

SCOPE:

In July 2010 the Financial Reporting Council published The Stewardship Code (*"the Code"*). The aim of the Code is 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. Engagement includes pursuing purposeful dialogue on strategy, performance and the management of risk, as well as on issues that are the immediate subject of votes at general meetings.

The Code sets out 7 principles which state institutional investors should:-

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities;
2. Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed;
3. Monitor their investee companies;
4. Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value;
5. Be willing to act collectively with other investors where appropriate;
6. Have a clear policy on voting and disclosure of voting activity;
7. Report periodically on their stewardship and voting activities.

OUR RESPONSE TO THE CODE:

Barmac Asset Management Limited (*"Barmac"*, *"we"*, *"our"*) is an institutional investor and supports the principles of the Code as a guide for best practice engagement with investee companies. Indeed, the Code is broadly compatible with our existing corporate governance and voting policy.

Our response in relation to the Code's stated principles is as follows:-

1. Publicly disclose their policy on how they will discharge their stewardship responsibilities

Barmac are a small investment boutique, with typically an active investment style and currently manage a single fund, The Castleton Growth Fund (*"the Fund"*). We have a high level of engagement with investee companies prior to and during the investment period and would not invest in a company where we were concerned or uncomfortable about elements of governance, strategy, financial management etc.

The process of engagement with the management team of investee companies is primarily through face to face meetings and/or conference calls. At times, we may reflect concerns or considerations via the investee company's representative, typically its broker consultant. We may, from time to time, collaborate with other shareholders in an investee company in an attempt to strengthen the message it would like to relay to the management team. These discussions are almost always private.

We acknowledge, as a small investment boutique, the Fund will often own relatively small amounts of the share capital of investee companies which, in turn, limits Barmac's influence on the management team, both at an individual level and in collaboration. Whilst we will always monitor and establish dialogue with an investee company as part of our investment process, once we have exerted our influence, it is possible that the holding would be sold but any action taken would be based on what is in the best interest of shareholders within the Fund.

2. Have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

Barmac are authorised and regulated by the Financial Conduct Authority and are therefore required to take all reasonable steps to identify, report and minimise any conflicts of interest which may arise in the course of our business. This process is encapsulated in our Conflicts of Interest Policy which is made available on our website at www.barmacuk.com/policies.html

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3. Monitor their investee companies

Monitoring of investee companies is a fundamental part of our investment process and due diligence systems and controls. Our processes place a strong emphasis on engaging with the investee company's management team prior to any investment being placed. On-going monitoring includes study of the investee company's statements and third-party reports, face to face meetings, telephone conference calls and web-casts. Each investment is reviewed at our monthly Investment Management Committee meeting, or sooner if such need arises. The results and actions of all monitoring activity are recorded in order to provide a research and monitoring audit trail.

4. Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value

We typically only invest in companies which we have identified as being well managed. Should this turn out not to be the case, or if the standards of corporate governance change such that shareholder value is at risk, then the process of engagement with that investee company will be escalated.

Escalation will take the form of additional and confidential communication between the investee company's management team and/or their representative. Should we remain fundamentally concerned about the issues raised then we will typically sell the investment. We are unlikely to enter into a conflict situation with the investee company's management team. It is also unlikely that Barmac would make a public statement in advance of the investee company's AGM or an EGM or requisition an EGM for the purposes of changing the Board membership.

5. Be willing to act collectively with other investors where appropriate

Should dialogue with an investee company prove unsuccessful, Barmac will act collectively with other shareholders, but only when it is in the best interests of the shareholders within the Fund to escalate to a collaboration situation.

6. Have a clear policy on voting and disclosure of voting activity

Where necessary, Barmac may vote at company shareholder meetings, particularly where we perceive a specific upside can be achieved for the benefit of the shareholders within in the Fund. We may, in some circumstances delegate the voting to proxy and where we consider abstention from voting is appropriate, we maintain a clear and recorded rationale for that decision. Voting activity can be disclosed upon request to our Compliance Manager.

7. Report periodically on their stewardship and voting activities

Voting activity will be made available upon request to our Compliance Manager.

FOR FURTHER INFORMATION PLEASE CONTACT US:

Should you have any questions relating to The Stewardship Code, please contact:-

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