Church House Investment Management

UK Stewardship Code **Report**

2024

UK STEWARDSHIP REPORT

1st January – 31st December 2024

The UK Code (The 'Code') was first published in July 2010 by the Financial Reporting Council ('FRC') with a Stewardship aim to enhance the long-term returns to shareholders via improvements in the quality and quantity of engagement between investors and companies. The updated 2020 code has gone further, to also target the integration of Environmental, Social and Governance matters into the investment approach and decision-making process.

This report has been prepared in accordance with the interim changes to reporting for Stewardship Code signatories, introduced in 2024. While our overarching strategy has not changed, the report has been updated to demonstrate new examples of how we have demonstrated stewardship in 2024, and all data and statistics have been updated to reflect 2024 values.

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Published April 2025

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

FOREWORD

This document outlines our **stewardship and responsible investment activities in 2024**, with focus on active engagement with investee companies, integration of Environmental, Social and Governance factors into our investment process and our approach to stewardship.

We were **delighted to be included amongst the first of the Financial Reporting Council's list of successful signatories to the updated UK Stewardship Code**, with our 2020 report. The Code establishes a high standard of stewardship for asset managers, asset owners and service providers when investing money on behalf of UK savers and pensioners.

We are pleased to **increase transparency in our commitment to stewardship and sustainability** through our report, in which we have demonstrated (and look to continue to demonstrate) our **commitment to responsible investment** in the allocation and management of capital.

Church House is an investment management business focused on the management of discretionary investment portfolios, principally via our range of authorized funds. We act in the **best long-term interests of our clients** when managing assets and making investment decisions.

Our primary responsibility is, and has always been, to our clients, managing their affairs to the best of our abilities in accordance with their wishes.

Active management of the securities in which we invest, on behalf of our clients, is central to our approach, with the purpose of safeguarding and increasing value for our clients. As active investors in both the UK and global markets, we place great importance on closely monitoring the companies in which we invest, assessing their fundamental drivers and whether they remain a suitable investment for each respective fund.

While we have always considered that investing in companies with properly **sustainable practices and business models**, run by people with integrity, as an integral part of what we do, we are pleased to be formally embedding these practices into our investment process in our equity, fixed income and multi-asset class funds, as well as the approach that we take to investing clients' funds. We believe that the importance of ESG has never been more prominent, this manner of thought is shared across the firm as a whole.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

THE STEWARDSHIP CODE 2020

From 1st January 2020, the updated Stewardship Code took effect. This sets high expectations on asset managers, such as Church House, on how it invests on behalf of its clients. This 2024 report will provide an update on how Church House has met the standards of stewardship set by the Code, detailed in Church House's own UK Stewardship Policy, since our last report.

The Twelve Principles

Purpose & Governance

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 and society.

Principle 2: Signatories' governance, resources and incentives support stewardship.

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

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

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

Investment Approach

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

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

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

Engagement

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

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

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

Exercising Rights and Responsibilities

Principle 12: Signatories actively exercise their rights and responsibilities.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870

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PURPOSE & GOVERNANCE

1. Beliefs, Strategy and Culture

Church House is an investment management business focused on the management of discretionary investment portfolios, principally via our range of authorised funds, an absolutely key component of which is the **management of risk**. Our priority is to generate returns in accordance with client expectations, with a primary goal of avoiding the risk of permanent loss of capital.

We have always considered that investing in companies with properly **sustainable practices and business models, run by people with integrity, as an integral part of what we do**. As long-term investors, selecting companies that have demonstrated sound corporate governance has always been inherent to our diligence and risk management policies.

The Church House investment philosophy is to consider the **needs of our clients and their best interests**. Since the early 2000s, we have advocated the use of our own authorised funds as 'building blocks' to construct our clients' portfolios. The use of our funds allows us to carefully manage risk via our investment expertise and experience, pooling our clients' resources to generate cost-effective investment returns through scale.

Our **investment philosophy is closely aligned to our stewardship beliefs** in that we take a **long-term view**, managing assets for our clients as if they were our own. As active investors in both UK and Global markets, we place great importance on closely monitoring the companies in which we invest. We attend company presentations, engage in one-to-one meetings with company management teams and maintain continuous research and analysis to sustain a solid financial picture of the current and future assets we hold, including their development of ESG matters.

Background

Church House's first **client risk questionnaire and scale of risk** was established in 2002/3, aiming to match clients' expectations and understanding with a suitable long-term approach to risk for their investments. From the outset, the concept that we were selling risk and risk management rather than making performance claims came as a surprise to many. Our intention has always been to match clients' (realistic) expectations and understanding with outcomes in terms of results provided. As we developed our range of authorised funds this became more nuanced, but the essential principal of two layers of risk management for clients' portfolios has remained constant throughout.

The broad mix of assets that we consider to be **appropriate for each of our risk levels** is established first and changes are infrequent. Client portfolios, once established, have very low turnover, keeping costs to a minimum. The stock, sector, duration and other specific risks are then managed at the underlying fund level according to market conditions. As these funds are pools of clients' assets they are significantly larger than any one portfolio, bringing the advantages of diversification, low transaction costs and tax benefits.

We have seven authorised funds, each with a **specific investment objective**, six of which are designed to form a suitable 'building block' for private client portfolios. The seventh fund, the Church House Human Capital Fund, launched in 2024, is aimed at institutional investors so does not currently sit in our client risk models. Within the funds we have always sought to invest in businesses of quality, established in jurisdictions that we can trust and run by managements with integrity. We have avoided a number of areas where we felt that the investment might be morally dubious, also considering that these businesses were likely to prove to be poor long-term investments, e.g. pay-day and sub-prime lenders, gaming/gambling. We consider that the focus on the funds' objectives, within the overall framework of a private client portfolio, and each investment's suitability for such a purpose, combined with an aim to invest in 'quality' businesses (naturally, governance along with social and environmental behaviour form a part of this judgement) is most likely to provide long-term returns at an appropriate level of risk for our clients.

INVESTMENT BELIEFS

The investment policy we pursue, which we consider to be the approach best suited to provide consistent returns for our clients (in accordance with acceptable and understandable levels of risk), is based on long-term investment in diversified portfolios of high quality listed companies and fixed interest investments. Within a disciplined risk scale structure (see below under *Strategy*), each risk level has defined proportions invested in particular funds/asset classes, this section refers to our beliefs regarding underlying investment policy.

We strongly favour quality, low debt, high margin businesses with pricing power, these are the companies that we expect to thrive and prosper over the long-term (30% of the companies in our UK Equity Growth Fund were first invested in more than twenty years ago). We dislike more cyclical and capital-intensive businesses, which tend to have low(er) margins and little pricing power. We find that the approach of companies (and the nature of the business that they undertake) to good governance and other ESG matters, bears a high correlation to those that score well on our quality metrics.

Each of the funds that we manage for our clients, which make up the greatest proportion of their individual investment portfolios, is run to a specific brief to ensure, as far as possible, that their overall portfolios perform within expected parameters. For example, our international equity fund, CH Esk Global Equity Fund, is designed to provide international equity exposure for UK client portfolios, focused on major companies in developed markets. This is the broad portfolio analysis on 4th December 2024:

Esk Global Equity

Portfolio Analysis:

		Esk Fund Value	£75,879,145
		Fund Value USD	$96,100,937
		Number of holdings	43
% > $5bn Mkt Cap.	98%	Average Market Cap.	$412,175 $bn
		Portfolio Beta	0.97
		Weighted average Q Score*	7.1 (ex Banks and Insurers)
		Average Accounting 'Blobs'*	0.9 (ex Banks and Insurers)

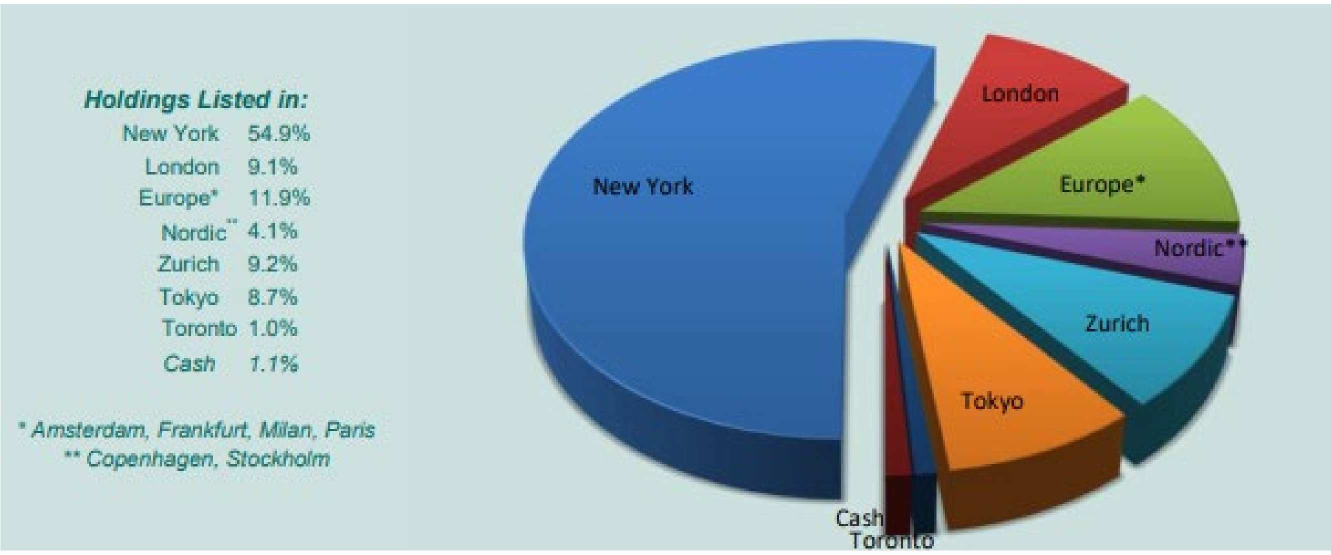
*The '*Weighted average Q Score*' is a measure that we use as an *independent* check on our quality assessments. QUEST is a division of Cannacord Genuity Limited, providing detailed analysis of company financial statements over the past fifteen years along with expectations for the next two years. The Q-score is their measure of a company's financial strength (scored out of ten), combining cash-flow returns, stability of cash-flow returns over time, current ratio and fixed charge cover.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

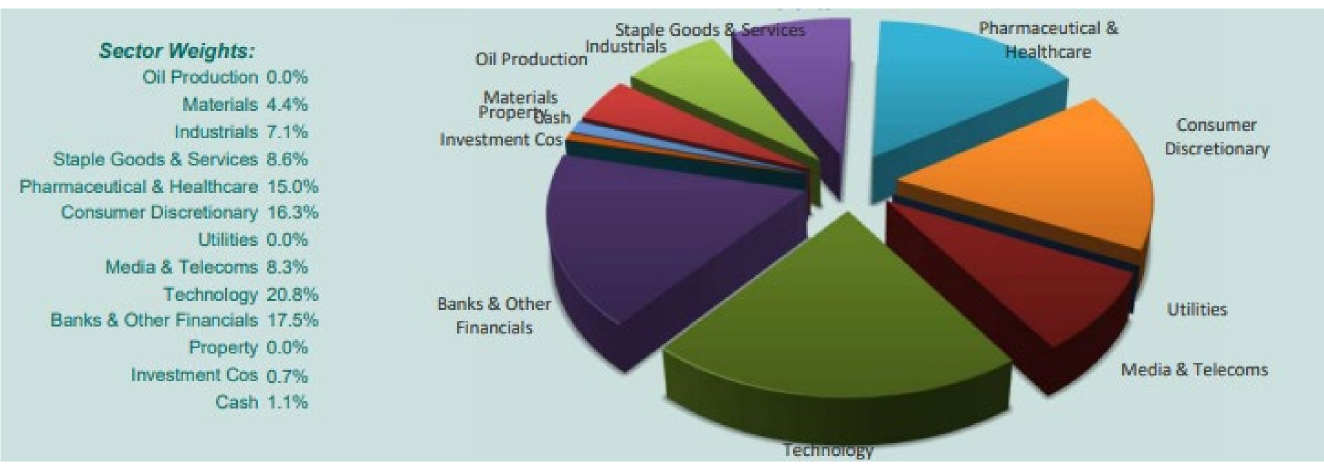
*The '*Average accounting blobs*' shows possible warning signs of irregularities in company figures, also scoring out of ten with 0 being good and 10 flashing warning signals. Of course, these measures also provide us with a guide to the quality of management.

The quantity of holdings accords to our diversification guidelines, all holdings are listed, with a market capitalisation in excess of $1bn (as below re liquidity) with the average market capitalisation of the portfolio as a whole being much larger. The Fund's portfolio is international and invested in developed markets as shown.

CH Esk Global Equity Fund



Source: Church House



Source: Church House

The second of the two pie charts above shows the diversification across industrial sectors. Note that the Fund has no investments in oil and gas production companies, partly reflecting ESG concerns (though also reflecting our view on the companies).

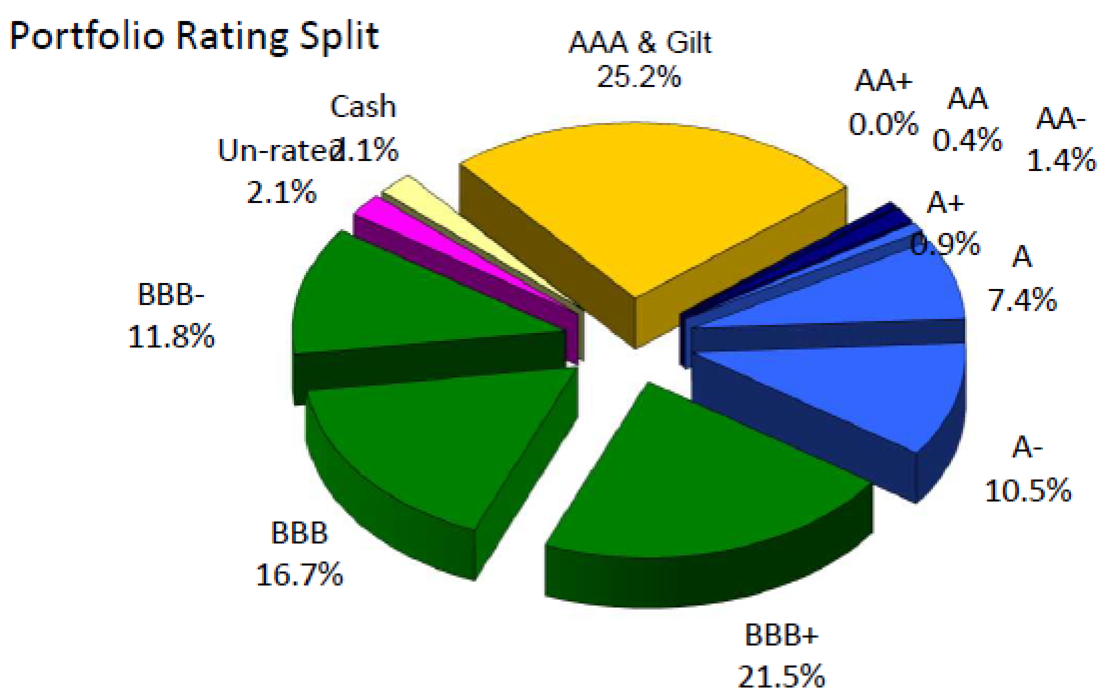
49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

In the fixed interest markets, our approach is similarly based on quality and lower volatility of returns for our clients. This table shows the broad split of investments within our fixed interest fund, the CH Investment Grade Fixed Interest Fund, at the end of November 2024:

CH Investment Grade Fixed Interest	**Nov 2024**
Short-dated Securities (less than 7	76.6%
Medium-dated Securities (7 to 15	19.4%
Long-dated Securities (over 15 years)	4%
Duration of Portfolio	3.3
Volatility (past year)	3.6%
Number of Holdings	116
Yield (historic)	5.1%
Portfolio Value	£369.4m

The portfolio is broadly diversified and is currently maintaining a short duration, recognising the risks in the economy at present and the most suitable approach to this for our clients. This is reflected in the volatility figure for the past year of just 3.6% (for comparison the volatility of the FTSE Gilts All-Stocks Index over this period was 8.1%).
This pie charts shows the split of investments in the fixed interest fund by credit rating (as the name implies, it only utilises investment grade issues). The slice referring to 'Not rated' does not imply sub investment grade holdings, simply that the issue does not have a rating from one of the agencies. The proportion held in AAA-rated investments is never less than 25%.

CH Investment Grade Fixed Interest Fund – by Credit Rating



Source: Church House.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
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Liquidity and marketability

Investments are limited to liquid securities, considering that illiquidity risk is real and not a risk that we wish to expose client portfolios to. Essentially, we limit investments to listed instruments on recognised investment exchanges in developed markets, with a preference for larger capitalisation companies.

Our informal, internal description of unlisted and a number of open-ended entities is 'lobster pot investments', easy to get into, practically impossible to get out of. Whilst not a technical description, we consider it to be descriptive of a valid risk.

Within listed equity investments, we tend to avoid those with a market capitalisation of less than £250mn as these can also become illiquid. The bulk of our investments are in significantly larger, major companies.

Diversification

Diversification is an important tool in the management of risk, though this should not be taken to extremes. The summing of individual equity risks reduces their overall risk (and subsequent volatility) but spreading too far involves investing in lower quality companies, which we do not wish to do. The quality of the investments always outweighs the consideration of weightings in any index, we are happy to exclude companies/sectors which we consider to be inferior long-term investments. For our equity funds, we consider that holding 25 to 50 individual investments is most likely to achieve the right balance of diversification for our clients. Of course, at their individual portfolio level this multiplies to a much higher figure.

Risk of Permanent Loss of Capital

The element of risk that is not addressed by the measurement of volatility is permanent risk to capital and we consider this to be extremely important to individuals. Most investors understand that investment markets can be volatile in the short-term, but for many the risk that concerns them most is the possibility of the permanent loss of capital (and its ability to provide future income streams). This under-scores our policy to invest in quality and investment grade companies listed on recognised stock exchanges.

Rule of Law

Beside the quality metrics and diversification described above, we also restrict investment to developed markets, considering that the additional risks from investing in emerging and other markets to be too high and inconsistent with this principle. We have always maintained that we only we wish to invest in countries/jurisdictions where the rule of law persists, without this we bring in unquantifiable political and legal risks.

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CULTURE & STRATEGY

Culture

The culture of the Firm was first set out in the early days of the business. Below is an extract from a June 2001 Policy Document:

> Straightforward and Clear: In all our dealings with our clients we must aim to be as straightforward and clear as is possible. This has implications in a number of areas:
>
> - We should aim to give our clients the level of information about their affairs that we would hope to receive if our positions were reversed (over and above the regulatory requirements).
> - We should aim to interest our clients in what we are doing and not simply provide necessary information or "marketing" material (some, of course, may also prefer blissful ignorance).
> - In providing information on portfolios or investments we should be thoroughly open, explaining our ideas, or lack of them, our successes and our failures.
> - Our funds must have clear policies that we adhere to and those polices should be straightforward. Creating over complex products or fashion following funds is a route to future problems.
> - Above all, we must do what we say we are going to do. Without this the whole structure of agreements, agreed risk policy, welcome letters etc. is worthless.
>
> **Summary**
>
> So, when we thoroughly know our clients and they thoroughly understand the risks they are taking, we invest their portfolios in investments that we would be happy to hold ourselves. Portfolios that have common characteristics:
>
> - Straightforward and clear investment objectives,
> - Objectives that are based on genuine long-term opportunities and not marketing,
> - That utilise sensible risk management policies,
> - That have a realistic chance of long-term outperformance of their benchmarks.

The essential principles of transparency and openness remain unchanged today, along with the core principle of treating our clients as we would wish to be treated if our roles were reversed – *'Put yourself in their shoes, is this the service you would expect if our roles were reversed?'*.

A simplistic view of the culture at Church House can be represented as a Venn diagram in which **Clients** are central but inter-linked with the other key pillars of **Investment Management**, **Risk Management**, **Responsibility** and our **Employees**:

The CH Culture:

Clients First

At the centre of our diagram, clients come first, we must:

- Be straightforward and clear in all our dealings with them,
- Foster their understanding of risk and investment,
- Keep them well informed, educate where possible.

Are we giving them the level of service and information that we would like to receive if our roles were reversed?

Investment Management

Expert investment management is at the heart of what we do, we:

- Focus on the quality and suitability of investments for our clients,
- Take a long-term view,
- Seek consistent risk-aware returns aiming to exceed our clients' expectations from,
- Diversified portfolios with specific aims and objectives.

Always consider investments from the client's perspective, is this how you would wish to see your family's investments managed?

Risk Management

A proper understanding of risk in all its guises has been integral to CH policy from inception, including:

- Clients' understanding of risk - all investment involves risk, we are risk managers as much as investment managers,
- A rational and explainable presentation of risk while recognising that,
- For many/most clients the real risk that concerns them is the risk of permanent loss of capital (and its ability to provide income)

We maintain a multi-layered approach to risk in portfolios:

- At the top level of asset allocation within portfolios, including,
- Diversification (by asset class, type, scale, geography etc.) and,

- Risk at the individual investment fund level and,
- At the level of the underlying investments within the funds.

Responsibility

In a complex economic, business and market landscape we are responsible for our clients' investments and owe them more than a duty of care. We prioritise the suitability and 'appropriateness' of investments for our clients.

We also recognise a wider responsibility in the stewardship of our investments:

- Aiming to invest for the long-term,
- In companies with sustainable practices and business models, run by people of integrity, which has always been part of our process, and
- Avoiding areas of questionable morality (e.g. gaming, tobacco, door-step lending)
- We monitor all our investments closely, aiming to meet managements wherever possible including a discussion of their own ESG approach,
- We vote at all general and extraordinary meetings.

Employees

Our employees are the life blood of the business and its 'face' to our clients. We recognise the important role that they play and their 'stake' in the business. We encourage,

- Their continuing development through regular training and courses
- Their inclusion with regular exchange of views and ideas and,
- Aim for high standards of HR along with employees' terms and working conditions.
- We also seek to attract like-minded individuals in the industry to Church House, notably experienced private client managers, possibly disillusioned by some industry trends, and,
- Aim to attract new young and talented people starting out in the business.

Strategy:

Risk Levels

Church House's strategy is to **offer an independent discretionary portfolio management service** to UK (principally) private individuals along with their associated SIPPS, ISAs, Trusts, etc. This is a service that is based on long-term relationships of trust with our clients and consistent long-term returns from investments with agreed levels of risk.

As outlined under *Background* above, the first and key element of our strategy is to **establish with our clients what level of risk is appropriate to them**, **their circumstances and understanding.** The latter being particularly important when talking to vulnerable clients for whom special arrangements may be necessary. Once established, an investment brief with an appropriate risk level is passed to the investment team for action.

At its simplest, we envisage a 1-10 scale of risk (from UK Treasury Bills to high-risk investments (akin to geared investing or gambling)) and expect that the majority of clients will fall in the level 3 to level 8 range. We can, and do, operate at lower levels of risk in the 1-2 area but this is more unusual, we do not operate at higher levels than 8 on our scale. Of course, the risk level number is a starting point, we recognise that

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

individual clients will/may have particular requirements to accommodate.

In pursuit of this we established a range of UK authorised UCITS funds to cater for the core requirements of UK private clients. These six 'building block' funds are shown below. The UK authorised fund structure is particularly appropriate for UK investors as they achieve the requisite diversification, lower costs and bring tax advantages: changes withing the funds are not subject to Capital Gains Tax, fees are charged to the funds themselves so are not subject to VAT and clients do not have to meet fees out of their own (taxed) income.

The Church House 'Portfolio' Funds

CH Investment Grade Fixed Interest Fund	To provide UK fixed interest exposure and regular income at a risk profile broadly equivalent to UK Gilts with a higher income (net of fees)
CH Balanced Equity Income Fund	Aiming for capital growth with income, principally major UK equities, balanced with some fixed interest and infrastructure investments
CH UK Equity Growth Fund	Aiming for long-term capital growth from a portfolio of UK equities. Some exposure (< 20%) to major international companies where the UK market is limited (e.g. technology, pharmaceutical)
CH Esk Global Equity Fund	Aiming for long-term capital growth from a portfolio of major international companies, developed markets only
CH UK Smaller Companies Fund	Aiming for long-term capital growth from investments in smaller capitalisation UK companies
CH Tenax Absolute Return Strategies Fund	A multi-asset class fund seeking broad diversification across asset classes aiming for low volatility and consistent returns

The **strategy** means that we can manage the balance within clients' portfolios (see below) and **directly manage the risk in the underlying portfolio of each of the Funds.** Each fund is diversified within its asset class(es), ensuring a broad diversification at the client portfolio level.

The strategy involves layers of risk management that commence with the explanation of and establishment of suitable levels of risk for each client. Once an appropriate level of risk is established, a broad asset allocation strategy at a high level is set out, the current broad asset split is shown overleaf. This broad split is subject to regular review by the Investment Committee.

The spread of investments in our core funds (above) is such that a mix of them can accommodate each level of risk, as below. The strategy allows for further diversification of individual client portfolios by the use of other investment assets such as Treasury Bills, Gilts and investment trusts to accommodate individual requirements or take account of existing investments held by clients for other reasons (family connections, sale restrictions, Capital Gains Tax, considerations etc.)

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
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Current Broad Asset Split at Rising Levels of Risk*

CH Risk Level:	2	3	4	5	6	7	8
Cash / Fixed Interest	30%	37%	30%	20%	10%	0%	0%
Cautious Multi-Asset	50%	10%	10%	11%	12%	14%	10%
Infrastructure	0%	4%	4%	3%	0%	0%	0%
UK listed Equities	20%	40%	44%	46%	45%	41%	39%
International Equities	0%	9%	12%	20%	33%	45%	51%

** On a nominal 1-10 scale, where 1 represents UK T-Bills and 10 represents geared investment*

It is possible to achieve this asset split solely by the use of the CH core funds. For example, at present, at risk level 4, a split of CH funds as below, achieves this aim:

CH Investment Grade Fixed Interest	29%
Tenax Absolute Return Strategies	12%
CH UK Equity Growth	15%
CH Balanced Equity Income	35%
CH UK Smaller Cos	0%
Esk Global Equity	9%

We test this assertion each month with a 'look through' to the underlying assets held withing the funds to ensure that the appropriate mix of investment is being achieved, currently this shows:

Current Underlying Portfolio Disposition		Fixed Interest	Infra.	UK Equity	Intnl. Equity	Property	Cash		Test	Risk Level
Defensive	Risk Level 2	68%	4%	20%	3%	3%	2%		100.0%	2
Cautious Income	3	50%	4%	35%	7%	2%	2%		100.0%	3
Income	4	41%	3%	41%	11%	2%	2%		100.0%	4
Income & Growth	5	32%	2%	45%	18%	2%	2%		100.0%	5
Equity Growth with Income	6	21%	2%	46%	28%	1%	2%		100.0%	6
Equity Growth	7	10%	1%	49%	37%	1%	2%		100.0%	7
Higher-Risk Equity Growth	8	7%	1%	42%	47%	0%	3%		100.0%	8

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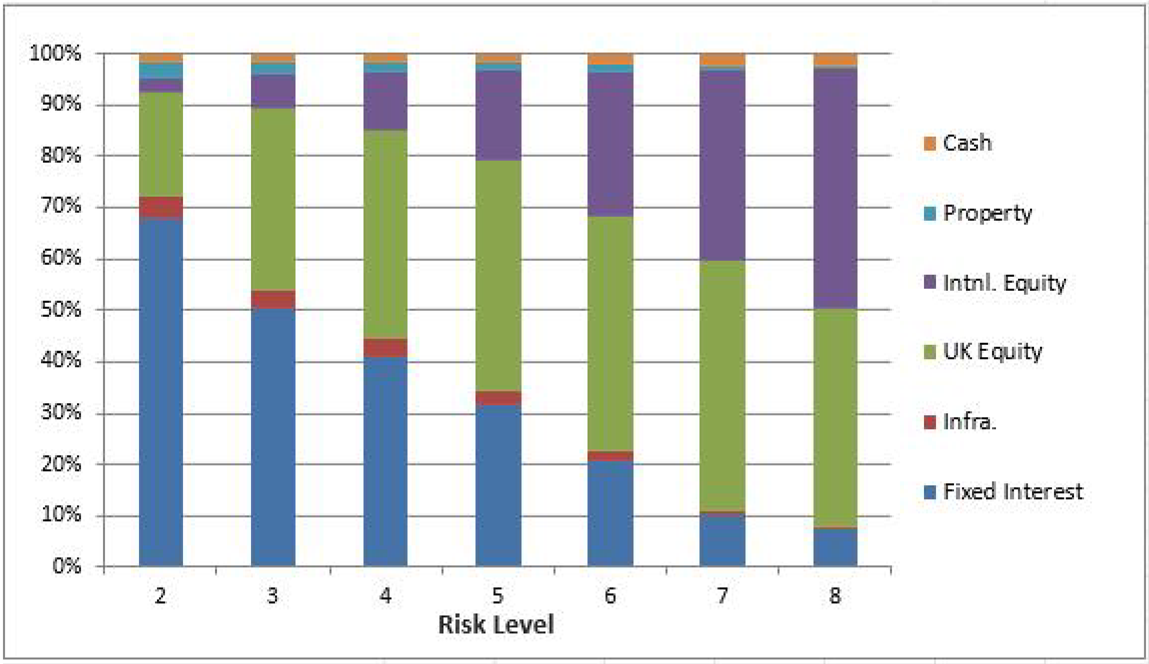
Illustrated graphically shows the current progression across the risk scale levels:

Underlying Asset Dispositions at Rising Risk Levels



Source: Church House - Month-end Fund dispositions

Availability to outside investors

The Church House funds are UCITS and, as such, are available to outside investors. A number of financial intermediaries have identified CH funds as being suitable for their own clients, particularly our fixed interest and multi-asset funds, which have attracted a significant following. We meet many of these intermediaries to discuss our funds and our approach to their management, stressing their status as 'building block' portfolios for (our) private clients. The 'wholesale' money that this brings to the funds serves to lower the overall costs, furthermore, the ongoing dialogue with financial intermediaries gives us an insight into the broader private client marketplace.

Total returns achieved at different levels of risk

We **track and monitor our risk returns at each level of risk** to see that the outcomes provided for our clients met their (and our) reasonable expectations. This table shows risk levels 3-8, we expect that clients will seek levels of risk that, effectively, form a bell-curve with the greatest number around risk level 5, which has been the case. Utilising the historical (published) price data for our funds, this table shows the total returns achieved at different levels of risk along with the volatility of those returns for portfolios solely invested via the CH funds:

Annual Returns and Volatility – Total Return (after fees and charges)

	Risk 3		Risk 4		Risk 5		Risk 6		Risk 7		Risk 8	
	Return	*Volatility*	Return	*Vol.*	Return	*Vol.*	Return	*Vol.*	Return	*Vol.*	Return	*Vol.*
2008	-12.2%	*9.7%*	-16.6%	*13.9%*	-18.4%	*16.4%*	-20.2%	*18.2%*	-21.9%	*20.7%*	-22.3%	*23.2%*
2009	16.0%	*8.8%*	18.3%	*11.9%*	19.6%	*13.6%*	21.4%	*15.2%*	23.2%	*17.4%*	21.3%	*19.9%*
2010	9.5%	*5.4%*	10.7%	*8.2%*	11.8%	*10.0%*	12.5%	*11.5%*	13.5%	*13.5%*	15.0%	*15.5%*
2011	2.4%	*6.0%*	0.6%	*8.1%*	-1.7%	*9.4%*	-3.6%	*10.3%*	-6.3%	*11.4%*	-8.6%	*12.0%*
2012	10.5%	*3.7%*	11.6%	*4.9%*	12.3%	*5.9%*	13.1%	*6.8%*	14.6%	*8.0%*	17.2%	*9.1%*
2013	7.7%	*5.5%*	11.5%	*6.7%*	13.9%	*7.4%*	16.0%	*8.0%*	18.7%	*8.9%*	20.8%	*10.0%*
2014	5.8%	*3.6%*	5.7%	*4.6%*	6.0%	*5.1%*	5.7%	*5.7%*	5.4%	*6.4%*	6.3%	*6.9%*
2015	1.5%	*4.3%*	2.0%	*5.8%*	2.2%	*6.6%*	2.1%	*7.4%*	1.8%	*8.4%*	1.7%	*9.5%*
2016	7.5%	*4.0%*	10.2%	*4.9%*	12.6%	*5.6%*	14.6%	*6.1%*	17.8%	*6.9%*	21.4%	*8.0%*
2017	5.0%	*3.0%*	6.7%	*3.8%*	7.6%	*4.1%*	8.6%	*4.2%*	10.1%	*4.4%*	12.4%	*4.8%*
2018	-2.3%	*4.5%*	-2.7%	*5.8%*	-3.1%	*7.0%*	-3.5%	*8.1%*	-4.2%	*9.7%*	-4.6%	*10.4%*
2019	9.7%	*3.6%*	11.3%	*4.6%*	12.3%	*5.6%*	13.4%	*6.4%*	14.8%	*7.6%*	15.5%	*8.1%*
2020	1.9%	*11.6%*	1.9%	*13.4%*	3.2%	*14.9%*	4.7%	*16.4%*	6.4%	*18.5%*	9.8%	*18.4%*
2021	7.0%	*3.7%*	9.7%	*4.4%*	12.0%	*5.1%*	14.6%	*5.7%*	17.6%	*6.6%*	18.7%	*6.8%*
2022	-9.3%	*10.8%*	-10.2%	*12.1%*	-11.7%	*13.7%*	-12.7%	*15.0%*	-14.2%	*17.0%*	-14.3%	*17.2%*
2023	7.8%	*7.4%*	8.3%	*7.9%*	9.2%	*8.7%*	10.0%	*9.2%*	11.0%	*10.0%*	11.8%	*9.8%*
2024	5.5%	*4.2%*	5.8%	*4.4%*	6.1%	*4.6%*	7.0%	*4.6%*	7.5%	*5.0%*	8.4%	*5.0%*
Averages	**4.4%**	***5.9%***	**5.0%**	***7.4%***	**5.5%**	***8.4%***	**6.1%**	***9.4%***	**6.8%**	***10.6%***	**7.7%**	***11.4%***

Source: Church House

Lower risk levels have exhibited lower volatility, progressing as the risk level increases. All levels have exhibited lower volatility of returns than the FTSE 100 Total Return Index over this sixteen-year period, while the return has been matched at lower levels of volatility.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
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Assessing the Effectiveness of our Policies and Strategy in Serving our Clients' Best Interests

We assess the effectiveness of our policies in serving our clients' best interests at multiple levels starting with **individual clients** and progressing through to the **overall risk level strategy.**

We **report to all our clients on a quarterly basis** with each report being accompanied by our **Quarterly Review**. This Quarterly Review (which has been published since 2001) sets out what we have been doing and shows the underlying holdings in our funds. For examples, please refer to our Quarterly Reviews.

At the outset of the business, we separated our individual roles between those who interact directly with our clients and those who manage the investment portfolios. We remain of the view that these are separate roles and that this division allows for the best outcomes for our clients.

We **encourage regular contact with each client's known contact at Church House**, particularly regarding any change in circumstances, and we hold face-to-face meetings at least once each year. This provides the means to ensure that we are still acting in accordance with their wishes and meeting their requirements.

Each one of the **Church House funds has an objective and role to play** in the construction of clients' portfolios. At the individual fund level, each is tested against its own objectives each month with results being reported to the Board and senior management. The **Investment Committee** reviews the monthly and trailing annual performance of each fund (along with the resulting performance at the different levels of risk) and takes reports on activity.

The CEO and Chairman of the Investment Committee, in consultation with the other fund managers, work closely to formulate **day-to-day strategy** in response to the unfolding economic and market background and to identify potential risks and opportunities. This allows for a swift response to events. This is then discussed at depth in the monthly Investment Committee.

We are confident that we have the systems and controls in place to assess and monitor the effectiveness of our policies and thereby serve our clients' best interests.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
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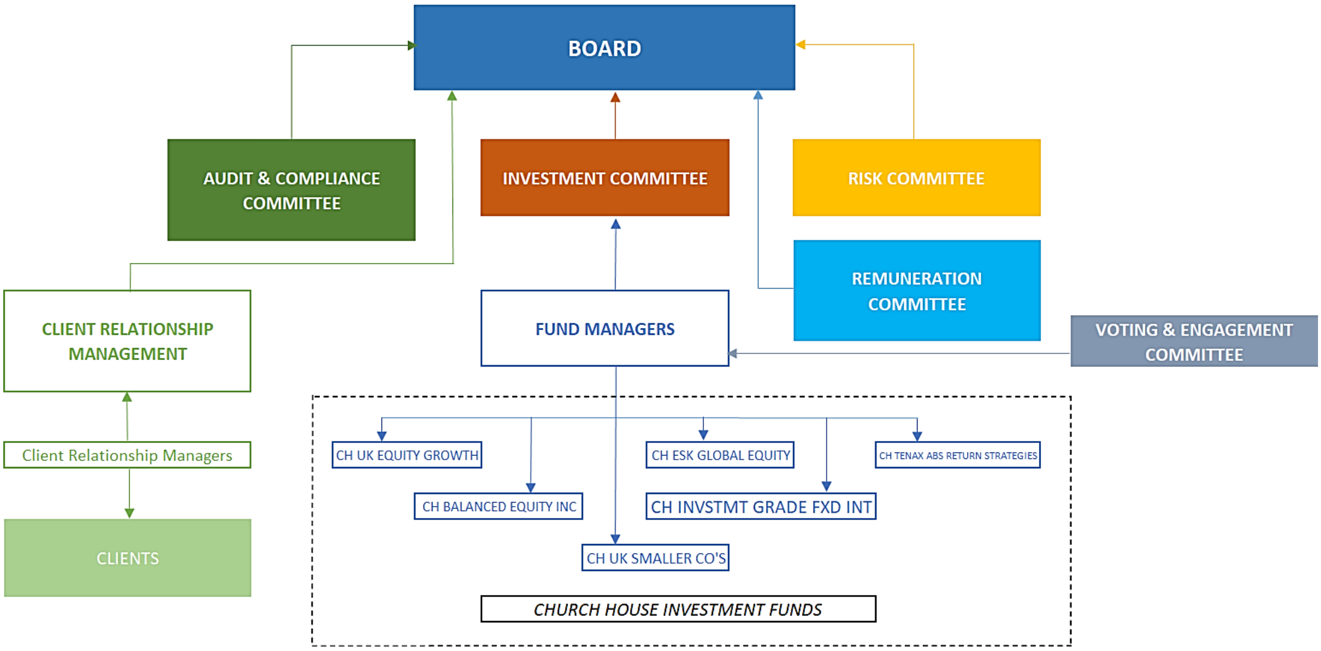
2. Governance, Resources and Incentives

GOVERNANCE STRUCTURES

Church House Investment Management is a privately owned business established to manage investments on behalf of private individuals, financial advisors and wealth managers. Church House (the Business) has a clear governance structure (see table below) that encourages individual accountability for investment and stewardship decisions at the **fund manager level**, whilst at the same time maintaining clear oversight at the **Investment Committee** and **Board level**.

Church House Board & Committees:



There are nine members of the investment team at Church House: four fund managers, two analysts and three portfolio managers.

Fund Managers – Individual Accountability

Fund managers are responsible for the day-to-day running of their given funds and all investment decisions made. This involves maintaining up to date coverage of businesses invested in, including stewardship and responsible investment considerations. Fund managers are supported by the two analysts, with one of these analysts having an ESG focus.

Voting and Engagement Committee – Improved Governance Structure

Within the investment team, there is also a *Voting and Engagement Committee* with the specific aim to provide more structure to our activities here. This committee is led by our ESG analyst, who monitors upcoming AGMs, EGMs and other events where we have the opportunity to vote on resolutions published by investee companies. During peak AGM season the Voting and Engagement Committee convenes weekly

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
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to discuss upcoming voting and to delegate responsibility for analysing newly published statements. The committee ensures we continue to challenge, where necessary, through our voting processes and greater engagement across the investment team. We continued to promote active engagement with investee companies within our governance structures throughout 2024.

Investment Committee – CIO and Peer Oversight

All investment staff report to the **Investment Committee** (IC), which meets on a monthly basis. The IC review activity of the fund managers and is made up of all investment staff. The IC acts as a forum to discuss current issues and views on the macro-economic outlook and investee companies, in addition to reviewing fund limits, performance and volatility. In the IC, investment activity within the funds over the month is discussed, reviewing any engagement with investee companies, particularly any governance issues discussed with management.

Stock Committee – Peer Discussions and Idea Reflection

The stock committee is a focussed sub-committee of the Investment Committee, formed in 2024 which meets once a month to discuss equity ideas. Any notable events in the equity world, impacting stocks that we are directly or indirectly exposed to, are flagged via a Teams group for discussion in the committee meeting. The Stock Committee is led by our UK equity fund manager, Rory Campbell-Lamerton, who has 12+ years of investment experience.

The Board and Church House Ownership – Encouraging Long-Term Stewardship

Above the Investment Committee is the Board, made up of four executive directors and three non-executives directors. The two CIOs both sit on the IC and Board. This provides direct crossover between the two groups, helping to align Church House's investment activities and stewardship with the Company's leadership.

Church House is majority owned by directors, employees and the Cayzer Trust. This is a long-term shareholder base that has seen little material change since the management buy-out over a decade ago. As both owners and directors, the Board looks to take a long-term view on business decisions and to promote Church House as a responsible and diligent investor of our clients' savings. It is the responsibility of the Board to highlight any concerns regarding stewardship and, in such an event, this view will be communicated to the investment team via the CIOs.

Resourcing – experience, seniority, service providers and analysis

The investment team are given extensive resources in order to support their investment responsibilities. We take a collegiate approach, meaning that all investment staff have oversight of all activity within our funds and are encouraged to take an active role in engaging with decisions made beyond their specific fund or mandate. For example, if an equity manager is voting on a business where we are both equity and debt holders, (e.g. Berkeley Group), they will also discuss the matter with the fixed interest manager. This means that there is a great deal of support within the team, from younger analysts, to fund managers, to the more experienced CIOs.

Individuals are supported in their due diligence of investee companies by the wider investment team internally, via external research purchased from brokers and from access to information platforms such as Bloomberg and Quest. Meetings with companies are facilitated both by brokers and via direct contact with companies. For example, during 2024 the investment team took part in over 190 meetings with companies, both businesses that we are shareholders in and ones that we are not. We joined calls with every company that our Church House UK Equity Growth Fund (CHUK) and Church House UK Smaller Companies (CHSC) are invested in and had one-to-one meetings with the majority of these companies. We believe that corporate engagement is a real strength of our investment process and have been shareholders of many of our portfolio companies for many years. In addition, in 2024 we launched a new global equity fund, the Church House Human Capital Fund. We met with every company prior to initiating a position, to ensure that the company has the right cultural fit.

Training and qualifications

All members of the investment team are required to be professionally qualified, or to be in the process of obtaining relevant qualifications. Our team members come with a wide variety of previous experience in financial markets, led by our joint CIOs, Jeremy Wharton and James Mahon who have a combined 80+ years of market experience. In 2024 James Mahon also embarked on a new role as Chairman of the Investment Committee. We believe that we have a good blend of experience and youth in the investment team.

In 2024, two members of the Investment team passed their CFA Level 1 exam, and one member passed their PCIAM exam. In addition, three members of the private client team passed Level 4 CISI exams. These successes demonstrate Church House's ongoing support and encouragement for employees to improve their knowledge and professional qualifications.

Church House's Training & Competence Policy requires all investment staff to be assessed as competent in accordance with Church House's standards, our business model and the regulatory requirements. This includes maintaining ongoing training and development within their field of expertise, including covering ESG matters as part of their annual CPD requirements. Our Training and Competence Framework focuses on developing the individual within their field of expertise through relevant training and support. With the introduction of the FCA's Consumer Duty, the company implemented a further range of developmental training to ensure we continue to meet the needs of consumers and avoid any harm. This included a focus on the products and services we offer, reviewing their value to consumers and the information and disclosures provided to enable customers to make informed decisions. It has resulted in greater product literature aimed at customers and a better understanding within all departments of how we continue to deliver value to our clients. We continue to believe that by investing in the development of skills of our team, we make Church House an employer of choice.

For more information on the individuals mentioned and their qualifications, please visit our website.

Incentives

Individual remuneration is not focused upon investment performance or specific sustainability goals at Church House and has never been. The remuneration committee encourages the investment team to focus on long-term goals for the funds and wider business, of which governance is a key consideration. Fund managers and analysts are encouraged to take an active role in engaging with companies and sharing their conclusions with the wider investment team. The results of this can be seen in the increasing number of company meetings taken by the investment team over recent years and the fact that team members have been proactive in seeking opportunities to build upon our existing activity in challenging company's governance.

Outcome Reporting

We believe that we are continuing to make positive progress in improving our governance structures during 2024 so as to resource and incentivise responsible and long-term stewardship on behalf of our clients. In 2021 we created the ***Voting and Engagement Committee***, which has been a positive and proactive move. It has added improved structure to our monitoring of investee companies and promoted much discussion around investee company governance and, generally, the quality of company management.

In 2024 we formed a new committee, the **Stock Committee**, a focused and intimate committee consisting of 5 members of the investment team (including three fund managers). The committee is led by our UK equity fund manager, Rory Campbell-Lamerton. Below are the Terms of Reference of the Stock Committee:

1. Purpose

   i. The Stock Committee is a sub-committee of the Church House Investment Committee.
   ii. The Stock Committee is responsible for the discussion, amongst CH market participants, of equities within the Church House funds and private client portfolios and services.
   iii. To provide an open and honest forum for individual Fund Managers and Client Directors to discuss existing holdings and potential trade ideas.
   iv. To discuss of current state of market across sectors and geographies.
   v. Keep up to date on recent and upcoming company results and reporting. Monitor and maintain investment universe

2. Membership

   i. Members are appointed by the Chairman, Rory Campbell-Lamerton.
   ii. The minimum membership for the committee is three.
   iii. Additional members are appointed at the discretion of the Chairman and Chief Investment Officer.
   iv. Members of the team are expected to attend all meetings or provide adequate notice of their inability to attend.

3. Meetings

   i. The group will meet at least ten times a year.
   ii. Invitations to add agenda items will be circulated prior to meetings.
   iii. All committee members need to be available for the meetings to be held.
   iv. Within two weeks of the meeting, a member of the panel will circulate minutes, including actions and decisions. Minutes to be sent to Chairman of the Investment Committee and CIO.
   v. A meeting must include at least three members to constitute a quorum.

4. Responsibilities

4.1 Management

   i. Maintenance of an up-to-date investment universe across fund sectors.
   ii. Maintenance and circulation of upcoming major company results and reporting of existing and potential holdings.

4.2 Reporting

   iii. The Committee will report directly to the Chair of the Investment Committee and the Chief Investment Officer.
   iv. If warranted discussion will be raised at the Investment Committee Meeting.

RCL/Nov 2024

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
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In our 2023 report, we stated that in 2024 we would like to monitor minimum shareholding requirements for CEOs. This is something that we have successfully achieved with the launch of our new fund, the Church House Human Capital Fund. Management ownership and share based reward schemes are two key metrics we look for in our screening process for new companies. In addition, if we notice a substantial decrease in management shareholding, we will contact the company for an explanation.

In 2025 we are looking to further build on the progress made in 2024, specifically looking into certain business standards and practices that we might be able to encourage across all investee companies. For example, the percentage of equity that a management team can issue without requiring pre-emption rights is a matter that we feel this might work for. We are mindful that we do not want to be too broad-brush here and want to pay attention to individual company circumstances as much as possible, however we also wish to be consistent in our approach and to avoid double-standards.

Voting on international companies (ex-UK) is also an area that we are looking to improve upon. The reporting standards of international businesses is not always as high as in the UK so we, as investors, have less transparency when it comes to voting. It may be that increased engagement with knowledgeable third parties on such matters would improve our processes.

3. Management of Conflicts of Interest

Church House Investments' Policy on Managing Conflicts of Interest is continually reviewed on an annual basis. The most recent policy can be seen here: Conflicts of Interest Policy Mar 2024.pdf.

The regulatory obligation to ensure no investor suffers from the impact of **conflicts of interest** extends throughout all activity that Church House performs, using careful management and full disclosure. Church House takes all reasonable steps to identify and manage conflicts and potential conflicts of interest between it and anyone associated with the Company and its clients, and between one client of the Company and another client. The Company maintains a policy of managing conflicts of interest which is reviewed at least annually and will take all reasonable steps to manage its affairs to minimise the likelihood of conflict.

Church House does not operate a trading book for itself nor invests in assets on its own account. Fund managers may conduct personal dealing, but this is within the confines of the FCA Conduct of Business rules and internal compliance approval. This ensures that no investment within our funds or client portfolios are ever conflicted with the personal holdings of Church House employees nor the Company itself. Any personal account dealing requires approval from both Senior Management and Compliance to ensure there are no conflicts.

Identifying Conflicts of Interest

In identifying conflicts Church House takes into account whether it or anyone associated with the Company either directly or indirectly is:

a) likely to make a financial gain or avoid a financial loss, at the expense of the Client;
b) has an interest in the outcome of a service provided to the Client or of a transaction carried out on behalf of the Client, which is distinct from the Client's interest in that outcome;
c) has a financial or other incentive to favour the interest of another Client or group of Clients over the interest of the Client;
d) receives or will receive from a person other than the Client an inducement in relation to a service provided to the Client, in the form of monies, goods or services, other than the standard fee for that service.

Managing Conflicts of Interest

Escalation

If there is any doubt as to the identification of a conflict of interest, such doubt must be escalated to Senior Managers and Compliance. Church House Investments has a total staff of forty-five, which includes three non-executive directors. Twenty-four are 'front line' staff, with very few personnel changes over the past few years, facilitating knowledge and oversight of any issues or potential issues. The Compliance Officer has an auditing function overseeing the efficient operation of the process and will report to the Board via the Compliance Report. A committee of the non-executive directors is the final arbiter of controversial matters that cannot otherwise be resolved.

Inside Information

Church House prefers not to be made an insider in relation to any potential transaction and will usually refuse such requests. Occasionally, we might agree to be brought inside if we consider that it is likely to assist in discussions with the activity of investee companies. In this case, the name of the company involved is disclosed to Compliance and a blanket ban is imposed on any dealings in securities of that company until such information is publicly available.

More broadly, any confidential information obtained through discussions with investee companies, especially if market-sensitive, is stored securely and only reported internally to Compliance in accordance with inside information and conflict of interest policies. This ensures no investment activity, as outlined above.

Actual & Potential Conflicts of Interest

Example 1

As part of the client take-on process we are careful to identify and manage any potential conflicts of interest that clients may have as a result of the service we are proposing for them. In the past 12 months, as we have had in previous years, we have had cases where clients have asked what property/ commodity companies we hold, due to their work in M&A/ Accountancy/ Management Consultancy. Of course, they cannot tell us which deals/clients they are working on, without becoming an insider, and we do not ask. Crucially, the intention to open a portfolio at Church House has to be cleared with their respective compliance departments. It is usual to provide them with confirmation that their portfolio(s) will be managed 100% in collective investments (no direct holdings) and under a discretionary investment management agreement for them to pass on - this is usually sufficient. By confirming the client has no influence on the discretionary mandates and that no single stocks are held, some companies do require confirmation of trades (contract notes). For others we send on contact notes following trades.

Example 2

The Conflicts of Interest Policy was updated in 2023 to ban employees acting as a trustee or attorney for a client. Over this time, employees have stepped down from these roles. Acting as an attorney may be permissible in a few limited circumstances, in which case specific permission will be required from the Managing Director and Compliance.

Example 3

We have a Trust where the Trustees have to periodically review the life tenants income. The Trust deed states that the life tenant is only entitled to the income, not the capital. Whilst we can always tweak the yield on a portfolio to increase income, we have to provide the Trustees once again with sustainable long term portfolio options to help inform their decision. Their endeavour is to ensure neither the income nor the ultimate capital beneficiaries of the Trust are being materially disadvantaged by a change of decision.

4. Market-wide and Systematic Risks

Market-wide and systemic risks should be appreciated in the most relevant ways to a practitioner, such as Church House, but also in the wider context of globally interconnected entities. All of the Stewardship Principles we are addressing in this document are important and an understanding of Principle number 4 is crucial as, without it, practitioners are exposing their investors to underappreciated risks.

To Church House, as a private client focused firm, the concept of **Stewardship of assets is key** as individuals entrust us directly not only with the investment of their assets but also their safe holding (i.e. custodianship), suitability of chosen investments, asset classes and ultimately a **thorough understanding of any underlying risks associated with those investments.** We communicate regularly with our clients, whether ad-hoc or via our Quarterly Review, to ensure that our private clients (and other investors directly into our funds) are aware of our actions and commitment to the suitability of assets for investment.

Our CEO and our Chairman of the Investment Committee have **lengthy experience** in the evolution of the financial system, one having been a Member of the London Stock Exchange (working on the floor of the old exchange) and the other having started at Big Bang in 1986 and remaining in over-the-counter (OTC) markets ever since. Between the two of them, having seen this evolution, there is a deep understanding of the risks of both on and off-exchange dealing and market-wide risk. They strive to ensure that their knowledge and experience is passed on to the other employees of Church House through the Investment Committee and regular meetings with 'client facing' teams. We also brief and engage with members of other firms through fund updates, webinars, seminars, trade bodies and other channels of communication. Their experience has encompassed many instances and periods of intense market stress, systemic, economic, geo-political et al.

Market-wide & Systemic Risks- process for identification

Risk Committee

Church House separates its approach to market-wide and systemic risks into **economic and market risks**, which are the subject of day-to-day management by the Chief Investment Officers, and **broader risks facing the business**, including financial, regulatory, and personnel risks. Therefore, separate to the investment management side of the business, we have a **Risk Committee.**

We have a broad **Risk Management Policy** that is approved by the Board, setting out the purpose and scope of the Policy:

> *The purpose of the risk management policy is to provide guidance regarding the management of risk to support the achievement of corporate objectives, protect clients, staff and business assets and ensure financial sustainability. The policy applies to all Church House Investments Ltd activities. It forms part of CHI governance framework and applies to all employees.*

The Risk Management Policy sets out a hierarchy of Risk Governance, commencing with the Board of Directors, down to the individual staff level. It also establishes the **Risk Committee**, which oversees the regular review of risk management activities. The Risk Management Policy document itself is proprietary information.

The Risk Committee comprises the Chairman and two non-executive directors along with the Managing Director (Head of Operations), the Head of Compliance and the Company Secretary. Broadly, but not exclusively, they consider risks in the following areas:

Compliance Risk
Private Client Risk
Investment Management Risk
Third Party Risks
Fund Management Risk
Finance Risk
Operations Risk
Third Party & Project Risks
Risk's Risk (i.e. the risk of missing an area of risk)
Information Technology Risk
Management Risk

We maintain a **Risk Register**, which rates individual risks that have been identified at any one time and scores them. The highest rated of these is drawn to the attention of the Risk Committee for consideration and proposing/questioning, as well as testing of mitigation.

Day-to-day discussions, the Investment Committee and the Stock Committee

Identifying and being proactive in mitigating market-wide and systematic risks is at the heart of our risk management process. While our approach to **investment is bottom-up**, focusing primarily on the individual companies that we invest in, we realise that there are **wider macro issues** that need to be monitored, should they pose a risk to any of our positions or asset allocation. The Chairman of the Investment Committee and CEO, James Mahon and Jeremy Wharton respectively, in consultation with the other fund managers, work closely to formulate day-to-day strategy in response to the unfolding economic and market background and to identify potential risks and opportunities. This allows for a swift response to events. This is then discussed in depth at the **monthly Investment Committee (IC)**.

At our Investment Committee meetings, we begin by reviewing fund limits and best execution, before James Mahon and Jeremy Wharton, alongside the other fund managers, present their Macro & Micro-Economic Review. In 2024, James Mahon became Chairman of the Investment Committee and updated the agenda to provide more of a focus on investment performance (IC agenda from December 2024 shown overleaf):

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
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INVESTMENT COMMITTEE MEETING AGENDA

5th December 2024

50 Grosvenor Street, London

1. Review last meeting's minutes.
2. November market review and economic outlook
3. Fund activity and performance:
    a. CHUK
    b. Esk
    c. Tenax
    d. CHHC
    e. Other notable changes
4. Bespoke Portfolio activity and performance
5. Risk Level activity and performance
6. Investment Trusts, Activity and Review
7. ESG & Stewardship

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8. Monthly Reviews:
    a. Fund limits, regulatory and guidance
    b. Fund volatility and Risk Level portfolio volatility
    c. Best execution
9. Fund Administration
10. Other Governance Matters
11. Any Other Business

During point 2. *Market review and economic outlook,* James Mahon and Jeremy Wharton lead discussion of current macro topics that are, in turn, debated by the wider Committee. James Mahon, Co-CIO, will present from an equity viewpoint, while Jeremy Wharton (who manages our fixed interest fund and wider bond exposure across the Firm) will focus on developments in credit markets.

As an illustration of this, here are the minutes from the *Macro & Micro-Economic review* at the December 2024 Investment Committee meeting, which provide a summary of the topics discussed:

2. November market review and economic outlook
- Ukraine war discussed.
- Trump, his cabinet, and US growth discussed.
- French politics and the impact on the bond market discussed.
- Chinese wealth discussed.
- UK politics, rates, and state of the economy discussed.
- UK housing debated.

As can be seen from these minutes, specific macro issues relevant to the time are raised and discussed from a risk perspective. Where it is deemed that a macro theme poses material risk to our investment process and exposures within our funds, these will be flagged to the fund managers who sit on the Committee and are responsible for acting upon this. The co-CIOs will also be responsible for reporting any material issues flagged to the Board as well as what action is being taken.

Our newly established Stock Committee focuses on recent company results and focuses in on new stock ideas and existing stock weaknesses. The committee also choses a specific sector each month to discuss. Below is an example of the Stock Committee agenda from December 2024.

Church House Investment Management

STOCK COMMITTEE MEETING AGENDA

4th December 2024

49 Grosvenor Street, London

1. Committee format discussion.
2. Stock Discussions
   a. Recent company results
   b. Novo Nordisk
   c. CHSC Stock ideas
      i. BREE, NCC, ELM, SMWH, POLN, JDW
   d. UK Financials
3. Attribution Analysis
   a. Esk
4. Asset and Sector Allocations
5. Other portfolio activity and performance
6. Any Other Business

Examples of Risks identified

Here are some examples of market-wide and systemic risks identified during 2024, our action taken to mitigate this risk and a brief review of how effective our processes were:

Fixed Interest

Here are some examples of market-wide and systemic risks identified during 2024, our action taken to mitigate this risk and a brief review of how effective our processes were:

Will they or won't they (cut rates)? was the question asked at the end of 2023 and the beginning of 2024. It became clear that the interest rate cycle had peaked but the risk to markets was whether Central Banks had achieved their goals of taming inflation without inducing a recession. Government bond markets rallied strongly until it became clear that inflation was sticky and that rates weren't coming down as fast as had been anticipated. Data watching became ever more important and the associated volatility led us to keeping low duration levels amongst our fixed income holdings. This is an example of CH's awareness of market risk and the avoidance of losses which we maintain is good stewardship of our clients and investors assets.

In January 2024 we sold our Thames Water 4% 2025 to buy their new longer dated 7.75% 2044 for our Investment Grade Fixed Interest Fund. We concluded that such a 7.75% coupon was high enough to compensate us for the risk of investing a little bit longer than we normally might and it was rated BBB which is two notches above the rating level where we'd have to sell. Here at Church House we only hold bonds with a rating of BBB- or higher in our Investment Grade Fixed Interest fund and if anything is downgraded to below this level they have to be sold. We always attempt to identify these risks in advance to avoid any price fall out when a bond is downgraded to sub investment grade and as a result pay particular attention to any holdings on credit watch negative. Within a few days of issue, the Thames 7.75% bond was put on downgrade watch by the rating agency Standard & Poor's and there was talk of funding issues within Thames and even possible nationalisation. It seemed inconceivable that Thames Water wouldn't be money good. At the end of March we took the decision to sell the bonds, fortunately at a small profit, and in April they were downgraded from BBB to BBB- and by the end of July they were sub Investment Grade. The bonds are currently trading in the 70s and are rated CCC which is considered junk.

There was concern that there may be funding issues across the water and utility sector but whilst we did see credit spread widening, the Thames Water story did stay localised and did not spill over into other names in the sector. This was an example of how we aim to identify and respond to the issues before they happen.

Geopolitical Risk and Rule of Law

In our 2022 and 2023 Stewardship Reports we discussed geopolitical risk and Rule of Law at length. This was against the backdrop of Putin's invasion of Ukraine on 24th February 2022, which became a defining moment for geopolitics and looks to have marked the end of the period of globalisation that we witnessed in the late twentieth and early-21st centuries.

One the one hand, we took comfort from our insistence on **Rule of Law**:

> *"At Church House we have always invested in regions where the '**Rule of Law'** applied. This means that all of our direct investments are in businesses that are domiciled, incorporated and listed in developed markets, predominantly the UK, EU, North America, Switzerland and Scandinavia. We believe that this protects our clients' assets against the risk of nationalisation and the worst of government interference."*

On the other hand, we noted the need to remain vigilant on **Chinese risk**:

> *"What did come out of our discussions at the Investment Committee, and at the fund manager level, was the need to take a keener interest in the Chinese exposure that our investments had, both in terms of earnings and manufacturing operations. Short-term, businesses with China exposure were already hurting due to ongoing harsh lockdowns and 'Zero COVID' policies, but longer-term our worry was that doing business in China would be getting more difficult and the risk of government intervention was higher."*

We discussed China risk in relation to our investments in **InterContinental Hotels Group (IHG)** and **Halma**. We also explained our sale of **Genus**, a UK-listed business that sells animal genetics, specifically used by farmers of pigs and cows, on the back of its Chinese exposure. We said:

Genus

Genus has a notably larger exposure to China than most businesses because China is the biggest global market for pork. We had been monitoring Genus's performance in China closely as we felt that they were at risk here, being a UK business operating in the territory against the backdrop of increasing macro tensions and, more specifically, the ongoing headwind of African Swine Fever in the Chinese pig population.
In May 2023 Genus released a trading update that highlighted:
*"**Since December 2022 the Chinese porcine market has been weak**, reflecting high supply of slaughter pigs following widespread African Swine Fever ('ASF'). Expectations of a recovery in the market grew during February 2023, when the pig price rose from a low of 14.1 RMB/kg to 15.9 RMB/kg on 2 March. However, since then the pig price has fallen back below 15 RMB/kg and is currently 14.3 RMB/kg, with continued widespread ASF outbreaks and subdued demand. At these prices, producers are unprofitable, and many are not replacing and rebuilding their sow herds at the current time. Due to the volatile porcine market PIC China's **trading has been weaker than the first half of the fiscal year**, achieving lower revenues, with operating profit also impacted by costs associated with the clearance of inventory at two PIC farms that were infected by ASF in the period …*
… Due to the challenging porcine market conditions in China, we now expect PIC China to be modestly loss making in the second half of the year"

On the back of this announcement and our own further research we sold our entire Genus position in July 2023. Shares have since fallen by a further 50% and are currently trading at five year lows. We will not be reconsidering investing in Genus for the time being.

Luxury Goods

One area of the market that we invest in for our equity funds is Luxury Goods. It has become increasingly apparent that these industries are seeing headwinds from lower Chinese consumer spending both in China and abroad. To highlight two positions that we owned for our Esk Global Equity Fund during 2024:

LVMH

The largest luxury goods group saw shares down 13.4% over 2024. Asia (excluding Japan) makes up 27% of group revenue, the majority of which is China, and when revenue in other regions from travelling Chinese consumers is included, one can see that LVMH has material exposure to China. We reviewed the risk and concluded that while this is clearly a risk to short-term results for LVMH, we still view the business and being of the highest quality. We concluded that we would continue to hold our position in LVMH, while being careful to demand a wide margin of safety before adding in the share price weakness. As it happened, we did not see this materialise and did not add to our LVHM during 2024.

Remy Cointreau

We sold our relatively small position in **Remy Cointreau** after a short and turbulent time as investors in the cognac producer. We felt that Remy's heavy reliance on Chinese luxury spend was problematic given China's economic woes and the China's announcement of new tariffs on the import of EU alcohol into the country compounded the issue. Relative to LVMH we felt that Remy was a less diversified business with fewer growth opportunities beyond China.

UK Budget and the AIM Market

As direct investors in UK-listed businesses across the market cap spectrum, we began 2024 with holdings listed on the AIM market for both our Church House UK Equity Growth (CHUK) and our Church House UK Smaller Companies (CHSC) funds. With a new Labour Government coming to power in July 2024, the new Chancellor, Rachel Reeves, made it clear from the outset that she was looking to make fiscal changes to increase Government income and there was much conjecture surrounding potential changes to inheritance tax benefits for investors in the AIM market. This had the potential to cause significant harm to the AIM market and, in doing so, create forced sellers of AIM assets.

Our exposure in 2024 across our two UK funds was as follows:

CH UK Equity Growth		
	Jan-24	**Dec-24**
AIM Weighting	6.4%	3.2%
AIM Holdings	3x	1x

CH UK Smaller Companies		
	Jan-24	**Dec-24**
AIM Weighting	26.6%	21.3%
AIM Holdings	8x	8x

For CHUK, we began the year with a 6.4% exposure across three holdings. Given that CHUK predominantly invests in larger-cap businesses, we took the decision that this AIM-risk through directly held equities was something that we wanted to minimise and so we took the decision to sell all but one of our AIM investments. The stock that we held onto (Judges Scientific) we felt was of the highest quality and so we were happy to maintain the position.

For CHSC, we had a notably larger AIM exposure. On review, we concluded that to exit these positions would be detrimental to the Fund and our unit holders – these were eight strong businesses that we had conviction in to deliver good long-term return to shareholders despite potential changes to the AIM market. Furthermore, we felt that the AIM-risk was already discounted in the depressed multiples that these businesses were trading on and that this was a sufficient margin of safety.

As it happens, Rachael Reeves's long-awaited budget was not nearly as bad as feared for the AIM market and we saw some recovery in share prices on the day of the announcement. Sadly, this was short-lived, and the AIM market remains out of favour. We will continue to monitor this risk and act if we see fit.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

Collaborating with Other Stakeholders to Promote Continued Improvement in the Functioning of Financial Markets

Example – Fund & Market Outlook Presentations

Our Fund Managers regularly participate in industry events and fund presentations, where prevalent market risks across many asset classes are discussed directly with market participants and clients. During these events, we convey our investment beliefs, strategy and potential change in fund stance, as a result of market conditions.

During fund and market outlook presentations, the **fund managers communicate to participants recent portfolio activity, as well as** their views on the market, multiple asset classes, changes in policy and resulting implications. During these meetings, we **encourage participation and questions**, which allow the fund managers and attendants to share their insights and challenge each other. We believe this collaboration **promotes the healthy functioning of financial markets**, via the sharing of expertise and experience of our fund managers.

Example –Market Commentary publications

Further to this, extracts for our multi-asset market commentary can be seen below. We publish monthly to inform clients and market participants of unfolding events in the current market environment and consequent changes in stance in the fund. Market commentary, changes in fund positioning and portfolio activity are also published for the majority of all our funds.

Fixed income market commentary, November 2024:

Geopolitics still to the fore as the Ukrainian war escalated, outgoing President Biden sanctioning the firing of US supplied long range missiles into Russia.

All polls, commentators and most betting odds were completely wrong about the US election as incoming President Trump gained a clear majority and a clean sweep, handing him a license to do pretty much what he feels like. His subsequent cabinet appointments show that he has lost none of his ability to surprise and amaze. The 'Tariff man' also lost no time in announcing potential levies on US imports, starting at 10% , 60% on China and up to 100% (?) on neighbouring Mexico. This offers the prospect of a much bigger global trade war than his last effort and can only weigh on global growth prospects.

The Fed (a bunch of 'boneheads' according to Trump) cut 25bp two days after the election result and its Chairman fought back against speculation that he would be sacked, saying he would not step down if asked and it is 'not permitted under the law' for the White House to force him to do so. Trumps economic policies are potentially inflationary and the Fed reiterated it is in no hurry to cut further than another potential 25bp in December. The appointment of Bessent as Treasury secretary is seen as pro growth and it looks as though the US stock market rally still has legs.

The Eurozone has rather different prospects and remains in the doldrums, not helped by the collapse of the German government coalition. France also remains in political limbo and OATS have reflected this, the yield gap between bunds at its widest since the eurozone debt crisis. Spain is well inside them and Greece looks to be heading that way. PMI's remain uncomfortable reading for the core economies, so further rate cuts are anticipated.

Our new UK government lurches from one difficult situation to another. The long awaited budget was predictably brutal, especially for employers (Tesco's bill being estimated at £1bn), but falls far short of funding Labours plans so the Gilt market will have to take more of the burden. The funding plans for 2024/25 are now close to £300bn and a fair chunk will be coming from the long end, hence we saw the 30 year Gilt trade at over 5%, a level not seen since the 'mini budget', the move from mid Septembers level of 4.30% has involved more than a 10% price loss. A recent move back materially above 2% in inflation limits the Bank's room for manoeuvre and potentially takes any December cut off the table.

Amongst all this the primary market for corporate debt carries on with high demand and narrow new issue premiums. Credit spreads remain resilient, we have seen a little leak wider but any move appears to be met with sustained buying.

Further examples of market and fund commentary can be found here.

Engagement with Market Participants and Stakeholders & Supporting Industry Initiatives

We are members of industry bodies, such as **PIMFA** (since May 2019) and support the work by the **FRC,** via our signatory status to the UK Stewardship Code. Further, we are a contributing member to **Managed Portfolio Indices (MPI)**, a platform available to **STEP** members to assist them with their investment related activities, where we provide our fund data each month for comparison versus industry peers.

Participating In Collaborative Initiatives:

Synthetic OCFs

2024 saw a continuation of our collaborative work on **PRIIPs and UK Retail Disclosure** with a large and expanding group of investment managers and, latterly, brokers. Initially the group was discussing appropriate responses to HM Treasury's consultation paper on the topic, though actual submissions to the Treasury were confidential to each firm.

The email chain on this topic with the principal group runs to around 15 over the course of the year though there have been many others with interested parties. Towards the end of the year we were all focused on an appropriate response to the Treasury after their response to the consultation(!). Ultimately it was agreed that this would be best coming under the auspices of the London Stock Exchange (and their lawyers). Accordingly, we co-signed the submission from the London Stock Exchange, which, by the closing date included:

32	Investment Firms (incl. Church House)
86	Listed Investment Companies
27	Asset Managers
15	Investment Banks and Corporate Advisors
8	Law Firms
4	Research Firms

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
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23	Members of the House of Lords
105	Further signatories from the investment world
23	Late signatories across most categories

Throughout 2023, Baroness Altmann progressed her Alternative Investment Fund Designation Bill. She wrote a letter to The Times in support of the Bill, which James Mahon, Chairman of the Investment Committee, co-signed for Church House.

This has continued into 2024; because of this lobbying, on the 19 September 2024, HM Treasury and the FCA announced the temporary exemption of investment companies from the current cost disclosure regime.

This has continued into 2025 - The FCA has just closed its consultation round on ‘A new product information framework for Consumer Composite Investments’ (CCI). The FCA has proposed that Closed End Funds will be within the CCI regime, something we fundamentally disagree with given they are listed companies and not products. We are signatories to a joint submission (458 in total) that included the CEOs of the some of the largest asset managers in the country, retail investors, lawyers, academics, parliamentarians and hundreds of professional investors and NEDs.

Sir, For the past two years the UK’s listed investment companies have been spiralling into a deepening crisis. They have been shunned by investors and investment platforms because of EU regulation which, although it does not apply to listed investment companies in Europe, remains on the UK statute book.

Under UK interpretation, investors are told that management charges are an additional cost, which is misleading. All expenses, comprehensively and transparently expressed by investment companies, are paid by the company and are reflected in the share price.

Investors are deserting these companies, stalling their ability to raise capital, when they are perfect vehicles for long-term investment in vital public services such as healthcare, housing, energy and transport.

In the House of Lords on March 1, during the second reading of Baroness Altmann’s Alternative Investment Fund Designation Bill, peers from all sides, including Labour’s front bench, agreed that a simple change to the interpretation would bring the UK into line with the rest of the world and was urgently needed in the interest of the country. We agree.

Baroness Bowles of Berkhamsted, Baroness Altmann, Lord Davies of Brixton, John Baron MP

Evaluation of our effectiveness at responding to these market-wide and systemic risks:

In conclusion, we feel that to provide and fulfil Stewardship principles towards those clients entrusting us with their assets, a deep and thorough knowledge of the risks involved both market-wide and systemically is essential. We strive to communicate our experience widely through our regular publications and meetings, but also to listen and add to it with the knowledge and experience of others, as well as taking part in collaborative initiatives where appropriate.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
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5. Review of Policies, Procedures and their Effectiveness

Although the principles of stewardship are strongly embedded in the CH culture and, consequently, all aspects of our investment and fund management activities, we review them in a number of different ways to ensure their consistent application, effectiveness and communication. **The over-riding principle is to ensure the responsible allocation, management and oversight of capital to create long-term value for clients and investors leading to sustainable benefits for the economy, the environment and society.**

Our approach to stewardship is not something newly adopted but has been embedded throughout all our investment activity since inception in 1999. We view this as fundamental to the management of the risks to which we expose our clients' money.

Reviewing Policies

We review our internal processes regularly in order to ensure effective stewardship and acting in the best long-term interests of our clients. All policies are subject to review and approval. We have two CIOs, both of whom have over thirty years of investment experience, and who are responsible for monitoring all investment decisions. All fund managers are required to report on their portfolio activity to the Investment Committee.

Church House strives to maximise value for its clients via the careful management of its funds and underlying investments. There are a multitude of factors our fund managers take into account when considering an investment. Our active management approach promotes on-going research with investee companies. We attend company presentations, engage in one-to-one meetings with company management teams and carry out continuous research, analysis and dialogue in order not just to maintain a solid financial picture of the current and future value of stocks we hold, but also to gain insight into the values and priorities that a company attaches to ESG matters. We engage in active and constructive dialogue with many of our investee companies and vote at AGMs, EGMs and corporate actions. This is especially so if direct communication with an investee company fails to satisfy our concerns.

Review and Assurance Processes

The first level of assurance is the **Investment Committee**, which meets monthly and has a formal agenda for checking each fund's activity against its relevant risk tolerances, including any (potential) stewardship issues. Before each Investment Committee meeting, Compliance circulates a report of their checks on each fund and its compliance with regulatory and internal limits and objectives. Church House employs an **Operational Assurance Manager** whose primary role is to monitor this process, which includes monthly sample checks on market transactions to ensure best execution. The Committee also reviews the makeup of the risk scales for client portfolios and their ongoing results in terms of performance and volatility against expectations (see Principle 1 for outcome of this data).

The next level is the **Risk Committee** and **Audit Committee.** The Risk Committee is chaired by the non-executive Chair, whose terms of reference specifically include a detailed audit of all the main business risks, including the consistent application of stewardship principles. The Audit Committee is made up of the Managing Director, Head of Compliance, Head of Finance and three Non-Executive Directors. One of the primary roles of the Audit Committee is to monitor the adequacy and effectiveness of the firm's internal controls, including those relating to stewardship. The Managing Director is responsible for the implementation of internal controls. The operational and control processes are reviewed annually by our external auditors.

The top level in assuring our processes is **the Board**, to which the Risk Committee report, which includes representatives of significant external shareholders who naturally expect to see the highest levels of observance to all our published policies such as stewardship and ESG.

Church House maintain a Risk Register to highlight, manage, monitor and control its business risks. Through 2024, Church House continued to utilise the support of an external consultant to review the process of recording and communicating its key Risks. The heads of each business unit have ownership, under the leadership of the Managing Director, of the risks in their area. The top risks of each unit are presented to and reviewed by the Risk Committee and the Board regularly.

Reviewing and improving stewardship policies and processes

In maintaining effective stewardship, our **Voting and Engagement Committee** has the specific aim to provide structure to our voting activities. Regular meetings, usually weekly, take place to co-ordinate and confirm votes at AGMs, EGMs and other corporate actions in investee companies. Matters raised are discussed within the **Investment Committee and Stock Committee.**

Ensuring Reporting is Fair, Balanced and Understandable

All reporting and marketing literature is subject to scrutiny by Compliance. While the particular focus is regulatory, to ensure that all our external communications are *'fair, clear and not misleading'*, this neatly overlaps the FRC's requirement that all stewardship reporting should be *'fair, balanced and understandable'.*

Our **Quarterly Review** publications continue to ensure that our clients are kept up to date with the current economic and market background, including credit and equity market commentary, sustainability pieces and a high level of visibility and transparency into each fund's activity during the quarter. This are distributed to our existing clients.

We also **publish regular updates and insights for both professional and private client audiences.** These articles include portfolio and market commentary written by the fund managers, ESG and sustainability, personal finance commentary and news relating to the firm. The complete library can be found here.

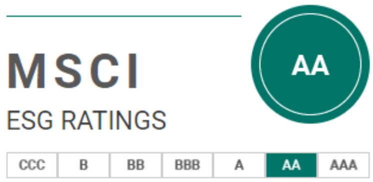
It is hoped that our publications reinforce the message that successful investment management centres around the effective management of risk and that avoiding investment in companies demonstrating unsustainable business practices such as poor governance, damaging environmental practices or weak social impact credentials is an important element of that risk.

Our funds are subject to independent assessment by **MSCI as part of their ESG Ratings service**. We do not pay for this service nor have any input into their process. However, we are pleased to see that they rate four of our funds as AA on their scale and three as A.

MSCI ESG ratings:

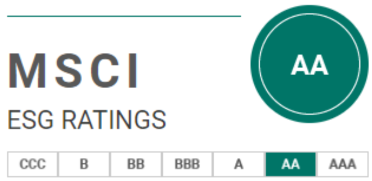
IFSL Church House Balanced Equity Income A Acc

Peer Group: Equity UK
Domicile: UK
Holdings as of: March 31, 2025
As of date: April 15, 2025



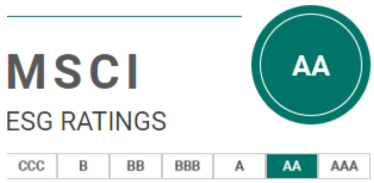
IFSL Church House Investment Grade Fxd Intr Acc

Peer Group: Bond GBP Corporates
Domicile: UK
Holdings as of: March 31, 2025
As of date: April 15, 2025



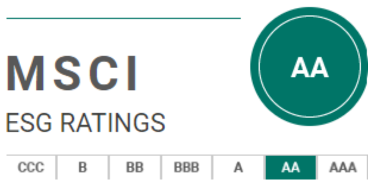
IFSL Church House UK Equity Growth A Acc

Peer Group: Equity UK
Domicile: UK
Holdings as of: March 31, 2025
As of date: April 15, 2025



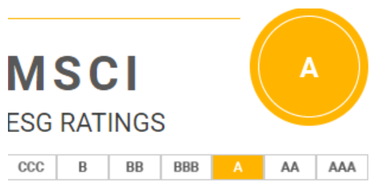
IFSL Church House Tenax Abs Rtn Strategies A Acc

Peer Group: Absolute Return GBP Low
Domicile: UK
Holdings as of: March 31, 2025
As of date: April 15, 2025



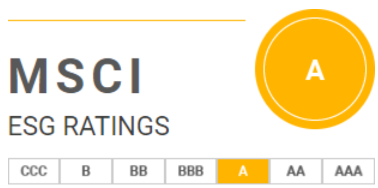
IFSL Church House Esk Global Equity A Acc

Peer Group: Equity Global
Domicile: UK
Holdings as of: March 31, 2025
As of date: April 15, 2025



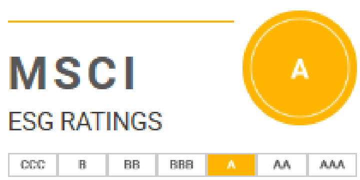
IFSL Church House UK Smaller Companies A Acc

Peer Group: Equity UK Sm&Mid Cap
Domicile: UK
Holdings as of: March 31, 2025
As of date: April 15, 2025



IFSL Church House Human Capital F Acc

Peer Group: Equity Global
Domicile: UK
Holdings as of: September 30, 2024
As of date: April 15, 2025



6. COMMUNICATION OF ACTIVITIES AND OUTCOMES OF STEWARDSHIP

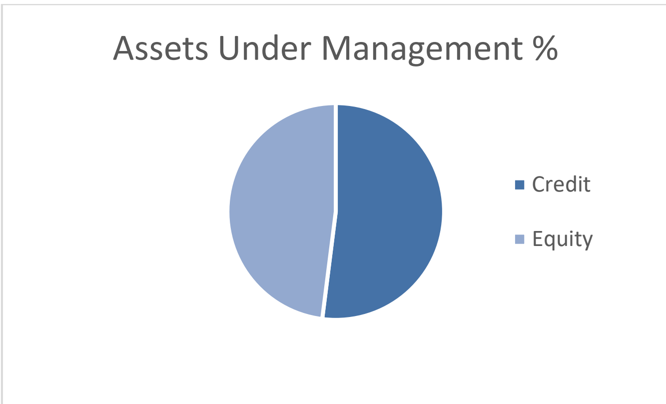
ASSETS UNDER MANAGEMENT (AUM)

As at 31st December 2024, Church House Investment Management had AUM of c.£1.48bn with the retail/institutional split being 45% versus 55%.

We define '**retail**' as our direct private clients that have signed a Discretionary Management Agreement (DMA) with us. These can include private individuals, family groups, charities and trusts. Their assets are held in General Investment Accounts (GIAs), SIPPs and ISAs.

We define '**institutional**' as third-party investors (Wealth Managers, Financial Adviser groups and Independent Financial Advisers), who purchase our funds via intermediary platforms.

Over the course of 2024, we have seen a slight increase in retail in-flows, with the retail side of the business now accounting for 45% (up from 43% in 2023). Institutional money was down owing to outflows from Church House open-ended funds.

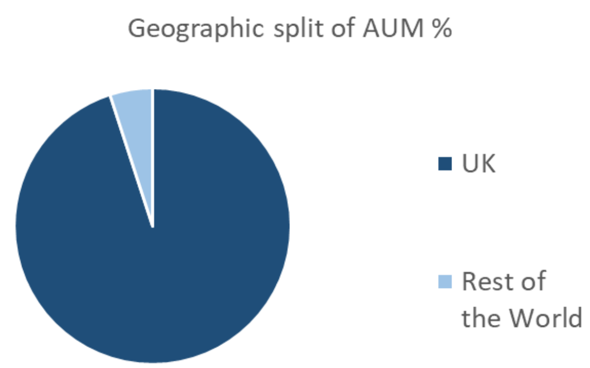


	Assets Under Management %
Retail	45%
Institutional	55%

Source: Church House Investment Management
Data as at 31st Dec 2024

GEOGRAPHIC SPLIT OF CLIENT BASE AUM

The Church House client base is overwhelmingly domiciled and resident in the UK. We have a small minority of clients abroad, having moved from the UK for both business and personal reasons. We have seen little change in the split from last year.



	Geography of AUM (clients) %
UK	94%
Rest of the World	6%

Source: Church House Investment Management
Data as at 31st Dec 2024

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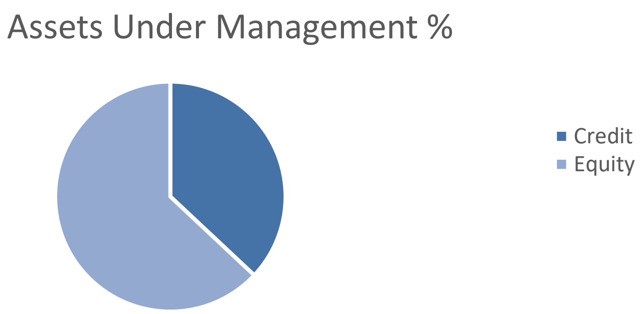
ASSET CLASS SPLIT OF AUM

The asset class split of AUM is 37% credit assets versus 63% equity assets.

Credit assets include: Treasuries, Corporate bonds, Floating Rate Notes, Convertibles and other Fixed Interest Investments.

Equity assets include: UK and International Listed Equities, Investment Companies and Real Estate Investment Trusts (REITs).



	Asset Class Split of AUM %
Credit	37%
Equity	63%

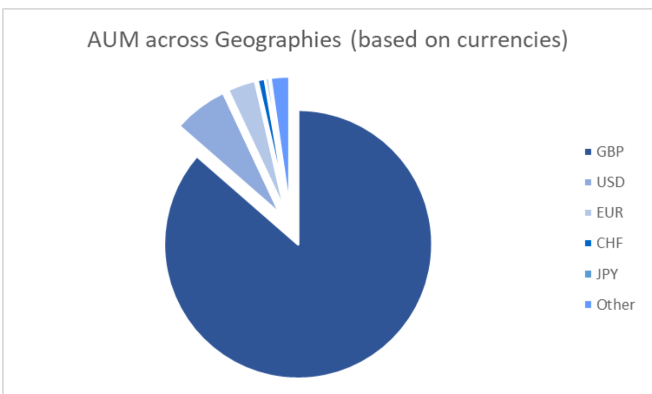
Source: Church House Investment Management

Data as at 31st Dec 2024

In terms of asset class split, we have seen an increase in the equity weighting on the back of its relative strength vs credit markets and increased retail equity inflows.

GEOGRAPHIC SPLIT OF AUM

Church House's AUM is principally invested in the **UK** (c.82.1%). The remainder is made up of the **USA** (c.11.6%), **European Union** (c.3.4%), **Switzerland** (c.0.5%), **Japan** (c.0.6%) and **Other** (including Sweden, Denmark, Canada & Australia) at c.1.8%.



Source: Church House Investment Management
Data as at 31st Dec 2024

	AUM across Geographies (based on currencies)
United Kingdom (GBP)	82.1%
USA (USD)	11.6%
Europe (EUR)	3.4%
Switzerland (CHF)	0.5%
Japan (JPY)	0.6%
Other (see above)	1.8%

Source: Church House Investment Management
Data as at 31st Dec 2024

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

TIME HORIZONS

Church House has always been a long-term investor and this is reflected in the discretionary portfolios we manage for clients. To be most effective, and in order to manage the risk/reward equation carefully, clients are only taken on in the full knowledge and understanding that their **investment time horizon should be a minimum of five years,** preferably longer. This time horizon works hand-in-hand with stewardship.

A **shorter time horizon** limits the opportunity for clients to achieve their objectives while also minimising the impact of stewardship within their portfolios. As with our clients, we aim to foster long-term and pro-active relationships and engagement with company management teams to extract the highest levels of stewardship across all environmental, social and governance issues.

Activity

Church House's ethos and attitude to stewardship has for long been embedded in our investment philosophy. From the outset of engagement with new clients, our ESG policy is prominent in client discussions. Clients are therefore made aware from the outset that their funds will be managed with proper attention to social and governance issues, in accordance with a clear ESG policy.

Client reporting

Communication to clients on stewardship matters is considered an important part of our reporting and marketing material. We send out regular emails to clients and publish 'big picture' pieces on topics which are firmly based on matters regarding Stewardship, Environmental, Social or Governance. These can be found on our website.

This type of thought-leadership is a key pillar in our marketing and communication with clients. Not only is it useful marketing material, but this collateral emphasises that we are ready and willing to challenge what constitutes proper, fair and balanced stewardship in 2024.

As well as the bigger picture pieces, each portfolio activity or market commentary will refer to stewardship elements as part and parcel of the way we manage money. For example, the rationale behind the purchase of a green bond in our fixed interest fund.

Other reports available to our clients include annual voting reports, our submission to the Stewardship Code and monthly ESG reports on our underlying holders. These can be found either on our website or by request.

Consideration of client views

As part of our client onboarding process, Relationship Managers undertake a **Fact Find** to obtain all the necessary **Know Your Client (KYC)** information. This consists not just of the normal fixed client data required for on-boarding but also the client's broader, financial situation, approach to investing and philosophy of life. Further to this, open-ended questions in the Fact Find are used to establish and gauge a client's potential ethical and stewardship requirements. This often becomes **more pertinent with charity and trust clients** whose trustees will often state their fiduciary duties include a more defined investment policy as regards an entity's ESG requirements.

Annual Reviews

These aspects are reviewed in a client's Annual Review, either in relation to the funds or the specific stocks held in their portfolios, to topical events impacting their portfolios, or by reference to wider investment context. This is evidenced in the **review notes** for each client, which are circulated to the fund and portfolio management teams for actioning where relevant and information more generally so that all are fully aware of client feedback.

Because we manage clients on a direct and individual basis, client views can be accommodated in designing and managing a mandate that is most suitable for them. **Suitability** is regularly reviewed (and at a minimum, once annually) and documented on client files. Our relationship with clients is personal, direct and discrete i.e. we are not selling packaged product in volume to clients we don't know.

Fact Find to directly address a client's attitude to ESG

To further improve our approach, we include a section in our **Fact Find** which **directly addresses a client's attitude to ESG issues**. This often leads to a discussion about our approach and the client's own views on how important ESG is to them. This is evidenced on client files, where we keep records of client responses, questions, and conversations around ESG issues. We believe this is an important issue to discuss with potential clients to ensure their views and our approach are correctly aligned.

We also to discuss ESG issues with clients on a one-to-one basis as it can be an area where individuals have strong views. We believe that by engaging on an individual basis, we are better able to understand our clients' opinions and requirements with regard to ESG, and how this may influence their investment preferences.

Example – Fulfilling client ESG preferences

Two examples of this were demonstrated in our 2023 report and are representative of the approach we would take if a similar event was to occur in future. Given the attention we pay to ESG metrics when selecting companies to invest in for our clients, such events do not take place on a regular basis.

Nonetheless, in 2023 we were asked by a client to exclude specific investments such as arms and armaments and to include more environmentally progressive and socially impactful investments in their portfolio. Following an analysis of the existing funds deployed in her portfolio, we replaced one CH fund (which held BAE Systems PLC) with another that did not have any arms companies and built out the portfolio mandate with such as: Impact Healthcare REIT, Gresham House Energy Storage Fund, Impax Environmental and Keystone Positive Change funds. This fulfilled the client's request without impacting the portfolio's main objective.

Church House run many investment portfolios across these stewardship parameters, as defined by charity stakeholders and trustees' policies. For **individual private clients**, we offer a purely **Ethical Portfolio solution** via our Managed Portfolio Service (MPS) and for our **larger clients** we can allocate our stock selection to a portfolio totally tilted towards ESG. We also tailor client portfolios using funds with strong ESG focus and engage with clients to understand their evolving views.

Example – Answering a specific client request

The second example, taken from our 2023 Stewardship Code (page. 39), occurred when we were asked by

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

a client to incorporate investments aligned with the growth of alternative energy sources and battery storage. This we achieved by accessing specialist funds, such as SDCL Energy Efficiency Income Trust and Gresham House Energy Storage to build out a bespoke portfolio with this particular ESG focus.

Outcome

Among our clients, we have found there is stronger engagement over ESG issues with the younger generation of client for whom the wider issues surrounding Climate Change often feature in discussions.

We believe that we have an **effective method of communicating with our clients on ESG and Stewardship matters** and have **improved and enhanced** the way we consider client views and how we act upon them. In addition to the **Fact Find that clearly documents a client's views on ESG**, we continue to document and circulate client views and this is where ESG considerations are considered and acted on.

Our **reporting and commentaries** are thorough and regular, sometimes with pieces relating to contemporary ESG and sustainability matters. Diving down into the majority of our marketing and communications output, there is emphasis on stewardship within the monthly commentaries and portfolio activities, which report on our processes and activities at a fund level.

To other clients, we have had to defend our withdrawal from investment in the oil majors and other fossil fuel companies, especially where this has impacted performance or caused a particular fund to lag behind peers in that fund sector. We continue to defend this position which is, mostly, accepted by our clients who support the rationale and understand the implications of not holding these companies in our portfolios.

7. Integration of Stewardship and Investment, including ESG

At Church House, we have incorporated ESG and stewardship firm-wide into our equity, fixed income and multi-asset class funds, with our primary responsibility always being to our clients and putting their needs and wishes at the forefront of our decisions.

As active, long-term managers, we are able to integrate ESG practices into our investment processes holistically. We look to invest in high quality companies with strong fundamentals and corporate governance, alongside sound ESG practices. While we have an analyst who has a focus on ESG, we believe it important not to segregate ESG discussion from the investment team. In this way, each fund manager embeds ESG into their investment decisions, where it is considered from a risk management perspective. This approach is used for our *UK Equity Growth Fund, Human Capital Fund, UK Smaller Companies Fund, Esk Global Equity Fund, Balanced Equity Income Fund, Investment Grade Fixed Interest Fund* and our *Tenax Absolute Return Strategies Fund.*

INTEGRATION OF ESG AND STEWARDSHIP ACROSS MULTIPLE ASSET CLASSES & GEOGRAPHIES

There are areas where ESG integration spans many asset classes. It is common for our equity fund managers and analysts to discuss mutual holdings with our fixed-income and multi-asset fund managers. This is a mutually beneficial relationship, which allows teams to approach financial, ESG and stewardship considerations from a potentially new angle. While ESG and stewardship are integrated holistically into our investment approach and decision-making process, discussions across teams on the investment desk allows us the opportunity for new insights, as well as scope for further development of our broader understanding of these companies. This open-dialogue approach allows us to convey a unified view of ESG and stewardship matters when in discussion with investee companies.

UK equity

As a UK investment firm, aside from fixed interest, we primarily invest in UK equities, where we endeavour to form strong long-standing relationships with the senior management and non-executive directors of the companies in which we are shareholders. We believe this makes for more conducive and effective discussion.

Global equity

Where possible, we engage with the senior management and non-executive directors of our global equity holdings. Outside of the UK, our investments are primarily in the US, Europe and Japan. Engagement with these global companies is lower than with our UK listed holdings, although we aim to engage further with our globally listed companies each year.

In both of the above, **voting** is also an important aspect of engagement with our investee companies. We recognise that as a small investment firm, our influence in this manner is not huge; however, we are happy to vote in the best interests of our shareholders and believe it is our duty to do so. More information on voting can be found in Principle 12.

Where appropriate, and where we believe it would be in the best interests of our shareholders, we may opt for **collaborative engagement**. This may arise because of an unsuccessful private engagement, or where collaboration with a larger shareholder grants us further reach to influence the decisions of senior management and the Board.

Corporate bonds

We consider the stewardship credentials and governance of the company issuing a bond. With many of our equity and bond holdings overlapping, this lends itself to a holistic evaluation of our holdings. Further, we encourage improvement in ESG practices and look for openness in issuer engagement, alongside increased transparency with bondholders.

Sovereign credit

With sovereign credit, paramount importance is placed on the rule of law in countries issuing government bonds. Consequently, we only invest in developed markets (primarily the UK), where we trust the rule of law and running of institutions. Please see more detail in the section below entitled '*Rule Of Law – Geography / Market Listing'.*

Holdings in Closed-Ended Investment Vehicles

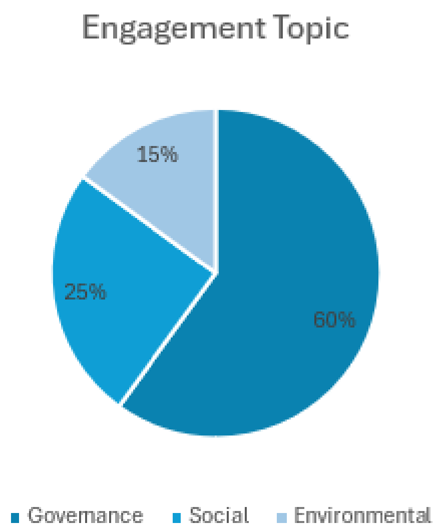
In order to further diversify our funds and where we believe specialist expertise would be beneficial for our clients, we use investment trusts to gain exposure to certain areas, such as energy efficiency trusts, private equity and emerging markets. We have regular meetings with the fund managers of these investment trusts, where we are able to discuss the management, engagement and governance of the underlying holdings. Emphasis is also on the environmental and social credentials, if material, and we expect management to incorporate ESG into their investment approach.

ACTIVE MANAGEMENT & ENGAGEMENT

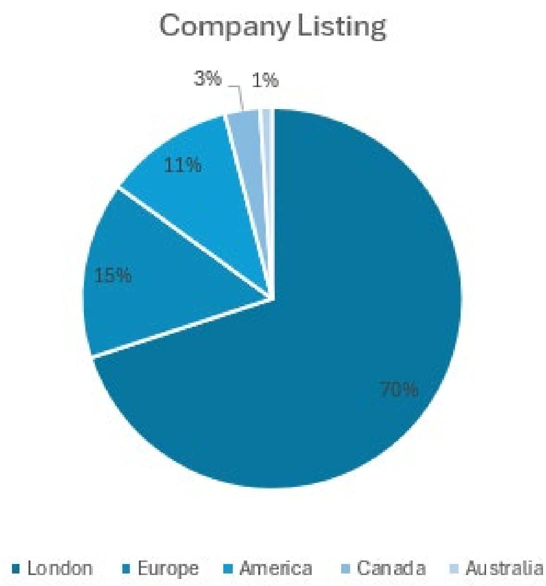
As active investors in both the UK and global markets, we place great importance on closely monitoring the companies in which we invest, assessing whether they remain a suitable investment for each respective fund. Our active-management approach promotes ongoing research with investee companies. We attend company presentations, engage in one-to-one meetings with company management teams, and carry out continuous research and analysis in order to maintain a solid financial picture of the current and future value of stocks we hold, along with their development in ESG matters. When appropriate, we engage in active constructive dialogue with investee companies (via verbal or written communication) and vote at AGMs, EGMs and corporate actions, should this be in the interest of our clients; especially, if direct communication with an investee company fails to satisfy our concerns. Church House may seek to engage with other shareholders via both formal and informal avenues, should this lead to more effective discussions in addressing material concerns with an investee company. We question management on financial and non-financial matters and while opportunities for voting with fixed income instruments are limited, we endeavour to apply the above course of action.

EQUITY

Throughout 2024, we engaged with many of our investee companies. We participated in 190 meetings during the year, and we have recorded a subset of prominent engagements below with the topic discussed upon engagement, the country of the company listing and the fund type by asset class engaged in these discussions, visually represented in the pie charts below.



Source: Church House Investment Management.
Data as at 31st Dec 2024



Source: Church House Investment Management.
Data as at 31st Dec 2024

Engagement by Geography

We acknowledge that the **majority of our ESG engagements in 2024 were with London listed companies**, as access to UK senior management and non-executives of potential and existing investee companies is more easily available to us than with other listed global companies (in our case, the USA, Europe and Japan). As a result, we have been able to build strong relationships with many of these investee companies, predominantly in the UK.

As investors primarily in the UK markets (82.1% of AUM, based on currencies), for both equity and bonds, we feel this priority of engaging with UK listed companies to be reasonable. Nonetheless, we are **always willing and aiming to engage more across all of our global holdings. Engagement across our global holdings via voting**, particularly in North America, has increased nominally and as a proportion of overall votes, compared to last year. A breakdown and more discussion on this can be seen in Principle 12.

Environmental, Social and Governance engagements

During 2024, **governance** matters accounted for the lion's share of prominent engagements (60%), followed by **social** (25%) and **environmental** (15%). While it appears that we have directly engaged less on governance matters, our investment philosophy is to invest in good quality companies with strong management teams. As a result, engagement to enact change in this regard is more rarely necessary. This is not to say that we do not keep a close eye and monitor the governance of a company. We are always willing to intervene and engage with management should we deem this necessary and should this be in the

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
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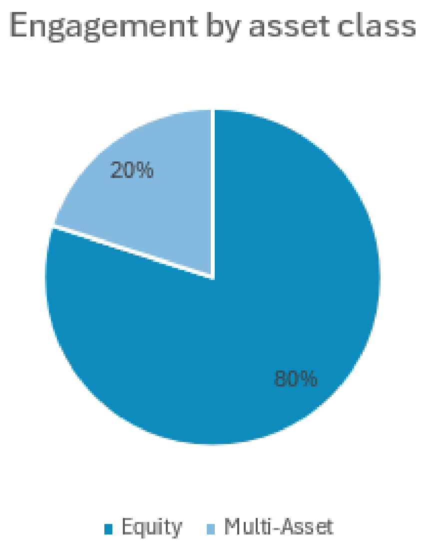
best interests of shareholders.

We have included a number of examples in our discussion with management teams on ESG matters in the activities and outcomes section below.

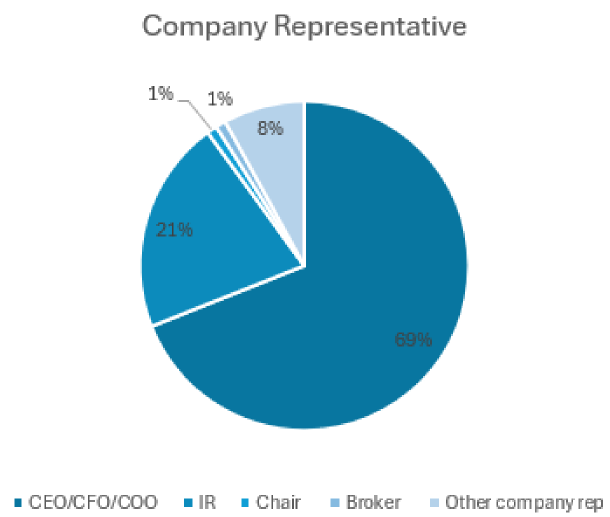


Source: Church House Investment Management.
Data as at 31st Dec 2024

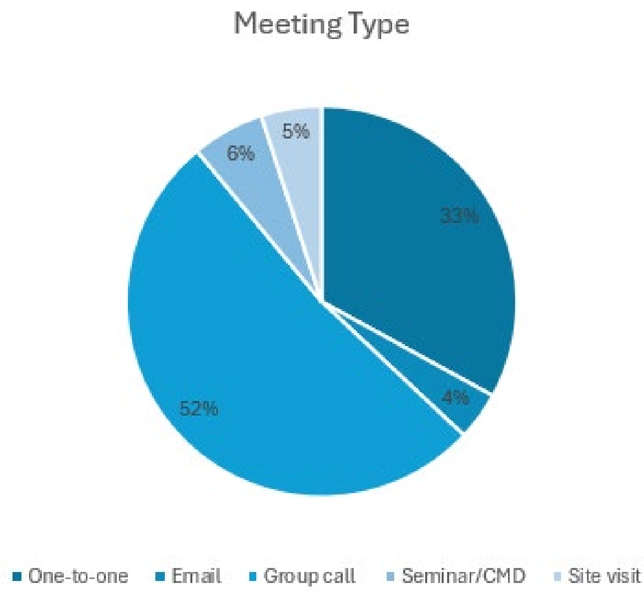
Engagement by Fund asset class

We aim to **apply strong stewardship across all of our holdings**, regardless of asset class, although it is notably **easier to do so across our equity holdings**, where we are also able to influence our investee companies via the shareholder vote, something we are unable to do with our debt-related holdings.

Factors which influence our decision to engage with companies include the **size of our holding across funds, seeking further understanding or action on governance**, **environmental or social matters**, **new initiation of a holding**, and/or **escalation of a recent or ongoing issue**.



Source: Church House Investment Management.
Data as at 31st Dec 2024



Source: Church House Investment Management.
Data as at 31st Dec 2024

We are pleased that the majority (69%) of our prominent engagements are with the **CEO, CFO and/or COO** of the relevant companies, and on occasion with the **Chair**. In terms of meeting dynamic, **33% are one-to-one meetings**, with the largest portion (52%) being **group calls**. We are pleased with the access we have to management teams and the meeting dynamic, which allows us to listen and engage directly to further our understanding of a subject or raise matters of concern.

In 2024 we had a notable improvement on one-to-one meetings (up from 20% in 2023) due to the launch of our new Human Capital Fund. We endeavour to meet management teams in a one-to-one meeting for every company prior to investing in them, and whilst in some occasions we settled for a meeting with IR or another representative, the smaller size of many of these firms meant that Senior Management were often willing to make time to speak to us.

We have comprised in-house proprietary ESG checks, split into the headings 'Environmental', 'Social' and 'Governance' matters.

ENVIRONMENTAL

We look to invest in companies which demonstrate a strong willingness and determination to carry out positive ESG practices, and ultimately guide companies along the path to create a more sustainable and environmentally friendly society. We understand that environmental concerns vary by company and, where concern is high (i.e. energy), we assess the company's long-term growth strategy and trajectory of change towards sustainability. Factors which we may take into consideration include, but are not limited to, energy efficiency, renewable energy, GHG emission reduction, plan for net-zero, waste reduction, recycling, water usage, plastic use, palm oil and climate change policies.

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SOCIAL

We aim to invest in companies with employee diversity and equality, with an effective upholding of human rights. Non-discriminatory, progressive policies with well-placed controls in employee health and safety, tend to be reliable measures of company culture and social practices. Cyber security and data privacy also remain key concerns and close attention is paid to controls in place to mitigate cyber-threats.

'Red line' companies are those in which we will not invest. These include businesses whose profit is made from pay-day lending, pornography and civilian firearms/land mines. Other areas such as gambling are viewed as morally questionable.

GOVERNANCE

Engagement with investee companies, often via regular meetings and direct dialogue with management, is core to our due diligence investment process, and helps us gain a holistic and sound understanding of a company's corporate governance, including their long-term strategy. We aim to promote sound corporate governance in our investee companies, towards robust ESG and sustainability practices.

Assessing the corporate governance of a firm is important in determining the long-term sustainability, incentives and culture of a company and facilitates us in evaluating which (potential) investments to enter, hold or exit.

Under governance, factors considered include scrutiny of the Board, with close attention paid to the number of directors, non-executive members, independence of the Chair, and the number of women on the Board. For the audit committee we look at the independence of directors and relevant financial experience.

ESG MATERIALITY

We recognize that the materiality of ESG issues and opportunities vary by company and sector and these issues are thus discussed accordingly. Ultimately, we view ESG as a positive risk mitigator, which promotes investment in high quality businesses and has a positive effect on company fundamentals and the long-term interests of shareholders. Our deep knowledge of each of our investee companies allows us to identify relevant and material (potential) issues to put forward and discuss with management teams.

We do not necessarily view divestment as the most beneficial course of action. As responsible investors and where possible, we aim to help drive a change to positive ESG integration via active engagement, assuming the business fundamentals and pricing are still attractive. However, where there is a significant and material ESG risk in an investee company, should we feel dissatisfied with the willingness of the company to change tack and ameliorate the matter, we may divest.

ESG INTEGRATION

The integration of ESG into our investment team allows for in-depth discussions of material ESG risks in our UK and global investee companies, or potential companies in which we may invest. Should material risks come to light, these are brought forward in our daily investment team discussions, and further reviewed at our monthly Investment Committee meetings. Often, we will engage with investee companies to better understand their views on ESG, the material risks and concerns, and how they plan to address these. Discussions may be via one-to-one meetings with management teams or Investor Relations directors, and/or group meetings and conferences.

Key for us is the engagement on these matters – as long-term shareholders, regular company meetings with management teams and independent non-executive directors allow us to form strong relationships and an open forum for discussion. We hope in this way, both our understanding of the company and its trajectory is improved, and our support, concerns and guidance openly received. We hope to positively influence our investee companies in terms of their internal policies and practices, corporate governance, culture and environmental and societal impact.

RULE OF LAW – GEOGRAPHY / MARKET LISTING

We only wish to invest in countries/jurisdictions where the rule of law persists, there is a free and liquid marketplace and unrestricted currency convertibility. Companies being considered for investment must be incorporated in one of these countries and their shares/stock must be listed on the exchange(s) of one of them. Essentially these are the recognised Developed Markets (which should exclude any countries on the UN Sanctions List).

Activities & Outcomes

Below are examples of discussions with senior management teams on material ESG concerns for each company, via one-to-one or group meetings.

Governance and management:

Polar Capital *engagement on governance and importance of strong management. Discussion on AI.*

One-to-one meeting with Chairman of the Board
Held in their officrs

Polar Capital Holdings PLC are a UK listed thematic asset manager, with an AUM >£20 billion.

Objective: During this meeting, we were keen to understand the impact of governance from the top of the business down, with particular reference to the strength of their management team and succession. We also discussed how Artificial Intelligence could be of benefit to the industry as a whole

Discussion: The Analyst and Fund Manager attended a meeting with the Polar Capital Chair at their offices. The Chairman stepped down from the board of another publicly listed asset manager to become Chair at Polar Capital 3 years ago. We discussed the importance of strong management at Polar and learnt how governance plays a key part in Polar's success. the Chairman was bought into Polar as part of a wider management change after the company recognised that they needed to bring in new ideas.

Polar Capital have a diverse board with an equal number of men and women. They actively seek out talent and skills, and if a member of the board leaves, they look ahead at what they need/want for the future, rather than trying to replace the individual with another similar one. the Chairman believes face to face meetings are essential, and even fly over one board member from New York base for every meeting. They believe she adds a lot of value because she has a different view of the world.

The Chairman stressed that although AI is playing a larger role in companies, it should be treated as a resource rather than a replacement of people. He stated that the 'people side is the most important part of the business and teams'. They look for skill, experience, youth and ambition. When Polar do a sales pitch to a new team, culture and stability are the main things they can offer. Nonetheless, this has to work both ways. They do not have any Prima Donna fund managers, and instead encourage a bottom up approach, which makes everyone feel very good about themselves and their work.

Outcome: It was a thoroughly interesting and discursive meeting with the Chairman. We were happy that the company's strength in governance wasn't just something that they are paying lip service to. Instead, it is being driven by both desires to improve the business and future-proof the company. The discussion on AI was particularly interesting and is something that we will endeavour discuss with all management teams we meet in the future.

Regulatory headwinds:

Trainline *engagement on regulatory headwinds*

In person-meeting with the Director of Investor Relations
Held in our offices

Trainline is a UK listed company specialising in digital rail ticketing technology. It sells train tickets and railcards. It operates in the UK, Europe and Japan.

Objective: To meet with management of the company to discuss the threats coming from regulatory headwinds directed by the government 'white paper' on 'Great British Rail'.

Discussion: With the impending General Election, in the UK, Trainline is engaging with both political parties so have greater clarity ahead of the election. To highlight this point the Labour Party made a statement from Trainline office a couple of weeks ago. Trainline have been working with the Labour party and giving them their take, not only on the UK industry and how they can bring their customer centric policy to life, but also internationally. The Labour party have been eager to understand the European approach to nationalised railways.
The key takeaways were:
Labour want to take a passenger focused approach to railways.
They Intend to establish Great British Railways: arm's length directing; unifying track and train.
Plan to bring private rail operators under public ownership as contracts expire.
Expected to take full parliamentary term (5 yrs).
Seeking a reset of industrial relations on the railways.
Labour recommitted to innovate and competitive third-party retail market: NOT going to revive a centralised app and website.

Outcome:
They key outcome was that although the rail industry is about to go through a heavy period of change, the Labour party intend not to revive the centralised ticketing website and app that would be of direct competition to the business. What Trainline need to do, is to continue to engage with the government and be at the forefront of any policy directions. The management team must also be able to concisely and clearly

calm the market and shareholders, as and when any regulatory news is issued that would inevitable spook the share price.

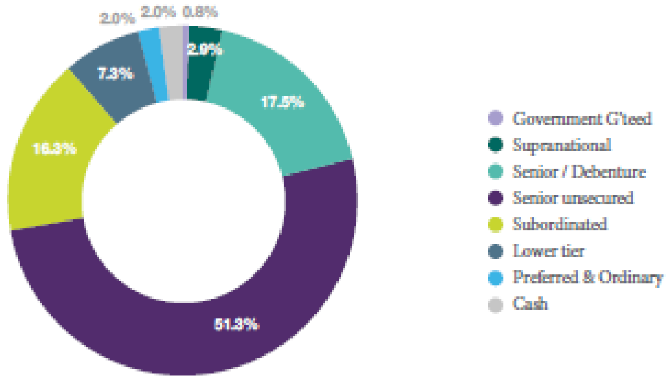
CREDIT

In relation to applying ESG to credit, we have always acted in the long-term and best interest of our clients, placing particular emphasis on corporate governance. In advance of taking-up an issue in a bond, the company as a whole is evaluated, with careful consideration paid to the sustainability of the business model.

When evaluating a bond, close attention is paid to the risks of various lending structures (senior secured/unsecured subordinated/lower tier) – we primarily invest in investment grade bonds. The bond's duration and maturity, and the length of time it is intended to be held, is closely deliberated. Potential changes to the strength of a company's balance sheet resulting from ESG or financial related issues are assessed, with particular attention paid to any effect on price and volatility. Further to this, our portfolios are highly diversified to mitigate specific risk.

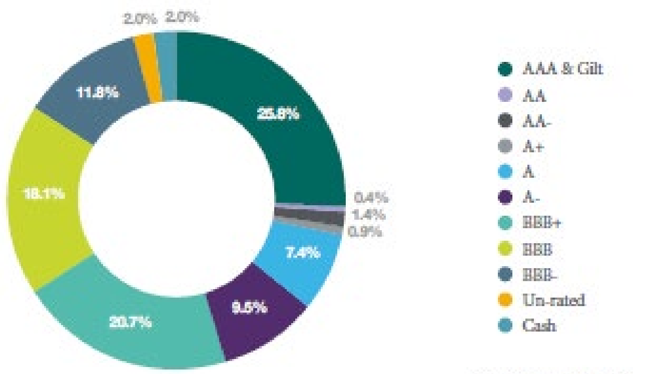
The disposition and rating split of our Investment Grade Fixed Interest Fund as of 31 December 2024 can be seen below – all holdings are investment grade:

Disposition



Source: Church House

Rating Split (S&P/Equivalent)



Source: Church House

We keep up to date with movements in credit markets, paying close attention to sector themes, alongside maintaining close and regular contact with credit analysts who alert us to any areas of concern. Regular attendance of roadshows and engagement with issuers is an important feature in our investment process. With new issues, the fixed income team participate in the accompanying presentation, usually with the CFO/Treasurer. This is either in person or online via the netroadshow meeting, usually as a one-to-one or group meeting.

Unlike equities, the nature of fixed income and green/social/sustainable bonds differ in that there is a defined structure and framework accompanying these issues, with a detailed policy and documented programme. For this reason, engagement with management teams tends to be lower than for equities.

Green bonds:

Funds we manage, which hold fixed income, include our **Investment Grade Fixed Interest Fund (CHIG), Tenax Absolute Return Strategies Fund (Tenax)** and **Balanced Equity Income Fund (CHBE).** We regularly engage with issuers via netroadshows and closely look at the Sustainable/Green Bond Framework before taking allocations in issues.

We view these bonds as a good way to drive positive ESG practices and hold companies accountable in the use of the proceeds raised. If an issuer fails to deliver on their goals set, these companies will be held to account by bond holders, which will also deter investors from taking part in any further issuance. Coupon step-ups, should companies fail to keep to their ESG targets, are also a valued deterrent against any negligence in adhering to these promises.

Before taking part in an ESG bond issuance, we continue our investment process of bottom-up research to closely examine an issuer's financials, as well as, specifically for green and social bonds, their Green and Social Bond Framework, which includes the proposed use of proceeds, projects and second party verification. Before purchasing a bond, we are strict in our pricing criteria and aim to not overpay for a bond.

2024 activity

New issuance in the green, social and sustainability (GSS) bond market reached $966bn in 2024 with green bonds accounting for 58% of issuance and social bonds seeing the biggest increase to $251bn from $159bn in 2023. Sustainability bond issuance suffered the biggest drop to $152bn from $203bn in 2023. The UK government issued £10.5bn green Gilts with continuing emphasis on adding to existing bonds for liquidity purposes rather than bringing new ones. Although this was a year of narrowing credit spreads, government markets were volatile and the opportunities to invest in green bonds which also fit our other criteria of good quality, short-dated and investment grade, sterling issues were few and far between.

We are always looking to increase our allocation of green bonds. As at 31st December 2024, bonds in the green/social/sustainable space accounted for 14 % of the fixed interest element of Tenax, and 6% for CHIG.

In our CH Investment Grade Fixed Interest Fund (CHIG) we subscribed for two new sustainable issues in the year. One for IBRD (World Bank) paying 3.875% and maturing in 2028 and another 5.75% 2051 bond for

United Utilities.

While we looked to add to more new green bond holdings, unfortunately this was not possible given the market and the lack of green bond issuance, which fit our aforementioned criteria.

Below we have set out examples of green bonds held in our funds, use of proceeds in accordance with their Frameworks & net road shows, and a reporting update on use of funds raised:

The light green format signals the bond was bought prior to the 2024 calendar year, while the darker green format signals the bond has been newly bought, or the holding was added to, during 2024.

Year	Date purchased/ added to	CH Fund	Company	Coupon	Currency	Amount	Maturity
2021	24/06/2021	Tenax	**Anglian Sustainable Linked Bond**	2.000%	GBP	2.3MM	07/2028

Use of proceeds:
• Anglian Water (Osprey) – GBP 7yr Sustainability-Linked Bond
• Step-Up Event - rate of interest will be increased by step up margin 12.5bps per KPI, if either KPI target not met:
o KPI 1 & SPT 1a (Sustainability Performance Target): Reduce Net Operational Carbon Emissions by 30 per cent by 31 March 2025 from the 2018/2019 baseline (expressed in tonnes of C02 equivalent)
• SPT 1b – Net zero on Net Operational Carbon emissions by 2030 from 2018/19 baseline.
• Action plan involves reducing/avoiding GHG emissions, use of renewable energy and green electricity.
• In calculating annual GHG emissions, raw data for fossil fuels, treated sludge, etc. is collected from around the business and entered into the UKWIR (UK Water Industry Research) Carbon Accounting Workbook. Data is then compiled within the Carbon Accounting Workbook to provide scope 1, 2 and 3 emissions.
o KPI 2 & SPT 2a: Reduce Capital Carbon Emissions by 65 per cent by 31 March 2025 from the 2010 baseline (expressed in % of emissions avoided in tonnes of C02 equivalent). This is carbon footprint as a result of the construction projects Anglian Water undertake (extractions, transportation and processing of raw materials).
• SPT 2b – 70% of carbon emissions avoided by 2030 from 2010 baseline.
• Action plan: verified process in place to manage carbon in infrastructure
• Annual communication on KPI & SPT (info & reporting) & performance against target externally verified by independent third party

Update from Sustainable Finance Impact Report (2024):

- **KPI Net operational carbon** (target by 2025 to reduce 106,905 tonnes of CO_2 equivalent compared to a 2010 baseline). Carbon emissions for 2022/23 were reduced by 35,167 tCO2e, a 9.9% decrease in emissions against the baseline. This carbon emission reduction has been achieved as a consequence of consuming less energy, as well as an increase in the proportion of renewable electricity.
- **KPI Capital carbon** (target by 2025 to reduce carbon emissions from construction activity by 65%, measured in tonnes of CO2 equivalent compared to 2010 baseline). In 2023 Anglian Water had

achieved a 63% reduction, via their programme to increase storm retention capacity. The company have delivered capacity increases, while lowering the quantity of new, carbon heavy construction required, by using existing, redundant assets (extended and reconfigured) with lower carbon materials.

- **Plans by 2025 include:**
  - Maximising energy efficiency and renewable energy generation and storage
  - Procuring green electricity
  - Decarbonising vehicle fleet
  - Maximising the value of their biogas
  - Opting for alternative fuels
  - Developing an offsetting strategy

2021	04/08/2021 15/02/2022 18/04/2023	Tenax	**Berkeley Group Green Bond**	2.500%	GBP	4MM	08/2031
2021	04/08/2021 27/05/2022 18/12/2023	CHIG	**Berkeley Group Green Bond**	2.500%	GBP	4.5MM	08/2031

Use of proceeds:

• As a home builder, Eligible Green Assets will be Green Buildings, covering all of the development costs associated with delivering private and affordable homes which are EPC A or B rated and delivered on brownfield land (transforming neglected brownfield land into flourishing, well-connected, nature rich, low carbon neighbourhoods and communities).

• The environmental objective is climate change mitigation and biodiversity conservation.

• The Green Finance Committee will be chaired by the CFO and meet semi-annually to review and approve Eligible Green Assets.

Berkeley was the first homebuilder to launch a climate change policy back in 2007, and reduced the carbon impacts of its direct operations by more than 70% between 2016 and 2019, through investing in more efficient operations and procuring 100% renewable electricity.

Berkeley has now adopted 1.5°C aligned science-based targets for reducing the full scope of greenhouse gas emissions connected to our company. This puts Berkeley on course to be a net zero business by 2040.

Update from Impact Report (2024):

Case study on reviving under-used spaces, including redundant gasworks and industrial estates.

- **Southhall Gasworks** – one of Berkeley Group's 32 brownfield regeneration projects transforming an 88 acre site into 3750 homes alongside 13 acres of parks and wetlands designed in partnership with London Wildlife Trust. A new tree nursery in "The Green Quarter" will consist of 600 potted trees which will be used in future Berkley developments.

2021	10/11/2021	Tenax	**Derwent Green Bond**	1.875%	GBP	4.75MM	11/2031

Use of proceeds:
Attended Net Road Show with Damian Wisniewski (CFO), Nigel George (Director) and John Davies (Head of Sustainability). Leading London-focused office REIT with £5.4bn portfolio (91% offices, 9% retail and hospitality), predominantly in the West End.

First of peers to set out net-zero pathway in July 2020. Existing and future major development projects to be net zero carbon, using lower carbon materials and construction methods, recycling of materials and use of verified carbon offsetting schemes. In operations, all electricity supplies are on renewable tariffs, retrofitting all electric boilers across the portfolio, and building specific energy targets in line with a 1.5 degree climate scenario (2030).

Use of proceeds from this Green Bond will be towards Eligible Green Projects as set out in their Green Finance Framework: £5-10m p.a. to spend on retro-fitting greenness on older buildings, on top of £400m of committed future capex on projects such as Soho Place, The Featherstone Building and 19-35 Baker Street.

Eligible projects include:
• Green buildings – new developments or major refurbishments subject to BREAAM Excellent/LEED Gold rating. Refurbishment of commercial and residential buildings and spaces, which may result in a measurable improvement in the EPC rating of the existing building.
• Renewable energy – projects such as investment, installation and deployment of on-site renewable energy generation sources e.g. solar and wind. As well as offsite renewable energy generation e.g. wind, biogas and geothermal.
• Energy Efficiency – improvements of at least 20% in the energy efficiency of the building or space.
• Pollution prevention and control – installation of waste facilities to allow for higher levels of recycling and recovery.
• Clean transportation – improve accessibility to clean transport (bicycle racks).
• Sustainable water & wastewater management, such as leak detection systems and low flow taps.

Update from Responsibility Report (2024):
Derwent has achieved an 8% reduction in energy intensity since last year which is now 17% below their 2019 baseline. As a result, carbon emissions are 14% lower than last year. The solar plant in Lochfaulds, Scotland, mentioned in last year's report, is now under construction and expected to be completed in 2026. It is expected to generate 18.4 MW of renewable electricity which is over 40% of the electricity needs of their London portfolio.

2022	01/12/2022 21/12/2022	CHIG	**Deutsche Pfandbriefbank**	7.625%	GBP	7.1MM	12/2025

Use of proceeds:
Deutsche Pfandbriefbank AG is a German bank that specialises in real estate and public sector financing. pbb have decided to issue green bonds to enhance its contribution to society and the tackling of the climate crisis by helping property owners transition to a lower carbon economy. By issuing Green Bonds, pbb are able to promote the reallocation of capital to loans for the construction of 'Green Buildings', or retrofitting/modernising existing buildings.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

An amount equivalent to the net proceeds of the Green Bonds issued will be allocated to Eligible Green Loans, which are to finance the modernisation, refurbishment or acquisition of existing Eligible Green Real Estate Assets, or to finance developments or construction of new Eligible Green Real Estate Assets.

These must meet at least one of the following two criteria:

- Green Building Certification, where Eligible Green Real Estate must be certified with a minimum of:
  - BREAM: Very Good or above
  - LEED: Gold or above
  - DGNB: Gold or above
  - HQE: Very High of above
- Energy Efficiency Performance
  - Where Eligible Green Real Estate have to demonstrate a Final Energy Consumption lower than certain thresholds depending on the use of the building (Office, Hotel & Retail, Residential, Logistics) – details in Framework.

Update from latest impact report (2023):

The decrease in CO_2 because of green properties financed by PBB is calculated by comparing these property emissions against the emissions from a benchmark of standard properties in the market. As of 30th November 2023, PBB calculated a reduction of 38,190 tonnes of CO_2 per year. As a result, per EURO 1 million bonds issued, 10.9 tonnes of CO_2 are saved, or 7.2 tonnes of CO_2 saved for every EUR 1 million financed. This is based on a total financed volume of EURO 4.75bn.

2024	23/01/2024	CHIG	**World Bank (IBRD) Sustainable Bond**	3.875%	GBP	4MM	10/28

Use of proceeds:

This £1.5bn issue was included in 2024's total IBRD bond issuance of $53bn bonds and proceeds will be used to support the financing of sustainable developments and projects with the aim of achieving their two main goals:

- **End extreme poverty** by reducing the percentage of people living on less that $1.90 a day to 3%.
- **Promote shared prosperity** by fostering income growth for the bottom 40% of the population in every developing country by 2030.

2023	28/11/2023	CHIG	**Intl Finance Corp Sustainable Bond**	4.5%	GBP	2MM	10/2028

Use of proceeds:

Proceeds from all bonds are allocated to projects which aim to achieve positive social outcomes especially but not exclusively for a target population. The projects are categorised into: A) Affordable basic infrastructure, B) Access to essential services, C) Affordable housing, D) Employment generation including through the potential effect of SME financing and microfinance of small and medium enterprises, E) Food security and F) Socioeconomic advancement and empowerment.

Update from Green and Social Bond Impact Report (2024):

The IFC estimate that they have reached over 91bn beneficiaries in 2024 in the fields of agriculture, education, finance for women, health and general microfinance.

2022	03/11/2021	Tenax	**Natwest Green Bond**	2.057%	GBP	2MM	11/2028

Use of proceeds:
NatWest Group is supporting its residential mortgage customers to increase their residential energy efficiency with an ambition that 50% of their mortgage portfolio is at, or above an Energy Performance Certificate (EPC) rating of C or equivalent by 2030. Since October 2020 NatWest have introduced new Green Mortgage products offering lower interest rates for customers purchasing and remortgaging more energy efficient homes with an EPC rating of A or B, rewarding them for playing their part in helping to drive the UK transition to a net zero economy.

The Eligible portfolio focuses on energy efficiency, via Green Mortgages (or if unavailable, high EPC A or B) for new and existing domestic properties.

Update from the relevant Green, Social and Sustainability bonds allocation and Impact Report (2023):
All mortgages within the pool are on buildings with an A or B EPC rating and the average physical emissions intensity of these buildings is 13.8kg/CO_2e/m^2 compared to 37.88kg/CO_2e/m^2 for the NatWest Group residential mortgage portfolio. It is estimated that the reduction in carbon emissions through green buildings is 9.4m kgCO_2e.

2021	27/10/2021	CHIG	**Tesco Sustainability Linked Bond**	1.875%	GBP	2MM	11/2028

Use of proceeds:
The 400m GBP bond, which was heavily over-subscribed, will be used as set out in their Sustainability Linked Bond (SLB) Framework. Under its Sustainability-Linked Bond Framework, the financial structure of the SLB is tied to the achievement of their Sustainability Performance Target 1 (SPT): Reduce the Group GHG Emissions by 60% by 2025 with respect to 2015 baseline.

Tesco will focus on Scope 1 and 2 emissions for the purposes of this Framework as it represents the majority of their GHG emissions and is in Tesco's direct control. Tesco's Scope 1 and 2 emissions account for approximately two thirds of total emissions from the Group's own operations.

To achieve the set carbon reduction targets in its sustainability strategy:
- Tesco has committed to sourcing 100% of the Group's electricity needs from renewable sources by 2030 and reducing its transport emissions using alternate fuels, route optimization, the installation of electric vehicle charging points, and engagement with major suppliers to encourage them to reduce their emissions.

Strategy to achieve the SPTs:
- Prioritising the sources which contribute the largest share: grid electricity made up the majority of such emissions, followed by refrigerant gases, heating, and distribution. As a result, Tesco's efforts to procure renewable energy via power purchasing agreements (PPAs) will play an important part in its overall strategy to achieve its SPTs. This is alongside Tesco's reduction in electricity demand through efficiency at its facilities and engaging with partners to achieve savings. Tesco accounts for 1% of electricity demand in the UK and online delivery capacity has reached 1.5m slots per week in the UK.

There is a step-up margin of 37.5bps p.a. if GHG Scope 1 Emissions and GHG Scope 2 Emissions as of FY2025/26 are reduced by less than 60% in comparison to FY2015/16 baseline.

Approved by Sustainalytics, Second Party Opinion, where Sustainalytics considers the 'SPTs to be ambitious and impactful'.

Update from Sustainability Linked Financing section of website:
In 2024, Tesco achieved a 61% reduction in Scope 1 and 2 Emissions a year ahead of schedule. 100% certified zero net deforestation soy has been achieved since 2020 and they are now working to tackle deforestation on a wider scale.

Use of proceeds:
• The company's first sustainable bond issue, with proceeds used to finance or refinance, in whole or in part, new or existing Eligible projects. Eligibility criteria include projects which reduce pollution and impacts of water abstraction, improve water quality, reduce water losses from the system and flooding mitigation projects.

Update from latest Sustainable Finance Framework Allocation and Impact Report (2023):
The new CEO, Louise Beardmore, has stressed her commitment to ensuring that United Utilities is "a purpose-led business operated in a responsible manner". The group is in the upper quartile across a suite of ESG indices and has a 3 star rating in the Environment Agency's assessment for 2022, meaning good environmental performance. In addition, they have lifted 84,000 customers out of water poverty.

Sustainable bond proceeds in action:
- **Southewaite Wastewater Treatment Works –** UU avoided installing large carbon intensive storm tanks and created a storm water treatment wetland with three open water pools. During storm conditions, flows from the treatment works pass through each pool and receive treatment before they progress, before being discharged to the river. Constructed wetlands mimic the processes found in natural wetlands as they physically slow the passing water, settling out some of the pollution present. Variations in depth encourages a range of different plants to establish promoting active biological treatment within the wetland cells to specifically target the removal of

organic material, which if discharged to river, can affect the river system. The project has been shortlisted in the Natural Capital category of the Water Industry Awards.

- **Better Rivers Better Northwest – working with others to improve river health** – UU has created a team of sic river rangers with the aim of improving the environment and river water quality in the region. They will be patrolling the banks of rivers, checking assets to organise maintenance and cleaning litter and debris. If the project is successful, the team will be expanded across the North West.

- UU have committed to deliver £230 million in environmental improvements. This will support a **sustainable decrease, of at least 33%, in the number of spills recorded** from storm overflows by 2025, compared to the 2020 baseline. Investment at these sites will result in 184 km of improved waterways, with all storm overflows monitored by 2023.

2021	21/01/21	Tenax	**United Utilities Sustainable Bond**	0.875%	GBP	1MM	10/2029

Use of proceeds:

• The company's first sustainable bond issue, with proceeds used to finance or refinance, in whole or in part, new or existing Eligible projects. Eligibility criteria include projects which reduce pollution and impacts of water abstraction, improve water quality, reduce water losses from the system and flooding mitigation projects.

2021	20/05/2024	CHIG	**United Utilities Sustainable Bond**	5.75%	GBP	1MM	05/2051

Use of proceeds:

• The company's fifth sustainable bond issue, with proceeds used to finance or refinance, in whole or in part, new or existing Eligible projects. Eligibility criteria include projects which reduce pollution and impacts of water abstraction, improve water quality, reduce water losses from the system and flooding mitigation projects.

Update from latest Sustainable Finance Framework Allocation and Impact Report (2024):

The CFO, Phil Aspin, provided an update on the UU website staying that 80% of regulatory performance had been beaten has stressed her commitment to ensuring that United Utilities is "a purpose-led business operated in a responsible manner". The group is in the upper quartile across a suite of ESG indices and has a 3 star rating in the Environment Agency's assessment for 2022, meaning good environmental performance. In addition, they have lifted 84,000 customers out of water poverty.

Sustainable bond proceeds in action:

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49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

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2021	03/02/2021	CHIG	**Whitbread Green Bond**	2.375%	GBP	4MM	05/2027
2022	04/05/2022 06/10/2022	Tenax	**Whitbread Green Bond**	2.375%	GBP	2.5MM	05/2027

Use of proceeds:

• Proceeds used to finance or re-finance Eligible Green Projects: **Green Buildings** (to BREEAM 'very good'+, LEED 'Platinum'+ or EPB B or above standards), **Energy Efficiency** (including installation of heat pumps), **Clean Transportation** (installation and running of EV charge points & investment in electric only vehicles, reducing waste to landfill through recycling, renewable energy across the estate in the UK & Germany) and **Sustainable Procurement** (Environmentally sustainable management of living natural resources and land use, such as sustainable timber, cotton and fish to protect aquatic biodiversity).
• Monitor use of proceeds and report on impact annually.

Update from Green Bond Presentation Allocation and Impact Report (2023/2024):

The entire £550m raised has now been allocated to the Eligible projects in the Green Bond Framework. This has been split into £278m in green construction, £256m in green operation and £38m in sustainable procurement. This has led to 46 sites being built to high environmental standards, 416,191 of CO_2 emissions avoided and 100% of timber and fish allocated against were procured to certified sustainable standards.

2021	04/03/2021	Tenax	**Workspace Green Bond**	2.250%	GBP	3.5MM	03/2028

Use of proceeds:

• New green issue with proceeds towards eligible green projects, as outlined in their Green Finance Framework, including green buildings, eco-efficient/circular economy adapted products, production technologies and processes, renewable energy, energy efficiency, clean transportation, pollution prevention and control and sustainable water management. The most significant is financing or re-financing 'Green Projects', with the BREEAM excellent target. Example case study 'Brickfields' – re-built for requirements of modern businesses today.
• Green Finance committee responsible for upholding framework and selecting eligible projects with annual progress reported.

Update from the last Workspace Green Bond Allocation Report (2023):

All the proceeds raised were allocated to Eligible Green Projects - £290m to the refinancing of green buildings and £10m to the purchase of certified renewable electricity. An example of an Eligible Green Project is Prospero, the greenest building south of the M25 with a BREEAM Excellent rating, electric vehicle charging points, roof mounted solar panels, intelligent LED lighting and green surroundings.

INVESTMENT TRUSTS

Prior to the main investment example, the FCA itself have released ESG oriented requirements to allow the consumer to be more confident in their ESG choices and enhance the credibility of the Sustainable Investment Market. The FCA will have imposed anti-greenwashing rules on any sustainability claims, clear labelling of products so they are not misleading and ensuring ESG labels are not used when it isn't appropriate. This aligns with Church House's view and we welcome the change which was completed in 2024.

Investment trusts allow us to gain exposure to specific areas, in which we feel external management teams with specialist expertise would best serve our clients. Below are examples of investment trusts in which we are shareholders, one of which is notably supporting the UK's transition to net zero by 2050, with actionable projects assisting in this pathway to a more sustainable future.

RIT Capital Partners

First used in relevant Clients' Portfolios in February '14.

Context

Following a review of our risk scales this has been made available for selection for certain clients' portfolios as good exposure to the global flexible investment sector. This will be under ongoing review at least annually.

Activity

We keep abreast of as many Investment Trusts as possible, paying attention to the universe as a whole, and not just the Investment Trusts of which we are currently shareholders. To do this, we regularly: listen to management teams present, read report and accounts, monitor research notes from reputable sources and track Investment Trust performance and activity at a stock specific level. Having been long term holders of RIT Capital Partners we were aware of the investment case that this specific trust put forward with Church House holding around £6 million of the asset.

RIT Capital Partners approach to investments centres on a commitment to sustainability and ESG issues. They accomplish this both externally, i.e. incorporating clear principles of responsible investment, and internally, i.e. attempting to be exemplary corporate citizens and minimisation of the company's environmental impact. They are a signatory of the UN Principles for Responsible Investment and has also set up and implemented its own Responsible Investment Framework & Policy. They have stated publicly that they support the 2015 Paris Agreement in regards to climate change and review their impact as such. They have 100% renewable electricity at their head office as well as Cycle to Work schemes.

Outcome

Given the above research and trust in our long-standing relationship, we decided to establish a position in the trust, satisfied it more than meets our clients' objectives. As RIT Capital Partners state "ESG factors influence a company's performance. Those who take ESG factors seriously typically produce meaningful long-term returns through market cycles." This helps ensure us that as well as meeting ESG guidelines they set that they also actively work towards a long-term return for its stakeholders, and by extension our clients. Given the longevity of the Management of the Trust and the fact that they themselves are signatories to the aforementioned Principles there is little doubt that the goals they have set out are long term, company-wide and implemented across the board.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

8. Monitoring of Account Managers and/or Service Providers

MONITORING OF ACCOUNT MANAGERS

Activity

The **monitoring of the account managers (fund managers at Church House) is a layered process**. Initially, it is a responsibility of the two joint CIOs to monitor the actions of the fund managers, which they do on a daily basis. We have enhanced this by ensuring that the investment team sit together on the same bank of desks, both equity and credit teams, where a collegiate approach can help and ameliorate trading processes and idea generation.

Additionally, the CIOs and fund managers report to the Investment Committee each month, detailed reports are drawn-up prior to these meetings for each of the funds with a separate review as to limits and compliance by the Compliance Officer. Performance data as to returns and volatility of those returns for each fund and level of risk is also provided and escalated to the Board.

In 2021 we hired an Operational Assurance Manager to give the business greater oversight in this function as the firm increased in size. The Operational Assurance Manager covers three essential areas critical to the efficient and compliant functioning of the funds: Legal & Technical, Monitoring & Risk Reporting, and Oversight & Due Diligence. This ensures the funds are fully compliant, e.g. meeting prospectus restrictions such as Investment Objectives & Policy, monitoring liquidity, charges, turnover and confirming that best execution has been demonstrated.

Our funds have remained compliant throughout the year.

Outcome

2024 was another tough year for investors, however the performance of our individual funds was positive over the course of the year. The risk level performance of our client portfolios and volatility of each of the levels was satisfactory given these market conditions.

MONITORING OF SERVICE PROVIDERS

Activity

As a firm, we do have service providers which provide us with research, specifically with regard to ESG matters. An example of this can be seen in Principle 7 with Jefferies ESG webinars and the research we benefited from during the year. We gather information from a variety of sources, notably Bloomberg and audited company reports and the companies themselves. We do not utilise service providers in the management of our funds. While we perform ESG and fund management functions in-house, we take extensive economic, sector and stock specific and ESG research from a wide range of banks and brokers, e.g., Barclays, Lloyds, Jefferies, JPMorgan, Berenberg and Numis. All such bank and broking connections are subject to regular review by the Investment Committee.

As a discretionary investment management company, we believe it is important that the fund managers arrive at their own decision in terms of voting, so unlike the majority of our peer group, we do not outsource to voting advisers. The creation of the Voting and Engagement Committee (please see Principle 12) carries out our voting and engagement function.

Likewise for engagement with companies, we believe that the best form of engagement is direct with management of companies, rather than outsourcing. We recognise that sector specialist research analysts at the major houses are an important source of additional information to inform our processes. We aim for our meetings with management to discuss ESG and stewardship matters, and in some cases, we will have meetings with management that are solely ESG based.

Reviewing and monitoring is an integral part of the businesses counterparty on-boarding process. Church House has a specific Risk Committee which reviews, monitors and escalates third party relationships and transactions with the firm. It is chaired by the Non-exec Chair and comprises of five members as stated below:

Risk Committee

Non-Exec
Chair

Managing Director Finance Compliance Non-Exec Director

Since 2020, we have added a Finance function to the Risk Committee to give us further insights (from a financial perspective) into these relationships with service partners.

Outcome

Voting

We decided to make our process for voting at company meetings more formal in 2021 as we felt that there was a risk of missing some voting deadlines. Since 2023 we have had have a voting group (the Voting and Engagement Committee) consisting of six members, including three fund managers. This Committee usually meets/has email correspondence once each week to review all forthcoming meetings/votes. We consider that this will lead to a more consistent and sustainable process in voting. Please see Principle 12 for more in-depth analysis on our new voting and engagement committee.

Research provider

In the third quarter 2024, we conducted an in-depth research capability review where we decided to depart from one provider and sign up with a new investment bank, focusing on UK equities. We decided to continue with the incumbent research providers and investment banks for global equities, credit and economic research. We are happy with the quality and breadth of research we are receiving. This is something we constantly monitor, but on a formal basis this is reviewed once a year at our Investment Committee meeting.

Authorised Corporate Director (ACD)

We continue to be impressed with the service that IFSL have provided since they became the ACD for our funds in October 2022. In order to monitor their service, our Operational Assurance Manager holds monthly review meetings with them, where a full and frank discussion on any issues identified by both parties is carried out.

Ahead of the meetings IFSL will provide us with Key Performance Indicators on a number of crucial areas such as compliance, dealing, fund accounting & distributions, investor support, marketing, pricing and relationship management. Our Operational Assurance Manager is also in daily contact with IFSL, monitoring any open issues that we have with them and ensuring that these are prioritised and resolved to our satisfaction.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

9. Engagement with Issuers to Maintain/Enhance the Value of Assets

Church House is an investment manager focused on the management of discretionary investment portfolios for private individuals, principally via our range of authorised funds, which are all UCITS funds. Over the totality of our clients' investment portfolios the split of AUM is 37% fixed interest to 63% equity. Further details of this, and the **split in AUM** (45% Retail, 55% Institutional), the **Geographic split of clients by AUM** (94% UK clients, 6% Rest of World) and the **Geographic split of Investments**, by currency (82.1% UK, 11.6% USA, 3.4% Europe, 0.5% Switzerland, 1.8% Other including Sweden & Denmark, and 0.6% Japan) can be found in **Principle 6.**

Differing asset classes

Across the fixed interest investments, greater than 95% are investment grade issues. Equity investments are principally UK listed, with a bias towards FTSE 350 companies. When investing overseas, direct equity investments are limited to developed markets, we also utilise some specialist international investment trusts in client portfolios. We do not invest in unlisted securities.

CREDIT

The majority of new fixed interest investments are undertaken at issue, we only consider those that are rated as investment grade by one of the rating agencies. Each issue is accompanied by detailed research and is discussed with the issuing bank(s) where we seek to influence the pricing and terms. As the issuance of 'green bonds' has gathered pace we have gradually increased the proportion of our holdings in these instruments; however, this has been difficult during 2024 given the limited green bond issuance during the year that also fit our other quality criteria.

Fixed Interest – Methods of Engagement

Across our fixed interest funds, voting and engagement is more limited, given the nature of the asset class. However, we regularly engage with issuers via netroadshows and closely look at the Sustainable/Green Bond Frameworks before taking allocations in green issues. We keep up to date with movements in credit markets, paying close attention to sector themes, alongside maintaining close and regular contact with credit analysts who alert us to any areas of concern.

While all fixed income issues in which we invest are predominantly investment grade and sterling, the issues themselves can either be UK or foreign companies. However, we only invest in developed countries who abide by the 'Rule of Law' mentioned previously.

Fixed Interest Funds - commentary

Gilt markets held steady in the first half of 2024 with yields falling from 4%- 3.80%. However, the realisation that interest rates were staying higher for longer due to sticky inflation and a stronger than expected US economy caused a sell off in government bond markets and Gilts yields ended the year up at 4.6%. New issuance was less abundant in 2024 and demand for quality bonds with attractive coupons caused credit spreads to tighten in a further 50bp over the year. We participated in 19 new issues versus 27 in 2023 and our reputation as a buy and hold investor along with our strong relationships with market participants enables us to get good allocations in the bonds that we apply for. We continued to watch our 8.45% 2028 issue for the AA as a non-publicly quoted company such as the AA requires a higher level of due diligence not just when deciding whether to invest but through the life of the bond than say, a quoted company such as Land Securities which we also invested in when they came with a 4.75% 2031 bond. Mutual holdings across our equity and fixed interest funds promote insightful discussions amongst the relevant fund managers, an example of our holistic approach to investment. We are holders of the Primary Health Properties bonds as well as the 2.875% 2025 convertible bond. Trainline is another company where we hold the shares as well as the 1% 2026 convertible bond and fixed interest and equity managers attended the meeting when management came into see us in January. We decided not to invest in the Anglian Water 6.25% 2044 (issued in September 2024) because, although it was a green bond, we thought that it was too long dated and the credit spread of 183bp not attractive enough to compensate for the risk of investing in the volatile water industry for twenty years. Further examples of engagements via netroadshows, and details of eligible projects under frameworks for green and sustainably linked bonds can be found in Principle 7.

EQUITY

Each of the equity funds have their own investment policy but there are overall sector preferences that we apply across the board. For example, we have run an under-weight exposure to oil & gas producers and tobacco companies for a number of years, increasingly finding that their engagement with ESG matters (and consequently too, the investment case) was poor. We now have zero exposure in these industries across our equity funds.

Equity – Methods of Engagement

Where we find companies that meet our quality criteria we seek to engage directly. We do not invest in companies that engage in peer-to-peer lending, pornography, gambling and contentious firearms manufacturers such as cluster bombs, land mines or weapons for personal use. Similarly, companies in the mining sector, which met our tolerances for governance, jurisdiction and behaviour has vastly reduced.

During 2024, the investment team have held many meetings with senior management, IR or non-executive directors of existing or potential investee companies, including ESG specific meetings and meetings with fund managers of Investment Trusts. This took the form of either one-to-one meetings, group meetings, webinars, conferences or site visits. On each occasion, we hope to raise material ESG matters and enhance our understanding of the company's business strategy.

In Principle 7, we have explained further how engagement has differed between our funds, asset classes and geographies.

Engagement priorities

Factors which influence our decision to engage with companies include the **size of our holding across funds, seeking further understanding or action on governance**, **environmental or social matters**, **new initiation of a holding**, or **escalation of a recent or ongoing issue**.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

UK investments

As a UK investment firm, where we primarily invest in UK equity and credit, we endeavour to form strong long-standing relationships with the senior management and non-executive directors of these companies. We believe this makes for a more conducive and effective discussion. As can be seen in Principle 7, the majority of our engagements in 2024 have been with London listed companies. This is where we have more ready access to management, and where we prioritise our engagement, given that 82.1% of our investments are UK based (by currency). We often find management to be open and receptive to meetings with us, given our strong long-standing relationships. **This therefore limits the occasions in which escalation is necessary; however, there are rare occasions where, if in the best interests of shareholders, we will take this route**.

Large cap vs Small cap

With **larger, more established UK and global companies**, broker research and access to company management is accessible to us. However, there are occasions, in particular with **small market capitalisation companies** either in the UK or abroad, where our sole route to engagement is not available via a broker, but instead by reaching out directly to the company.

Global equities

In certain geographic listings, in particular **Japan**, as well as with **major global companies**, engagement is limited due to our reduced ability to access these management teams. **Recognising our scale**, we listen to **company presentations and utilise sector specialist analysts** from major broking houses (Jefferies, Berenberg, JPMorgan etc) to inform our view and question policies.

Further to equity specific research, we participated in **sector and country specific meetings**, as well as **macro-economic outlook** meetings**,** in order to better inform our investment decisions, and act in the best interests of clients.

Equity Funds

Across our UK Equity Funds (UK Equity Growth, UK Smaller Companies, Balanced Equity Income, Church House Human Capital), engagement across our holdings is strong, where we have established strong relationships with management teams. With regards to our Esk Global Equity Fund, as mentioned above, engagement is often through our brokers due the global nature and large market cap of the underlying holdings. Despite being a global fund, the smaller market cap of many of the Human Capital Fund companies facilitates access to their management teams.

Engagement conclusion

Over the past 12 months, we are pleased to have continued our engagement with issuers. We believe that in this Principle, as in Principle 7 and 10-12 we are demonstrating our engagement with issuers. However, due to the nature of debt investing, it is evident that we are much stronger on the equity side and need to further develop our engagement with credit issuers.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
York House, 6 Coldharbour, Sherborne, Dorset DT9 4JW. Telephone 01935 382620

10. Collaborative Engagement
&
11. Escalation of Stewardship Activities to Influence Issuers

Engagement at Church House

At Church House we are active managers and we have always looked to engage with companies that we invest in via regular meetings and calls with management teams. We are long-term shareholders and so, in some cases, have been in communication with companies over many years. For example, in our UK Equity Growth Fund, we have been shareholders in Unilever, RELX and Diageo since the early 2000s and have been having meetings with these companies for over twenty years now.

Approach

In the event that we do have a concern with an investee company, we originally look to address this through meeting with the management team, or at least investor relations, of the given company. We would further look into the matter through our own analysis in addition to potentially discussing the matter with an analyst at one of our research providers. If, after taking these steps, we feel that no further action is required and that we have sufficient information, then we will take no further steps and simply monitor the situation.

Escalation

However, if we are not content with what we have heard from management and/or still feel that a given issue requires more attention, our usual course of action would be to write to the Chair of this business and, on occasion, we will arrange a one-to-one with the Chair to express our concern and discuss in more detail. In such a discussion, we would look to prioritise the key issues and communicate these clearly to the Chair. There are also the options to express our concern to the broker(s) of the Company and voting against management.

Voting

As a relatively small investment business, it is unlikely that we would ever have the voting power to change the course of action, but we strongly believe in the power of communicating our concerns when required and believe that this is our responsibility as asset managers.

Collaboration with other shareholders

On a minority of occasions, and where the above course of action has failed to yield our intended outcome, we may **engage with other shareholders**. We will undertake this course of action should we believe it appropriate, and in the best interests of our shareholders. This may arise as a result of an unsuccessful private engagement, or, where collaboration with a larger shareholder grants us further reach to influence the decisions of senior management and the Board.

Process if the outcome is unsuccessful

In the event that our concerns remain unaddressed after all of the above process has taken place, our usual course of action would be to exit the position as soon as practical.

Escalation Activity in 2024

Keyword Studios *engagement on takeover*

Letter to Chair of Keyword Studios
One-to-one meetings with Director of IR and ESG
Feedback to house brokers
Held in CH UK Equity Growth

This example relates to a technology company, Keyword Studios that we first invested in for the CH UK Equity Growth Fund in August 2020. The Dublin-based company are providers of a range of technical services for video game developers and publishers, including art creation, software engineering, audio production, gameplay testing and player support.

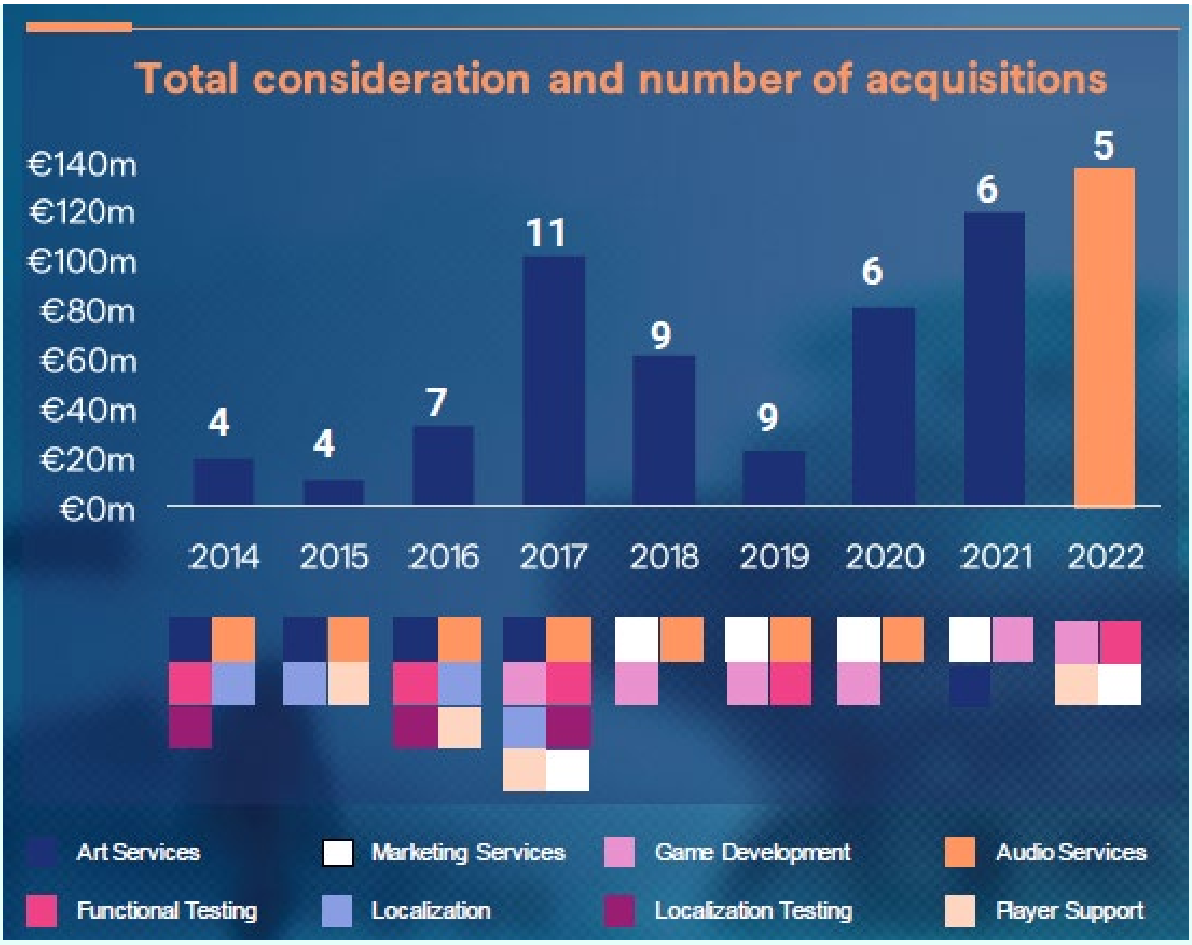
Context

We were first attracted to the business due to its impressive financials, high pace of acquisitions, global presence and consistent growth. We felt that this business had the underlying quality and growth potential to become a core holding long-term. Keyword studios is a key market leader, but only has 6% of the market, so we believed there was plenty of room for expansion. Their existing customers also demonstrated brand loyalty, with 150 clients using 3 or more services, and their reputation among top games companies was widely recognised.

Impressive revenue growth:

Source: Keyword Studios

Actively acquiring new companies:



Source: Keyword Studios

Loyal customers:

Source: Keyword Studios

Long standing relationship with leading players in the market:

Source: Keyword Studios

Announcement

In May 2024 an announcement was made that an international private equity business had made an offer to acquire the Company. Furthermore, the Company had agreed to the deal and were recommending that shareholders vote in favour of the takeover.

The following article was published on 20th May 2024 by UK Investor Magazine:

> *"Keywords Studios, a leading provider of services to the video games and entertainment industries, announced today that it is in advanced talks regarding a potential £1.4bn cash takeover offer from EQT, a global investment firm.*
>
> *According to the company, EQT has proposed a cash offer of 2,550p per share to acquire the entire issued and outstanding share capital of Keywords Studios. This represents a significant premium over the company's closing share price of 1,722p on Friday.*
>
> *Keywords Studios shares were 63% higher at 2,405p at the time of writing on Monday.*
> *The potential 2,550p offer follows four previous unsolicited proposals from EQT over recent months that were rejected by the Keywords Studios board. However, the board has now indicated it would be "minded to recommend" the latest proposal to shareholders if a firm intention to make an offer is announced on those financial terms.*
>
> *Keywords Studios said its board "remains confident" in the company's growth strategy and that EQT is "supportive of this strategy" to build a global platform serving the video games and entertainment industries through organic growth and acquisitions."*

The Company's share price rose immediately to effectively reflect the offer price:

Source: Financial Times

Our analysis

We were disappointed at the acquisition news given our relatively recent investment in the Company. Given our long-term horizon and the prospects that we had identified for the Company, we felt that higher returns for our shareholders could be achieved by remaining an independent and listed entity. While the multiples offered for The Company looked reasonable to us on a one-year view, the multi-year returns on offer were potentially far higher.

Action/Escalation

Letter to the Chair

Having analysed the term of the acquisition ourselves, we decided that the appropriate next course of action would be to write a letter to the Chair of Keywords Studios, regarding the potential takeover by EQT AB. Below is the letter we sent via post and email:

29th May 2024

Letter to the Chair of the Board, concerning a potential takeover of Keywords Studios by EQT AB.

Dear Mr Robert,

We are shareholders in Keywords Studios and have been since August 2020. Our clients have benefitted from strong share price performance (+15% on initial investment), and we thank you for your work as Chair since your appointment.

We are writing to you to express disappointment with the proposed price (2550 pence a share) offered by the bidder, regardless as to whether it is the start of negotiations or not, and would disagree with any recommendation from the board at these levels. Our reasons are as follows:

- **Implied Share Price:** 2550p offered by the bidder is low when considering the company's share price over the past twenty-four months. It is at a 29.4% discount to the share price's recent 18-month highs in March 2023. We believe that the current bid is far too opportunistic at these modest levels.
- **Opportunity as a standalone entity:** Keywords has been at the forefront of a market that has been experiencing strong growth, over the long term. At your last Capital Markets Day, we were impressed by the energy not just of Bertrand, but of the whole Keywords team, and increased our shareholding on their conviction in the future of Keywords as a standalone entity.

We urge the board to consider the long-term growth prospects of Keyword Studios and in the best interest of all shareholders, if a bid to takeover were to be accepted, to lobby for a significantly higher share price than what is currently on the table.

Yours sincerely,

We received the following response from the head of IR and ESG by email:

Dear Rose – many apologies for the slow reply to you letter. It has been received and passed on to our Chair.

I want to thank you for your support of the business as shareholders and belief in the long-term opportunity that Keywords has. As you can imagine, the Board takes its responsibility to all shareholders and its broader stakeholders very seriously and has spent a lot of time on this topic. We have brought in defence advisers, and together have rejected four bids, before getting to a point where the Board was minded to recommend. We take on board the point that the offer is at a discount to historic trading, but due to the size of the premium and where the shares had been trading, the Board felt that it was at a level where it should be shown to shareholders. Unfortunately, there was market speculation, which led to the leak announcement which means we are currently limited on providing more details as to the process and the Board deliberations, but if a firm offer were to materialise then we would outline the rationale for any such recommendation at that point in time.

Kind regards,

We thanked IR for their response and acknowledged that the leak left Keywords in a tricky situation with regard to communication with Shareholders. We also asked IR to note that we would appreciate a call if a firm offer materialised.

Call with Keywords IR, 16/07/24

When the offer materialised, we followed up with a call. We explained to IR on the call that we've been shareholders for a long time, and our worry is that the business is being sold at point when UK/AIM/computer games are at a cyclical low.

The results from our call are as follows:

'To be brutally honest, EQT are not stupid. They have a long-term view and can see when market is going through bad patches. I'm sure they have coveted Keywords for a long time. The Keywords board is aware we are in a cyclical time. If there was a better market backdrop, things would be different – however we don't and not looking like there will be a drastic change any time soon.'

Shareholder sentiment:

- Keywords went back and forth numerous times with EQT, pushed hard to get price they did. Board are aware that it is disappointing to settle for a price lower than previous highs, but also think that shareholders will be happy for the following reasons:
    - Current state of the market
    - Overhand of generative AI
    - The highs in their previous share price are now a very long way off.
- Apparently our firm and one other asset management firm care, but majority of shareholders are shorter term and less bothered than we are. Overall judgement was that shareholders would be in favour.
- The Board felt the offer was a level that was appropriate to shareholders, and a good price given the prospects. The Board supported it when they presented it to shareholders… thought that it was the right thing to do because they didn't want to look weak by not agreeing with it and then going ahead with the deal (we felt they look weak anyway by agreeing to a lower offer than their worth without putting up more of a fight, and thought they should have presented it to shareholders as 'here is the price ECT have offered, we aren't happy with it').

What happens with Exec and the CEO?

- EQT been clear that their strategy supports exec. Want to back that team to continue to grow the business.

- Idea is not that CEO walks into the sunset with a big cheque.
- Keywords weren't looking to be bought, they were ready to go on for many more years.

'It is a very bittersweet moment. Been a great example of success of AIM. £50m business up to £2bn. Shame that is has been bought, because it is a lovely business that people want to back in the future.'

Conclusion and Further Action

Ultimately, we were disappointed with the outcome of the takeover, but were proud of our attempts to stick to our guns and valuation discipline. We concluded that the board has taken the easy option. Management have all been guaranteed a job at the new place, they just don't have to do all the tedious tasks that come with being a listed company.
We were also disappointed that only one other asset management firm has raised their dissatisfaction with the takeover bid.

We felt we should abstain from voting on the basis that it will go through anyway, but we don't want to endorse it.

Young and Co's Brewery *engagement on weak share price*

In person meeting with CEO and CFO
Group Investor Meeting
Discussions with house brokers
Held in CH UK Smaller Companies Fund

This example relates to Young & Co.'s Brewery, which engages in the operation and management of pubs and hotels in the United Kingdom. It sells drinks and food, as well as provides accommodation services. The company was founded in 1831 and is based in London. We have been shareholders in the business since June 2020, and we were disappointed in the performance of the business in 2024.

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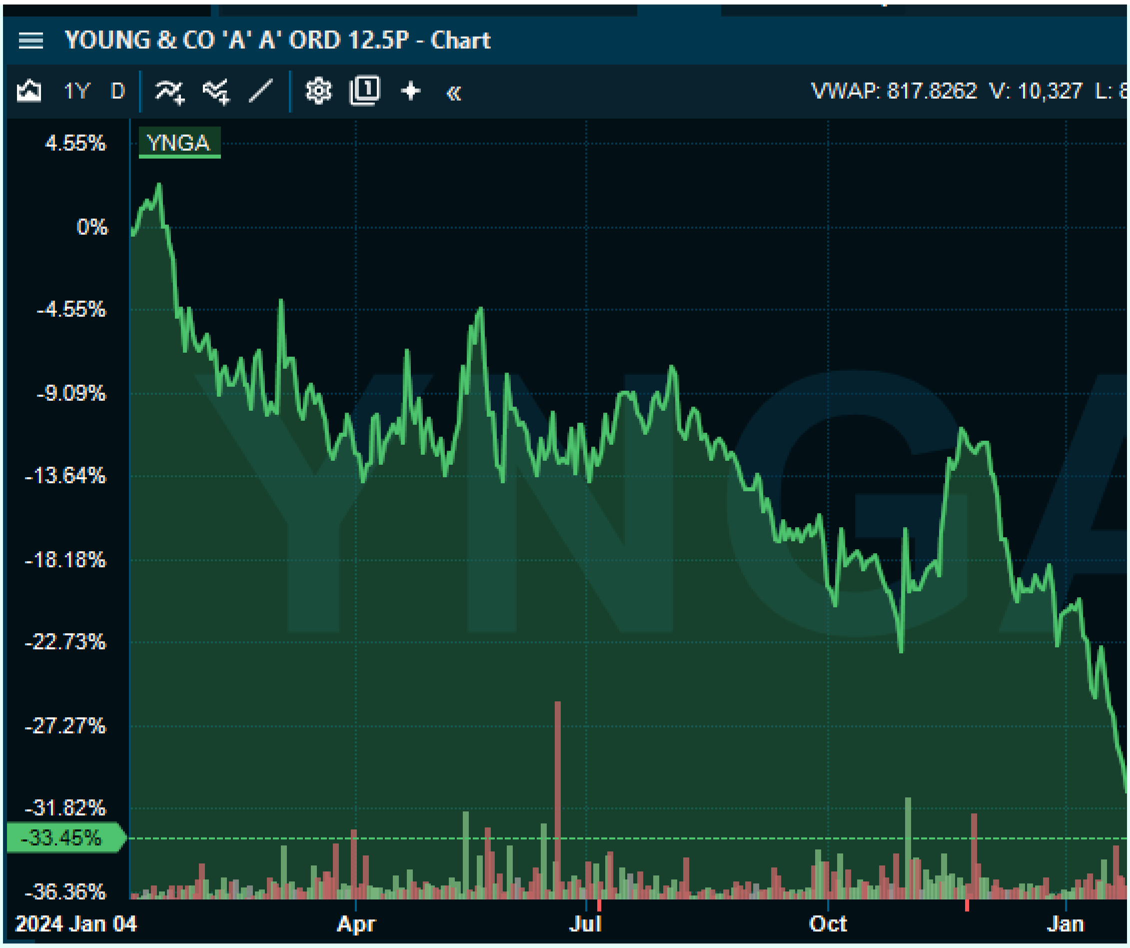


Context

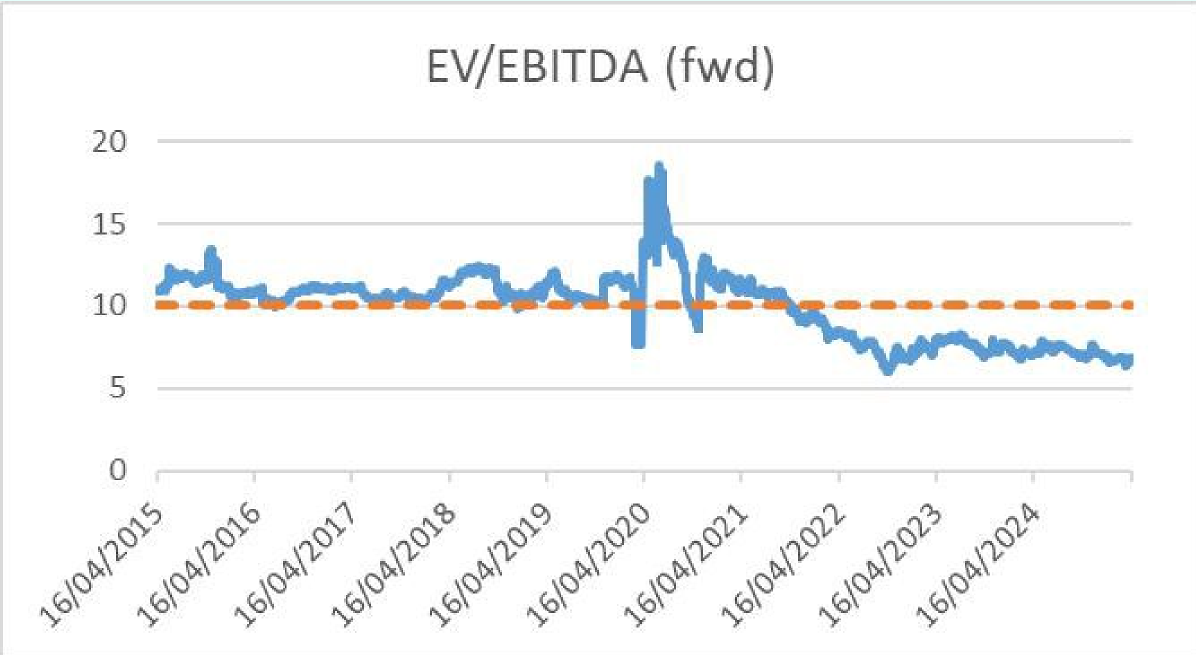
Our initial investment case for Young & Co's Brewery was based on their excellent long-term record of delivering organic growth at the same time as maintaining high ROCE and cash conversion ratios. The company has a long history, founded in 1831, and has a strong portfolio of valuable assets across London and the UK.

Shares in the Company were weak in 2024 on the back of AIM market sell off and negativity towards UK small caps, but we don't feel that this is reflective of the underlying business.

Steady earnings growth

Our analysis of the company demonstrated that while Youngs faced a de-rating, they have maintained steady earnings growth in recent years, despite COVID enforced shutdowns.

Year	02/04/2018	01/04/2019	30/03/2020	29/03/2021	28/03/2022	03/04/2023	01/04/2024
Revenue	279	304	312	88	309	369	389
DPS	0.20	0.21	0.11	0.00	0.19	0.21	0.21
EPS	0.68	0.71	0.58	-0.67	0.37	0.63	0.71



Escalation of Activity – Management Meetings and Feedback

During 2024 we had a group call with the management and an in-person meeting at our offices. During both of these meetings, we set out to understand the reason for the underperformance. Although the group meeting was helpful in getting a general overview, we feel face-to-face meetings are more valuable in such a situation, which is why we organised a second meeting. This also enabled us to have an in depth Q&A session with both the CEO and CFO.

	2024 £m 52 wks	2023 £m 53 wks	Change %
Revenue	388.8	368.9	+5.4%
EBITDA*	92.2	85.5	+7.8%
Operating profit*	57.3	52.4	+9.4%
Operating margin*	14.7%	14.2%	+0.5 ppts%
Profit before tax*	49.4	45.2	+9.3%
Earnings per share*	62.97	64.29	-2.1%
Dividend per share	21.76	20.52	+6.0%

- 53rd week 2023 contributed £6.9m of revenue and £1.4m adjusted operating profit
- City Pub Group contributed £7.2m of revenue and £1.8m EBITDA during 2024

*Adjusted to exclude non-underlying items

Another beneficial outcome from these meetings was hearing about how their acquisition of City Pub Group is progressing. Youngs acquired this for £243m, their largest acquisition to date. The update was as follows:

Acqusition of the City Pub Group:

- ‘Clive was very good at buying pubs, and finding the right pub. Some of his we didn’t even see and would have loved to buy, for example Aragon House. Very happy we now have all of these under our possession’.
- Very similar business to Youngs. Both entrepreneurial in spirit, trade similarly, and have similar metrics.
- CPG tick 9.5 out of 10 boxes about when we look for when acquiring.
- Largest acquisition and first listed business.
- Acquired 52 trading pubs and 240 new bedrooms.
- £5m capex committed this year, £2.5m already been spent on site at several pubs.
- Integration going to plan in line with the offer document - head office, tech and systems all integrated.

Conclusion and Further Action

We were reassured by both meetings with management, and remain confidence in Young and Co’s business model, therefore, we decided that no further action was necessary. A learning from this experience is that it is important to do our own due diligence on a company and consider wider reasons for a drop in share price. It would not be in our clients’ best interests to sell a company purely on share price weakness, if we believe that the company has good potential to pick up in the future.
Although we believe the share price will pick up to reflect the quality of the business in due course, we will closely monitor performance to ensure that no internal factors are negatively affecting it.

12. Actively Exercising Rights and Responsibilities

Our Proxy Voting Process

In-house Voting

At Church House we take our own responsibility for proxy voting and do not outsource any part of the process to third parties. We do this because we see proxy voting as a responsibility that we would like autonomy over and, just as we would not outsource an investment decision, we prefer to keep voting decisions in-house.

Voting and Engagement Committee

As discussed in Principle 2, we looked to add resources and structure to our proxy voting process in 2021 by creating our new **Voting and Engagement Committee**. This committee is made up of six members from our investment team and convenes weekly to discuss upcoming voting and to delegate responsibility for analysing newly published statements. This committee is led by our investment analyst, who monitors upcoming events where we have the opportunity to vote.

The establishment of this committee has significantly improved our voting processes and promoted greater engagement across the investment team. It has further promoted active engagement with investee companies within our governance structures and we have further entrenched this into our processes during 2024.

Voting policy

We do not publish a formal voting policy on the basis that we invest in a wide variety of asset classes and businesses globally. We feel that the diversity of these businesses and their unique circumstances makes having one formalised policy problematic to apply and is not necessarily suitable. With a nine-person investment team, we also have finite resources, and do not feel like applying such a central policy would be suitable for Church House at present. However, **we have common standards and convictions that we apply for all of our investee companies.**

For example, we do not like for management teams to have the **right to issue material portions of equity** without the approval of shareholders. However, there are other items, such as **remuneration**, that we feel **varies too materially across sectors, geographies and market capitalisations** for one central policy to be applied. Despite not publishing a formal proxy voting process, we do aim to be consistent and uphold governance standards on behalf of our clients.

Voting – Equities versus Fixed Interest

As shareholders in equities, we are able to engage with management (in *support*, *against* or *abstaining*) via our **right to vote**. However, across our fixed interest holdings, we are unable to vote, given the nature of the asset class. Nevertheless, we regularly engage with issuers via netroadshows and other methods discussed in the previous principles.

49 Grosvenor Street, Mayfair, London W1K 3HP. Telephone 020 7534 9870
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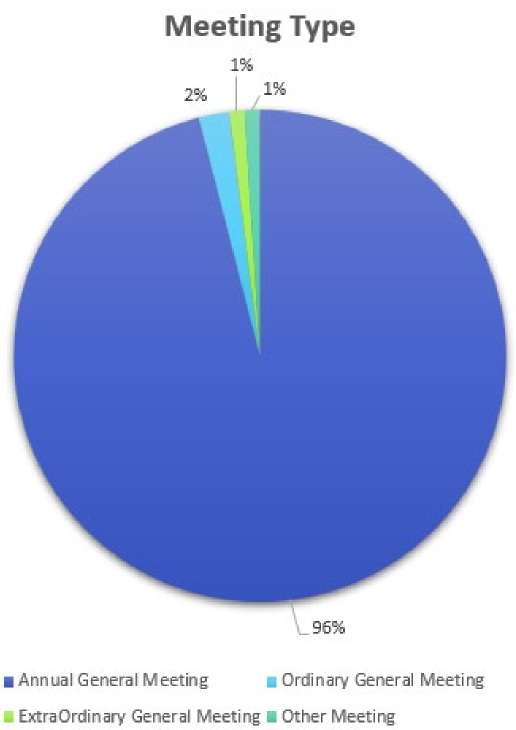
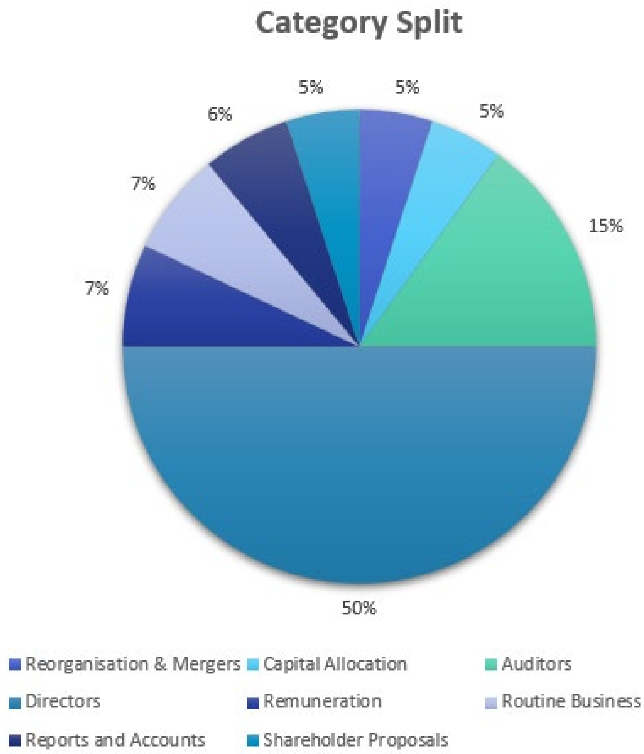
Interest Proxy Voting Activity

During 2024 we voted on a total of 72 events, made up of 1,462 items. 95% of these events were AGMs. Here is the full split of meeting type that we voted on:



Source: Church House Investment Management.
Data as at 31st Dec 2024



Source: Church House Investment Management.
Data as at 31st Dec 2024

We **voted 'against' management** on 37 occasions and 'abstained' twice. Combined that makes it 2.5% of votes where we did not vote with management. In the below pie chart, we have defined voting against management as voting AGAINST, when the management recommendation was to vote FOR, or vice versa. As you can see, we primarily voted in favour of resolutions however we did vote against a number where we felt that the resolutions weren't in the best interest of shareholders. We also took part in voting for and against in resolutions put forward by shareholders.

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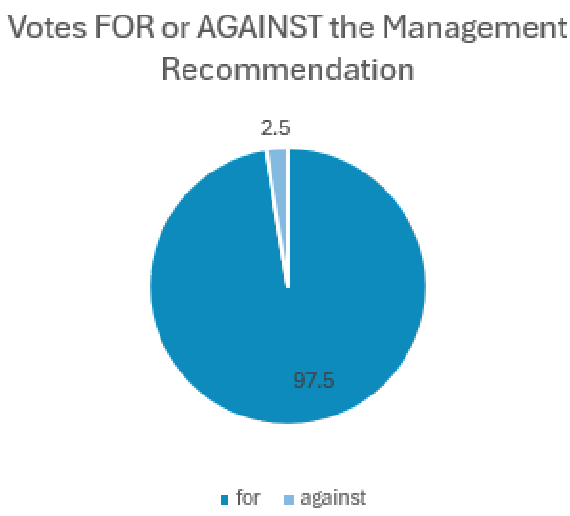
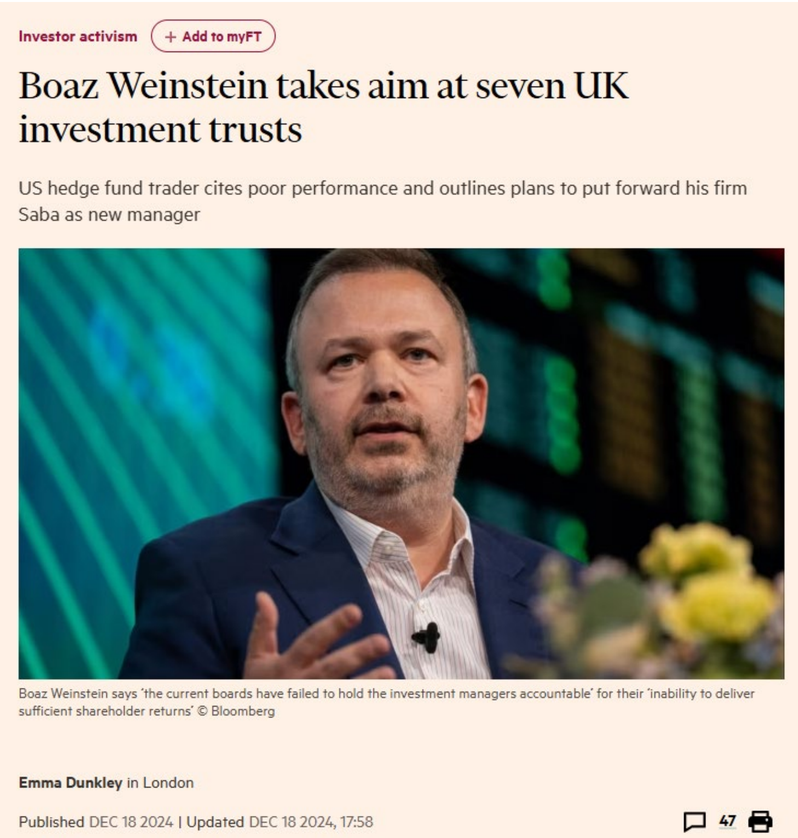


Source: Church House Investment Management.
Data as at 31st Dec 2024

Shareholder Proposals

With the largest majority of our votes against management being on Shareholder Proposals, it is worth delving into some examples of the companies and reasons behind these votes.

Case Study – UK listed Investment Trust: From Q4 2024 - ongoing



Investor activism + Add to myFT

Boaz Weinstein takes aim at seven UK investment trusts

US hedge fund trader cites poor performance and outlines plans to put forward his firm Saba as new manager

Boaz Weinstein says 'the current boards have failed to hold the investment managers accountable' for their 'inability to deliver sufficient shareholder returns' © Bloomberg

Emma Dunkley in London

Published DEC 18 2024 | Updated DEC 18 2024, 17:58

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This is the first instance of many of Boaz Weinstein's Saba Capital trying to take control of a close ended fund in the UK via building up a position in a trust to be able to table votes to replace entire boards and internal structures of companies to allow Saba to control the trust going forward which they believed was in everyone's best interest.

Proposal
PLEASE NOTE THAT THIS RESOLUTION IS A SHAREHOLDER PROPOSAL: ELECT BOAZ WEINSTEIN, A SHAREHOLDER NOMINEE TO THE BOARD

Some version of the above proposal was in place for originally 7 investment trusts (this expanded later) with Church House having an overall view especially with Herald Investment Trust, Keystone Positive Change, Baillie Gifford US Growth, Henderson Opportunities and Edinburgh Worldwide (the other trust were CQS Natural Resources and European Smaller Companies).

Church House Perspective

While there was a façade from Saba of helping the investor who hadn't got the returns they deserved in the last 3 years, this was not down to these specific trusts but an endemic issue of widening discounts and lack of funds into the UK space. However, the general belief was that this would recover and indeed had by the time of the announcement of these votes occurring for at least 6 months prior. While Saba's proposal sounded promising they basically were proposing making any successful trusts into open ended vehicles as they had done in the US. When you look at their performance with US based trusts you see that looking at every metric whether this is near or far sighted, they underperformed against their benchmark which was the main selling point of their mandate. Moreover, while promising client liquidity as it may have been difficult to leave some trusts due to lack of demand, there was never any sold clarification on what percentage liquidity would be available if any. Finally, there were also questions raised over the governance requirements of a trust and whether this would be met by Saba both in terms of size and independence of the board.

Outcome

All 7 votes failed across every trust mentioned above with the votes against ranging from 59% to 65.6% (with Herald voting against Saba for a second time with 69.1% voting against). While Saba have said they will continue to buy shares in trusts that are undervalued to try to implement their regime we believe most shareholders have seen through these attempts and no further votes should pass.

Case Study: Amazon 22nd May 2024 AGM – voted against shareholder proposals

As illustrated in the below example, we examined several shareholder proposals covering a range of topics including additional committees, monetary and other internal reports and additional funds received into the business. After consideration within the investment team, it was ultimately decided to vote alongside management and **against** these shareholder proposals:

1. Shareholder Proposal Requesting an Additional Board Committee to Oversee Public Policy
2. Shareholder Proposal Requesting an Additional Board Committee to Oversee the Financial Impact of Policy Positions
3. Shareholder Proposal Requesting a Report on Customer Due Diligence
4. Shareholder Proposal Requesting Additional Reporting on Lobbying
5. Shareholder Proposal Requesting Additional Reporting on Gender/Racial Pay
6. Shareholder Proposal Requesting a Report on Viewpoint Restriction
7. Shareholder Proposal Requesting Additional Reporting on Stakeholder Impacts
8. Shareholder Proposal Requesting a Report on Packaging Materials
9. Shareholder Proposal Requesting Additional Reporting on Freedom of Association
10. Shareholder Proposal Requesting Alternative Emissions Reporting
11. Shareholder Proposal Requesting a Report on Customer Use of Certain Technologies
12. Shareholder Proposal Requesting a Policy to Disclose Directors' Political and Charitable Donations
13. Shareholder Proposal Requesting an Additional Board Committee to Oversee Artificial Intelligence
14. Shareholder Proposal Requesting a Report on Warehouse Working Conditions

Some select reasons why we voted against certain proposals are below:

Shareholder Proposal: "Requesting Policy to Disclose Directors' Political and Charitable Donations

- Under Delaware corporate law board members have fiduciary responsibility to shareholders and must act in their best interest. We sided with management as ultimately Amazon select their directors for their diversity of experience and not their personal beliefs.

Proposals 1, 2, 4, 13

- These proposals assume each minutia of the business should have a separate committee but all the subjects proposed above are covered by one or more committees already and covered by their policies give the subjects the due care and attention they all deserve

Proposals 5,

- Amazon has previously supplied this information following previous requests

Outcome

All 14 shareholder proposals were voted against

Voting Coverage of Fund Assets

Improved voting process

Over 2024 we are pleased to have continued our voting across our fund holdings with the continuation of our Voting and Engagement Committee and efforts made within the investment team. Whist prior to 2023, voting had been the responsibility of one individual, all investment professionals are now actively engaging in voting and our processes have been improved to reflect this and ensure wider coverage.

Case study: National Grid 10th July 2024 AGM - voted for shareholder recommendation

This was a vote to approve the Climate Transition Plan for National Grid which had previously been set up but amendments had been made in the years since with renewed targets for approval

The proposal was:

Climate Transition Plan

17. To approve the Climate Transition Plan.

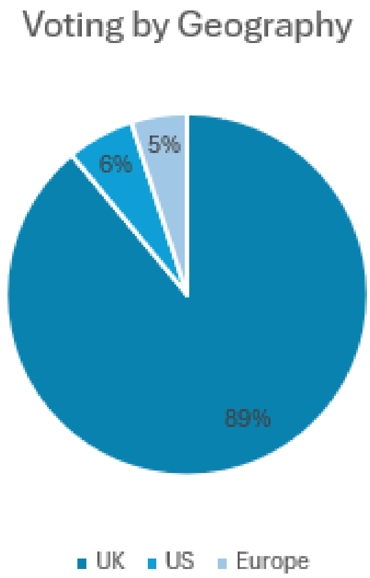
Chairwoman's notes:
Climate Transition Plan - We recognise the vital role the Company has as an enabler of the energy transition. An updated version of the Company's Climate Transition Plan (the 'CTP') has been published and a non-binding advisory shareholder approval is being sought at this year's AGM. The CTP sets out our greenhouse gas emissions reduction targets and our pathway to becoming a net zero business by 2050.

This resolution is an advisory vote to approve the updated version of the CTP. The CTP sets out the Company's plans, actions, assumptions and dependencies … aligned to the goals of the Paris Agreement. This includes net zero … emissions by 2050. The Company has set, and is working towards, targets to reach net zero by 2050. The CTP is separate to the Company's Environmental Action Plans ….

The 31 paged Climate Transition Plan (CTP) goes extensively not only into the previously mentioned aspects of the transition that were voted on but the company's transition to greater usage of electricity, increasing manoeuvrability of power where needed via sub-sea cables, reduction of 'line losses' and internally switching to more renewable sources where possible.

Outcome – was the vote successful?
Whilst all of these is positive and includes increased targets from the original CTP, the issue of the vote being non-binding means as many environmental company policies do and can be ignored. However, looking back in retrospect and the resolution passing with 98.95% of the vote should mean the company does not ignore this resolution and ongoing votes on the subject can maintain accountability by the shareholders

Voting approach by Geography



Source: Church House Investment Management.
Data as at 31st Dec 2024

UK voting

In 2024, the main areas of voting were for our **UK-listed investments** making up 89% of our votes. Where we have not voted has been due to a constraint on resources, as a small firm, or new holdings added during the year.

International voting

One challenge has been voting on international businesses. Given that we have six members of our Voting and Engagement Committee and the time that is takes to effectively analyse and vote on resolutions, we have found that **our resources can limit our ability to cover international equities**, particularly mega-cap

US companies that require significantly more time to cover than, for example, a smaller cap UK business.

Furthermore, **investor relations and wider company access is harder for these large businesses** and we, as a smaller investment company, do not get the same level of access as our larger asset management peers.

Individual Clients and Voting

In the event that an individual client has an investment in a segregated account that is not held in any other accounts at Church House and that client wishes to vote on this company, then we are happy to take instruction from this client. This would require specific instruction from the client. For more widely held positions we follow our core process, as outlined above.

However, given the nature of Church House's business model, we run most of our clients via a discretionary fund mandate, and as fund managers, vote on behalf of our clients. Therefore, the likelihood a client may override a house view is minimal.

Stock Lending

We do not engage in stock lending for any of our assets.

Fixed Income

Due to the nature of our Investment Grade Fixed Interest Fund being **debt**, we are **unable to vote** on these holdings. We are also unable to vote on our fixed-income holdings within our Tenax Absolute Return Strategies Fund and our Balanced Equity Income Fund.

Conclusion and intentions for 2025

We intend to continue with our Voting and Engagement Committee though 2025 and into perpetuity. It has now become a core part of our process and we are proud to be one of the few firms in the industry who undertakes all Shareholder voting in-house. We look to become more involved with tracking **management remuneration** and **insider trading**, as we believe both to be important indicators of what is incentivising management in their decisions, with a high insider holding by executives a true alignment to shareholder interests, with additions and sells of this often telling of their conviction and long-term interests in the company.

Jeremy Wharton
Chief Executive

Church House Investment Management, 49 Grosvenor Street, Mayfair, London. W1K 3HW

Church House Investment Management

UK Stewardship Code Report

2024