



H2O

Asset Management

Shareholder Engagement and Voting Policy

September 2023

In accordance with the requirements of:

- Directive (EU) 2017/828 of the European Parliament and of the Council of 17 May 2017 amending Directive 2007/36/EC as regards the encouragement of long-term shareholder engagement ;
- Financial Conduct Authority (FCA), COBS 2.2B SRD requirements;
- Articles L.533-22 and R.533-16 of the French Monetary and Financial Code.

1. About H2O Asset Management (H2O AM)

Founded in 2010 and with offices in Paris, Monaco, London, Geneva and Singapore, H2O AM is an independent European asset management house specialising in Global Macro as well as euro and global fixed income strategies.

H2O AM's mission is to assist investors in achieving their objectives by placing performance and risk over the investment horizon at the heart of their considerations. H2O AM is guided by a strong corporate culture that emphasises passion, fortitude and performance, with an unwavering commitment to its clients.

H2O AM's belief is that value diversification by arbitraging market biases offers a robust source of alpha over time. Drawing on an investment process developed over more than thirty years and on solid quantitative engineering, the teams implement discretionary management using a top-down and value approach. Through in-depth macroeconomic analysis, a fine-tuned assessment of capital flows and relative value strategies on bonds, credit, currencies and equities, H2O AM offers its clients the benefits of diversified alpha with an assumed and controlled risk over a given time horizon.

Diversification is targeted not only across assets and strategies, but also by investment horizons. H2O AM's manager expertise focuses on market equilibria with the aim of controlling risk across the investment horizon of each fund.

The purpose of this policy is to describe H2O AM's long-term commitment to the issuers in which the funds invest. It specifies the way in which H2O AM exercises its role as shareholder in the management of UCITs. However, as H2O AM does not vote at general meetings on behalf of its principals, but solely on behalf of the unitholders or shareholders of the funds it manages, its shareholder involvement in the management of funds under mandate will be limited to the selection of issuers and their monitoring throughout the term of the mandate, in accordance with the investment strategy implemented.

2. Monitoring strategy, financial and non-financial performance, risks and capital structure

Inherent in the selection of issuers is the monitoring of strategy, financial performance, risks and corporate governance. Certain issuers or investments may be subject to restrictions based on prohibited lists and the sensitive nature of the activity or country.

To date, H2O AM has taken extra-financial environmental, social and governance (ESG) criteria into account in the investment policies implemented in the funds it manages through an [Exclusions Policy](#), which is freely available on its website. H2O AM is exploring how to take greater account of these extra-financial aspects in its investment decisions.

H2O AM imposes additional scrutiny and approval from Compliance for any investments linked to issuers based in countries identified as "high risk" from an AML/CFT perspective. This includes, but is not limited to, countries identified by the Financial Action Task Force (FATF) as having strategic deficiencies in their anti-money laundering and combating the financing of terrorism, the EU lists of high risk countries and non-cooperative jurisdictions for tax purposes, etc.). This approach is consistent with the risk-based approach defined in the EU AML Directive¹. H2O AM also excludes all actors involved in the production, use, stockpiling, production and transfer of anti-personnel mines and cluster munitions, in line with the Oslo and Ottawa Conventions.

3. Dialogue with investee companies

Given its size and limited exposure to single stock equities, H2O AM has not put in place a process to engage directly with the companies in which the funds invest. As a result, H2O AM has not yet developed an engagement strategy.

4. The exercise of voting rights and other rights attached to shares

As an asset manager, H2O AM has a fiduciary responsibility and a duty of care to monitor changes in the value of investments and to exercise the voting rights attached to the securities held in the portfolios it manages. Consequently, H2O AM carries out its voting activities in the exclusive interest of the unitholders and shareholders of the funds it manages.

H2O AM's investment approach is top-down and global macro. As such, the main criteria used to make investment decisions are linked to macroeconomic themes, market data and general asset risk considerations, rather than bottom-up analysis of individual companies and sectors.

- The majority of positions in funds managed by H2O AM are taken through derivative contracts such as futures, options and CFDs (Contract For Differences).
- A number of funds managed by H2O AM are not exposed to equity risk.

Consequently, the exercise of voting rights within the funds managed by H2O AM may be limited.

For the funds concerned, the management company uses the services of Institutional Shareholder Services (ISS) to exercise voting rights.

ISS exercises H2O AM's voting rights by proxy, in accordance with the Voting Policies to which H2O AM has subscribed. ISS voting policies (which vary by region) are available on its [website](#).

ISS' approach is not uniform and takes into account relevant market-specific factors in its research and recommendations. This is why ISS distinguishes between different markets.

5. Collective engagement

H2O AM does not interact with other shareholders. However, H2O AM reserves the right to participate in shareholder coalitions that collectively encourage companies to adopt best practices. In all cases, this would not be an agreement to act in concert, as H2O AM does not engage in this type of action.

6. Stakeholder engagement

H2O AM does not, in principle, interact with stakeholders. Given its size, as mentioned above, H2O AM does not have a process in place to actively communicate with stakeholders. However, H2O AM may interact with various stakeholders such as market bodies like the AFG, data providers or investment service providers.

7. Preventing and managing actual or potential conflicts of interest

H2O AM acts exclusively in the best interests of its clients, for whom it provides financial management services. Consequently, H2O AM has defined a Conflicts of Interest Policy, which can

be consulted on its [website](#). In the event of a conflict of interest, H2O AM will manage the situation as best it can, in accordance with the principle of the primacy of its clients' interests.

Conflicts of interest between H2O AM and UCITS holdings should be non-existent, as the management company has no relationship other than that of investor with the companies that are the subject of these holdings. However, two potential conflicts of interest have been identified:

- Existence of a close link between one or more of H2O AM's clients and the issuers in which the portfolios are invested;
- Existence of a close link between one or more employees and the issuers in which the portfolios are invested.

H2O AM has therefore implemented the following preventive measures:

- H2O AM maintains an inventory of potential conflicts of interest at Group level (updated regularly, at least annually). This tool presents examples of conflicts of interest that may arise and the mitigation and management measures envisaged.
- H2O AM maintains and updates a register to record situations of conflicts of interest identified during the year, and also reflecting how these have been managed, mitigated and controlled.
- All H2O AM employees receive a copy of the conflicts of interest management policy and receive ongoing training on the subject.