



# Troy Asset Management Limited

## Shareholders Rights Directive II – Institutional Investors Disclosure

Date: November 2023



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The EU Directive 2017/828, commonly referred to as the Shareholders Rights Directive II, aims to increase shareholder engagement and transparency of asset managers' engagement and voting activities on behalf of their underlying investors. Troy Asset Management Limited ("Troy"), as an asset manager, is required to provide certain disclosures to its institutional investors under COBS 2.2B.9R of the FCA Handbook in relation to the investment strategy of collective investment undertaking, including funds and investment trusts managed by Troy ("Troy-managed funds"), and its implementation.

How Troy's strategy and its implementation contributes to the medium- to long-term performance of the assets of the relevant fund.

For all Troy-managed funds, Troy makes available information which can be accessed via Troy's website, [www.taml.co.uk](http://www.taml.co.uk). This information is contained in documentation including fund prospectuses, KIID/KIDs, investor disclosure documents, annual reports and fund factsheets. The investment objective, policy and strategy of each fund are set out in the fund prospectus and/or KIID/KID. The factsheets and annual reports provide commentary updates by the fund manager and show the short, medium- and long-term performance.

All Troy's strategies emphasise absolute over relative returns and seek to protect and grow the real value of investors' capital over the long term. Troy believes that a portfolio that suffers fewer and less destructive drawdowns will be in a better position to compound returns over the medium- to long-run. In seeking to minimise the risk of permanent loss of capital, we:

1. In relation to our multi-asset strategy, adopt a conservative approach, avoiding unnecessary complexity, with our view of valuations driving asset allocation.
2. Seek to invest in exceptional companies that can grow at sustainably high returns, in which we have strong conviction that they will become more valuable over time.
3. Seek to capture the compounding power of these great businesses through concentrated portfolios and long holding periods.
4. Place a heavy emphasis on understanding all the risks to any investment case, seeking to avoid the common errors that frequently lead to permanent impairment of capital, specifically:
  - Weak business models (business risk);
  - Excessive debt (financial risk);
  - Very high valuations (valuation risk); and
  - Poor corporate behaviours (ESG risk).

This approach embeds the integration of Environmental, Social and Governance ("ESG") analysis into our fundamental research process. Our stewardship of our clients' assets involves an active programme of monitoring, engagement and voting. The analysis of ESG factors is not an adjunct or an overlay to our



process. Stewardship and ESG research are deeply integrated into Troy's ownership, investment research and decision-making which inform our opinions on the medium and long-term prospects for every company we own. Troy's Investment Team comprises 14 members ([www.taml.co.uk/About-Us/Our-Team](http://www.taml.co.uk/About-Us/Our-Team)) who are collectively responsible for the integration of ESG into Troy's research and analysis as well as engagement and voting.

Troy's stewardship activities include seeking to vote on all resolutions where we have voting authority and engaging with investee companies, where appropriate, as a part of our ongoing monitoring and voting processes. We believe our long holding periods and the calibre of our research are recognised by investee companies, with both contributing to a high level of access to company management teams.

Whether and, if so, how Troy makes decisions by evaluating the medium to long-term performance of investee companies, including non-financial performance; and key material medium to long term risks associated with the investments

Troy's Investment Team carries out in-depth, independent research using a wide range of primary sources. We are highly discerning, naturally cautious and thorough. We do, however, try to keep the research process as simple and intuitive as possible. We only want to invest in companies that we feel we understand and that we believe have enduring qualities that will allow them to compound in value over the medium to long-term. We aim to be long-term shareholders, so we must have a high degree of confidence in the ability of a business to deliver growing cash flows into the future.

We view investment risk as the possibility of permanent capital loss and our investment process places a heavy emphasis on understanding the risks to any investment case. Consideration of material ESG risks is inseparable from this endeavour.

We attach great importance to the sustainability of a company's returns over the medium to long-term and our integrated approach to the fundamental analysis of ESG factors is a key component of assessing that durability. Strong governance structures improve the alignment of management with investors and create a framework in which capital can be judiciously deployed to create shareholder value long into the future. In the same way, a company that takes its social and environmental responsibilities seriously and has a strong sense of corporate purpose will maintain its licence to operate and will see its brand strengthen as all its stakeholders benefit from its growth.

As the materiality of environmental and social risks and opportunities has increased, and the availability of data has improved, both our ability to integrate such factors into our research and the imperative to do so has increased commensurately. This has proved a natural evolution which integrates at all levels with our emphasis on understanding both the long-term risks and opportunities presented by any potential investment.

Our highly selective and long-term approach allows us to conduct deep, fundamental research at the outset and then monitor companies closely over the course of our ownership.

Our analysis is materiality-driven and the factors considered will depend on the ESG risks and opportunities each company is exposed to, as well as the industry and geographies they operate in. The



ESG factors we may consider are outlined below, though this does not comprise an exhaustive list of all factors considered.

CLIMATE CHANGE	NATURAL CAPITAL	PRODUCT SAFETY & RESPONSIBILITY	HUMAN CAPITAL	CORPORATE GOVERNANCE
- Carbon pricing	- Natural resource	- Product use and harm	- Human rights	- Board effectiveness
- Energy mix	- Biodiversity management	- Chemical use	- Workplace culture	- Management capability
- Technological disruption	- Pollution	- Data privacy	- Employee treatment and empowerment	- Corporate behaviour
- Net zero alignment	- Waste	- Cyber security		- Business ethics
- Physical risk	- Circularity			

Whilst environmental and social issues are often specific to particular companies and industries, corporate governance considerations can be applied more broadly. We place significant weight on corporate governance, believing that good quality governance underpins successful and sustainable companies. In assessing the quality of corporate governance, we look for a medium to long-term mindset and true alignment of interests between management and shareholders through equity ownership and/or remuneration policies that incentivise long-term profitability and wealth creation.

#### Use of proxy advisors for engagement activities

Troy seeks to instruct votes on all resolutions on behalf of clients/investors for which it has voting authority. Troy seeks to vote in what we consider to be the best long-term interests of our investors.

Institutional Shareholder Services (ISS) is used for proxy research as well as to administer proxy voting, Troy has a custom voting policy with ISS, which provides Troy with recommendations on how to vote based on this policy. These standards as set out in the policy are informed by best-practice and the corporate governance codes of the jurisdictions in which we invest. Troy's custom voting policy also includes guidance on voting in relation to certain environmental and social issues. The custom voting policy ensures consistency of application.

For all votes, Troy's Investment Analysts and Fund Managers review the policy recommendations and may at times decide to override Troy's custom voting policy when circumstances dictate a divergence to be in the best interest of long-term shareholders.

#### Troy's policy on securities lending

It is Troy's policy that it does not carry out securities lending.



## Conflicts of interests that arose in connection with engagement activities and how Troy dealt with them

Our assessment is that there are three core types of conflicts interest which may affect our business. These are: (a) between an employee and the firm; (b) between the firm and its clients; and (c) between two or more clients of the firm. How we seek to identify and prevent potential conflicts of interest and, where necessary, put in place measures to manage any such conflicts is summarised in our conflicts of interest policy.

Each department within the Firm maintains a register of actual or potential conflicts of interest. The head of the relevant department is responsible for that register which is reviewed at least annually with Compliance. Each departmental register is combined to form an overall register of conflicts which is maintained by Compliance. The Compliance Team produces a report on the review of the register and the most material conflicts affecting the company for the board of directors at least annually. In addition to these assessments, the potential for additional conflicts of interest is considered each time Troy takes on a new client, considers launching a new fund or develops a new line of business.

We have identified various potential conflicts of interests relating to stewardship, each of which is recorded in our conflicts of interest register. By way of example, one of Troy's non-executive directors is also a director of a business which is within Troy's investment universe. This conflict of interest could influence our stewardship activities, such as voting. How we manage such conflicts of interest is set out in our conflicts of interest register and, therefore, subject to the review process described above.

In order to further manage potential conflict of interests, the justifications and the decision-making process on voting activity are clearly documented.

For further information in relation to conflicts of interest management in relation to engagement activities, please see Troy's Stewardship Code 2022 Report ([www.taml.co.uk/Responsible-Investment](http://www.taml.co.uk/Responsible-Investment)).

## Portfolio composition; turnover and turnover costs

For investors of Troy-managed funds, information on portfolio composition can be found within the annual reports or factsheet of the relevant fund, available on, or by way of, Troy's website [www.taml.co.uk](http://www.taml.co.uk).

A summary table of portfolio turnover for the relevant funds is shown below.

The transaction costs associated with the portfolio turnover within the relevant fund produced in accordance with MiFID II is available within the ex-post cost disclosure of the European MiFID Template (commonly referred to as an "EMT"). The EMTs are available at the following locations:

- Trojan Investment Funds - Link Fund Solutions Limited website
- Trojan Funds (Ireland) plc – mailing Link Fund Manager Solutions Ireland
- Investment Trusts – mailing Juniper Partners Limited



### 3. Portfolio Turnover

This report has been prepared in support of Troy's Shareholder Rights Directive II disclosures to institutional investors.

Portfolio Turnover Rate has been calculated in accordance with the following methodology.

**Lesser of the market value of equity purchases and sales**

**Average portfolio NAV over the previous 12 months\***

\*For those funds which invest in other asset classes, the market value of the portfolio's equities is used as a denominator instead of NAV.

The portfolio turnover is calculated in relation to equities within a portfolio, which will vary depending on the investment strategy. Calculated as at 31 December 2022, for 2022 calendar year.

PORTFOLIO	PORTFOLIO TURNOVER RATE (%)
Crystal Fund*	1.3
Personal Assets Trust plc*	1.4
Securities Trust of Scotland plc	9.6
Troy Income & Growth Trust plc	22.3
Trojan Ethical Income Fund (Ireland)	39.3
Trojan Ethical Income Fund	31.8
Trojan Ethical Fund (Ireland)*	49.7
Trojan Ethical Fund*	28.2
Trojan Fund*	5.4
Trojan Global Equity Fund	14.3
Trojan Income Fund	22.2
Trojan Global Income Fund	7.5
Trojan Income Fund (Ireland)	24.4
Trojan Fund (Ireland)*	16.2

If you have any queries in relation to the contents of this document, please contact Troy's Compliance Team at [compliance@taml.co.uk](mailto:compliance@taml.co.uk).