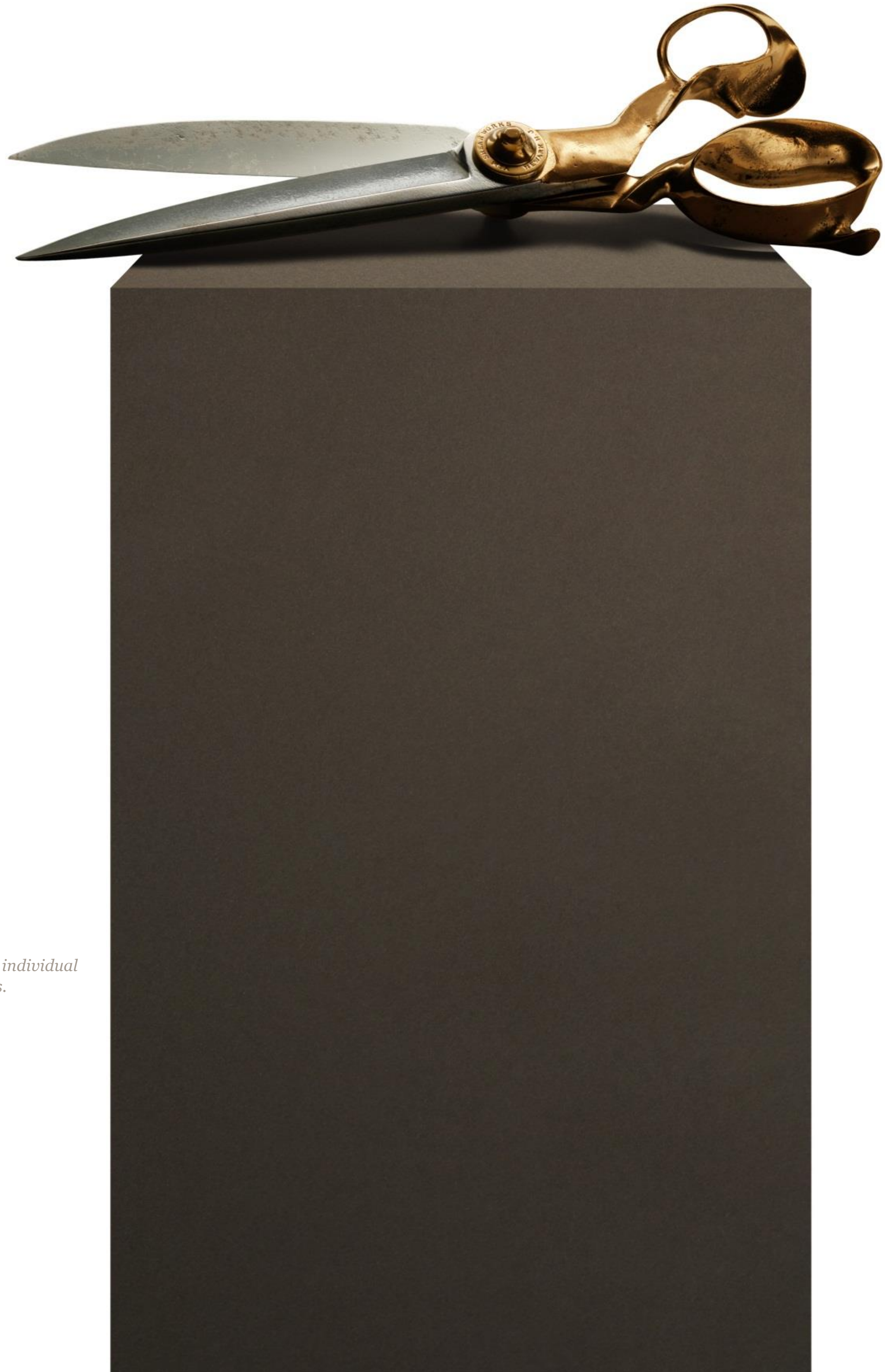
PAPER E

Isle of Wight Council Pension Fund
UK Equity

MAJEDIE
Asset Management

Quarterly Report to 31 December 2019



Tailored to individual client needs.

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SUMMARY

Performance

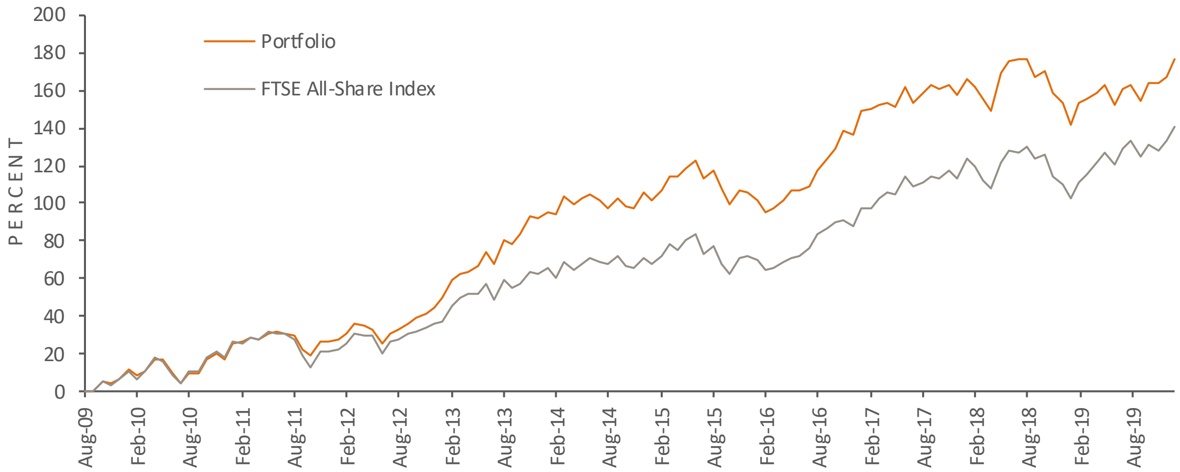
Market Value as at 31 December 2019	£159,016,608
Portfolio Performance Inception Date	31 August 2009
Benchmark	FTSE All-Share Index
Target	Benchmark +2% p.a. net of fees over rolling 3 years

Valuation as of COB, bid priced, including accrued income.

Total Return (%)	3 months	YTD	1 Year	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.)
Portfolio	5.0	14.7	14.7	3.5	6.5	9.6	10.4
Benchmark	4.2	19.2	19.2	6.9	7.5	8.1	8.9
Relative	0.8	-4.5	-4.5	-3.3	-1.0	1.5	1.5

Performance for your mandate is shown in GBP stated gross of fees. Please find overall details of costs and charges later in this report.

Cumulative Portfolio and Benchmark Returns



Source: Majedie. Performance for your mandate is shown in GBP, stated Gross of fees.

The value of your portfolio rose from £123,216,960 to £159,016,608 over the period. There was a net contribution of £28,371,046 during the period.

Fund Manager Summary

The UK stock market has, in our view, begun a period of rejuvenation. Investors in the UK now have a greater degree of certainty afforded by a resolved political backdrop, plus the potential economic benefits of higher government spending. These factors should combine to narrow the unusually wide discount of the UK market to broader global equity valuations. Companies with meaningful domestic UK equity exposure stand at a further discount. Robust operational performance of the stocks we hold in this part of the market is but one driver that should lead to a narrowing of this 'double discount': we believe this stock-driven Fund is well placed to capitalise on these glaring market inefficiencies.

Executive commentary

The British Prime Minister Harold Wilson once observed that "a week is a long time in politics". For some, the last three months must seem like a lifetime.

The quarter began with further political uncertainty in the UK. The new Prime Minister sought a revised Brexit deal agreed with the EU, despite huge scepticism on all sides. He was then voted down by Parliament on both keeping the option of a 'no-deal' Brexit and on holding an Autumn general election. Political stagnation continued.

Yet, in the face of all this, revisions to the withdrawal deal were eventually agreed, and the political parties did ultimately sanction a general election. While both sides of the house set out bold spending plans in their manifestos, the election result indicated that it was delivery of Brexit that concerned most voters. A government with a sizeable majority is now in place and Brexit will happen. Nor has anyone had to die in a ditch.

Uncertainties remain though. The shape of a final exit terms with the EU remain unclear, and the UK Prime Minister's objective of having trade deals in place by the end of 2020 will revive questions around the risk of a no-deal exit. Nonetheless, the arrival of a government that can implement policy efficiently has removed much of the uncertainty that has plagued the UK stock market since 2016. Such clarity should bring overseas institutional investors back to the UK, leading to helpful additional marginal buyers in the market.

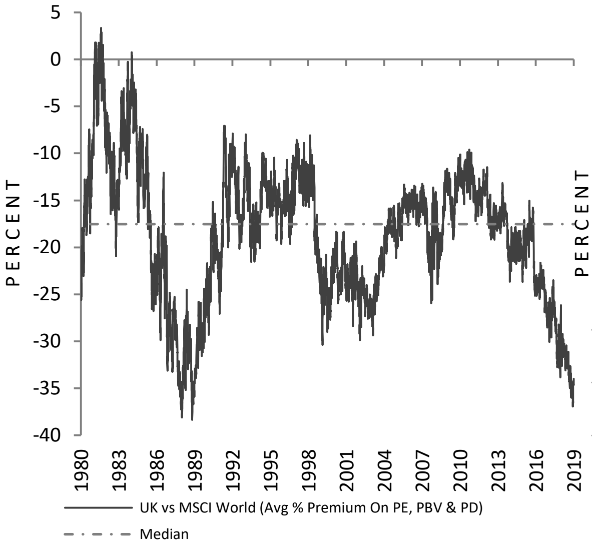
Over the quarter, the UK market rose 4.2%, ahead of the global equity (MSCI ACWI in sterling) return of 1.3%. Sterling also rose 7.6% against the US dollar. The calendar year was a strong one for equity markets, with the UK FTSE All-Share Index rising 19.2% and global equities up 21.7%. As we describe later in this report, the Fund's return was ahead of the Index over this quarter and behind over the year, reflecting stock-specific underperformance in the first half of the year.

There were strong contributions from Ryanair and Hays. Ryanair benefitted from better supply side dynamics: capacity growth has decelerated, and it has been a better environment for fares. The outlook for profit growth at Ryanair has therefore improved and the business retains an attractive and structural cost advantage over its peers. Hays' share price rallied after better than expected results and evidence that it is outperforming its competitors. The underweight positions in bond proxies such as Unilever and Diageo were also helpful. We elaborate on these positions below. Pearson detracted from performance following weakness in its legacy textbook businesses. We are more interested in the continued transition to a digital and subscription led business: progress here remains encouraging and we continue to hold the shares.

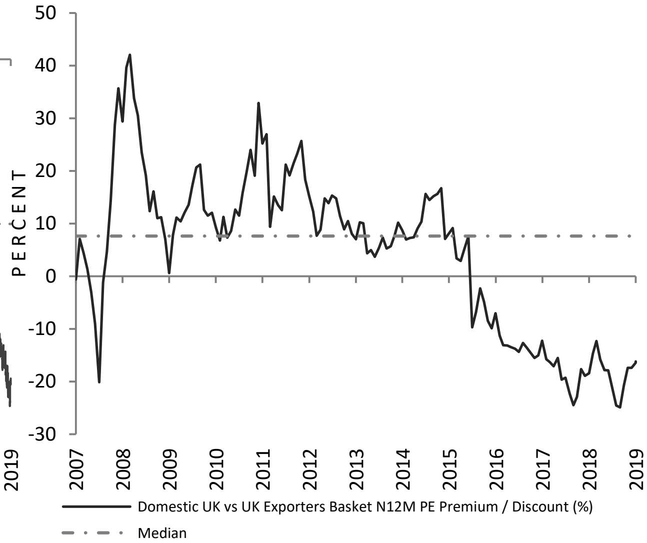
What next for the UK stock market?

After an extended period of UK equities underperforming global equities, we expect that the UK market will finally recover some lost ground. When we compare valuations across the UK market with those overseas, the UK stands at approximately a 30% discount. Some of this discount is to a degree structural, reflecting some large stocks in the index such as the Oil companies. However, we think the current level of discount is too wide. The removal of some of the political uncertainty in the market should help this narrow.

Valuation of UK Market relative to MSCI World



Valuation of domestic UK shares vs overseas earners



Source: Bloomberg

In addition to the attractive discount, there are three further Fund-specific aspects that we believe will underpin future returns:

1. We maintain our modest overweight to domestically-orientated stocks such Tesco, Daily Mail and selected financials including Legal & General. These stocks are themselves at a further discount to the broad UK index. They have scope to significantly re-rate through a combination of self-help and as by the market reappraising better-quality earnings. Further, a significant number of domestic UK stocks have attracted corporate buyers in the last year: examples include Greene King, Ei Group and JLT. We think there may be more acquisitions to come.
2. Irrespective of the economic weather, we have identified many companies in the UK market to be Darwinian winners. The recent period of low UK economic growth has been a curiously good environment for companies that have invested wisely and consistently. They are now able to crunch their competitors further. Examples in the Fund include Hays, Electrocomponents and Marshalls. These businesses continue to have long and durable growth opportunities.
3. Bond proxies, such as the consumer staples Unilever and Diageo, are trading on low yields (and high valuations) because of their perceived safety. The Fund is underrepresented in these. We think they are risky investments: with governments around the world talking up fiscal policy, and yields at distorted levels, there is a significant risk that higher bond yields will leave many of the bond proxies vulnerable after many years of outperformance. All this is at a time when the fundamentals of these businesses are under pressure. Unilever's 20% margin target is, for example, openly questioned by many.

These main strands underpinning the Fund have been in place for some time. Our trading activity has been relatively low: turnover was in the region of 7% for the quarter, and 20% over the year. There has not been any major change in the shape of Fund, but we have bought several stocks with significant overseas exposure, including AstraZeneca. We've also purchased a holding in 3i, the mid-market private equity business which also owns some attractive businesses overseas. Offsetting these purchases have been sales of other overseas exposed businesses, such as Orange and Novartis, as well as reductions in two banking holdings, Barclays and Lloyds, and BP. We expand on these decisions in the Transactions section of this report.

Outlook

As we enter 2020, the UK equity market has a very different feel from the 2016-19 post Brexit environment. We now have a UK political party with a clear majority and remit to deliver. Undoubtedly there will be tensions as the UK's trade negotiations progress, but the direction of travel on trade is clear. Meanwhile, austerity appears to have come to an end and fiscal pump priming is back. All this adds up to the very real prospect that UK growth could return to long-term trend levels and is likely to exceed the G7 average. Furthermore, unemployment is low and business confidence is up. All this amounts to a big change and should help drive further returns from the stocks we hold across the UK stock market.

PERFORMANCE ATTRIBUTION

Positive Stock Attribution

SECURITY	ATTRIBUTION (%)	AVERAGE ACTIVE WEIGHT (%)	AVERAGE PORTFOLIO WEIGHT (%)	AVERAGE BENCHMARK WEIGHT (%)
RYANAIR	0.4	1.9	1.9	0.0
HSBC	0.4	-4.2	1.0	5.2
HAYS	0.3	1.5	1.6	0.1
UNILEVER	0.3	-2.0	0.1	2.2
DIAGEO	0.3	-3.2	0.0	3.2
LEGAL & GENERAL	0.3	1.7	2.4	0.7
CENTRICA	0.2	1.4	1.6	0.2
ASSOCIATED BRITISH FOODS	0.2	2.1	2.5	0.4
COMPASS GROUP	0.2	-1.4	0.0	1.4
ROYAL DUTCH SHELL	0.2	-1.8	6.1	7.9

Sources: FactSet, Majedie.

Commentary

Ryanair shares strengthened. They produced a robust set of results during the quarter and announced a modest upgrade to their expectations of future profitability. The main headwind at present is the stalled delivery of their 737 Max aircraft from Boeing, which the company is successfully managing.

We are only modestly exposed to **HSBC** and the shares continue to struggle, not least because of the continuing political unrest in Hong Kong. The interim CEO is making significant changes to the structure of the business and it remains to see how these will play out.

Hays' shares rose after better than expected results and evidence that it is outperforming its competitors. The market also anticipates that it will be a direct beneficiary of further strength in the UK economy.

Associated British Foods is the owner of Primark, the value retailer, as well as grocery brands such as Ovaltine, Twining's and Silver Spoon. It reported a strong set of results and is well placed to grow profits steadily in the years ahead. It also has a net cash balance sheet. This feature appeals: in a world where growth is likely to be limited, businesses with balance sheet optionality are attractive – especially given this management team's excellent acquisition track record.

Our thesis in the bond proxies has begun to play out. These stocks, such as the consumer staples **Unilever** and **Diageo**, and catering company **Compass**, are trading on low yields (and high valuations) because of their perceived safety. The Fund is underrepresented in these. We think these remain risky investments: with governments around the world talking up fiscal policy, and with yields at distorted levels, there is a significant risk that higher bond yields will leave many of the bond proxies vulnerable after many years of outperformance. All this is at a time when the fundamentals of these businesses are under pressure. Unilever's 20% margin target is, for example, openly questioned by many.

Negative Stock Attribution

SECURITY	ATTRIBUTION (%)	AVERAGE ACTIVE WEIGHT (%)	AVERAGE PORTFOLIO WEIGHT (%)	AVERAGE BENCHMARK WEIGHT (%)
PEARSON	-0.5	2.4	2.6	0.2
TULLOW OIL	-0.3	0.3	0.4	0.1
ORANGE	-0.3	1.9	1.9	0.0
BP	-0.3	2.5	6.8	4.3
PRUDENTIAL	-0.2	-1.6	0.0	1.6
BRITISH AMERICAN TOBACCO	-0.2	-2.9	0.0	2.9
FIRSTGROUP	-0.2	1.1	1.2	0.1
BARRICK GOLD	-0.1	2.3	2.3	0.0
EUROMONEY	-0.1	0.8	0.9	0.1
INTERNATIONAL CONSOLIDATED AIRLINES	-0.1	-0.4	0.0	0.4

Sources: FactSet, Majedie.

Commentary

Pearson detracted from performance following weakness in its legacy textbook businesses. More importantly for us is the continued transition to a digital and subscription led business: progress here remains encouraging and we continue to hold the shares.

BP shares moved modestly lower after announcing lower third quarter profits compared with the previous year. This fall was caused by lower oil prices and a fall in production, the latter in part a function of Hurricane Barry in the Gulf of Mexico in July.

Tullow Oil warned that it expected production to be approximately one third lower than it had forecast at the start of the year. As a result, it has suspended its dividend and the CEO and CFO have left the group. This was a small holding before this news, and we are now selling the residual stake.

Orange announced rather dull results, with our main concern being the lacklustre pace of sales growth, despite a high level of capital expenditure. We have reduced the position.

Prudential and **British American Tobacco** are both large liquid FTSE100 stocks that rose as the UK equity market recovered.

TRANSACTIONS

Largest Transactions

PURCHASES	SALES
BP	BARCLAYS
3I GROUP	LLOYDS BANKING GROUP
ROYAL DUTCH SHELL	ORANGE
TESCO	J SAINSBURY
GLAXOSMITHKLINE	KINGFISHER

Source: Majedie. This table shows the quarter's largest purchases and sales, by value, which may be affected by cashflows.

Commentary

We introduced a new position in the private equity group, **3i**. This is a high return business which owns a range of attractive businesses with both growth and defensive characteristics. These include Action, an attractive discount retailer in Europe which is growing nicely, and Cirtec Medical, a medical devices business. We also hold 3i's management team in high regard.

Ashtead is a construction and industrial equipment rental company with national networks across the UK, US and Canada. We think the company should be able to grow through a combination of organic growth and acquisition. This should result in high single digit per annum percentage earnings growth, combined with attractive returns on capital. We do not think the valuation of the shares captures this and anticipate decent upside in the shares.

The pharmaceutical business **AstraZeneca** has not been held for some time. Nonetheless, we have kept the company under careful review. Detailed research has been undertaken this year by our analyst Fan Ye. He concluded that its prospects were better than the UK team's prevailing view. The company newsflow had also been positive for some time. The conclusion was reached that three factors underpinned the prospect of further growth and a valuation in five years double the current share price: its existing business of new drugs driving strong growth; China becoming an important market for the company; and an innovative pipeline of future drugs.

The management team of **Qinetiq** have transformed the business over the last two years, broadening the group to include exposure to the fast growing US market. Qinetiq also has strong positions in niche markets in the UK defence sector, as well as attractive growth potential internationally. The company recently announced the acquisition of MTEQ, which doubles the size of its operations in the US and provides a strong platform for growth in the US defence market. The balance sheet remains in a net cash position and we expect to see further value-added acquisitions.

Novartis was reduced to fund the purchase of rival drugs company AstraZeneca, in which we think there is greater upside.

The positions in **Barclays** and **Lloyds** were reduced after a rally in the shares. With the shares towards the top end of their valuation ranges, we think there is reduced upside from here.

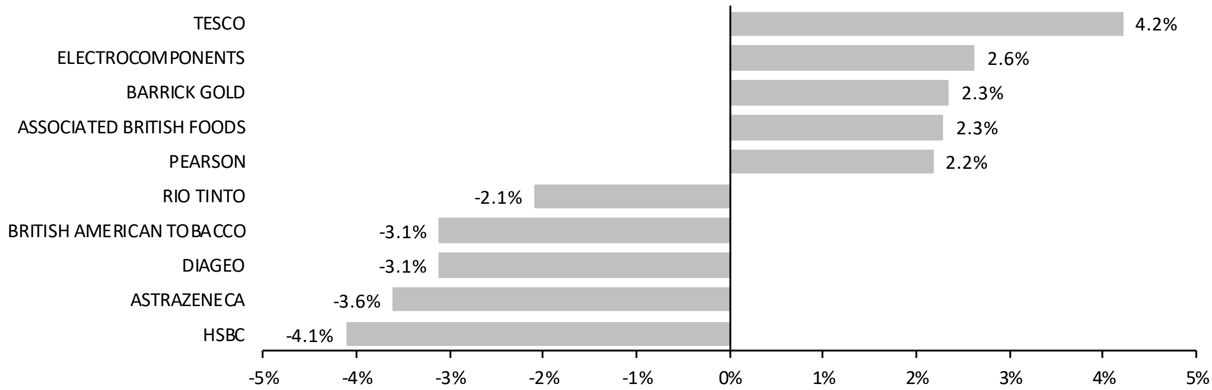
We reduced the position in **Orange** following a disappointing business update. While the cash generation of the business is set to improve, we have some concerns about the rationale for the company's banking offering.

PORTFOLIO POSITIONING

Size Breakdown

ASSET ALLOCATION	PORTFOLIO WEIGHT (%)
FTSE 100	57.6
FTSE 250	18.4
NON-UK	10.4
FTSE SMALLCAP	1.1
AIM	0.6
FLEDGLING/OTHER	1.1
CASH	4.5
POOLED FUNDS	6.2

Top Positive and Negative Stock Positioning Relative to Index



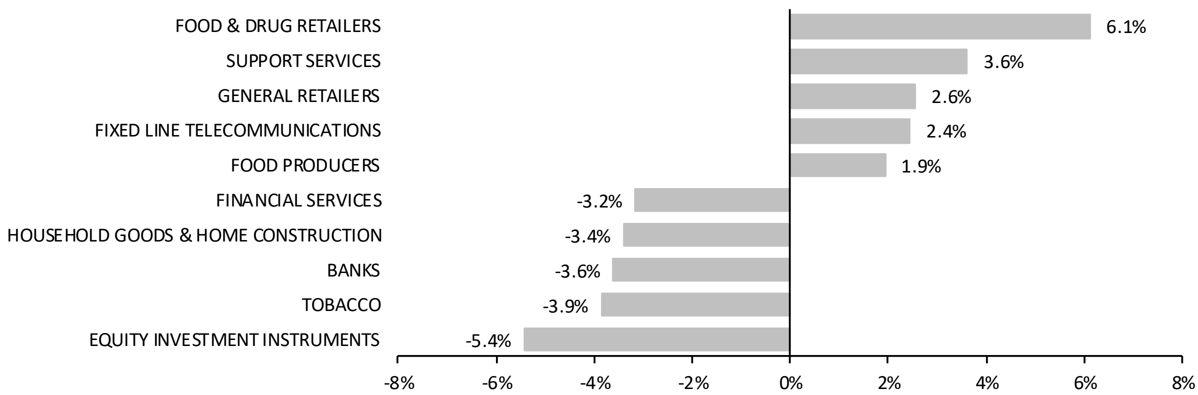
Top Five Holdings

SECURITY	PORTFOLIO WEIGHT (%)
BP	6.0
ROYAL DUTCH SHELL	5.8
TESCO	5.2
GLAXOSMITHKLINE	5.0
ELECTROCOMPONENTS	2.7

Active Share*

66.7%

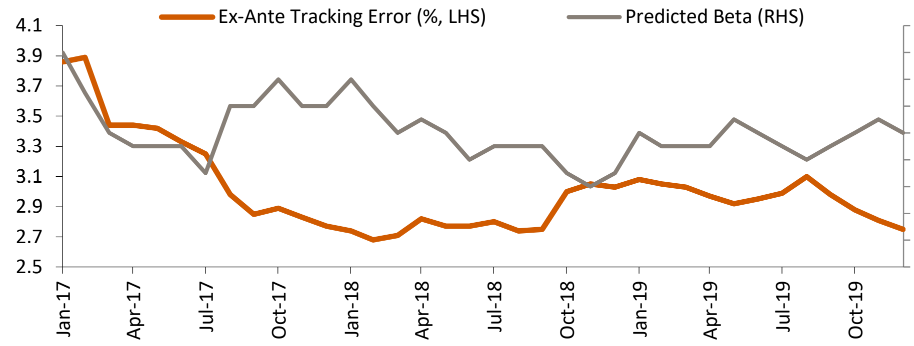
Top Positive and Negative Sector Positioning Relative to Index



Source: Majedie. Stock weights are aggregated by issuer.
*Active Share is defined as the absolute sum of over- and under-weight positions divided by two.

RISK

Active Risk and Predicted Beta



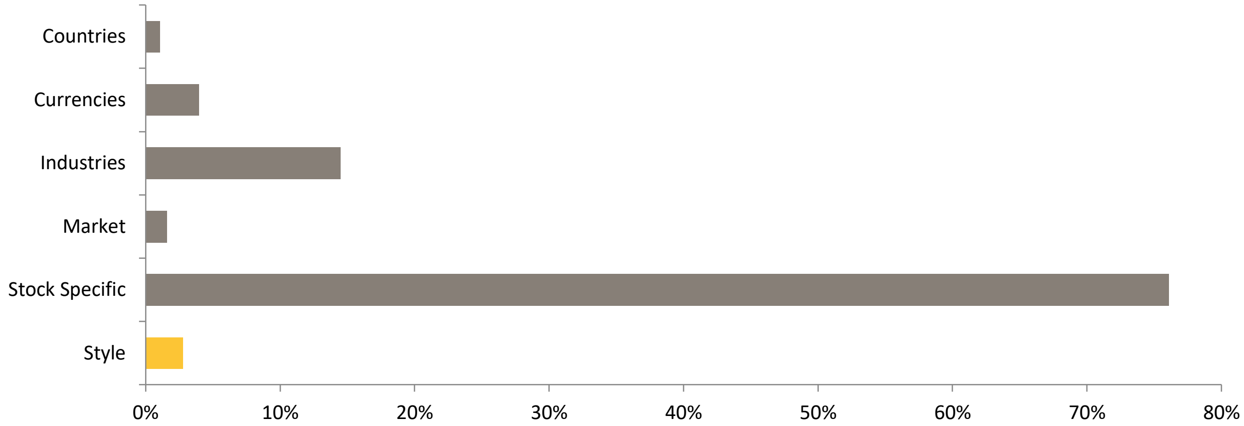
Active Risk*

2.7%

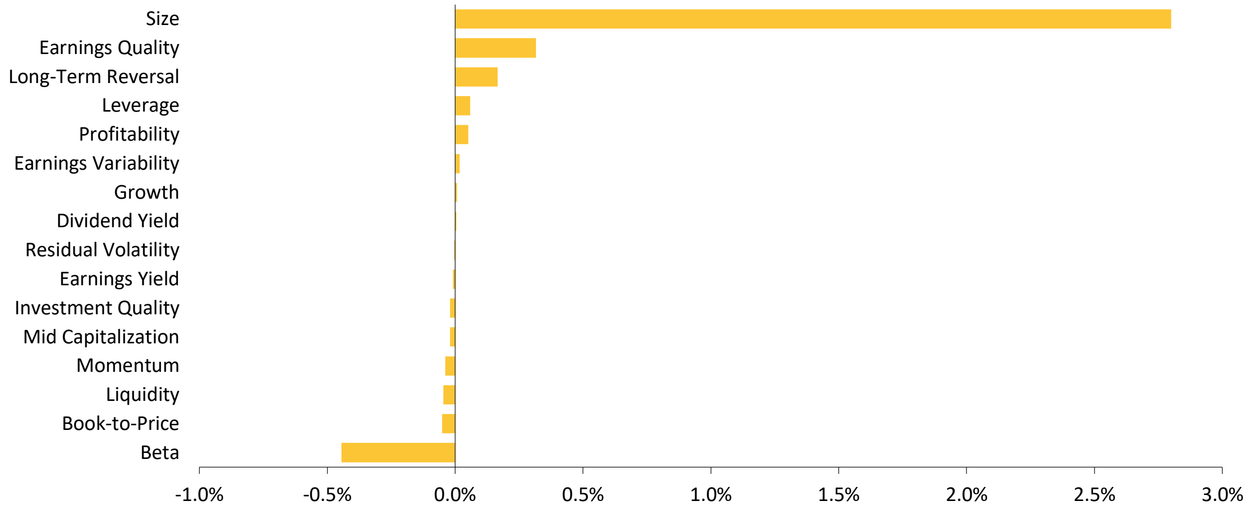
Predicted Beta**

0.95

Active Risk Decomposition



Style Factor Decomposition



Sources: Barra, FactSet, Majedie
*Active Risk is defined as predicted volatility of the excess return.
**Beta is defined as predicted sensitivity to the benchmark.

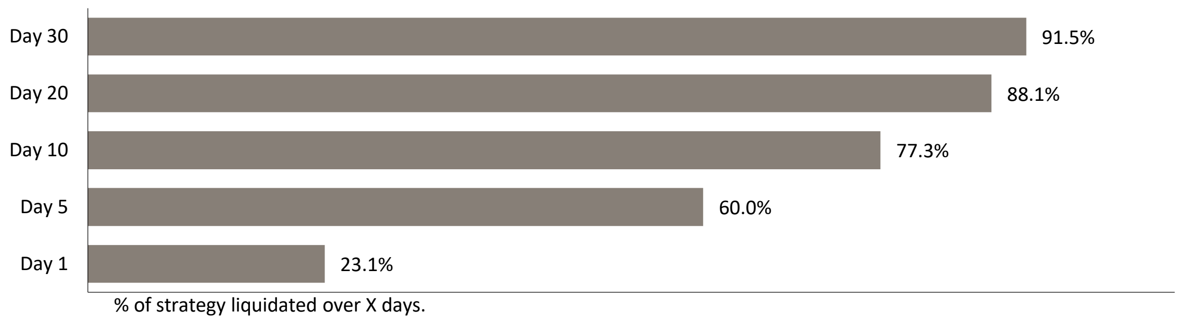
Top Positive and Negative Stock Contributors to Active Risk

SECURITY	ACTIVE WEIGHT (%)	CONTRIBUTION TO ACTIVE RISK (%)
BARRICK GOLD	2.4	9.1
BRITISH AMERICAN TOBACCO	-3.1	8.6
ASTRAZENECA	-3.6	8.2
HSBC	-4.1	6.5
TESCO	4.2	5.7
BARCLAYS	0.4	-0.3
ANGLO AMERICAN	0.3	-0.3
3I GROUP	0.8	-0.4
ROYAL BANK OF SCOTLAND	1.0	-0.4
LEGAL & GENERAL	1.8	-0.7

Top Positive and Negative Sector Contributors to Active Risk

SECTOR	ACTIVE WEIGHT (%)	CONTRIBUTION TO ACTIVE RISK (%)
MINING	0.0	15.7
TOBACCO	-3.9	9.4
PHARMA & BIOTECHNOLOGY	-2.3	8.1
BANKS	-3.5	7.0
SUPPORT SERVICES	4.9	7.0
MOBILE TELECOMMUNICATIONS	0.1	0.0
TECH HARDWARE & EQUIPMENT	0.2	0.0
FORESTRY & PAPER	1.8	-0.2

Liquidity Summary



Regression Analysis (monthly over 3 Years)

INFORMATION RATIO	-1
FUND ANNUALISED VOLATILITY	9.76
BENCHMARK ANNUALISED VOLATILITY	9.66
EX-POST TRACKING ERROR (%)	3.17
EX-POST BETA	0.96
R-SQUARED	0.9

Sources: Barra, FactSet, Majedie

Risk data is shown for a representative account of your strategy, and therefore may differ from your own mandate's risk profile. Liquidity analysis is shown at the strategy level, assuming access to 30% of the rolling 30 day average volume.

QUARTERLY COSTS AND CHARGES

Fees

	£	%
Management fee	140,281	0.10
Performance fee	0	0.00
Indirect fees	0	0.00
Admin cost	0	0.00

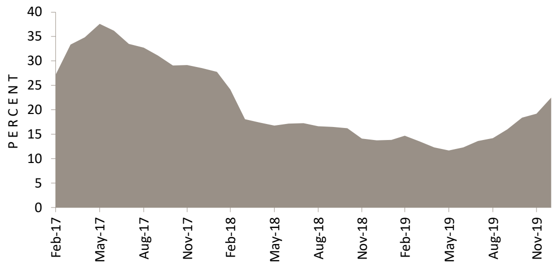
Please see your IMA for further details on fees, including any performance fee terms. Invoiced fees are accrued then updated once finalised. Tax is not accrued.

Other Majedie Charges

	%
One-off entry cost	0.00
One-off exit cost	0.00
Stock lending	0.00
Research payment account	0.00
Custody services	0.00
Carried interest	0.00

Majedie does not levy any of the above charges on our funds. Please note that segregated accounts may incur external charges.

Turnover



The lesser of buys and sells over a 12-month period, as a proportion of the average value of the portfolio over that period.

Transaction Costs

	£	%
Taxes and exchange fees	169,705	0.12
Commission used for research*	0	0.00
Commission used for execution	15,847	0.01
Implicit transaction costs	-18,972	-0.01
Anti-Dilution offset	N/A	N/A

*Since 3 January 2018 Majedie has paid directly for external research.

Monthly Average AUM

Mandate Size £	138,827,108

This is used to convert monetary costs to percentages in the 'Transaction Costs' and 'Fees' tables on this page.

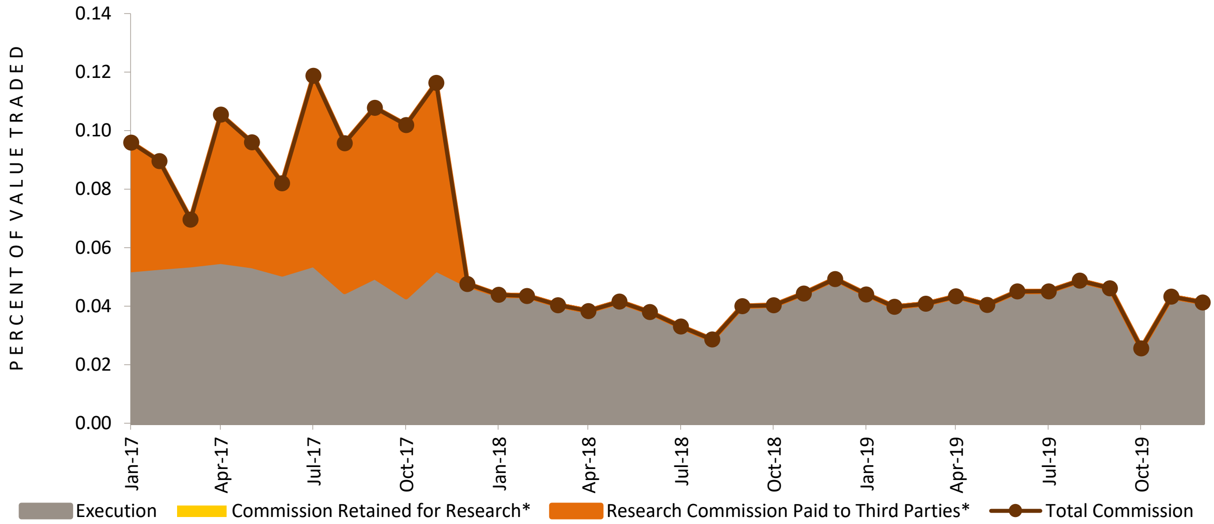
Please note that these figures are for the quarter, not annualised. A more detailed breakdown of relevant costs and charges, including a broker commission split, is available via My MajIQ or upon request.

Commission Rates

Total trading £m	50.11
Total commission £	15,847
Average commission rate %	0.032
Of which used for research* %	0.000
Of which used for execution %	0.032

These commission rates are stated as percentages of the value traded, rather than as percentages of your portfolio.

Commission Over Time



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Please note that these figures are for the quarter, not annualised. A more detailed breakdown of relevant costs and charges, including a broker commission split, is available via My MajIQ or upon request.

SMALLER COMPANIES

Performance

Portfolio Performance Inception Date	19 December 2003
Benchmark	Numis Smaller Companies plus AIM ex Investment Companies (previously FTSE Small Cap Index until 30-Sep-14)

Total Return (%)	3 months	YTD	1 Year	3 Years (p.a.)	5 Years (p.a.)	10 Years (p.a.)	Since Inception (p.a.)
Portfolio	12.1	19.8	19.8	3.6	5.4	8.3	8.1
Benchmark	12.6	22.2	22.2	7.8	8.8	10.4	8.3
Relative	-0.5	-2.3	-2.3	-4.2	-3.4	-2.1	-0.2

Performance is shown in GBP, stated gross of fees. Please find overall details of costs and charges on your My MajIQ site

Top Ten Holdings

SECURITY	PORTFOLIO WEIGHT (%)
SPEEDY HIRE	4.2
VOLUTION	3.9
SPIRENT COMMUNICATIONS	3.6
STOCK SPIRITS	3.5
SDL	3.2
GRESHAM HOUSE	3.1
BALFOUR BEATTY	2.9
CENTRAL ASIA METALS	2.8
SIG	2.8
BLOOMSBURY PUBLISHING	2.8

Source: Majedie. Stock weights are aggregated by issuer.

Your smaller companies sub-portfolio returned 12.1%, underperforming the Numis Smaller Companies plus AIM (ex-Investment Companies) Total Return Index by 0.5%.

At the beginning of this year James de Uphaugh and Emily Barnard took over the smaller companies baton. The initial focus was a root and branch review of all inherited holdings. We have engaged frequently with management teams delving into strategy and execution, which we view as particularly important given the relatively immature nature of smaller companies. The shape of the portfolio has changed, with a reduction in sector overweights (Oil and Gas in particular) and a stronger focus on balance sheet strength. The number of portfolio companies now sits in the 60's, and we will continue to transition the portfolio as we move into 2020 under the new leadership of John King, who joined us in this quarter. John King will appraise you of his investment philosophy in the 2020 reports. In the meantime, you should expect a greater focus on companies benefitting from structural growth drivers with a focus on cash generation and returns

The top performance contributor this year was your holding in **Spirent**, a leading Technology company in the service assurance space. This investment dates back to 2016 at which time we recognised the underlying quality and potential of the product set, realising there were a few issues around R&D prioritisation and the cost base. Spirent was an operational improvement story at this time, with exposure to interesting growth sectors (Ethernet, 5G, Cyber Security). Over the last three years we have seen the mid-high teens operating margin come through, cost taken out of legacy activities and growth ramp up, particularly within 5G. We have also seen a CEO change, with the new appointee facing the challenge of how to move Spirent towards more of a recurring revenue base. He also needs to transform the business to be more immune to tech hardware cycles. Spirent shares have rallied strongly this year. Cognisant that this is still a technology hardware business (despite being in growth areas), we have continued to take profit in the position.

Another top performance contributor this year was your holding in **Reach**. Reach is the largest newspaper group in the country and, somewhat surprisingly, amongst the top digital 'assets' in the UK with a wide reach through their assets including the Daily Mirror, Daily Express, and Daily Record. Newspaper volumes remain under pressure and this has been managed through gentle increases in the cover prices, a consolidation of facilities, and insourcing previously outsourced volumes. Reach made two strategic acquisitions in 2015 and 2018 (Local World, and the Express and Star, respectively) increasing their scale across the UK. Reach's newspaper business is highly cash generative, and this cash has been put to good use in value-accretive M&A, and in building out their digital offering. The future for Reach is in leveraging their well-invested digital infrastructure to encourage users online through targeted editorial, enabling them to offer micro-targeted advertisement opportunities to buyers.

Volution was the final notable contributor to performance this year. This company has a strong market position as a leader in the residential and commercial ventilation market in the UK. Their core competency of assembly and design, coupled with strong growth tailwinds (regulatory, taking existing products into new geographies, M&A) puts them in a strong position. In the last quarter of the year Volution reported full year results showing revenue growth of 14.6% in line with forecasts, and a +10% boost to the final dividend. Importantly following an operational hiccup, their Reading facility now has service levels returning to normal. The share price has had a particularly strong Q4 as it has rerated alongside other UK domestic peers, however at 11-12x P/E we still believe this represents good value.

The largest performance detractor this year has been your holding in **Nostrum**. Nostrum is a struggling Oil & Gas company in Kazakhstan. Operational issues which started in 2018 have continued into this year. The main reason behind the >80% share price decline this year has been concerns about the balance sheet, with a net debt burden of $1bn, and a market cap of £32m. Nostrum have underperforming oil and gas assets, but they do have a well-invested gas processing facility which would be of strategic value to other industry operators with the firepower to consolidate a number of surrounding orphan fields and put the volume through Nostrum's plant.

The offshore jackup rig and renewables contractor **Lamprell** contributed negatively to performance this year. Lamprell has had a series of issues in the last couple of years. During the oil price downturn in order to utilise their capacity, Lamprell diversified into other offshore assets, the maiden large contract of which was a $220m contract to work on jackets and piles for a major offshore wind development. Poor costing, delays and operational problems ensued, resulting in a negative gross margin contract, the hit from which has been evident during 2018 and 2019. This has been alongside a severe decline in the jackup rig market which has meant that Lamprell has begun to burn through its net cash position. A further problem has been a notable lack of any contracts awarded under the Saudi Aramco programme on which Lamprell is one of eight contractors. In addition a letter of intent signed in 2019 to build two jackup rigs has been delayed, resulting in a revenue and profit warning in 2019. Despite holding a net positive cash balance, Lamprell still needs to renew their debt facilities, of which there has been a further notable extension to allow more time for discussions with their banking partners. Stock markets tend not to like uncertainty and Lamprell has certainly provided a significant amount of this.

Carpetright was a negative contributor this year. Carpetright has suffered from a weakening UK macro backdrop for large purchases, an underinvested and over-expanded store estate, and a tired brand. In top of that, one of the original Carpetright founders setup a rival brand, Tapi, which has been a particularly vigorous competitor. Carpetright restructured in 2018: this was an opportunity to take out significant cost, deal with the legacy store estate through lease reductions and significant rental reductions, married with an injection of capital to revamp the remaining store base. 2019 should have been the transition year. However, with the debt facilities maturing in December 2019 and a deteriorating UK macro backdrop it was going to be a challenge. Q3 2019 saw a substantial shareholder of Carpetright purchase the Company's revolving credit facility and overdraft facilities directly from their banking syndicate. It became apparent during Q3 that the company needed another significant capital raise to repay the debt facilities, provide working capital requirements (they lost credit insurance in 2018) and provide more capital to revamp the store estate, given the ongoing competitive pressures. Alongside this an offer was made for the entire share capital of Carpetright by the same said shareholder. Upon evaluating the options on the table we felt the shareholder offer would lead to the highest recovery of value for you our clients, and so we have pledged to vote our shares in favour of the deal.

VOTING AND ENGAGEMENT ACTIVITY

Welcome to your Quarterly Report's Engagement Activity section. Here we share company engagement reports and voting notes on issues that we trust you will find of interest.

We engaged with several companies over the quarter, examples of which we give below:

- We discussed with **Anglo American** thermal coal, community engagement and steel recycling.

  On thermal coal, we spoke with the CEO and the group's Investor Relations about Anglo's longer-term plan to sell out of thermal coal, but selling these will take time. They are sensitive to the market's dislike of thermal coal. The group will maintain its assets in metallurgical coal.

  The group has engaged successfully with local communities in Peru ahead of the construction of their new mine, Quellaveco. The group has spent $30m on local community projects. One interesting way they have done this is by engaging with church/faith groups because they are more engaged in rural communities than local governments. In our most recent meeting with Anglo, management contrasted their approach with that of Southern Copper (another mining group) which has experienced serious problems and delays in constructing one of their Peruvian mines, Tia Maria, because it did not adequately engage with the community first.

  This contrast in approaches between Anglo American and Southern Copper is an example of the benefits of community engagement resulting in good economic outcomes for a business. Anglo American has previously had a patchy history with South American projects, e.g. Minas Rio, so this marks an improvement. The stated community engagement has increased our conviction level that the Quellaveco project will be delivered on time. And even if it isn't, Anglo have reduced their risk by selling a stake in the project to an outside investor.

  A further interesting point from our discussion included Anglo's aim to recycle 50% of its steel by 2035.

- In the spring we met with board members from **Barrick Gold** to discuss our concerns over the level of pay proposed for the Chairman, along with other thoughts about governance, safety and incentives. In November, we met with the Chair of the Compensation Committee again to discuss how they were taking account of our comments in the structure and quantum of future incentive arrangements for management. We continued to express some concerns and expect it to be an ongoing dialogue.
- At a follow up meeting in October with board members and other investors of the **Royal Bank of Scotland** (RBS), we asked more specifically about how risks and opportunities are managed at the bank, especially given the issues we had raised earlier in 2019. Given the recent issues with its Ulster Bank brand, Brexit uncertainties, the need for all banks to have heightened cyber security, and rapidly changing customer preferences on banking, we asked how the group prioritises its management of issues. We also asked about what it sees as its key opportunities.

  RBS says that it does undertake a materiality assessment but could improve on communicating this to investors. The group aims to be a bank that its customers can depend on and is trying to balance this with the highly criticised closing of some of its smaller branches (other banks have been criticised for this as well). RBS sees opportunities in online banking and in providing the type of financial education / assistance for customers that they find helpful. It is also working on ways to retain the highly talented people that it feels it hires, across all levels of the organisation.

  During the meeting, we specifically asked RBS to:

  - Increase transparency on its key issues, as it has identified and prioritised them.
  - Provide more holistic information on the group's strategy and how it plans to get there.
  - Talk more about its opportunities in helping customers with financial data and education.
  - Think about how to link pay to real targets that the group sets in line with its key issues.

- We met with the board of **Vodafone** as part of the group's wider investor engagement programme. Overall, the group aims to halve its environmental impact by 2025. It is also working on how to link the group's more material ESG metrics with its long-term incentives. Vodafone sees cyber security and adverse political and regulatory measures as two of its biggest risks and is aiming to manage these effectively. The acquisition of Liberty businesses in several countries improved the strategic position of the group in terms of controlling mobile and fixed line operations intra-market. Vodafone aims to offer high quality service, pricing its contracts accordingly and is focused on customer retention and being a content gateway to consumers. A capital-intensive business, the group is keen to reduce its debt over the short to medium term and continue the operational improvements materially reducing costs and strengthening the balance sheet.
- We followed up with **Tullow Oil** after their appointment to the Board of an individual who has experience in a large real estate company, but who did not bring the type of oil or African experience we have been hoping the board would acquire. Tullow says that the group will look for subsequent board appointments to reflect the type of experience we have requested.

  At the beginning of the year, we explained our concerns that management's incentives were misaligned and that they were running the business for themselves as employees, rather than owners. During the quarter, the CEO and Head of Exploration left the company following a board review of their effectiveness.

A selection of voting examples from this quarter are provided below:

Associated British Foods, **AGM**: The company did not plan to align its current executives' pension contribution levels with the level received by the wider workforce. This was against new best practice and we consequently voted against the company's proposed remuneration policy. ISS had recommended a vote in favour but also advised that, 'the updated ISS policy guidelines for UK & Ireland, which will be effective from 1 February 2020, states that "for incumbent directors, companies should seek to align the contribution rates with the workforce over time, recognising that many investors in the UK will expect this to be achieved in the near-term". This will be kept under strict review.'

Volution Group, AGM: We voted in favour of the Remuneration Report, against the recommendation of ISS. Their recommendation was based on concern that the notice period of the company's former CFO had only begun from his July 2019 leaving date, rather than when he indicated his intention to retire later in the year, in January 2019. From the company's perspective, when the CFO announced his intention, it had also announced the CFO would continue in his role until a successor had been appointed and for a transitional period thereafter. Consequently, the individual was still in post when a new CFO joined in July 2019 and he remained at the company between July and October 2019 to facilitate a handover to his successor. We were therefore content for the former CFO to receive payment in lieu of notice equivalent to nine additional month's fixed pay, along with additional time-in-service credit for the purposes of the LTIP.

VOTING POLICY

We introduced our own customised voting policy in the second quarter of 2014. This is run in parallel with ISS's policy recommendations. The majority of areas in which our policy differs from that of ISS are within the smaller company sector, where we are a leading UK participant, and relates to capital raising with pre-emptive shareholder rights and the composition of boards; these issues are by their nature often associated with smaller companies. It is not inconceivable that we will make exceptions and vote against our own policy: as with all our voting, we proceed on a case by case basis. We review our policy annually to ensure it is consistent with current best practice. Below are the specifics of the policy. It is worth noting that we regard a UK smaller company as one that is outside the FTSE 350.

Agenda Type	ISS policy	Majedie Policy
Smaller Company Board Structure	Where non-executive directors (NEDs) are members of internal boards, or where members of the board sit on more than one internal committee, this is regarded as being against best practice, and therefore the recommendation is to vote against such proposals.	Give smaller companies greater flexibility in the composition of their boards for practical reasons, given personnel limitations, unless we take issue with one of the board members.
Issuances with Pre-emptive Rights	Proposals of greater than 33% of Issued Share Capital are against best practice and therefore the recommendation is to vote against.	As shareholders we will be given the right to take up the issuance, and so will not be diluted. We therefore vote for such proposals.
Issuances without Pre-emptive Rights	Proposals of greater than 10% of Issued Share Capital are against best practice and therefore the recommendation is to vote against.	Vote in line with ISS as such issuances are potentially dilutive for shareholders.
Political Contributions	Vote for.	Vote against. We want to maintain an independent stance.

VOTING RECORD SUMMARY

Please see below a breakdown of the meetings and resolutions which pertain to your portfolio.

SUMMARY	VOTES	PERCENT
Number of meetings voted at this period	21	
Number of resolutions	189	
Where we voted in line with Management	181	95.8
Where we have not voted in line with Management	8	4.2

Source: Majedie, ISS (Institutional Shareholder Services)

The table below is a breakdown of the number of resolutions where we have either voted against Management or abstained.

CATEGORY	AGAINST MANAGEMENT	ABSTAIN
Board election & related proposals	1	1
Capitalisation	0	0
Miscellaneous	0	0
Remuneration	2	1
Reorganisations, mergers & anti-takeover	0	0
Routine/Business	5	1
Shareholder proposals	0	0
Total	8	3

Sources: Majedie, ISS (Institutional Shareholder Services)

VOTING RECORD DETAILS

SECURITY NAME	MEETING DATE	MEETING TYPE	MAJEDIE VOTE
ACCSYS TECHNOLOGIES	20 Dec 2019	EGM	Voted for all
ASSOCIATED BRITISH FOODS	06 Dec 2019	AGM	Against Resolutions 3, 15
BHP GROUP	17 Oct 2019	AGM	Against Resolutions 21, 22
CARPETRIGHT	18 Dec 2019	EGM	Voted for all
CARPETRIGHT	18 Dec 2019	Court	Voted for all
CARPETRIGHT	14 Oct 2019	EGM	Voted for all
DFS FURNITURE	14 Nov 2019	AGM	Voted for all
DUNELM	19 Nov 2019	AGM	Voted for all
GRC INTERNATIONAL	29 Oct 2019	AGM	Voted for all
GREENE KING	09 Oct 2019	Court	Voted for all
GREENE KING	09 Oct 2019	EGM	Voted for all
HAYS	13 Nov 2019	AGM	Against Resolution 15
MCBRIDE	22 Oct 2019	AGM	Against Resolution 12; Abstain on Resolution 5
NORSEMAN GOLD	31 Dec 2019	AGM	Voted for all
NORSEMAN GOLD	31 Dec 2019	EGM	Voted for all
PETRA DIAMONDS	29 Nov 2019	AGM	Voted for all
PHOTO-ME INTERNATIONAL	03 Oct 2019	AGM	Abstain on Resolutions 4, 11
RPS GROUP	16 Dec 2019	EGM	Voted for all
SIG	23 Dec 2019	EGM	Voted for all
SYLVANIA PLATINUM	22 Nov 2019	AGM	Voted for all
VOLUTION	12 Dec 2019	AGM	Against Resolution 13

Source: Majedie

Principles proven in the market.

To view 5 year performance numbers please visit your Majedie intranet portal or for pooled funds mentioned in this report, please see the relevant fund factsheet by visiting www.majedie.com/library.