

UK Stewardship Code

Stewardship is defined as “the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.” Under COBS 2.2.3 of the FCA Handbook, we are required to make a public disclosure in relation to the nature of our commitment to the Stewardship Code, which was published by the Financial Reporting Council (‘FRC’) in July 2010 and amended in September 2012 and January 2020. Where we do not commit to the Code we are required to disclose our alternative investment strategy.

The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. It sets out good practice on engagement with investee companies. The FRC recognises that not all parts of the Code will be relevant to all institutional investors and that smaller institutions may judge some of the principles and guidance to be disproportionate. It is of course legitimate for some asset managers not to engage with companies, depending on their investment strategy.

The Code does not prescribe a single approach to effective stewardship. Instead, it allows organisations to meet the expectations in a manner that is aligned with their own business model and strategy. The investment market has changed significantly since the publication of the first UK Stewardship Code. There has been significant growth in investment in assets other than listed equity, such as fixed income bonds, real estate and infrastructure. These investments have different terms, investment periods, rights and responsibilities and signatories will need to consider how to exercise stewardship effectively in these circumstances. Environmental, particularly climate change, and social factors, in addition to governance, have become material issues for investors to consider when making investment decisions and undertaking stewardship. The Code also recognises that asset owners and asset managers play an important role as guardians of market integrity and in working to minimise systemic risks as well as being stewards of the investments in their portfolios.

There are twelve “Apply or Explain” principles for asset owners and asset managers:

1. Purpose, strategy and culture
2. Governance, resources and incentives
3. Conflicts of interest
4. Promoting well-functioning markets
5. Review and assurance
6. Client and beneficiary needs
7. Stewardship, investment and ESG integration
8. Monitoring managers and service providers
9. Engagement
10. Collaboration
11. Escalation
12. Exercising rights and responsibilities

Whilst Abraxas supports the principles underlying the Code it does not currently comply with the Code for the following reasons:

Our Fund investment strategy predominantly involves investing into hedge fund structures. As such we do not usually invest in listed companies in the UK.

The Code is not applicable for our segregated accounts held by natural persons.

Should any of the above factors change, we will review our commitment to the Code at that time and make appropriate disclosure.