

# Ennismore Fund Management Limited

## THE STEWARDSHIP CODE

### Commitment to the UK Stewardship Code

Under Rule 2.2.3R of the FSA's Conduct of Business Sourcebook, Ennismore Fund Management Limited (the "Firm") is required to include on this website a disclosure about the nature of its commitment to the UK Financial Reporting Council's Stewardship Code (the "Code") or, where it does not commit to the Code, its alternative investment strategy. The Code is a voluntary code and sets out a number of principles relating to engagement by investors with UK equity issuers. Investors that commit to the Code can either comply with it in full or choose not to comply with aspects of the Code, in which case they are required to explain their non compliance.

The Firm supports the objectives of the Code and has committed to the Code.

The Code adopts a "comply or explain" approach under which a firm that commits to the Code will state how the principles of the Code have been applied by the firm and where elements of the Code have not been complied with, an explanation. The Firm will publish on this website a statement of how it has applied the Code. An explanation of the Firm's compliance with the Code can be found [here](#).

### The Firm's Approach

The following is a brief summary of how the Firm believes it fulfils the aspirations of The Stewardship Code:

#### **PRINCIPLE 1**

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

Each investment is managed by a specific Portfolio Manager. Portfolio Managers have a regular dialogue with investee companies. We aim to develop multiple points of contact within the company to develop a better understanding of the business and its stewardship. In particular, we recognise the importance of the chairman in overseeing strategy, governance and the performance of executive directors. A dialogue with the chairman helps to develop trust and improves the chances that our objectives are aligned. It provides a channel to communicate "early warning" of issues that concern investors, which may include becoming an insider.

Where clients of EFM have delegated proxy voting to EFM, EFM will vote proxies in a manner intended to maximise the value of investments to its clients.

#### **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.**

EFM has a simple and focused business model which helps to reduce potential conflicts of interest. We are a "long / short" manager of quoted equities, primarily small capitalisation stocks. Dealing in investments is only undertaken on behalf of our clients and the firm does not deal in investments for its own account. The business is authorised and regulated by the Financial Services Authority. The firm is required to take all reasonable steps to identify conflicts of interest that may give rise to a material risk of damage to the interests of our clients.

### **PRINCIPLE 3**

#### **Institutional investors should monitor their investee companies**

Since EFM's business was established in 1999, the strategy has been to remain small and focused. The business model is simple and therefore Portfolio Managers are able to spend their time monitoring investments rather than be distracted by internal business issues. A strong emphasis is placed on contact with companies.

Investee companies are continually monitored. Monitoring is most effective when information is gathered from different sources: meetings with management, dialogue with non-executive directors, financial analysis of the results, review of industry journals, intelligence gathered from peer group companies and third party research.

### **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.**

The decision to escalate the level of engagement will be made by the Portfolio Manager responsible.

The process is not prescriptive in the sequence of escalation although typically we would initially engage with the chairman. Thereafter, engagement with other nonexecutive directors, advisers and other shareholders will be on a case by case basis.

We always seek to work constructively with the boards of investee companies. The directors have access to better information and are best placed to weigh up options to protect and enhance shareholder value. However, we will sell investments rather than engage with companies when this is the best course of action for our clients.

We are prepared to be made "inside" by the company although we are sensitive about the duration. We recognise our responsibility when we are a significant shareholder and encourage companies to engage with us where it is helpful for the directors to understand our position.

### **PRINCIPLE 5**

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

A dialogue with other investors may be helpful. We only work alongside institutions with a similar approach to engagement and do not delegate other parties to represent our position. We are particularly conscious to avoid any risk of being deemed a concert party.

## **PRINCIPLE 6**

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

Where clients of EFM have delegated proxy voting to EFM, EFM will vote proxies in a manner intended to maximise the value of investments to its clients. When voting proxies, EFM will give substantial weight to the recommendations of management but will not support the position of a company's management if EFM determines that such position is not in the best interest of the company's shareholders.

Upon request, or as required by law or regulation, EFM will disclose to a client the manner in which EFM exercised voting rights on behalf of the client.

## **PRINCIPLE 7**

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

We do not disclose a record of engagement as it is subjective and could be counterproductive. We will sell investments rather than engage with companies when this is the best course of action for our clients.

Upon request, or as required by law or regulation, EFM will disclose to a client the manner in which EFM exercised voting rights on behalf of the client.

**Ennismore Fund Management Limited**

***6 December 2010***

Ennismore Fund Management Limited is authorised and regulated by the Financial Services Authority