

# RESPONSIBLE INVESTMENT POLICY – HLFM

The HLFM team of in-house investment experts manage a range of Multi-Manager funds (fund-of-funds) and our HL Select range of equity funds. We spend thousands of hours drilling into the numbers, meeting fund managers and researching companies to try and find the best investment opportunities in the market.

We see responsible investment as an important part of our investment process. This includes a broad range of factors which could have an impact on the future success of a company, including Environmental, Social and Governance (ESG) issues.

The way we incorporate responsible investment into our investment portfolios is outlined below.

## HL MULTI-MANAGER

The HL Multi-Manager funds primarily invest in funds run by third party fund managers.

Each of those fund managers have their own investment processes and think differently from each other. Indeed, in many cases, that's what attracts us to invest with them. However, we do expect them to incorporate ESG factors in a way that suits their investment style and to develop their approach to ESG integration over time.

When analysing and researching funds for potential inclusion in the Multi-Manager funds, one of the things we ask ourselves is whether the manager is taking account of ESG risks effectively. We're not looking to make a call on what good ESG integration looks like. Rather we want to confirm that the manager is both aware of and taking seriously the ESG-related risks that may impact their portfolio.

We expect the fund managers we invest with to use their votes and engage with the companies they invest in and to highlight potential areas of improvement to management where it is in the interests of long term investors.

## Segregated mandates

In some cases, we have chosen to invest with our favourite fund managers through segregated mandates, rather than by investing in their existing funds. This means we appoint those fund managers to run a portion of a HL Multi Manager fund directly on our behalf. Accessing fund managers in this way provides more flexibility (both for us and the manager) and should help bring down costs over time too.

We think about ESG within segregated mandates in the same way as we do when investing through existing funds (outlined above). The responsibility for engaging with companies and voting on shareholder resolutions is delegated to the fund managers and we expect them to use these powers in the interests of long term investors.

## HL SELECT

We believe that sustainable returns can only be achieved if a company is operating its business in a responsible fashion. We expect businesses to achieve robust levels of environmental performance and to constantly seek to improve this whilst earning economically viable returns. Management teams should report their progress clearly to their shareholders.

We expect businesses to treat their employees fairly and to be a positive contributor to the communities within which they operate. We recognise that the act of providing employment itself is normally a significant benefit to a community.

Governance and long term performance are inextricably linked. We expect our investee businesses to have boards and executives with the balance of skills necessary to both manage the business and provide oversight and control of the executive functions of the group.

Management remuneration should be fair in the context of the industry and scale of the business and management incentives should be appropriately aligned with the long term interests of the business and its stakeholders. Remuneration policies and outcomes should be clearly disclosed by companies in their regular reporting to investors.

As investors in UK and global equities, the HL Select funds seek to be a responsible steward of clients' assets. Part of this stewardship involves engagement with investee businesses, with the aim of assuring strong governance. Engagement can complement our research efforts, to help deliver the best outcomes for our clients.

When circumstances require shareholders to communicate with one another to address governance concerns we are happy to discuss publicly available matters where there is a realistic prospect of effecting change. However we reserve the right not to engage with investors who do not have a significant holding in the company concerned.

Our investment philosophy is to seek to identify high quality business models that can deliver superior returns over the long term. Accordingly our expectation is that we will normally be supportive of management, because we would not choose to invest in a business that we felt was poorly managed.

We always seek to exercise our voting rights. We will consider the factors above when arriving at our decisions. The best interests of our clients is our primary consideration when arriving at voting decisions.