

Investing in the Next Generation of Emerging Markets

STEWARDSHIP REPORT 2021

June 2022

VERGENT ASSET MANAGEMENT LLP

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The Vergent logo consists of the word "VERGENT" in a bold, sans-serif font. The letter "V" is stylized with a blue diagonal bar extending from the top-left corner to the bottom-right corner, creating a sense of movement or a checkmark.

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Registered in England and Wales Number OC418829

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Under COBS 2.2.3 of the FCA Handbook, Vergent Asset Management (“Vergent”) is required to make a public disclosure in relation to the nature of its commitment to the UK Stewardship Code (the “Code”).

The definition of stewardship according to the code is ‘Stewardship is the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society’.

The 2020 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 significantly increases the scope, standard and application of stewardship, including a much greater emphasis on environmental, social and governance (ESG) issues than previous codes.

We believe that companies operating with sound business practices, including appropriate attention to environmental issues, social practices and corporate governance, are more likely to present better opportunities for investment than those without.

This policy explains the extent to which we have complied with the Code and contains a description of how the principles of the Code have been applied, and the resultant outcomes.

Principle 1 Signatories’ purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.

Vergent Asset Management LLP (Vergent) is a London-based investment manager specializing in frontier and new emerging markets.

Our investment approach is underpinned by deep-dive fundamental research. We aim to identify and invest in companies poised to generate superior long-term growth in shareholder capital. Our primary focus is on companies with differentiated and durable sources of competitive advantage whose fundamentals are geared to a large and growing addressable market.

Vergent has an experienced team of investment professionals who possess a deep knowledge base of culture, history, politics, and consumer habits in developing markets. Our team lived and worked in many of the markets we invest in and our founding principals have been working together for over a decade. We take pride in our ability to invest and conduct research in countries typically characterized by high informational barriers and low institutional investor participation.

We believe that ESG risks and opportunities are particularly relevant for companies operating in developing markets. The team at Vergent also has a strong desire to make a positive difference in communities through our work and believe that ESG integration makes us both better investors and better citizens.

Principle 2 Signatories' governance, resources and incentives support stewardship

Vergent's board of directors provides oversight of all responsible investment activities. The Portfolio Manager provide management and supervision of responsible investment activities. The investment process is team-orientated and formalized in weekly investment committee meetings wherein decisions are approved for action. Once an investment has been approved, an allocation/sizing strategy is documented.

Additionally, as an affiliate of Connor, Clark & Lunn Financial Group, the investment team at Vergent receives support from dedicated responsible investment staff from within the Connor, Clark & Lunn Financial Group Stewardship & Engagement team. The Stewardship & Engagement team will assist Vergents portfolio manager's engagement efforts, communication with companies, collaborations and proxy voting. Engagement activity is regularly shared across portfolio managers at monthly regional stock meetings.

Principle 3 Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.

The management of conflicts of interest has always formed part of the Firm's agreements with its clients. As part of its governance and compliance arrangements the Firm has in place a conflicts of interest policy which establishes a procedure, by which the Firm identifies and documents the key potential and existing conflicts of interest to which it is subject, together with the management arrangements that have been put in place to mitigate these such that no detriment is caused to the Firm's clients.

We seek to create an environment where staff awareness of conflicts of interests and potential conflicts of interests is conducive to identifying and resolving issues as they arise. Our core aim is to always act in the best interests of clients, seeking to treat clients fairly I,n every interaction and communicate with them in an open and transparent manner.

For example, Vergent utilizes the global proxy voting research and voting services of Institutional Shareholder Services (ISS) to help assess and vote proxies. ISS prepares voting recommendations for all proposals on which Vergent is entitled to vote and the managers review these recommendations prior to voting. To ensure that ISS' adequately identifies and addresses any actual or perceived conflicts of interest, the Stewardship & Engagement team undertakes an annual review of ISS' policies and procedures, with regards to ethics and conflict of interest.

Principle 4 Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.

Vergent takes seriously our responsibility to promote the integrity of capital markets. As such, we maintain robust policies and procedures covering topics including ethics, compliance, anti-money laundering, best execution and responsible investment.

Vergent operates a risk management framework that enables identification, monitoring and management of the risks that the firm and its investment strategies are exposed. Vergent Enterprise Risk Management is managed through a risk matrix approach that is integrated with the firm's policies, procedures and key controls). Independent Risk and Control assessments are performed based on identified risks, at the request of management or the board, for projects, new processes, systems etc. and/or based on incident management trends. Risks are identified and prioritized and resulting action plans and timelines are agreed with business owners and include process and control implementation or enhancement.

Additionally, Vergent supports the International Corporate Governance Network (ICGN) through our affiliation with members Connor, Clark & Lunn Financial Group.

Principle 5 Signatories review their policies, assure their processes and assess the effectiveness of their activities

Policies, including those related to responsible investing, engagement and stewardship, are reviewed on an annual basis and updated as necessary. New policies and any changes, are reviewed by the investment team, Chief Compliance Officer and senior leadership before ratification by the board of directors.

Internal review of the investment process and associated controls is included in the risk-based compliance-monitoring programme, which is under-taken quarterly. In addition, a Risk Committee meets quarterly and compliance report quarterly to the Board.

Principle 6 Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.

Vergent invest on behalf of clients in our alternative investment funds and in relation to all clients, we acknowledge our fiduciary duty to preserve and enhance value on their behalf. As we hold investments in companies on a long-term basis, we regard the process of stewardship as a natural part of our investment approach.

We engage with clients in order to better understand their interests and priorities for additional ESG reporting or additional requirements.

Principle 7 Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.

At Vergent we believe that ESG factors often play a material role in the risk and return of investments and that ESG integration makes us better investors. We therefore employ a robust process to identify and consider all relevant ESG issues before initiating a new investment.

First, initial screens are applied excluding the following sectors and business models: tobacco, gaming, adult entertainment, aerospace & defence, M&M, O&G, State-owned Enterprises (SOEs) and PEPs.

Next, a materiality assessment is conducted to identify the most material ESG issues for a specific company. Materiality is assessed in reference to the Sustainability Accounting Standards Board (SASB) Materiality Matrix. Taking into consideration the most material ESG issues the team will then establish a list of questions for management to assist in the team's assessment of the company in question.

Finally, if a position is initiated, the team will identify any relevant action items such as certain areas to monitor (ex. progress to improve energy efficiency, senior management diversity, tracking of GHG emissions or opportunities to engage with management). Should an investment fail to meet expectations escalation will occur through either engagement, limitation of the position side or exiting the position entirely.

Principle 8 Signatories monitor and hold to account managers and/or service providers.

Vergent do not outsource any stewardship activities.

Principle 9 Signatories engage with issuers to maintain or enhance the value of assets.

Vergent engages with issuers both in the pre-investment and post-investment stages. As noted earlier, when assessing the materiality of various ESG issues on a proposed investment the analyst and/or portfolio manager will contact the company under consideration with questions on ESG factors. We also believe strongly in the importance of exercising our rights as shareholders and therefore, post-investment, Vergent engages in regular communication with investee companies, which will often include recommendations on areas that require improvement.

Principle 10 Signatories, where necessary, participate in collaborative engagement to influence issuers.

In addition to completing independent engagements, Vergent may also participate in collaborative engagements and initiatives. These collaborations may involve other institutional investors, industry associations or advocacy groups, and help us to pool resources and speak with a stronger unified voice to protect the interests of shareholders in the companies in which we invest on behalf of our clients.

Principle 11 Signatories, where necessary, escalate stewardship activities to influence issuers.

Should Vergent be unsuccessful in an engagement, resulting in an insufficiently addressed ESG issue at an investee company, Vergent will consider the following possible escalation methods:

- Collaborative engagement to speak with a more powerful, unified voice.
- Voting against management.
- Public engagement via an open letter.
- Filing a shareholder proposal.
- Divesting or implementing an exit strategy.

Vergent considers escalation on a case-by-case basis and do not place any formal restrictions on possible escalation measures.

As an example, in August 2021 Vergent engaged with Egyptian Education provider, Cairo Investment & Real Estate (CIRA). In a letter Vergent asked the company to formulate a clear ESG strategy and communicate it to investors via a sustainability report. Vergent argued that investors would benefit greatly from improved disclosure of the company's activities in the areas such as subsidized tuition, environmentally friendly buildings, and post-graduation employment success.

Principle 12 Signatories actively exercise their rights and responsibilities.

Vergent owe a duty to our clients to exercise their voting rights in a thoughtful and considered manner and we are committed to evaluating and voting proxy issues in the best interests of our clients.

Vergent utilize the research and voting services of Institutional Shareholder Services (ISS) to help assess and vote proxies. ISS prepares recommendations for all proposals on which we are entitled to vote. Vergent review these recommendations prior to voting to determine whether the recommendations accurately represent our views and, thus, we may vote contrary to the ISS recommendations should the situation warrant it.

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In 2021, Vergent successfully cast votes on 90% of resolutions on which we were entitled to vote. The majority of votes not cast involved Vergent casting instructions of “Do Not Vote” as the meetings were subject to share blocking.

In terms of the total votes, 96% were voted with management and 4% against management with 4% being voted against ISS recommendations. Of the proposals against management, 48% were routine business related, 19% were director related, 26% were merger/reorganization related and 7% were capitalization related.