ADELPHI

Adelphi Capital LLP

UK Stewardship Code Disclosure Statement – April 2020

Under COBS 2.2.3 of the FCA Handbook, Adelphi Capital LLP ("Adelphi") is required to make a public disclosure in relation to the nature of our commitment to the UK Stewardship Code (the "Code") which was published by the Financial Reporting Council ('FRC') in July 2010.

The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. It sets out good practice on engagement with investee companies and is to be applied by firms on a "comply or explain" basis. The Code is directed in the first instance to institutional investors with equity holdings in UK listed companies; The FRC recognises that not all parts of the Code will be relevant to all institutional investors and that smaller institutions may judge some of the principles and guidance to be disproportionate. It is of course legitimate for some asset managers not to engage with companies, depending on their investment strategy, and in such cases firms are required to explain why it is not appropriate to comply with a particular principle.

The seven principles of the Code are that institutional investors should:

- Publicly disclose their policy on how they will discharge their stewardship responsibilities;
- Have and publicly disclose a robust policy on managing conflicts of interest in relation to stewardship;
- Monitor their investee companies;
- Establish clear guidelines on when and how they will escalate their stewardship activities as a method of protecting and enhancing shareholder value;
- Be willing to act collectively with other investors where appropriate;
- Have a clear policy on voting and disclosure of voting activity; and
- Report periodically on their stewardship and voting activities.

Adelphi Capital LLP is an alternative asset manager that invests in a concentrated portfolio of European listed equities. We have a deep commitment to fundamental, research-driven stock selection with a focus on the intrinsic value and growth of the businesses we invest in.

Adelphi manages two fundamentally focused European equity strategies: Adelphi Europe and Adelphi Europe Long Only. The flagship hedge fund strategy Adelphi Europe was launched in 1997, and a Long Only version of the strategy was introduced as a separate strategy at the end of 2007. Both the Adelphi European Select Equity Fund (UCITS) and the Adelphi Europe Long Only Fund (Cayman-domiciled) operate within the Long Only strategy. Both strategies invest across sectors and market caps.

We regularly meet with the management teams of the companies we invest in to better understand their businesses and their strategic objectives. We do not seek to take an activist role in the management of the companies we invest in. We are privately owned and, in the best interests of our clients, we do not seek to partner with other business or act jointly with any other investors. We are a standalone asset management business and, aside from asset management, we do not have any other income streams or other business lines that could conflict with our core business.

In the spirit of the Code, Adelphi aims to be transparent with its business objectives and the way it reports its business activities to its stakeholders. Adelphi supports the aims and principles of the Code.

Our statement of compliance with the seven principles of the Code is set out below:

Principle 1

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

Adelphi is a fundamental research driven long-term investment management firm and makes investment decisions based on proprietary research and meetings with company management. Our direct clients are our co-mingled investment funds and managed accounts. We are registered with the FCA in the UK as an Alternative Investment Fund Manager ("AIFM") and have a formal corporate governance structure in place that we believe to be appropriate given the size and complexity of our business. A chief executive committee, partnership committee, risk management committee and valuations committee formally meet to implement the strategy of the business. It is noted that Adelphi does not hold client money.

Investment positions are actively monitored on an ongoing basis and the investment team meet weekly to review the composition of our portfolios and to assess the view of our investment companies. On a quarterly basis, the senior management of Adelphi participates in the board meetings of our co-mingled investment funds. At these board meetings Adelphi present to the independent Directors of the funds areas of performance, risk, compliance, marketing and operations.

The senior management of Adelphi also have regular dialogue with the underlying investors in the Adelphi funds either via weekly performance reporting, monthly portfolio reporting or ad hoc meetings and discussions.

Investment research is undertaken by the Adelphi Investment Team and considered formally in weekly portfolio meeting discussions. At these meetings the Investment Team present and discuss their research for consideration by the two Portfolio Managers, who are ultimately responsible for making investment decisions.

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.

It is our policy and duty to act in the best interest of our clients. Where possible, we seek to organise our business activities to avoid conflicts of interest. For example, we do not have any financial affiliates (e.g. connected brokerage facilities), we do not have any direct investments (all our investing is conducted through the funds we manage), and we do not hold client money.

Where conflicts are unavoidable, we develop both formal and informal procedures for their management. These include the maintenance of an inventory of all potential and actual conflicts of interest, the key risks and how we actively manage them. Such procedures are designed to ensure that the management of the conflict takes place in such a way that the firm or its employees are not advantaged and that no client is disadvantaged.

From time to time natural conflicts of interest may arise. For example, if a pension fund of one of our service providers seeks to make an investment in an Adelphi fund. In these instances the conflict will be identified, discussed by Senior Management with the help of external legal and compliance counsel, where required. Conflicts are then disclosed to investors via a public document, for example on our SEC Form ADV 2A and 2B.

Where the Firm is not reasonably confident that it is able to manage a particular conflict to adequately protect the interest of a Client, the general nature and/or sources of conflicts of interest will be clearly disclosed to the Client before undertaking any business.

We are aware that the education and awareness of staff is key to identifying, avoiding and managing conflicts. At least annually all personnel receive a copy of the Firm's Compliance Manual containing the Firm's conflicts arrangements. In addition, all personnel are required to give an undertaking of adherence to the Firm's compliance procedures, including personal account dealing and receipt of gifts and inducements.

All Personnel also receive both formal and informal training in respect of conflicts of interest generally, and on specific or potential conflicts to the Firm on at least an annual basis.

Principle 3

Institutional investors should monitor their investee companies.

We actively monitor the investment portfolios of all of our funds through regular engagement with company management, discussions with industry analysts and via quantitative and qualitative in-house research. We do not seek to take an activist role in companies. Our aim is to add value to our underlying investors through buying and holding over the long term high-quality, well managed businesses that we know and understand. Similarly, we look for short ideas in businesses we believe to be over-earning, over appreciated, or in structural decline. In addition to monitoring the underlying businesses of our portfolio companies we also monitor their share prices, volatility and liquidity. We have a dedicated risk management team that actively monitors portfolio risk.

The Adelphi investment team formally meet weekly to review and where necessary re-appraise the positions in the portfolios. On an ongoing basis the investment team monitor their respective portfolio companies through a combination of company meetings, discussion with industry analysts and proprietary research. Analysts typically set price targets for their portfolio companies and will keep the portfolio managers informed of key developments on a daily basis.

As a general rule, we do not wish to be made insiders. We expect investee companies and their advisers not to convey information to us that could affect our ability to deal in the shares of the company concerned, without prior agreement. To assist with this we have formal procedures for the treatment of non-public price sensitive information and we ensure all staff undertake annual training.

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.

We are a long-term, research-driven asset manager investing in mid to large cap listed securities. We seek to enhance and protect shareholder value through thoughtful stock selection and portfolio management. The strategies employed by Adelphi to protect and enhance shareholder value are detailed in the prospectuses and investment management agreements of our clients. These strategies can include buying, selling, shorting, covering securities as well as the use of financial derivatives to hedge certain risks (e.g. foreign exchange movements). The portfolio companies of our clients are actively monitored against our internal price targets and investment outlook. The Adelphi risk team formally report risk statistics to the analysts and portfolio managers each week. On a daily basis they alert the investment team to any material movements in the risk statistics of our portfolio companies. The risk team also has a direct reporting line to the independent boards of our investment funds. The portfolio managers have the mandate to take action to sell or cover a position that no longer meets their investment objectives.

In line with our investment mandate, we do not seek to take an activist role in the companies in which we invest. We do engage with management where we identify an issue or where we need further information on a company decision. In these instances we will look to meet with the senior management team to better understand the company strategy and to share our views on what we believe to be best for the shareholders of the business.

If we become concerned about any aspect of an investee company's investment strategy, performance, governance or any other matter, we may wish to escalate this to the management of the company. Adelphi may hold meetings with companies to discuss issues. Where Adelphi believes that it is no longer in the best interests of its clients to continue to hold shares of a company, it will sell or cover its position.

Principle 5

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

As a standalone investment manager we seek to avoid conflicts of interest and to act in the best interests of our funds and underlying investors wherever possible. In fulfilling this strategy we do not seek to act collectively with other asset managers as what may be preferable for their clients may not be in the best interests of ours. In line with our investment mandates, we do not seek to take an activist role in the management of our investee companies.

There are however certain situations where we would be willing to participate, on an independent basis, alongside other investors. Such situations would include the initial public offering stage of a new security or during a secondary market placement, provided that such offerings were administered by a third party (e.g. an underwriting bank) and permitted by our client mandates.

Principle 6

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

Adelphi has a company voting policy that it shares with its clients and with its underlying investors upon request. To avoid potential conflicts of interest we outsource voting on our portfolio companies to Institutional Shareholder Services Inc. ("ISS"). Adelphi have agreed with ISS certain proxy voting rules that enable them to vote on behalf of our investment funds. Generally, where ISS recommends voting in line with company management Adelphi will be in agreement (this typically reflects our conviction in the investee company management team). Where ISS recommends a vote against company management Adelphi will review the decision before confirming the direction of the vote. Due to client confidentiality of our investment funds we do not publically disclose the voting records of our clients except to our underlying investors who request it.

On instances where we engage in stock lending, where there is an upcoming vote, we will seek to recall the stock in good time to vote.

Principle 7

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

Adelphi regularly engages with the boards of its investment funds and underlying investors. Adelphi prepares a monthly newsletter that goes to both the boards of its investment funds and underlying investors. The monthly newsletter includes a summary of the top 10 fund positions, the net and gross performance for the month, year to date and since inception and a commentary on the performance of the portfolio and the investment decisions taken during the period. This report also includes announcements on any material changes in the governance structure at Adelphi.

On a quarterly basis Adelphi reports to the boards of its investment funds a summary of the portfolio performance, risk, compliance and operations. Within Adelphi the Risk Management Committee and Partnership Committee meet on a quarterly basis and key points are communicated to the owners of Adelphi and the boards of our investment funds. Minutes and records of all meetings are stored and archived.

Adelphi has appointed PwC as external auditors to the business. They undertake an annual independent audit and share any material findings in the form of a letter to management. We also maintain an internal controls report which covers the key controls across the business and assesses their design, implementation and operating effectiveness. This document is updated annually and reviewed by the senior management team.

How we identify and prioritise engagements

For individual engagements we may typically follow-up a significant voting decision with direct company engagement. We believe that through explaining the rationale of our voting decisions we can sometimes more effectively engage and promote change within our portfolio companies. For collaborative engagements we will first evaluate our ability to add value to a collaboration initiative. Where we believe we can add value and achieve a better overall outcome, we will consider collaborative engagement with other stakeholders / shareholders.

This Stewardship Code Disclosure will be reviewed and updated, if necessary, on an annual basis.

For further details on any of the above information, please contact Doug Bendle (bendle@adelphi-capital.com)

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