



Responsible Investment Report N°20

What do We Mean by 'Active Ownership'?

When the first index fund launched in 1976, it was a simple idea; a basket of America's top 500 companies offering investors broad market ownership. Half a century on, passive investors now own around a third of the UK market¹ and half of the American market². This marks a structural shift with far-reaching implications for how capital is allocated.

Before the rise of index investing, capital tended to flow toward companies on the strength of their fundamentals. Today, much of it moves mechanically by index weight, with trades executed in milliseconds through automated systems¹. In this increasingly mechanised marketplace, genuine discernment risks being crowded out by algorithms and index adjustments, yet it has never mattered more.

Active management, by contrast, is built on this very discipline. At Troy, we are selective by design, concentrating capital in a focused number of high-quality businesses with the potential to compound value and deliver reliable, growing earnings over time. Crucially, that discernment does not end once we invest; it extends throughout our ownership.

While many shareholders are transient or constrained in how deeply they can engage, and large passive investors take a necessarily broad approach to stewardship, we tend to be more focused. Our concentrated portfolios and long holding periods allow us to engage closely with the companies we know best and build longstanding relationships with them.

In our view, this approach to active ownership enables us to engage and exercise our voting rights in ways that can influence the long-term value of the companies we own on your behalf. In this report, we share four examples of recent

engagements that demonstrate how we apply this philosophy in practice.

The Power of a Steady Hand

Every so often, we hear of high-profile activist investors taking board seats and driving dramatic turnarounds. We have on occasion been shareholders in companies targeted by such campaigns. While activist pressure can sometimes be catalytic, our approach to engagement is very different. We do not seek out companies in need of rescue. Instead, we aim to invest in well-managed businesses already charting the right course. Those that generate growing [free cash flow](#), reinvest it at attractive incremental returns and reward shareholders through sustained dividend growth or buybacks.

But even strong businesses can face challenges, and as long-term shareholders, with an average holding period of ~5 years, we see it as our role to reinforce sound decision-making, provide perspective when short-term pressures mount, and act early if strategy drifts or capital allocation discipline weakens. To us, this is the essence of long-term stewardship. It is patient, constructive, and works best when you intend to be a shareholder for years, not months, because it is aligned with the creation of enduring value rather than short-term gains.

Unilever: Collaborating with Others on Climate

Unilever is one of the largest contributors to financed emissions³ across Troy's portfolios, with the majority of its carbon footprint arising from scope 3 emissions⁴ in its supply chain. Given the scale of these emissions and the growing transition and physical risks from climate change,

¹ Financial Conduct Authority, Research Note (2019).

² Morningstar's US Active/Passive Barometer (2026)

³ Financed emissions are the proportion of a company's total Greenhouse Gas emissions that can be attributed to a financial institution based on its share of financing (equity, debt, or other exposure).

⁴ Scope 3 emissions are all indirect greenhouse gases produced in a company's value chain, excluding Scope 2 purchased energy, often representing over 70% of a business's total carbon footprint.



we believe effective decarbonisation is central to Unilever's long-term operational and financial resilience.

Troy has been a participant in the Climate Action 100+ collaborative engagement with Unilever since 2021, reflecting the materiality of these issues to our investment in the company and the ongoing resilience of its supply chains. Over successive phases, the engagement has focused on strengthening climate governance, improving disclosure, aligning capital allocation with climate strategy, and encouraging clearer scope 3 emissions reduction targets. Troy supported the company's 'Say on Climate' vote in 2024 and, in recognition of our ongoing involvement in the engagement, became a co-lead of the Climate Action 100+ engagement with other investors in 2025.

In 2025, we met with the Chair of Unilever's Audit Committee to discuss how climate-related risks and different potential warming scenarios are reflected in the company's financial reporting, planning and capital allocation. The next phase of engagement will continue to focus on climate accounting and the integration of decarbonisation considerations into financial planning and capital expenditure decisions.

Diploma: Reduce Dividend Payout Ratio

Capital allocation decisions are always context specific. They depend on timing, the opportunities available for reinvestment, and the nature of the business itself. Diploma has an ability to reinvest the majority of its excess cash into regular, small acquisitions while maintaining consistently attractive returns on capital. Since the early 1990s, the company has completed around 100 acquisitions of specialist businesses, ranging from life sciences instrumentation to industrial fasteners. This repeatable, high-return acquisition-led model enables growth well beyond organic sources and represents a compelling alternative to simply returning cash to shareholders.

In 2021, we engaged with Diploma's management to convey a simple message: earnings and dividends do not need to grow

in lockstep. Allowing the dividend payout ratio to fall would create valuable headroom for continued reinvestment in acquisitions, which have historically generated superior returns on capital and driven long-term value creation.

This approach mirrors that of Halma, another serial acquirer held in the UK Income Strategy, which has increased its annual dividend by 5% or more for 46 consecutive years, while steadily reducing its payout ratio. By growing dividends more slowly than earnings and cash flow, Halma has freed up additional capital to reinvest in its high-return acquisition model, a key driver of its long-term compounding. We encouraged Diploma to adopt the same discipline. In our view, retaining a greater portion of earnings to fund future acquisitions internally is preferable to relying on periodic equity issuance, which can dilute existing shareholders. Diploma has delivered over 20 years of consecutive dividend growth, underpinned by strong cash generation and reinvestment discipline. Maintaining a lower payout ratio ensures continued flexibility to pursue high-return opportunities while sustaining dividend growth over time.

Bunzl: Buybacks

Another serial acquirer held in Troy's UK Income Strategy is Bunzl, whose capital allocation decisions share similarities with Diploma's. Our engagement with Bunzl also recognised the company's distinctive strengths and its proven ability to deploy capital effectively through small, value-accretive acquisitions.

In September 2024, following Bunzl's announcement of a share buyback programme, we engaged with the company to discuss its capital allocation priorities. While buybacks can be an appropriate way to return excess capital, a topic we explored in our last newsletter, we believe Bunzl's opportunity set for disciplined acquisitions offers superior prospects for value creation.

Bunzl has an exceptional record of acquiring smaller businesses at attractive valuations and integrating them effectively. Since 2004, the company has completed more than 200



acquisitions, a testament to its ability to reinvest consistently and profitably. This repeatable model of high-return, bolt-on acquisitions has been a key driver of shareholder value over time. In our view, continuing to reinvest in this proven formula represents a more compelling use of capital than repurchasing shares at the valuation prevailing when the programme was announced.

This engagement highlights a timeless capital allocation dilemma, between distributing cash today and retaining it for future reinvestment.

No Backseat Driving

There is always a balance between offering perspective and overstepping into management's domain. We recognise that as investors, we do not face the daily operational challenges that management teams do, nor do we claim perfect foresight in capital allocation decisions. What we bring instead is an independent, long-term perspective, grounded in experience and an understanding of how value is built over time.

As long-term shareholders who know our companies well, we are fortunate to enjoy good access to management teams. They know we pay close attention to the details and that we approach engagement with substance. This elevates the quality of our dialogue and the strength of the relationships we build over time. Our goal, like management's, is to see the businesses we own grow in value. Achieving that demands sound judgment, disciplined capital allocation, and steady execution. When we see those slip, we engage, constructively, but directly too when it is needed.

With over three decades of experience investing in UK companies, we have developed a deep understanding of how good capital allocation decisions compound value over time, both within the businesses in which we invest, and in our own investment decisions. Seeing the bigger picture, maintaining discipline, and taking the long view remain the hallmarks of how we aim to create enduring value for you, our investors.



Sian-Azilis Evans
Investment Analyst



Blake Hutchins
Senior Fund Manager



Responsible Investment at Troy



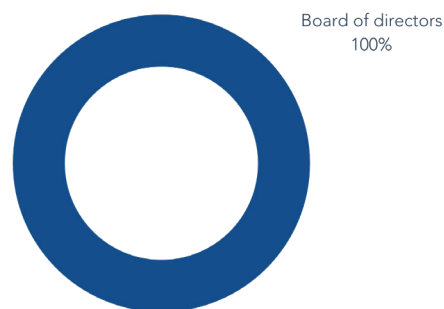
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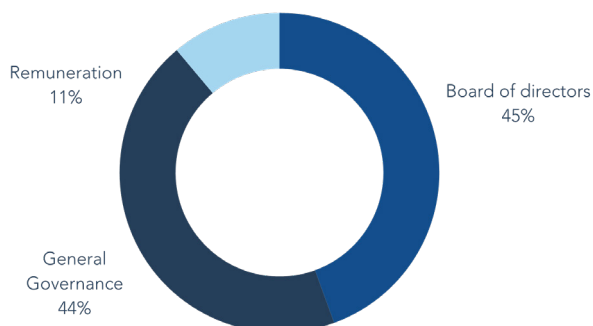
Voting

VOTES IN FAVOUR OF SHAREHOLDER RESOLUTIONS – 2026

	2025	2026
Meetings Held	89	18
Meetings voted	100%	100%
Meetings with at least 1 vote Against Management*	35%	33%
Management Resolutions		
Total management resolutions	1,574	271
Votes against management resolutions*	3%	3%
Votes against ISS recommendations	5%	3%
Shareholder Resolutions		
Total shareholder resolutions	55	5
Votes in favour of shareholder resolutions	26%	20%
Votes against ISS recommendations	0%	40%

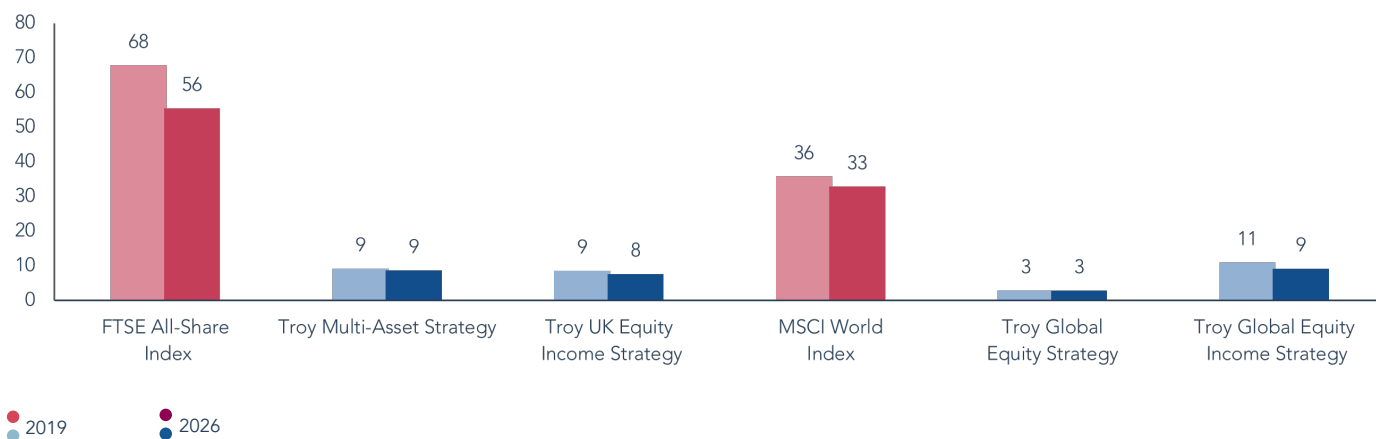


VOTES AGAINST MANAGEMENT RECOMMENDATIONS - 2026 (BOTH MANAGEMENT AND SHAREHOLDER RESOLUTIONS)



Source: ISS. *This may include abstentions.

Portfolio Carbon Footprint (Tons CO2e / \$M Invested)*

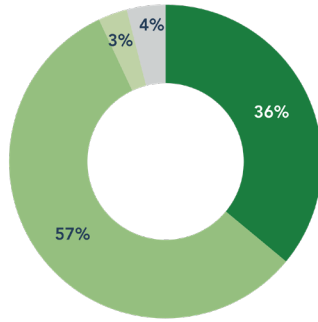
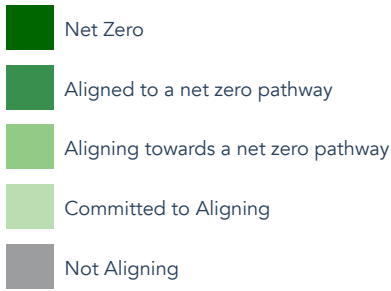


*Carbon footprint and financed emissions are calculated using an EVIC (Enterprise Value Including Cash) attribution factor.

Source: MSCI ESG Manager, portfolio holdings as at 31 March 2026. Asset Allocation subject to change. The information provided is based on calculations relating to corporate securities only. Where the fund holds other asset classes, such as cash or government bonds, these are excluded from the portfolio. The information shown relates to a mandate which is representative of, and has been managed in accordance with, the relevant Troy Strategy. Past performance is not a guide to future performance. All references to benchmarks are for comparative purposes only.



Current Alignment of our Holdings with Net Zero by 2050



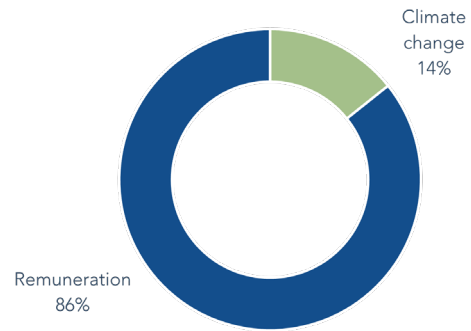
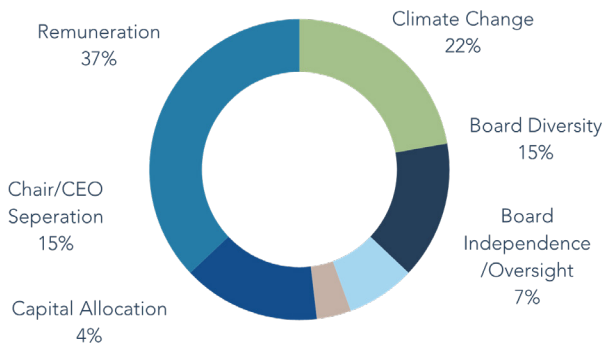
Troy has categorised all equity holdings along an alignment maturity scale in accordance with the Institutional Investors Group on Climate Change's (IIGCC) Net Zero Investment Framework methodology. This reflects our commitment under the Net Zero Asset Managers initiative to ensure our investments are on track to meet global ambitions of net zero emissions by 2050 or sooner. We currently have engagements underway with all holdings deemed 'not aligning', our goal is to move all holdings along the climate maturity scale with the ultimate objective of achieving net zero. For further information please see [Troy's Climate Change Mitigation Policy](#).²

Source: MSCI ESG Manager

Engagements

ONGOING - 27 ENGAGEMENTS WITH 23 COMPANIES

2025 - 7 ENGAGEMENTS WITH 7 COMPANIES



Source: Troy Asset Management, 31 March 2026. ²This policy outlines the consideration of climate risk in our investment decision-making process for mandates which meet the criteria under Article 8 of the European Union's Sustainable Finance Disclosure Regulation



Disclaimer

Further information relating to how ESG integration is applied to the fund can be found in the fund prospectus and investor disclosure document. For further information relating to Troy's approach to company voting and engagement, please see Troy's Responsible Investment and Stewardship Policy available at www.taml.co.uk.

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