



Quarterly Stewardship Report

Q3 2025





Our purpose is to preserve and enhance the value of our clients' assets through long-term engagement and analysis.

AS AT 30 SEPTEMBER 2025

Our Quarterly Stewardship Report aims to provide investors with information on our voting and engagement activity, as well as highlighting some key focus areas for the Stewardship team for the year.

VOTING

Voted on 5 meetings

Evenlode voted in favour of all management resolutions at Auto Trader's AGM, a holding in the Evenlode Income and UK Select funds. The company has a transparent governance framework which is highlighted by their board independence and effective succession planning. Its remuneration framework is also one of the strongest in the fund, with long-term incentives linked to operating profit (70%), revenue growth (20%), and carbon reduction (10%) across scopes 1-3. A diversity underpin reinforces alignment with broader stakeholder objectives, while short-term incentives balance operational performance and digital transformation milestones, supported by clearly disclosed metrics, thresholds and targets.

We voted with management in all meetings

On climate, the company has ambitious science-based reduction targets including a 50% cut in scope 1 and 2 emissions and 46.2% in scope 3 by 2030, with a 90% reduction across all scopes by 2040 and provides full emissions disclosure.

From an ESG perspective, this is a well-governed and transparent business with limited social risk exposure and credible efforts to mitigate environmental and transition risks.

Given the company's clear alignment between pay, performance, and long-term sustainability goals, Evenlode supported all management resolutions at the AGM.

ENGAGEMENT

Engaged with 30 companies

Engaged on 14 themes

Engaged the most on company strategy





ENGAGEMENT CASE STUDY - HALMA

We recently engaged with Halma, a holding in the IFSL Evenlode Income and Evenlode UK Select funds. We spoke with the sustainability team to discuss their transition plan, building on a positive engagement from two years ago. Our meeting covered several key areas, including how they manage the transition as a decentralised business. Following the call, we updated the company's status from "committed to aligning to net zero" to "aligning to net zero." Additionally, we reclassified the company from a high-impact company to a material company due to the nature of their business. While it operates across sectors that contribute positively to environmental and safety outcomes (e.g., water quality monitoring, fire detection, air quality sensors, and medical diagnostics), its emissions footprint is relatively modest compared to heavy industrial or other resource-intensive sectors.

DEFENCE

We attended our first Defence and Security Equipment International (DSEI) Conference in September. It is a major defence and security trade show held in London every two years. It serves as a global platform for military and government decision-makers, as well as industry leaders, to meet and for companies to highlight products, technologies, and services.

We met with eight companies from across Europe and the UK, through a mix of management discussions and product demonstrations. For Evenlode, although we do not currently hold any defence companies, the event was valuable for a few reasons. First, outright exclusion depends on specific exposures to certain sub-sectors within defence, and companies that potentially fit our guidelines have attractive economic and business models. Second, defence companies often provide unique macroeconomic insights due to their close ties with governments, and those perspectives are

During our conversation, we also addressed the removal of the sustainability metric from the annual bonus. The team explained that while the metric initially helped drive reductions in energy use, the internally driven priorities of the decentralised businesses have proven more effective in shaping outcomes. As a result, the heads of the sectors are now rewarded based on KPIs that reflect the individual companies' sustainability action plans. Given this rationale, we supported the removal of the metric.

We also discussed their focus on their top emitters, who account for 60% of their emissions. The team is pleased with the progress they are making, and their scope 3 intensity is decreasing. Furthermore, they are not pursuing SBTi verification due to the limitations of the framework for decentralised businesses. This was a positive engagement as the additional level of detail provided by the company led to a more accurate representation of their business in our net zero assessment model.

less visible in other sectors. And finally, we wanted to understand how attitudes towards the sector are changing, especially in relation to asset managers' defence policies.

Speaking directly with defence companies provided valuable insight into geopolitical dynamics and government spending priorities, all of which can help inform Evenlode's broader investment perspective. From a fundamentals standpoint however, many firms in the sector do not meet our criteria; their high asset intensity constrains consistent cash generation, and long-termism is often undermined by shifting political landscapes. While competitive advantages are typically entrenched given the nature of government procurement, this often comes at the expense of pricing power and results in structurally tight margins.





DEFENCE - CONTINUED

From an ESG perspective, the stewardship implications of investing in defence remain complex. As one of the CFOs we met said, “you can’t have ESG without security,” yet this does not automatically make the sector investable for Evenlode. What was clear across our meetings is that broader investor sentiment toward defence is shifting rapidly. One of the CEOs we spoke with noted that ESG concerns were not raised once during his most recent capital markets day, a stark contrast with prior years. Several companies noted renewed interest from investors who had previously avoided the sector. Some companies have even seen a shift in its share register, with US holdings rising from approximately 12% to 30%. One executive remarked that quasi-moral investment exclusions have been easier to uphold when the European defence industry was underperforming, but become much harder to justify when the sector is experiencing sustained growth.

In a meeting we had with a large multi-national, they reflected on this shift, observing that exclusions were generally viewed as extreme prior to the Ukraine-Russia conflict and suggesting that ESG should be reframed as “ESSG,” incorporating national security considerations. Overall, ESG strategies across the sector remain largely compliance-driven, with social and governance criteria well-established, but environmental progress slower and primarily designed to engage environmentally conscious stakeholders.

Defence company focus on ESG policies and disclosures appears primarily driven by the need to comply with and align to EU regulations. Several firms acknowledged that scope 3 emissions measurement remains immature and highly challenging, given the complexity of defence supply chains and the classified nature of many inputs. This is particularly relevant for us as the sector’s inherent carbon intensity creates a misalignment with our decarbonisation objectives. They also observed increasing sophistication among ESG-focused investors who are shifting from simple exclusionary approaches to more nuanced engagement strategies. It was noted that ESG investors are often motivated by financial considerations, essentially “following the money”.

The conference offered not only a window into evolving global defence priorities, but also a reminder of the shifting attitudes within capital markets. Both dimensions provide important context for Evenlode as we continue to assess how best to balance investment opportunity, stewardship responsibility, and long-term value creation.





STEWARDSHIP TEAM AND ESG RANKINGS



Sawan Wadhwa
Head of Stewardship



Bethan Rose
Stewardship Analyst



Rebekah Nash
Stewardship Analyst



Lily Postlethwaite
Stewardship Analyst

Our ongoing commitment

Evenlode Investment Management became a signatory to the United Nations Principles for Responsible Investment (UNPRI) in 2018. By becoming signatories, we commit to implementing these principles and incorporating environmental, social and governance factors into our investment process to help enhance returns and better manage risk for our clients

Signatory of:



Policy Governance and Strategy



Direct - Listed Equity Active Fundamental



Confidence Building Measures



MORNINGSTAR

- IFSL Evenlode Income
- IFSL Evenlode Global Income
- IFSL Evenlode Global Equity
- Evenlode Global Dividend
- Evenlode Global Opportunities



MSCI



The Morningstar® Sustainability Rating™ is intended to measure how well the issuing companies of the securities within a fund's portfolio holdings are managing their environmental, social, and governance risks relative to the fund's Morningstar Global Category peers, with 5 globes being the highest rating. IFSL Evenlode Income, IFSL Evenlode Global Equity, Evenlode Global Dividend and Evenlode Global Opportunities are based on 100% of AUM; IFSL Evenlode Global Income is based on 95.4% of AUM. Data as at 31 August 2025.

The Morningstar® Low Carbon Designation™ is intended to allow investors to easily identify low-carbon funds across the global universe. The designation is an indicator that the companies held in a portfolio are in general alignment with the transition to a low-carbon economy. IFSL Evenlode Income, IFSL Evenlode Global Equity, Evenlode Global Dividend and Evenlode Global Opportunities are based on 100% of AUM; IFSL Evenlode Global Income is based on 95.7% of AUM. Data as at 31 July 2025.

MSCI ESG Fund Ratings aim to measure the resilience of funds to long-term risks and opportunities arising from environmental, social and governance (ESG) issues. Each fund scores a rating on a scale from CCC (laggard) to AAA (leader). The rating is based first on the weighted average score of the underlying holdings of the fund. ESG momentum is then assessed to gain insight into the fund's ESG track record, which is designed to indicate a fund's exposure to holdings with a positive rating trend or worsening trend year over year. For more information on the methodology please visit our website. IFSL Evenlode Income, IFSL Evenlode Global Equity are based on 100% of AUM as at 31 August 2025. Evenlode Global Opportunities is based in 100% of AUM as at 30 June 2025. IFSL Evenlode Global Income is based on 95.4% of AUM as at 31 August 2025. Evenlode Global Dividend is based on 95.7% of AUM as at 31 March 2025.





Important Information

Evenlode has developed a [Glossary](#) to assist investors to better understand commonly used terms.

We believe that delivering real, durable returns over the long term can be best achieved by integrating environmental, social and governance (ESG) factors into our risk management framework as this ensures that all long-term risks are monitored and managed on an ongoing basis. In addition to reviewing ESG factors when making investment decisions, we engage with portfolio companies on a range of ESG issues (for example greenhouse gas emission reduction). However, please note that the Evenlode funds do not have a sustainability objective. This document is not intended as a recommendation to invest in any particular asset class, security or strategy. The information provided is for information purposes only and should not be relied upon as a recommendation to buy or sell securities. For full information on the Evenlode funds, including risks and costs, please refer to the Key Investor Information Documents, Annual & Interim Reports and the Prospectuses, which are available on the Evenlode Investment Management website (www.evenlodeinvestment.com). Recent performance information is shown on monthly factsheets, also available on the website. Every effort is taken to ensure the accuracy of the data in this document, but no warranties are given. Evenlode Investment Management Limited is authorised and regulated by the Financial Conduct Authority. No 767844.

ESG ratings

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