MARYLEBONE
PARTNERS LLP

July 2024

Responsible Investing Policy

PUTTING PRINCIPLES INTO PRACTICE

1. Investment philosophy

As fundamental, active investors, we believe that markets do not consistently and efficiently discount the net present value of future cash flows that accrue to the long-term owners of assets. Inefficiencies can sometimes arise when macro influences distort markets, or because participants struggle to process new information in real time. Increasingly, irrational price moves are exacerbated by rules-based participants, including computer-driven trading models and exchange-traded funds. Behavioural biases and human emotions can also drive short-termism, another recurring cause of non-fundamental dislocations.

These inefficiencies create opportunities for us to add value for our clients. We seek to identify assets that are mispriced relative to our assessment of their intrinsic value and then take advantage through a repeatable process that combines fundamental analysis with the subjective judgment of our team.

Our mandate is unconstrained, and we are benchmark agnostic. When we feel strongly about the risk-adjusted return potential of a situation, we will pursue it with conviction. We are accountable for our actions and willing to take an unpopular or unfashionable stance at the time.

Through our combined activities, we can provide a robust and differentiated source of return for our clients whilst always prioritising preserving their capital.

Distinguishing Characteristics

We believe in the power of an actively managed portfolio that combines three differentiated investment strategies, each fighting for capital.

Our approach to capital allocation is very different from most of our peers. We categorise each investment according to its intended role in the portfolio and never feel obliged to populate asset class targets or ranges. Our portfolios have exposure to specialist credit strategies, which we consider more attractive as a source of uncorrelated absolute returns than government bonds or tactical market timing strategies.

Direct Investments. We are long-term investors in rigorously researched stocks selected by our in-house team, all liquid securities listed in developed markets. Although no pronounced style or factor bias exists to our direct investments, all companies exhibit attractive growth, profitability, and quality characteristics. We favour companies that participate in secular tailwinds and have a history of adding value for shareholders. We seek non-consensual situations representing unappreciated earnings potential, misunderstood change, or strategic value. Valuation plays an integral part in our assessment of risk and return potential.

External Managers. We have been sourcing and evaluating exceptional third-party funds globally for over three decades. We invest in funds managed by some of the world's pre-eminent fundamental investors, each of whom specialises in a structurally inefficient sector, region or style category. Our managers predominantly invest in equities and specialist credit strategies, including distressed debt.

We have a strong preference for partnering with independent, owner-operated firms. Through our long-standing relationships, we can often access funds that are otherwise closed to new investment and sometimes negotiate preferential terms on behalf of our clients.

Special Investments. Special Investments are an opportunity to participate alongside some of the world's best investors in their highest conviction ideas. Over three decades, Marylebone Partners' principals have built a global ideas network through which we source and access co-investments, special purpose vehicles and thematic situations. We target premium returns (with potential for 20% IRRs or more) from these Special Investments and typically expect them to play out over 12-36 months. All our Special Investments are priced regularly, and we do not invest in truly illiquid or hard-to-value strategies such as venture capital, private equity, real estate or infrastructure.

2. Our principles

Our purpose is to protect and grow the wealth of our clients over the long term. Given a reasonable timeframe, we believe a responsible investment mindset is consistent with good performance outcomes.

We are not prescriptive about the environmental, social and governance ("ESG") policies adopted by a company or external manager. However, we expect to see well-considered policies that are consistent with our principles.

In our opinion, the best way of driving constructive change is through proactive yet pragmatic engagement. Our effectiveness is amplified because we manage a focused portfolio and enjoy deep, multi-year relationships with companies and external managers.

We became a member of the UN PRI in April 2022.

3. Our approach to responsible investing

Whereas our guiding principles should not change over time, our policies and process will evolve.

External engagement

I. We engage proactively with companies and external managers, both as part of our initial due diligence and once invested.
II. We recognise that the operating dynamics of businesses will evolve over time. This is particularly the case in industries undergoing transition, where constructive engagement can drive positive change.
III. With respect to direct investments, we evaluate a company's people, culture, strategy, operating practices, governance and disclosure levels.
IV. With respect to external managers, we assess the firm and its team, its investment philosophy and the process it adopts alongside the portfolio outcomes.

Internal appraisal

By incorporating ESG considerations into our research, we seek to identify opportunities and risks that might otherwise be overlooked or underestimated.

I. Our team of analysts form their own opinions on sustainability issues, having drawn upon third-party data, independent research and views from within our extensive network.
II. We collaborate with peers, who include allocators in the charitable and non-profit sectors.
III. We want to learn from views and opinions that might differ from our own.

4. Incorporating responsible investing across differentiated investment strategies

Special Investments

Our proprietary sourcing network uncovers less-liquid co-investments, special purpose vehicles, capital-market transactions and opportunistic thematic funds.

I. We work with the idea originator in our network to understand ESG risks and opportunities.
II. We draw on our external managers and direct investments resources, as appropriate, to robustly challenge the originator's appraisal.

External Managers

We source and evaluate some of the world's most talented fund managers, pursuing fundamental strategies in specialist areas.

I. We request and review relevant policies from the manager, notably those that relate to Sustainability, DE&I and Proxy Voting/ Engagement.
II. Our ODD provider, Castle Hall Diligence, may also raise topics of concern as part of their review.
III. Where relevant, we raise and monitor areas for improvement.

Direct Investments

We invest with a long-term mindset in the equities of exceptional, value-creating companies with attractive quality and growth characteristics.

I. We screen for MSCI World ESG index inclusion.
II. We draw on Morningstar's ESG research, which includes insights from 'Sustainalytics'.
III. We undertake our own analysis of companies' sustainability reports.
IV. Where relevant, we raise and monitor areas for improvement.
V. We exercise our voting rights, in accordance with our fundamental views and principles.

Portfolio Level

We monitor factors, exposures, correlations and macro risks. We undertake scenario analysis and stress tests and monitor concentration and liquidity.

I. We disaggregate portfolio exposure by GICS sector through our "Tableau" reports.
II. We undertake scenario and factor analysis.
III. We record initial and ongoing ESG discussions in our internal meeting minutes, noting relevant action points.

Important information:

ESG screening can limit the investment opportunities available to a portfolio. As such, a portfolio may underperform similar portfolios that do not apply ESG screening. Consideration of Sustainability Risk in the investment process can result in the exclusion of certain investments in a portfolio therefore results may differ. This Policy is for information purposes only and does not constitute investment advice. Returns are not guaranteed, and investors may not get back the full amount invested.