

Shareholder Rights Directive –Engagement Policy and Compliance Statement

Introduction:

The Shareholders Rights Directives I & II (SRD I & II) establishes requirements for asset managers (among other parties such as issuers, proxy advisers, institutional investors, intermediaries etc.) about the exercising of shareholders rights attached to voting shares in general meetings of investee companies that are either registered or traded in EEA.

Lightman Investment Management Limited (the Firm, LIML, Lightman) is an authorised MiFID portfolio manager and is accordingly covered under SRD as an asset manager. It is required under COBS 2.2B to comply or explain non-compliance (with reasons).

LIML has decided to comply with COBS 2.2B requirements in a proportionate manner. This Policy provides details of LIML's Engagement Policy.

Background to the Firm:

The Firm is a boutique investment management company focussed on investments in European equities listed on one or more of the major European exchanges and regulated markets. The Firm currently makes all investments through a UCITS fund, to which it provides portfolio management service on a delegated basis.

The Firm pursues an investment strategy that expects the investee company's senior management to take relevant actions into unlocking the undervalued status of the investee company. The asset universe and the management action requirements for strategy success requires us to take a keen interest in management activities and support proposals where effective, to which the Policy is relevant. The Firm has accordingly created a Proxy Voting mechanism to allow conflict free exercise of voting rights and has included this document on its website to confirm compliance with SRD.

Territorial Scope:

The FCA has expanded the territorial scope of investee companies outside of the EEA, if a UK asset manager holds a position in such a company. The FCA has, however, allowed flexibility to UK asset managers to pursue different shareholder engagement approaches for different markets.

LIML has decided to limit its compliance to EEA companies only and on a case by case basis comply for non-EEA companies. The Firm considers this proportionate and prudent because

the Firm currently manages a European fund and the majority of investee companies are in EEA member states such as Germany, France, Italy, Ireland etc.

Engagement Policy:

Article 3(g)(1)(a) of SRD II states that *“Institutional investors and asset managers shall develop and publicly disclose an engagement policy that describes how they integrate shareholder engagement in their investment strategy.”*

In line with this requirement, the Firm has developed this engagement policy. This Policy describes the Firm’s engagement policy and approach in the following paragraphs:

1. Integrates shareholder engagement in its investment strategy:

The Firm provides portfolio management services to a professional client, generally with respect to assets of collective investment vehicles. The Investment objective of these clients is *“to provide long term (in excess of 5 years) capital growth.”* The strategy used is to *“Invest in undervalued companies with a potential for margin expansion and earnings growth. The strategy has a bias towards investing in companies in mature industries.”*

The Firm takes long term positions and invests in Companies where it believes the management can work towards margin expansion and earnings growth, mostly through impending positive operational momentum.

Further, the Firm has also implemented a policy to opt for stock dividends over cash dividends, as part of its long-term investment strategy and stewardship.

Monitors investee companies on relevant matters, including:

(a) strategy;

(b) financial and non-financial performance and risk;

(c) capital structure; and

(d) social and environmental impact and corporate governance;

The Firm regularly monitors its investee companies on several parameters for continued investment through regular dialogues with the investee companies and through the review of key publications from the investee companies. The monitoring parameters (either directly or indirectly) cover areas such as CAPEX and OPEX strategy, earnings and expenses changes, ratios such as P/E, P/B, P/S, EPS growth etc. that forms part of a thorough fundamental analysis. The Firm also reviews the Board structure, quality of senior management, corporate governance arrangements in its regular assessments. The Firm considers the GHG emission

profile of its investee companies in its decision-making process. The Firm is a signatory to UN PRI and is in process of developing its own ESG policy for incorporating ESG factors into its investment decision making process.

(3) conducts dialogues with investee companies;

Research analysts and the portfolio manager at the Firm regularly speak with Investors Relations and where required senior management at investee companies. Given the size of investments and the size of its own staff, it is disproportionate to speak with senior management or board members alone at every occasion. In addition, the Firm believes that Investor Relations have seen several senior management members and can provide a good long-term view of events that have taken place at the investee company. These communications relate to financial statements, business plans etc.

(4) exercises voting rights and other rights attached to shares;

The Firm has developed a voting policy and exercises its voting rights. Due to the size of the investment team and the size of its investments in publicly listed companies, it has decided to currently keep its voting policy simple and support most management decisions. This is also in line with the investment strategy that management actions will result in unlocking value of the investee company. On case by case basis, it will vote against management actions.

(5) cooperates with other shareholders;

The Firm currently does not have any policy of co-operating with other shareholders. It is not an activist investor.

(6) communicates with relevant stakeholders of the investee companies; and

The Firm currently does not communicate with stakeholders of the investee company. It does however reviews developments of key stakeholders such as vendors, customers etc.

(7) manages actual and potential conflicts of interests in relation to the firm's engagement.

The Firm manages conflict of interests effectively through implementation of the following policies and procedures:

- PA dealing policy restricts holding personal positions against positions held for clients.
- Conflict of interest policy requires prior disclosure of any conflict with the client or investee company.
- Outside business interest policy requires disclosure of all external positions that an employee can hold.

Annex I

Annual Compliance Publication:

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| Firm Name | Lightman Investment Management Limited |
| FRN | 827120 |
| Disclosure period | 01/07/2019 - 30/06/2020 |
| Investment Policy | The Firm managed one client's portfolio during the period. The investment policy of the client (a UCITS fund) is to provide long term (in excess of five years) capital growth. The fund invests at least 80% of its assets directly in the shares of companies listed and domiciled in Europe (excluding the UK). The fund maintained a concentrated portfolio of approximately 40-50 holdings, selected at the managers discretion. The manager aimed to invest in undervalued companies with positive operational momentum. |
| Average ¹ size of holding (%) | 2.15% of NAV |
| Highest single holding (%) | 5.00% of NAV |
| Lowest single holding (%) | 0.07% of NAV |
| General voting behaviour (%) | <ul style="list-style-type: none"> • The Firm voted for approximately 87.5% of the ballots it received. • The Firm did not vote for the remaining ballots. Some ballots casted were rejected due to timing factors. • In general, the Firm voted in favour of management. • In general, the Firm favoured stock dividends over cash dividends, wherever it received the option. |
| Most significant votes explained | The Firm has been generally supportive of investee company's management in their proposals with respect to dividend policy, remuneration, director appointments etc. The Firm has a policy of taking an opposing stance on a case by case basis. |
| Proxy advisors | The Firm did not use any external proxy advisor during the period. |
| Any other comment | The Firm believes in a long-term investment horizon. Since the fund launch (over a period of 15 months), the Firm has retained almost 60% of the portfolio companies it decided to purchase. Wherever it exited the portfolio company, it was mostly because the Firm's underlying research on the portfolio company changed and not necessarily because the Firm made a short-term profit from the portfolio company. |

Notes: Simple average of all holdings over the holding period

Disclosures:

This document is owned by Lightman Investment Management Limited ("Lightman", "we", "us"). Lightman Investment Management Limited (FRN: 827120) is authorised and regulated by the Financial Conduct Authority ("FCA") as a MiFID portfolio manager eligible to deal with professional clients and eligible counterparties. Lightman is registered with Companies House in England and Wales under the registration number 11647387, having its registered office at c/o Buzzacott LLP, 130 Wood Street, London, United Kingdom, EC2V 6DL. This document is intended for 'Eligible Counterparties' and 'Professional' clients only, as described under the UK Financial Services and Markets Act 2000 ("FSMA") (and any amendments to it). This document is not intended for 'Retail' clients and Lightman does not have permission to provide investment services to retail clients.

The collective investment scheme(s) - LF Lightman Investment Funds (PRN: 838695) ("OEIC", "Umbrella") and LF Lightman European Fund (PRN: 838696) ("sub-fund", "product"), referenced on this document is a regulated collective scheme(s), authorised and regulated by the FCA. In accordance with Section 238 of FSMA, such schemes can be marketed to the UK general public. Lightman, however, does not intend to receive subscription orders from retail clients and accordingly such retail clients should either contact their investment adviser or the Management Company Link Fund Solutions ("Link") in relation to any fund documents.

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