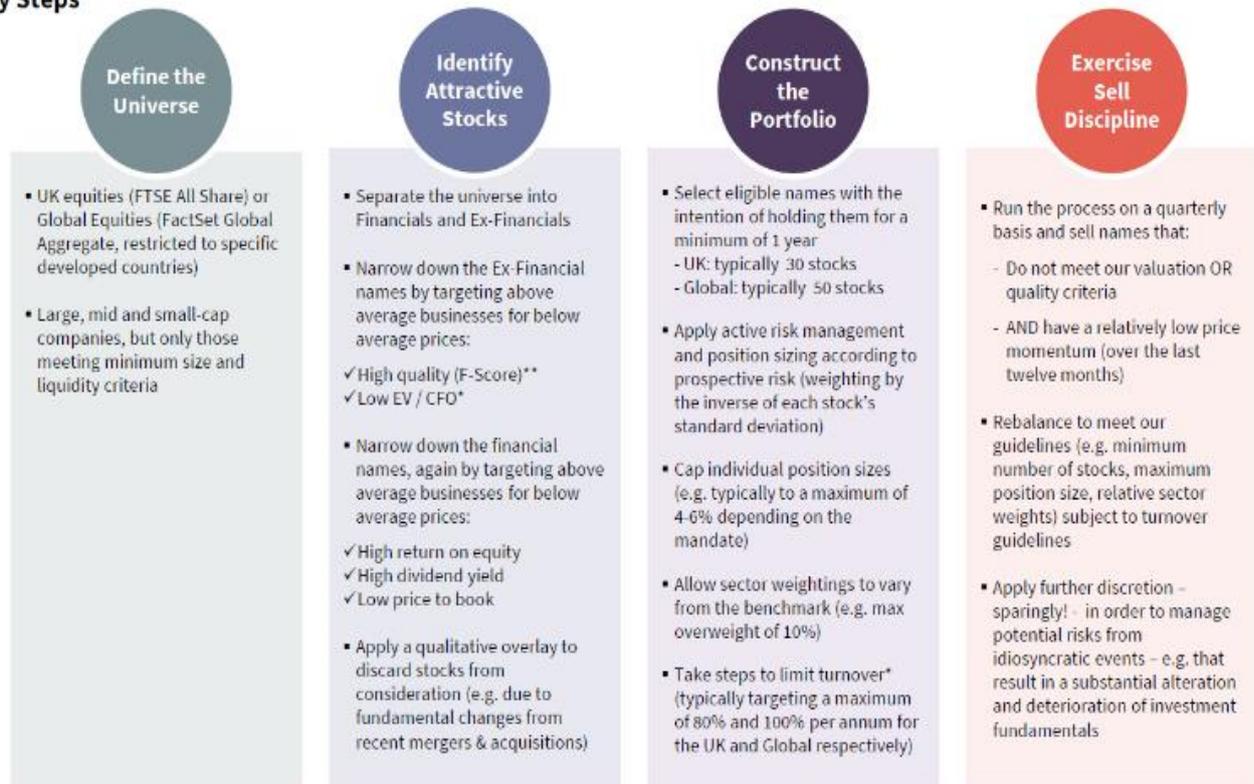
- In other words, we invest in quality companies trading at valuation discounts.
- Above average businesses are those meeting a mix of quality factors covering profitability, cash flow, leverage, liquidity and operating efficiency.
- Consider a stock to be trading at a below average price when the Enterprise Value to Cash Flow from Operations multiple (EV/CFO) is low relative to its sector peers.
- Recognise the limitations of this when analysing Financials (banks, etc.) and focus on alternative metrics including price-to-book, return on common equity and dividend yield.

Build a diversified portfolio weighting individual stocks according to their risks

- Allocate a greater amount of portfolio capital to the stocks that demonstrate lower risk; i.e., weight stocks according to their observed volatilities, with a greater weight to the lower volatility stocks. (This form of risk-weighting alone tends to result in outperformance versus the market.)
- Allow the bottom-up stock selection to determine sector weights such that the weights may vary significantly from the benchmark. However, apply a modest degree of restriction in order to control for “model risk” – i.e., the latent or hidden risks that might be inherent to the approach.

‘EV’ = Enterprise Value, the sum of the net debt and equity values of a company; ‘CFO’ = Cash Flow from Operations

Key Steps



* EV = Enterprise Value; CFO = Cash Flow from Operations; Turnover counts a single switch (e.g. out of one stock and into another) as 2 times the capital value traded



Source: Kleinwort Hambros

Risk management is an inherent aspect of the investment process

Security Selection

- Our strongest form of risk management is inherent in our selection of inexpensive and high-quality companies, which are lower-risk by nature.

Portfolio Construction

- We prudently require minimum levels of diversification: a maximum % position to any one stock (typically 6% for UK and 4% for Global), and sector weightings limited to c. +10% vs. benchmark weights.
- We size positions inversely proportional to their relative prospective risks, further dampening portfolio-level risk.

Exposure Monitoring

- We quantitatively monitor the sources of risk.
- We monitor the total risk and active risk (tracking error) of the portfolio.
- We identify the most significant factor exposures of the portfolio (e.g. value, growth, size).
- We monitor the portfolio's betas to economic variables such as interest rates, the price of oil, and credit spreads.

Oversight

- Intelligent use of third party systems (e.g. FactSet) provides us with real-time monitoring and alerts.
- Portfolio monitoring is remotely accessible and alerts are sent to team members via email.

Definitions

Annual General Meeting (AGM)	A yearly meeting of the members or shareholders of a club, company, or other organization, especially for holding elections and reporting on the year's events
Collective Investment Schemes (CIS)	A Collective Investment Scheme (CIS) is an investment scheme wherein several individuals come together to pool their money for investing in a particular asset(s) and for sharing the returns arising from that investment as per the agreement reached between them prior to pooling in the money
Corporate Actions	A corporate action is an event initiated by a public company that will bring an actual change to the securities—equity or debt—issued by the company. Examples of corporate actions include: stock splits, dividends, mergers and acquisitions, rights issues, and spin-offs
Discretionary Portfolio Manager	A multi-asset investment expert responsible for explaining House Views, implementation, performance, & supporting Bankers at pitches and review meetings. With respect to portfolio implementation, the Discretionary Portfolio Manager and Portfolio Implementation Team may be interchangeable. Responsible for managing and implementing Bespoke portfolios
Discretionary Portfolio Management (DPM) Service	The DPM service is designed for clients who prefer to delegate portfolio management to expert investment professionals. See Banking and Investment Services Charging Structure (BISCS) document for further details
Head of Department	Head of Investment Management (IM) or Chief Investment Officer (CIO)
In-house Fund	A mutual or hedge fund offered directly by a large investment bank and managed internally by its own asset managers
Investment Company	An investment company is a corporation or trust engaged in the business of investing the pooled capital of investors in financial securities. This is most often done either through a closed-end fund or an open-end fund (also referred to as a mutual fund)
Investment Trusts	An Investment Trust is a limited company whose business is the investment of shareholders' funds, the shares being traded like those of any other public company
Life insurance wrappers	A typical insurance wrapper enables a person to purchase a life insurance policy, either on his own life or on someone else's, by paying a premium – usually a onetime premium consisting of the total investment portfolio – which accumulates income at favourable, or zero, tax rates
Offshore Bond	An offshore bond is a tax efficient wrapper that can hold a variety of assets, such as stocks and shares or mutual funds. One reason bonds are issued offshore is because this adds the legal and tax shield of a life insurance policy to an investment portfolio
Portfolio Management Solutions (PMS)	The department primarily responsible for delivering the DPM service
Private Banker	A.k.a. Client Relationship Manager (CRM)

SG KH Group	Reference to the SG KH Group includes Société General Kleinwort Hambros (SG KH) and SG Kleinwort Hambros Bank (Gibraltar) Ltd., to whom this engagement policy statement applies
SG KH Group Voting Policy	The SG KH Group voting policy is currently being developed. Until then, existing local voting policies are applicable
SIPP	Self-Invested Personal Pension
SRD II	Shareholder Rights Directive II
Third-party Funds (3rd Party Funds)	Or a third-party distributor is an institution that sells or distributes mutual funds to investors for fund management companies. These entities generally have no direct relation to the fund itself. Partnerships between mutual fund companies and third-party distributors often come with various fees and provisions. Since they are independent of fund management companies, third parties are, theoretically, unbiased when they sell products to investors
Wealth Planning	Structuring wealth while building it, preserving it, and in order to transfer it to the next generation tax-optimised. Wealth planning is a mix of tax planning, wealth protection, estate planning and business succession planning and relates to clients' total worldwide wealth