



House Award for Multi-Assets Funds

Submission ID	Region	Category	Other Submission ID
F26002	Hong Kong	Balanced Mixed Asset	F26007

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House Award for Multi-Assets Funds

Name of firm

J O Hambro Capital Management Limited (JOHCML)

The Flagship Fund's name

JOHCM Global Income Builder Fund

The Fund's ISIN Code

IE00BFZWPF58

Data as of the quarter-end

30/06/2022

Total Fund Size (including all share classes)

USD 182 million

Total Number of Portfolio Manager(s)

4

Total Number of Analysts

0

Pillar 1: Investment Approach

Note: When answering the questions in this pillar, please provide responses directly relevant to this specific fund/strategy. They should NOT be general answers that apply generally to all your firm's funds/strategies.

[i] Material impacts are events likely to

1. Investment style consistency: Who has the ultimate responsibility for keeping the investment style consistent under all conditions and circumstances?

The lead portfolio manager/s of this strategy

Additional Remarks, if any (maximum 250 words)

The JOHCM Global Income Builder Fund (the Fund) is managed by the JOHCM Multi-Asset Value team. The team consists of Senior Fund Manager and Team Head



Giorgio Caputo, Senior Fund Manager and Head of Credit
Adam Gittes, Senior Fund Manager
Robert Hordon and Fund Manager Remy Gicquel.

The team employs a partnership approach to investment decision-making. Any new position generally has to have the support of the fund managers as well as the investment professional responsible for following the investment. In addition, investments are presented to the entire team for their review. Given the Fund's focus on capital preservation, the team believes that this inclusive decision-making process can more thoroughly highlight potential risks and help avoid permanent impairment of capital. In the event that the team cannot come to an agreement or if exigent circumstances require immediate action, the Team Head has the ability to act as needed to make the final determination around security selection and position sizing.

2. Investment style consistency: If the investment style deviates, are there material, negative consequences for the person with ultimate responsibility for ensuring style consistency?

Yes, there are material consequences, including bonus reduction, promotion freeze and/or specific financial consequences on the ultimately responsible individual

Additional Remarks, if any (maximum 250 words)

The team is subject to quarterly reviews by JOHCM's Head of Investments and risk team to ensure that the fund's holdings are consistent with the strategy's investment style. Any apparent deviations are reviewed and, if significant, escalated.

3. Investment process: Does the investment process include any of the following.

- We have a clear and consistent investment process
- We have the strategy to have a target investors' risk/return profile

Additional Remarks, if any (maximum 250 words)

The team describes its investment process as a



- The initial screening of the investment universe account for target investors' needs
- We generate ideas from the bottom up, e.g., drilling down into a potential investee's business model, moat, future cash flow, etc.
- We generate ideas from macro views, e.g., structural shifts, economic cycles, regime change, regulatory shifts, etc.
- Portfolio Managers are allowed to buy securities outside of the list of securities approved by the investment committee and/or CIO
- The risk managers are consulted at one or more points during the research, investment, divestment processes

Modern Value Approach. The process is bottom-up in terms of implementation, but is also top-down and macro aware. The team values security specific invest opportunities that align with key structural themes while at the same time boasting strong bottom up fundamentals such as high barriers-to-entry and strong management and governance.

The strategy is focused primarily on income-oriented investments, yet the team has the flexibility to invest up to 20% of assets in investments that do not generate income.

4. Do you take ESG as Investment/Divestment materiality consequences?

Yes.

Selected: Yes - How would you allocate ESG consequences as material impact for this particular strategy? (The sum must add to 100%)

Environmental	Social	Governance
50	20	30

5. ESG as Investment Process [v]: Is ESG information is used in an investment product's investment process or stewardship activities?

Yes

Selected: Yes

- The investment product's compliant presentation includes a description of the sources and types of ESG information used in the investment process or stewardship activities
- As investment managers, we allocate efforts to evaluate the reliability of the ESG information used, including the following:

Selected: As investment managers, we allocate efforts to evaluate the reliability of the ESG information used, including the following:

- independent evaluation of information reported by investees or provided by ESG data providers
- cross-referencing two or more sources of information
- evaluation of the accuracy or completeness of a dataset when determining the sources and types of ESG information that will be used in the investment process
- evaluation of models that estimate or interpolate missing data elements
- evaluation of how inherent uncertainty in specific data sets might affect investment decisions



- establishment of data quality monitoring and controls
- taking steps to validate anomalies, including notifying sources of potential errors

6. When determining the materiality of ESG factors[v] [vi], does the strategy consider the following factors:

- The extent to which the materiality issue influences the objectives of the investment product or the likelihood of achieving them
- The extent to which the materiality issue affects the size and characteristics of the investment universe
- The extent to which the materiality issue affects investment decisions or the investment process
- The extent to which the materiality issue affects stewardship activities
- The likelihood that the materiality issue would attract prospective investors with needs and preferences that differ from those of current investors
- Whether the materiality issue triggers a local regulatory requirement, such as filing new documents, updating existing documents with a regulator, or providing new or updated disclosures to current investors
- ESG factors affect a specific bond issue or issuer and not the market as a whole
- Sector/geographic risk affecting an entire industry or region, including regulatory and technological materiality issues associated with the business activity the company is involved in and/or to the markets it sources or sells to
- Indirect exposure such as resource scarcity prompting a tightening monetary policy, poor liquidity could drive investment losses

7. Response to capital/asset markets' structural changes: How is this investment strategy responding to these changes for investors' benefit?

We believe the capital/asset markets have changed fundamentally -- volatility is appreciably more significant than before, therefore:

Additional Remarks, if any (maximum 250 words)

The team seeks to conduct a comprehensive risk assessment of prospective investment which has a significant focus on uncovering ESG related risks. The team's "Persistence" framework specifically penalizes businesses for poor environmental, social or governance traits. In addition the fund seeks to align with and benefit from a number of key ESG-related trends such as energy transition from fossil fuels, health and well being, automation and the circular economy, etc.

Additional Remarks, if any (maximum 250 words)

The team's strategy has been built from inception on the idea that markets have changed structurally and are more volatile, as liquidity can be fleeting. They seek to take advantage of volatility and market air pockets across different asset classes. Their cross asset framework gives them differentiated insights into where risk is being mispriced, liquidity is breaking down and excess returns are available to liquidity providers. They have a history of deploying capital into times of market stress and this has often driven periods of outperformance relative to other flexible strategies like this one.

Selected: I believe the capital/asset markets have changed fundamentally -- volatility is appreciably more significant than before, therefore:



We have incorporated (or have concrete[iii] plans to incorporate) assets/asset classes/investment or risk management techniques that safeguard the portfolio when the regime changes

8. Actual Example - Only shortlisted candidates who made it to the Gatekeeper Forum will be required to complete actual example.

8. Actual Example - Please provide an ACTUAL example of how you executed ONE of the following, in a maximum of 500 words.

Please briefly describe the critical challenge/s, actions taken, results and lessons learned:

Pillar 2: Portfolio Management

Note: When answering the questions in this pillar, please provide responses directly relevant to this specific fund/strategy. They should NOT be general answers that apply generally to all your firm's funds/strategies.

[i] Formula for no. of holdings:

1. Portfolio Limits: does the fund have explicit portfolio limits such as, but not limited to, single country, single sector, single security, single asset class, the correlation between securities, or other spelled-out limits.

We are an Unconstrained Fund

Additional Remarks, if any (maximum 250 words)

The Fund is actively managed and is not managed in reference to a benchmark.

Unconstrained Fund -

But we ensure that the fund's risk level is aligned with target investors

2. Portfolio level ESG characteristics [iv]: We have decided ESG criteria to be used as our portfolio characteristics that include:

- Scope 1 and Scope 2 greenhouse gas emissions
- asset-weighted percentage of the portfolio invested in economic activities deemed to be sustainable by a regulatory or third-party classification standard
- board gender diversity
- breakdown of energy consumption by type of non-renewable sources of energy
- share of investments in investee companies that have been involved in violations of the UN Global Compact principles or OECD Guidelines for Multinational Enterprises



- exposure to specific industries, sectors, and geographies with adverse impacts on
- ESG issues
- exposure to specific industries, sectors, and companies that aid transition to a low-carbon economy

3. ESG based Securities Selection criteria[iv]: We take steps to incorporate financially material ESG information alongside traditional financial information in financial analysis and valuation of the investment product's investments:

- Fixed-income securities are screened for financial criteria, including but not limited to credit quality and metrics, and relative value

4. The number of holdings [i]: What is the average number of securities in the fund over the last 3 years?

120 and above

5. Security weight: What determines the weight of each security?

- Liquidity at the portfolio level
- Correlation with other securities in the portfolio
- Potential risk-adjusted returns relative to other securities in the portfolio
- Potential to produce alpha
- Material[ii] ESG merits of the investee
- Investee's response to our fund's/firm's engagement on material[ii] ESG issues
- Portfolio limits (explicit limits or soft guidelines) such as single issuer, single security, etc.

Additional Remarks, if any (maximum 250 words)

The Fund seeks to invest in a diversified portfolio where investments are generally limited to 3% and equities are limited to 2% at cost. The team seeks to manage a diversified portfolio and pays close heed to sector, geographic and other factor exposures and seeks to avoid unwanted clusters of risk.

6. Portfolio liquidity in normal markets: When we construct the portfolio, we account for short-to-medium liquidity at the portfolio level under normal market conditions.

Our liquidity targets are better than the above (please specify in maximum 250 words)

Please specify the liquidity targets in maximum 250 words.

The team's liquidity outcomes are better than those stated above. As of 30 June 2022, they estimate that they could liquidate the entire portfolio (100%) within 2 days, under the assumption of 50bps transaction costs, and this has remained to date and the portfolio continues to be 100% liquid in this timeframe. They do not specifically target a percentage of days to liquidate, but do monitor daily the liquidity profile of the Fund and its liabilities, to ensure the Fund can meet its obligations in all market conditions. To do so, they have implemented a liquidity framework powered by MSCI Liquidity metrics, to assess, measure and manage the liquidity risks arising from security investing.

The Liquidity framework can be summarised by the interaction of three key factors/assumptions, i.e. transaction costs, time to liquidate, transaction/liquidity size; in normal and stressed market conditions.

7. Portfolio liquidity in stressed markets: One key factor we consider when we construct the portfolio level is liquidity at the portfolio level under stressed market conditions.

Additional Remarks, if any (maximum 250 words)

Our liquidity targets are better than the above (please specify in maximum 250 words)

Please specify the liquidity targets in maximum 250 words.

The team do not set explicit targets of Portfolio Liquidity in Stressed Market conditions as described in the bullet points



above. Instead, they do have a Liquidity Stress Test framework aimed at maintaining sufficient forecast liquidity to meet up to 10% redemptions under severe market stress, at all times.

They defined a series of market stresses (Great Financial Crisis (GFC) - Build-up; GFC - Peak; GFC- Recovery; Market Depth: -50%) of the fund Asset Side, where bid-ask spreads, volatility and market depth are shocked according to those historical scenarios.

They aim to maintain a level of liquidity to cover those level of redemptions up to 10%, in all of the above market scenarios. In addition, they monitor and have an explicit target to meet the redemptions of the largest shareholder in normal market conditions, within a two-day horizon, without prior notice.

The Asset and Liability Stress Tests described above are run monthly and reported to the board, at least, on a quarterly basis.

8. Target active share [iii]: What is the target proportion of active shares for this strategy or fund?

We do not have a target

9. Actual active share [iii]: What is the ACTUAL proportion of active shares in your fund or strategy (average of last 12 months)?

81% or above active shares

10a. Investment Bases: Our investment decisions are substantively based on the following.

- Security's liquidity in the secondary market
- Valuation
- Target price
- Risk/return profile of a security relative to other positions in the portfolio
- Investee's cash flow
- Investee's ability to meet liabilities promptly/ credit quality
- The ability of investee to benefit from structural changes in its industry
- Investee's key management's track record
- ESG factors improving (in the case of investment)/deteriorating (in the case of divestment)
- Investee's response to our fund's/firm's ESG engagement
- Environmental factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance
- Social factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. In the case of investing, the material impact is positive.
- Governance factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. In the case of investing, the material impact is positive.

Additional Remarks, if any (maximum 250 words)

Securities are purchased when they demonstrate what the team believes to be a significant margin of safety. If there is an overabundance of investments that embody a margin of safety, the team may seek to allocate capital towards investments that embody the best risk-reward profile, in the team's opinion, offer higher return potential, or generate substantial income in order to meet and balance the dual objectives of the Strategy. If investments with a margin of safety are scarce, the team will seek to preserve capital and generate income by building reserve assets such as cash and higher quality fixed income and wait until riskier securities are more attractively priced.

10b. Divestment Bases: Our divestment decisions are substantively based on the following.

Additional Remarks, if any (maximum 250 words)



- Security's liquidity in the secondary market
- Valuation
- Target price
- Risk/return profile of a security relative to other positions in the portfolio
- Investee's cash flow
- Investee's ability to meet liabilities promptly/ credit quality
- The ability of investee to benefit from structural changes in its industry
- Investee's key management's track record
- Validity of our investment thesis
- ESG factors improving (in the case of investment)/deteriorating
- Investee's response to our fund's/firm's ESG engagement
- Environmental factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance
- Social factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. The material impact is negative, and the investee is not taking adequate steps to address these material social factors.
- Governance factors have (or likely will have) a material[ii] impact on the investee's earnings, cash flow, competitiveness, business resilience, reputation, and other risk-return balance. The material impact is negative, and the investee is not taking adequate steps to address these material governance factors.

Securities are sold when they reflect the team's sense of business value and no longer offer a margin of safety. This can occur either from an increase in the price of the security or a decline in the team's estimate of business value. Additionally, the team may reduce certain holdings in order to allocate capital to other securities that offer a superior risk-reward trade-off, higher return potential, or prospects for higher income distributions. Where a security no longer complies with the ESG methodology(s) outlined in the fund's prospectus, that security will be sold, subject always to the best interests of the shareholders of the fund.

11. Portfolio managers' turnover: What is the portfolio managers' turnover rate over the last 12 months?

<30%

12. Analysts' turnover: What is the analysts' turnover rate over the last 12 months?

<10%

13. Research resources: How many securities does each analyst responsible for this fund cover on average?

Fewer than 50

14. Research depth: What types of research do you rely on to make investment decisions?

- Our proprietary financial models
- Site visits to investees' facilities: We observe operational employees' effectiveness, productivity, attitude, initiative
- Site visits to investees: We observe the key processes or production of items that are salient to the investees' competitiveness
- One-to-one conversations with investees' management outside of scheduled conferences for all investment analysts
- Earnings conference calls or meetings with investees' management which are scheduled for all investment analysts
- Independent consultants specializing in specific sectors, technologies, geographies, economies, factors, etc.
- Sell-side brokers' research

Additional Remarks, if any (maximum 250 words)

A key component of assessing the value of a business is determining the extent to which a business enjoys competitive advantages and is subject to cycles (including industry, economic, regulatory/taxation, etc.). A detailed review of the issuer's financial position is also critical as it is imperative to understand whether there are other claims to which the security



under consideration is subordinate. The team will typically conduct primary research or review credible secondary sources to compile an assessment of these various factors and summarise their findings in a financial model and memo.

The integrated multi-asset expertise of the team is a key advantage of the team's focused structure that is often evident in the vetting of investments. The diversity of skillset, background and training provide a variety of insights that can make the investment review more rigorous. For instance, an equity oriented perspective that seeks to value whole businesses can be additive to more typical credit assessments that focus more on leverage levels and cash flows. Sometimes different businesses can support different levels of indebtedness and still offer a similar margin of safety to debt investors. Conversely, a sense of where credit markets are pricing the risk of certain businesses and industries can help shed light on whether an investment in equity (which is the residual claim after debt is repaid) is being adequately compensated.

15. Actual Example - Only shortlisted candidates who made it to the Gatekeeper Forum will be required to complete actual example.

15. Actual Example - Please provide an ACTUAL example of how you executed ONE of the following, in a maximum of 500 words.

Please briefly describe the critical challenge/s, actions taken, results and lessons learned:



Pillar 3: Performance & Risk Management

Note: When answering the questions in this pillar, please respond directly relevant to this specific fund/strategy. They should NOT be general answers that generally apply to all your firm's funds/strategy.

[i] Definition of concrete: Explicitly

1. Alpha sources: What were the significant sources of alpha over the last 3 years?

- Securities mispriced by the market
- Securities misunderstood by the market
- Securities that benefited from cyclical factors
- Securities in special situations
- Picking up securities with solid fundamentals during times of market panic
- Risk budgeting and allocation
- Asset allocation to specific sectors, geographies, asset classes

Additional Remarks, if any (maximum 250 words)

The team seeks to position its holdings to earn attractive returns and income / carry and benefit from structural tailwinds. The team is also always on the lookout for investments that are misunderstood and potentially offer asymmetric risk reward payoffs.

2. Stress test: Have stress tests been performed on this fund or strategy in the last 3 years?

Yes

Additional Remarks, if any (maximum 250 words)

The above assumes Liquidity Stress Tests and not market, and works under the assumptions of 1% / 5% / 10% redemptions, under stress market conditions.

Selected: Yes - Stress test scenarios were applied in the stress test that has already been performed?

- Market volatility rising materially
- Asset prices falling materially (or, in the case of short positions, rising materially)
- Liquidity shrinking rapidly and materially
- Net outflows for your fund or strategy rising materially
- Our fund passed the stress test

3. Investment cap per investor[ii]: Do you limit each investor's investment to a certain percentage of the fund's total AUM to restrict overexposure to any single investor?



No, we do not currently have a cap and have NO definite plans for one

4. Drawdown recovery: How long did it take for the fund to recover[iv] from its maximum drawdown since inception?

5. Have climate-related risks been assessed on this fund or strategy?

Yes, we assess both transition risk and physical risks

6. Have scenario analysis have been applied on the climate-related risk assessment?

Yes, we have applied scenario analysis and developed 1.5°C or lower transition scenarios

7. Have quantitative evaluation been adopted in the climate-risk assessment?

No, we do not have quantitative evaluation.

8-10. Actual Example - Only shortlisted candidates who made it to the Gatekeeper Forum will be required to complete actual example.

10. Actual Example - Please provide an ACTUAL example of how you executed ONE of the following, in a maximum of 500 words.

Please briefly describe the critical challenge/s, actions taken, results and lessons learned:

Pillar 4: Stewardship

Note: When answering the questions in this pillar, please respond directly relevant to this specific fund/strategy. They should NOT be general answers that generally apply to all your firm's funds/strategy.

[i] Stewardship is a set of behaviors,

1. Stewardship Activity: Engagement activities [iv] have been undertaken on behalf of investors to put stewardship into effect. These activities include:

- Participation in a shareholder meeting
- Casting, abstaining, or withholding a vote on a management or shareholder resolution, on management or shareholder resolution
- Filing a shareholder resolution
- Commencement, continuation, modification, or discontinuation of an engagement with an investee company



- Lending of securities
- Advocating for strong environmental, social, or governance practices

2. Stewardship Monitoring scope: Our stewardship for investees/potential investees monitoring scopes include the following:

- On material[ii] environmental issues
- On carbon footprint and exposures to climate risk
- On material[ii] social issues
- On material[ii] governance issues
- On corporate culture and remuneration
- On capital structure
- On strategy
- On overall material risks
- On transparency

3. Stewardship Team: A dedicated stewardship team [iv] is set up to flag specific companies and issues for engagement which includes the undertakings below:

- Engagement is undertaken with the intent to improve a company's environmental and social resource management and to reduce risks related to environmental and social practices or activities

Additional Remarks, if any (maximum 250 words)

Additional Remarks, if any (maximum 250 words)

Consistent with JOHCM's multi-boutique structure, we do not subscribe to a 'house' approach to ESG integration or stewardship. Each investment team conducts its own analysis and engagements, which ensures corporates receive advice grounded in the real world, while clients gain deep, hands-on insights. No responsibilities are outsourced to separate ESG or stewardship teams.

During 2021, we recognised that to capitalise on the opportunities that were emerging in the investment industry we required dedicated resources to enhance and further the levels of stewardship already being undertaken by our investment teams. For this purpose, the Sustainable Investments (SI) team was formed in London in January 2022, tasked with creating a centre of excellence to explore how sustainable investing can support and encourage forward-looking, long-term approaches across



our investment strategies. The SI team utilises our bespoke data platform (Affinity) to further enhance the capture and monitoring of engagements in order to encourage co-operation on systemic issues, both within JOHCM and externally.

4. Proxy Voting: At the product level, we have transparent proxy voting [iv] policies that are unique to this particular investment strategy:

Yes

Additional Remarks, if any (maximum 250 words)

The team reviews recommendations from leading proxy advisory firms but retains the ability to make its own voting decisions on a case by case basis.

Selected: Yes

- We disclose that the portfolio managers undertake proxy voting for the investment product while investee engagements are handled at the organizational level
- All proxy votes are recorded and stored in our internal proxy voting and engagement system
- When voting against management, the following issues are typically prioritized based on:

Selected: When voting against management, the following issues are typically prioritized based on:

- Their potential to affect a company's financial performance
- Board independence
- Accountability
- Shareholder rights
- Transparency
- Esg reporting

5. Voting Disclosure: Please select the statements that describe your firm's practices related to voting.

- Our disclosure on voting is available to ALL investors, from retail to institutional asset owners, without them having to make a request, i.e., the disclosure is on our website or another electronically accessible venue

Additional Remarks, if any (maximum 250 words)

Our voting statistics can be found here:
<https://www.johcm.com/uk/about-us/654/voting>

6. Engagement frequency: Teamwide over the last 1 year, we have engaged with investees/potential investees on the material[ii] issues selected above:

Twice a year on average

Additional Remarks, if any (maximum 250 words)

The Investment team discuss E & S issues with their holdings on a regular basis to garner information to inform their investment analysis. Additionally, where they identify opportunities to



support investee companies to improve ESG performance or make more sustainable business decisions, they engage to encourage behavioural change.

7. Actual Example - Only shortlisted candidates who made it to the Gatekeeper Forum will be required to complete actual example.

7. Actual Example - Please provide an ACTUAL example of how you executed ONE of the following, in a maximum of 500 words.

Please briefly describe the critical challenge/s, actions taken, results and lessons learned:

Pillar 5: Corporate Responsibility and Strength

Please complete this pillar in separate "Pillar 5: Corporate Responsibility and Strength" questionnaire. You will only need to respond to Pillar 5 ONCE for all your firm's investment strategies.

Please provide the following attachments:

- Prospectus
- Fact Sheet (Oldest Share Class)
- Fact Sheet (Newest Share Class)
- KFS

Attachments

- [JOHCM-Global-Income-Builder-Fund_A_USD_MPR-31-Oct-2022.pdf](#)
- [Supplementary-Response.pdf](#)