

# Shareholders Rights Directive II ('SRD II') Statement of Engagement

MAY 2020

## Firm name: Arcus Investment Limited

This statement sets out Arcus Investment Limited ('AIL', 'Firm' or 'we') approach in meeting the requirements ('Engagement Policy') set out in SRD II (Directive (EU) 2017/828) and summarised in the FCA Handbook under COBS 2.2B.6 in relation to investments in shares traded on a regulated market (a term which extends to non-EU markets which are comparable to EU regulated markets and where the financial instruments dealt in are of a quality comparable to those in a UK regulated market).

AIL is authorised and regulated by the Financial Conduct Authority ('FCA') as a Full-scope Alternative Investment Fund Manager ('AIFM') and is categorised by the FCA as a Collective Portfolio Management Investment ('CPMI') firm. The Firm's regulatory permissions allow it to provide investment management services to Alternative Investment Funds and managed accounts/segregated portfolio mandates and a sub-investment manager to Undertakings for the Collective Investment in Transferable Securities ('UCITS funds').

The Firm is part of a group which, in addition to AIL, includes the Hong Kong-based Arcus Investment Asia Limited ('AIAL') and Arcus Research Limited, Japan branch ('ARL'), a research entity. The firms are together referred to as 'Arcus' or 'the Arcus Group'.

Arcus produce superior returns through disciplined and active investment in undervalued equities by offering a range of long only and long-short strategies whose investment focus is either Japan or Asia including Japan<sup>1</sup>.

### Integration of shareholder engagement in investment strategy

The Investment Team conducting a rigorous analysis of the companies in the investment universe and put it forward for consideration by the Portfolio Manager. Analysis may entail the need to directly engage with senior management of that company to discuss finances, future prospects, etc.

### Monitoring and Dialogue with Investee Companies (Strategy, Financial and Non-Financial Performance Risk, Capital Structure and ESG)

Over the course of a year, the Investment Team conducts a number of meetings with the portfolio companies both in person and conference calls. During these meetings they discuss a broad range of issues including but not limited to strategies for long term growth, capital allocation, financing plans and corporate governance best practices. They also address social and environmental issues, focusing on areas where they believe the greatest areas of concern are. Although the Investment Team engage with the portfolio companies on ESG issues at present this is not a systematic part of the investment process. However, we anticipate that ESG engagement is likely to increase over the next 12 months.

The Investment Team focus is on long term measures and to encourage companies to focus on creating the most amount of value for all stakeholders as opposed to short term profit maximisation that endangers the long-term health of the business.

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<sup>1</sup> Past performance is not a reliable indicator of future results. Capital at risk.

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There may instances when we are of the view that the portfolio companies have room for improvement. In such cases, we would initially discuss our concerns directly with management. If management do not provide a satisfactory response or fail to respond to our concerns, we will then assess whether the issue is significant enough to change the investment case. If the issue is deemed significant enough to change the investment case, we would then make a decision whether to continue to hold the company and vote against the measure or to sell our shares in the company entirely.

## Exercise of Voting Rights

Any resolution proposed by a portfolio company which is subject to a shareholder's vote will be considered by AIAL, making use of input from relevant portfolio manager(s) and analyst(s). In arriving at a voting decision AIAL will arrive at one that it is believed will be in the best interests of the portfolios ('Best interests rule' in COBS 2.1). The voting decision may well involve abstaining or voting against management if their actions and objectives do not match up with what AIAL believe to be in the best interests of shareholders. AIAL will provide to the Governing Bodies and AIL a periodic disclosure which details AIAL voting behaviour.

## Cooperation with Other Shareholders

Generally, Arcus does not adopt an activist approach with other shareholders, although Arcus remains open to doing so if this would be deemed to be in the best interests of shareholders.

## Communication with Relevant Stakeholders of Investee Companies

We do not typically communicate directly with staff - save for those instances identified above (see "Monitoring and Dialogue with Investee Companies") - customers or suppliers of any portfolio company directly.

## Conflicts of Interests

The Firm maintains a Conflicts of Interest policy in the Arcus Group Compliance Manual Policy Pack ("AGCMPP") which is available to review on site.

## Other

This Statement of Engagement will be reviewed, and updated as necessary, at least annually.

For any questions in respect of this Statement, email [info@arcusinvest.com](mailto:info@arcusinvest.com).