



Stewardship Code Disclosure Statement December 2010

Overview

Under the FSA Conduct of Business Sourcebook 2.2.3, Oriel Asset Management LLP ("OAM") is required to disclose the nature of its commitment to the Financial Reporting Council's Stewardship Code (the "Code"), or where it does not commit to the Code, its alternative investment strategy.

The Financial Reporting Council states in the Preface to the Code that:

- smaller institutions may judge that some of the Code's principles and guidance are disproportionate and use a "comply or explain" approach, explaining why this is the case;
- the Code is addressed in the first instance to firms who manage assets on behalf of institutional shareholders such as pension funds, insurance companies, investment trusts and other collective investment vehicles; and
- firms may choose whether to engage with investee companies based on their investment approach.

OAM currently has a single client, the Oriel Absolute Return Fund (OARF), which aims to achieve at least 5% capital appreciation on an annualised basis, investing in a diversified and highly liquid portfolio of equity securities selected primarily from the FTSE 350 UK equity market.

Therefore, whilst OAM supports the objective of the Code, 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 does not fully comply with the Code for the following reasons:

- **a proportional approach** is appropriate in the application of the Stewardship Code, given that
 - (i) OAM at present has a single client as described above;
 - (ii) its client portfolio is diversified across multiple holdings and individual investments are not material relative to the size of companies in its investment universe of the FTSE 350; and
 - (iii) the vast majority of investments in equities are made via Contracts for Difference (CFDs), which do not confer voting rights, rather than direct equity investments; and
- OARF's **investment strategy** is targeted on achieving absolute returns, which
 - (i) requires a level of portfolio turnover and liquidity, rather than on achieving long-term returns which would necessitate a higher level of engagement; and
 - (ii) is reflected in the investor base of the fund, which does not in the main comprise institutional shareholders, and which will have differing investment priorities.

Should the nature of our business and/or client base change significantly, we will review our commitment to the Code at that time and make appropriate disclosure.

OAM sets out below the nature of its commitment to the Code against each principle, indicating any alternative investment strategy as applicable.

Principle 1: Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities.

OAM takes investment decisions on behalf of its client after rigorous valuation analysis and research, which may if appropriate include consideration of a company's corporate governance arrangements. As part of our investment approach, OAM may attend meetings with the senior management of companies.

Once a position is taken, companies are monitored on an ongoing basis, and OAM may seek further explanations or information from senior management, if appropriate.

OAM will factor in any relevant stewardship considerations in making its future investment decisions on a position. As stated in the Overview above, the vast majority of investments in equities are made via CFDs, which do not confer voting rights, rather than direct equity investments. However, as described under Principle 4 below, OAM may consider other escalating actions if merited.

Principle 2: Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed.

At present, OAM has a single client. However, we have in place a Conflicts of Interest Policy which details our policy and procedure for managing conflicts of interest. In addition, we have supporting policies which operate to identify and mitigate other areas of potential conflict, including a personal account dealing policy and a gifts and entertainment policy.

Principle 3: Institutional investors should monitor their investee companies.

As explained under Principle 1 above, once a position is taken, companies are monitored on an ongoing basis with the aim of identifying any issues as they arise, and OAM may seek further explanations or information from senior management, if appropriate, with records kept of such meetings if necessary.

For the reasons explained in the Overview above, we apply a **proportional approach** to engagement with senior management. In particular, the vast majority of investments in equities are made via CFDs, which do not confer voting rights, rather than direct equity investments.

As stated under Principle 1 above, OAM will factor in any stewardship considerations in making its investment decisions.

Principle 4: Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value.

For the reasons explained in the Overview above, we apply a **proportional approach** to engagement with senior management and this also applies to escalation activities.

In addition, as explained in the Overview above, OARF's **investment strategy** is targeted on achieving absolute returns, which requires a level of portfolio turnover and liquidity, rather than on achieving long-term returns which would necessitate a higher level of engagement. Consistent with this, OAM will factor in shareholder value considerations in making its investment decisions.

Notwithstanding the above, instances may arise where it would be appropriate for OAM to escalate any concerns to the senior management of a company and thereafter, consider on a case by case basis, whether further escalating action would be merited.

Principle 5: Institutional investors should be willing to act collectively with other investors where appropriate.

Consistent with our approach under Principle 4, we would consider on a case by case basis whether collective action with other investors would be appropriate.

Principle 6: Institutional investors should have a clear policy on voting and disclosure of voting activity.

As stated in the Overview above, the vast majority of investments in equities are made via CFDs, which do not confer voting rights, and so OAM has no disclosable voting history.

Principle 7: Institutional investors should report periodically on their stewardship and voting activities.

As explained under Principle 6 above, we have no disclosable voting history.

OAM communicates with the investors in its client fund at least monthly through newsletters and net asset value statements and, if requested, through meetings and dialogue. More formal reporting on stewardship activities is not considered appropriate given the **investment strategy** of the sole client fund and the **proportional approach**, as explained in the Overview above.

For further information on our approach to the Stewardship Code, please contact:

David Urch
david.urch@oamllp.com
Oriol Asset Management LLP
150 Cheapside, London, EC2V 6ET; tel 020 7710 7488
46 Charlotte Square, Edinburgh, EH2 4HQ; tel 0131 226 7200