

# Miton funds' stewardship report

Activities: January 2019 - December 2019

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Premier Miton was formed in November 2019 from the merger of Premier Asset Management Group plc and Miton Group plc.

This report covers the stewardship activities of the range of Miton prefixed funds, over the period stated above.

As truly active fund managers, we know how much value we can deliver to clients via actively engaging with the management teams of our clients' holdings. These meetings not only help identify companies with strong management and promising business prospects, but also help us get a good understanding of the corporate risks along the way, and how they can be moderated. Since we tend to invest in companies that share our attitudes, in most cases we would expect to vote in line with the management's proposals. When we do have a different view, we are always keen to understand why the management might have come to a different opinion. Even so, in some cases, we do still vote against various resolutions, because we believe it is in our clients' interests to do so.

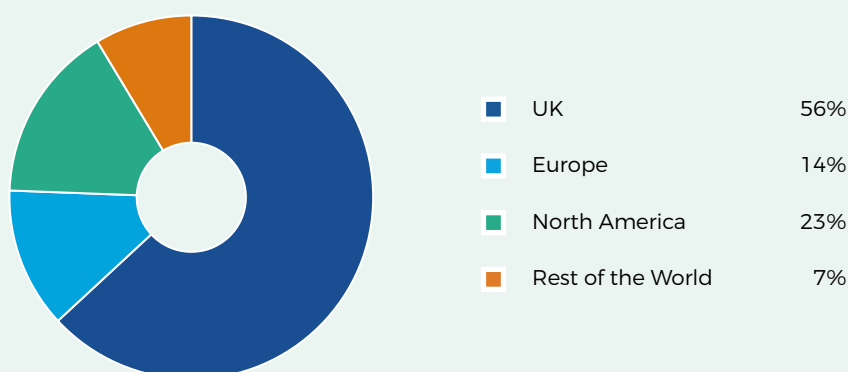
This report covers our annual commitment to report on our activities under the UK Stewardship Code (2012) and Shareholder Rights Directive II.

### Voting

We actively vote all corporate resolutions as it is an important part of our responsibility to maximise our clients' returns and minimise their risks along the way. We vote company holdings centrally, accessing fund managers' specialised company knowledge and facilitating their voting intentions to achieve the best client outcomes.

We aim to vote on 100% of the resolutions proposed by the companies held on behalf of our clients. During the year, we voted at 794 company meetings globally. The majority of these resolutions were from UK quoted companies, followed by Europe and North America that reflected the nature of the clients' funds.

#### Meetings by region



During the year, we voted on 8,835 resolutions that represented 99% of the votes available.

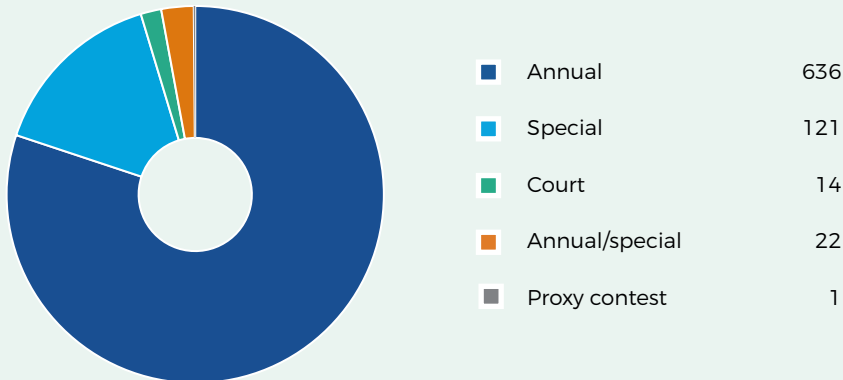
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### Shareholder meeting by type



During the year over 80% of the meetings were annual shareholder meetings, with the remaining meetings being special, court, annual/special combined and proxy contest.

### Voting with management

As an active fund manager with relatively concentrated portfolios invested for the long term, we will generally invest our clients' capital in businesses with management teams that share our attitude to corporate strategy, customer service, and risk mitigation. For this reason, we would normally expect to support most management resolutions. Sometimes there are occasions when we take a different view on an aspect of the company strategy or a management proposal, and these are normally resolved via a two-way dialogue with the company. In some cases, where we remain unconvinced by the management's rationale, we do vote our clients' shareholding against the management resolutions. Alongside, a disagreement on corporate strategy or risk mitigation can lead us to sell our holding, where we believe the issue could have a negative impact on the long term outcome of the business.

- Of voteable proposals, 97% of resolutions were voted in support of management.
- We voted with management on all resolutions at 85% of all meetings.

### Impact of Proxy recommendation on our voting decisions

We review all the resolutions proposed on behalf of our clients. Alongside, our independent proxy voting service (ISS) does highlight some of the resolutions that are potentially controversial, and often recommends that we should vote against. However, we often find that they don't apply enough weight to the 'comply or explain' aspect of the governance codes. Sometimes, there are good commercial and governance reasons why a business does propose something beyond the governance norms, often for a limited term. In 6.8% of resolutions, we differed from the ISS recommendations and voted with the managements' resolutions or voted against something that ISS had considered acceptable.

### Votes against management

We vote against management for a number of reasons. During 2019, our main reason for voting against management concerned Director nominations, where we often believed that the board needed to widen the diversity on the board. A difference of opinion over remuneration policies /reports was the second most regular reason for voting against proposals. In general, we believe levels of remuneration of the management teams of most UK large cap holdings are excessive.

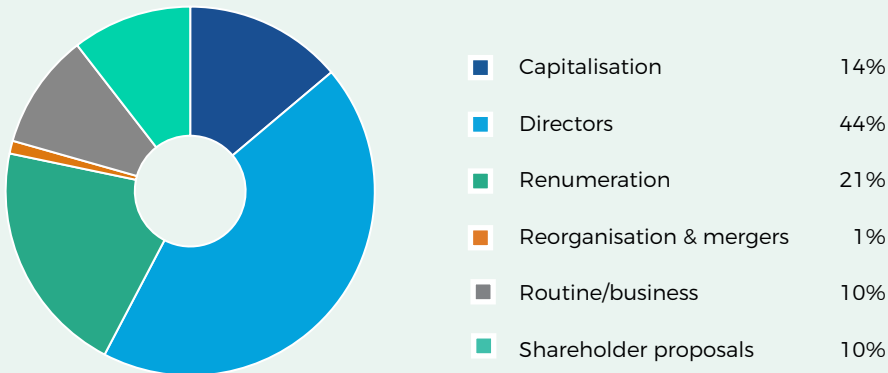
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### Votes against management by category



During takeovers we have voted against the proposal where our view on valuation differed. In one situation we voted against a board proposal on an asset sale that we believed was undervalued, however the transaction still passed as 80% of their shareholders supported it.

### Shareholder resolutions

For our portfolio companies, there were 149 shareholder-led resolutions, with 70 of these in the US.

We remain cautious on many shareholder resolutions as although we support increased disclosure on topics such as climate change and diversity, we do not feel comfortable that shareholders should be overly prescriptive on the individual metrics. Even so, across all funds, we supported 22% of all shareholder-led resolutions. Most of these were related to general requests for additional disclosure on areas such as climate change and gender pay.

We supported a shareholder's Nominee for Director at a large UK board where we felt the company would benefit from the review of company strategy. However, in this case, only just over 10% of the shareholders voted for this change, and it did not pass.

During 2019 we supported 2 climate related shareholder resolutions. At BP, following industry engagement, the company management ultimately supported the resolution and it was approved. In contrast, we supported 9 of 11 resolutions proposed by shareholders at a large US online business. These covered areas such as improved climate change disclosures, gender representation, proposing sustainability as a KPI for the senior exec, and a request for an independent chair. In this case, although between 24% and 30% of shareholders voted for these changes, they weren't passed on this occasion.

### Company meetings

We believe that stock markets are very adept at forecasting short term earnings of a company, but rather less good at understanding medium term earnings, and poor at understanding long term change.

As truly active fund managers, meeting companies helps us identify those where the wider stock market might be overlooking their potential. In the case of smaller quoted companies this is even more essential given the paucity of data. The fact that smaller sized companies are not as closely researched can provide greater scope for active managers to add value through stock picking. As long-term investors, we often meet the executives, and non-executives, of our client holdings numerous times. This does give our fund managers significant influence in the overall objective, and the strategy of quoted business over the long term.

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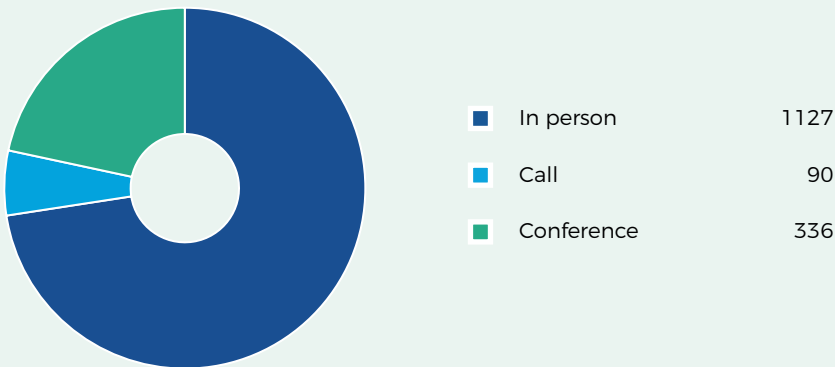
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Our meetings with company management teams cover a very wide range of topics. Whilst the financial metrics are often important, sometimes it is questions about the management's attention to safety, the make-up of their board papers or how well their staff are motivated and engaged in business that can be the most inciteful. Other controversial issues covered over the year included the use of antibiotics in livestock and how quoted businesses accurately monitor the working conditions of staff in overseas supply chains.

During 2019, our fund managers undertook 1,465 meetings and calls with companies. These meetings are a major part of our due diligence process as well as our ongoing portfolio monitoring process.

Most of our company meetings were at our offices, or at conferences often supplemented by direct calls on specific matters. During 2019 over 94% of company interactions were in-person. Of the face to face meetings, 23% occurred at conferences.

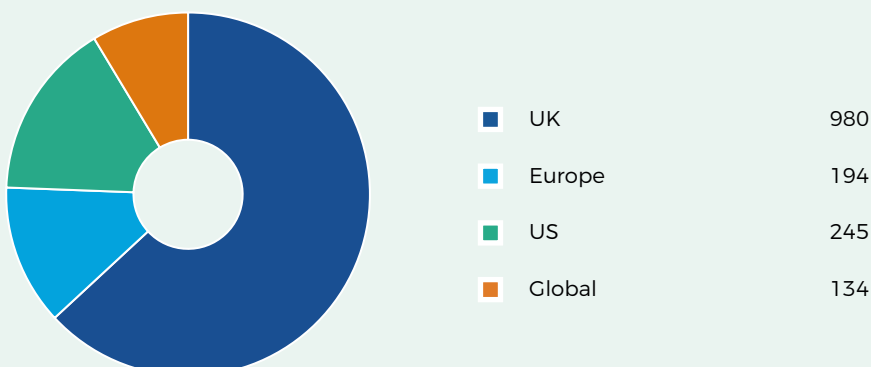
### Total meetings by type



### Company meetings by fund manager: regional focus

During the year, 63% of our company meetings were undertaken by our UK fund management team, reflecting the scale of our market position in the UK stock market. This also included the numerous small sized quoted companies in the UK. Travelling to see companies (not all companies come to London so this widens the universe) and meeting managers on their 'own turf' can lead to more productive meetings. Fund managers that invest in companies outside of the UK undertook 19 overseas trips as part of the pre-investing due diligence or ongoing company monitoring.

### Meetings by country focus



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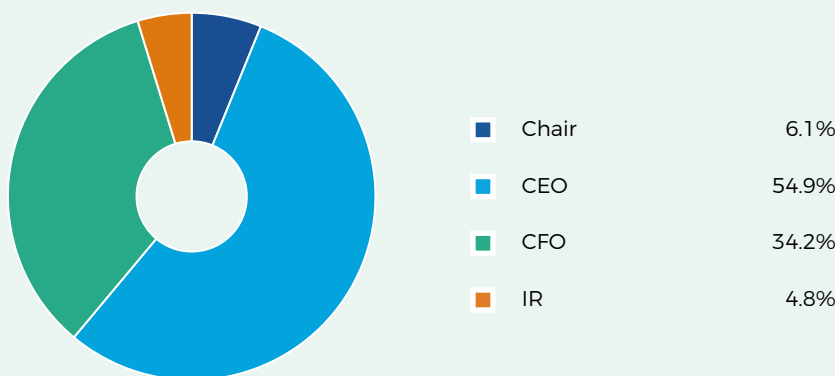
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On our trips to the US we met both with managers of existing investments as well as potential investments. These meetings discussed company strategy, market changes, competition, customer demand/preferences, costs/margin and capital allocation amongst other things. Governance and social/environment matters were also raised where we required more information or had concerns and views that we wished to share. It is worth highlighting that in the last twelve months, we have seen a dramatic change in the stance of American management in favour of taking ESG matters more seriously. Previously it was seen as something only important to European shareholders. Today, following moves by some of the large US passive fund groups (Blackrock and Vanguard especially) which hold significant stakes in almost all US companies, the tide is turning. There is however, a recognition that disclosure of relevant information needs to improve further to allow investors to better make judgements and to this end, FASB (Federal Accounting Standards Board) is trying to develop rules to force standardised disclosure of relevant information in companies' annual reports.

## Company representatives

When we meet companies, we find CEOs & CFOs provide the best oversight on company strategy and business update, but additionally we find value in meeting chairpersons and the Investor relations teams<sup>1</sup>.

### Meeting attendees



<sup>1</sup>Subject to data availability. Meeting will often include a number of company representatives.

## Looking forward to 2020

For 2020 our priorities are to find ways in which we can further improve on our corporate engagement.

We intend to continue to converse regularly with our investee companies, although the incidence of the pandemic means that a much greater proportion will be via online presentations. Alongside, we will continue to closely discuss ESG issues, as well as encouraging companies to disclose more data on the sustainability of their business strategies.

With smaller companies, we will encourage them to have a proportionate ambition towards the same standards as their larger peers in ESG disclosures for example, in areas such as governance, climate disclosure (in high carbon risk sectors) and board diversity.

We also aim to further improve our voting process and decisions, linking voting to engagement outcomes where relevant.

We are currently evaluating third party ESG data providers to see where additional data and research can most efficiently support our investment universe and investment processes.



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