

The Stewardship Code

Our Approach

Amati Global Investors Ltd (“Amati”) supports the aims of The Stewardship Code (“the Code”), which was published by the Financial Reporting Council (“FRC”) in July 2010. We subscribe to the view that as managers of clients’ assets, part of our role is to monitor and, where appropriate, to influence the corporate governance of investee companies. As active investors in UK quoted companies our investment approach is based around dialogue with the senior management both of companies that we invest in on behalf of clients, and those that we research. We would normally see or talk to members of the executive management of investee companies twice a year as a minimum. In this ongoing dialogue we will regularly raise governance issues, but will only do so where we see relevant issues to discuss. Issues raised may cover business strategy, management appointments and executive remuneration, employment practices, and corporate responsibility. In certain specific cases where in our view there are important matters of principle being disregarded, which we believe will have a significant impact on shareholder returns, we will engage with other parties involved with the company, whether they be nominated advisers to the company, or other shareholders. We are involved in monthly dialogue with other AIM VCT fund managers which provides a natural forum for raising matters of both general and specific corporate governance amongst a wider group of fund managers. However, as a relatively small fund management business we recognise that we are likely to have an influence only on the smaller investee companies in which we hold significant stakes, and the way in which we engage with companies will reflect this. We may choose to sell an investment where we see little chance of resolving a matter of corporate governance to our satisfaction.

The following describes in more detail our practice in relation to the principles outlined in the Code.

Principle 1

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

We will generally hold regular dialogue with the directors of investee companies. Whilst our regular contact tends to be with the executive management team, we prefer also to have points of contact with non-executive directors.

Given the relatively small size of our business we will generally vote on company resolutions put to shareholders on a selective basis, voting only where we see a matter of particular significance, or where we are responsible for a significant stake in the business. We do not delegate voting control to a third party.

We will from time to time intervene pro-actively to protect and enhance shareholder value where we see issues of particular importance. Such intervention will generally include seeking the participation of other shareholders and company advisers, and is unlikely to be made public, or to involve the media.

Amati’s policy in relation to corporate governance, voting, executive remuneration and corporate responsibility and sustainability issues is published on the company’s website.

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.

Amati currently manages small cap equity and global managed futures funds. Dealing in investments is carried out only on behalf of our clients. The company does not deal on its own account. There is a clear set of guidelines for personal account dealing by fund managers, who must seek authorisation before dealing in any stock which falls into the investment universe of Amati's clients. As a small fund management business the scope for conflicts of interest in relation to stewardship is limited, but Amati is required to take all reasonable steps to identify, report, and minimise any conflicts of interest that may arise. Conflicts of interest are considered at monthly management meetings, and at quarterly board meetings of Amati. Any conflicts arising are reported to clients as appropriate.

Principle 3

Institutional investors should monitor their investee companies

The monitoring of investee companies is central to Amati's business, and is conducted by the fund managers in the business. Monitoring will include reviewing all statutory company announcements, reports and other shareholder circulars, as well as research published about the company by sell side analysts. Fund managers spend a great deal of their time meeting company management teams as part of their appraisal of a company's prospects, business quality, and value. We aim to invest in companies which are well-managed, with sound corporate governance, and a clear focus on producing long-term shareholder returns. We will regularly engage in debate with management teams about business strategy and governance issues, and view private meetings as the best forum for doing so. Electronic records of company meetings are generally made and stored in Amati's research database. Generally Amati will not attend AGMs, or send a representative to do so. Generally we find that the direct engagement we have with management teams and their corporate finance advisers provides our views with sufficient representation.

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.

Amati is not typically an "activist investor" in the sense that it will not make a new investment with a view to bringing about change directly in a company. Rather we will make new investments on the basis that we believe the companies to be well managed. Where we find that this turns out not to be the case, or an issue of governance arises which we feel compromises our investment we will initially raise our concerns at meetings with management, or else through the company's advisers. Where this proves ineffective we may begin dialogue with other shareholders with a view to building a consensus strong enough to influence change. If this proves not to be possible we are likely to sell the investment.

Principle 4 – cont.

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

Issues that we may seek to intervene over would include:

- Management appointments.
- Adviser appointments.
- Acquisition / disposal strategy.
- Responsible governance.
- Inappropriate management incentive and remuneration packages.

We will always seek to work constructively with boards of investee companies, and recognise that in most cases the directors have access to fuller information than we do, and are normally best placed to form judgements over the best means to enhance shareholder value.

Principle 5

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

We are actively engaged with other institutional small cap investors through an AIM VCT industry group, and value the views of our colleagues in the industry. Whilst always conscious of wishing to avoid the risk of being deemed a concert party, we will from time to time seek to discuss issues relating to specific companies with other investors.

Principle 6

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

As a relatively small fund manager we will only vote at company meetings where we hold a significant position in the company, or where we believe there to be a contentious issue arising. We will disclose our voting record at particular company meetings on request.

Principle 7

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

Because our funds under management are relatively small and our voting at company meetings more the exception than the rule, we do not disclose our voting as a matter of course.

We do not generally make disclosure of our direct engagement with companies, taking the view that our description would be subjective, the effectiveness of our intervention is difficult to gauge, and disclosure could be counter-productive. We do report on specific engagements to our VCT client board members, and are happy to discuss stock specific issues with investors in the funds that we manage.