

QUEST INVESTMENT ADVISORS PVT. LTD

STEWARDSHIP POLICY

Approved by

Board of Directors of Quest Investment Advisors Pvt. Ltd.

Approval Date: 08th April, 2021

Version: 1.0

Regulatory reference and Background

The importance of institutional investors in capital markets across the world is increasing and they are expected to shoulder greater responsibility towards their clients / beneficiaries by enhancing monitoring and thereby ensuring the protection of interest of investors in such companies. With this objective in mind, SEBI vide its circular number CIR/CFD/CMD1/168/2019 dated December 24, 2019 (hereinafter referred to as “SEBI Circular”) has notified a detailed Stewardship Code for all categories of Alternative Investment Funds.

Objective

The Stewardship Code seeks to promote sustainable growth of companies through investment and dialogue. The stewardship principles reflect the responsibility of institutional investors to engage constructively with invested companies with the aim of enhancing medium to long term investment return for their clients and beneficiaries by improving and fostering the investee companies’ corporate value and sustainable growth through constructive engagement or purposeful dialogue, wherever required and possible, based on in-depth knowledge of the companies and their business environment.

In all our activities, we always fulfill our fiduciary duties and always strive to serve our unitholders’ interest to the best of our capabilities.

SEBI has prescribed six key principles of the stewardship code listed below:

1. Formulate a comprehensive policy on discharge of stewardship responsibilities, public disclosure, periodical review and updation;
2. Clear Policy to manage conflicts in fulfilling stewardship responsibilities and public disclosures;
3. Monitoring of investee companies;
4. Policy for intervention in investee companies and collaboration with other institutional investors where required to preserve interests of the ultimate investors;
5. Clear policy on voting and disclosure of voting activity; and
6. Periodical reporting of stewardship activities.

Quest Investment Advisors Private Limited (herein after referred to as “Investment Manager”, “IM”, “Quest”) has set up this policy for ensuring compliance with SEBI circular and work towards greater protection of investors of the schemes which are invested in such companies.

Currently, the IM manages 2 Schemes viz. Quest Flagship Fund – I and Quest Smart Alpha – Sector Rotation Fund (hereinafter referred to as “Scheme”) under Quest Investment Trust (the Trust / Fund) which is a Category III – Alternative Investment Fund registered with SEBI - Reg No. IN/AIF3/18-19/0623.

This policy shall apply to all the Schemes under the Trust from time to time, unless and until specifically exempted from. This policy is a natural extension of the Funds responsibility to protect and enhance the long-term economic value of the clients’ assets.

Principle 1: Policy on Stewardship responsibilities

We believe in the principles of responsible investment and use a robust framework by analysis of every stock covered by the Scheme. Every investee Companies we intend to invest or contemplate to be a part of the universe of the Fund is supported by a detailed investment rationale including reviewing key Investee companies for various parameters which might affect the Companies operational and financial performance. These engagements could be either through direct interactions or voting mechanisms or tracking developments through publicly available data on a case to case basis.

Our primary stewardship responsibilities include:

1. Monitor various matters including operational and financial performance, corporate governance, merger/acquisition, other corporate restructuring, Industry-level monitoring and possible impact on the investee companies, material environmental, social and governance (ESG) opportunities or risks, capital structure, Stock Option Plans and Other Managerial Compensation issues, Stock Option Plans and Other Managerial Compensation issues etc.
2. Vote in Shareholders meetings with a view to enhance value creation for unitholders and investee companies.
3. Accountable to unitholders within the parameters of professional confidentiality and regulatory regime

Specific voting disclosures as prescribed would be made by the Investment Manager to ensure transparency. Also, we would be accountable to the investors of the Scheme by maintaining professional confidentiality.

We would also maintain oversight & control on the stewardship activities periodically by the above measures and including the following:

1. Adequate disclosures on the website.
2. Periodical trainings (atleast annually) to the relevant personnel of the Fund.
3. Review of the Policy periodically but not less than on annual frequency.

Principle 2: Conflicts of interest

(i) Conflicts of interest

The term “conflict of interest” refers to instances where personal or financial considerations may compromise or have the potential to compromise the judgment of professional activities. A conflict of interest exists where the interests or benefits of Quest (including its employee, officer or director) conflict with the interests or benefits of its unitholders or the investee companies.

The basic intent of the said policy is to ensure that the interest of the client is placed before the interest of the entity.

The employees of the IM shall undertake reasonable steps to avoid actual or potential conflicts of interest situations. In the event of any doubt as to whether a particular transaction would create (or have potential to create) a conflict of interest, employees, officers and employees of the IM shall consult with the Compliance Officer.

(ii) Identifying instances of conflict

While dealing with investee companies, there may be following instances where:

1. Investee company could also be a client of the IM or its group companies or affiliates;
2. The interests of IM in conflict with those of a client;
3. The interests of one client of Quest in conflict with those of another client of Quest;
4. Any of the group companies or affiliates of IM is a partner or a shareholder holding more than 2% of the paid-up capital of the investee company;
5. A Director of IM may have a personal interest in the Investee company (more than 2% of the paid up capital in the investee company);

(iii) Dealing with conflict of interest

In accordance with the general principles of dealing with Conflict of Interest, Quest shall;

1. at all times maintain high standards of integrity in the conduct of their business;
2. ensure fair treatment of their clients and not discriminate amongst them;
3. ensure that their personal interest does not, at any time conflict with their duty to their clients and client's interest always takes primacy in their advice, investment decisions and transactions;
4. make appropriate disclosure to the clients of possible source or potential areas of conflict of interest which would impair their ability to render fair, objective and unbiased services;
5. endeavor to reduce opportunities for conflict through prescriptive measures such as through information barriers to block or hinder the flow of information from one department/ unit to another, etc.;
6. place appropriate restrictions on transactions in securities while handling a mandate of client in respect of such security so as to avoid any conflict;
7. not deal in securities while in possession of material unpublished price sensitive information;
8. not to communicate the material unpublished price sensitive information while dealing in securities on behalf of others;
9. not in any way contribute to manipulate the demand for or supply of securities in the market or to influence prices of securities;
10. not have an incentive structure that encourages sale of products not suiting the risk profile of their clients;
11. not share information received from clients or pertaining to them, obtained as a result of their dealings, for their personal interest;

However, the Investment Team while exercising its voting under conflict of interest situation shall be highlighted to the Compliance Officer and the Chief Investment Officer. It may also be noted that the voting function is segregated from the sales function and is essentially a process managed between the Fund Management Team.

It may be noted that a detailed disclosure on potential conflict of interest is also disclosed in the Private Placement Memorandum of the Fund.

Principle 3: Monitoring of investee companies

Quest Investment Advisor being an investment manager is responsible for assessing and monitoring the investee companies in the interest of the unitholders of the Scheme. Some of the ways in which the above objective will be met is listed below:

1. The Investment team shall be responsible for supervision and monitoring of investee companies, its business strategy, performance (operational/financial), risk, capital structure, leadership effectiveness, succession planning, remuneration, corporate governance performance (including remuneration etc.), cultural, social and environmental matters.

2. The Investment team shall use publicly available information, sell side research and industry information, engage with the investor companies' investor analyst calls; to monitor the investee companies;
3. Investment Team may use publicly available information, sell side research and industry information and wherever possible shall engage with the investee companies' through investor analyst calls or analyst meet at least once in a year, to monitor the investee companies.
4. Investment Team to the extent feasible shall participate in investor meetings and general meetings held by the investee company (to which it is invited), through webcast, conference call or other mechanism when possible, which will provide for higher participant / engagement.
5. Where investee company's management is not accessible or not accessible at appropriate levels or cases where the Investment team believes that there is no incremental information which is being provided by the management of investee company, monitoring will be done through other sources (e.g., third party research, proxy advisory services, etc.).
6. The Investment Team while dealing with Investee Companies shall ensure compliance with SEBI (Prohibition of Insider Trading) Regulations;
7. Any Investment Team member who is in access to 'Unpublished Price Sensitive Information' shall inform the Compliance Officer, so as to ensure that such information is dealt upon in manner of Quest Group policy of Insider Trading and Dealing with such Unpublished Price Sensitive Information.

Levels of Monitoring

While Quest Investment Advisor endeavours to monitor all the investee companies however, shall specifically identify investee Companies and categorize them into large or small investments keeping in mind that larger investments would entail higher levels of monitoring vis-à-vis companies where amount invested is insignificant from the point of view of assets under management can have a lower level of monitoring. This monitoring would essentially be exercised and form the basis of voting decisions and involvement in such decisions by the Fund Management Team of the Fund in the Investee Companies.

Principle 4 Intervention in investee companies

Quest Investment Advisor shall intervene in the decisions of the investee company if it is considered as material on a case to case basis (essentially depending on the size of the investments in the investee Companies), including but not limited to insufficient disclosures, poor financial performance, inequitable treatment of shareholders, breach of regulations which is in the nature of corporate governance, related party transactions etc., performance parameters, corporate plans / strategy etc. Such interventions may include meetings/discussions / collaboration with other investors or industry bodies, proxy advisory firms, on a case to case basis. The decisions of intervention/non-intervention would be exercised by the Investment Team and records for such interventions shall be adequately maintained.

Matters which may require collaborative engagement may include appointment / removal of directors, executive remuneration, disinvestment matters, dealing with inequitable treatment of the shareholders and related party transactions.

Quest Investment Advisor shall where permitted, collaborate with other shareholders or professional associations or regulators to solicit views.

Quest Investment Advisor shall intervene in the acts of omission and commission of an Investee Company if in its opinion any act/ omission of the investee company is considered material on a case to case basis, including but not limited to poor financial performance, insufficient disclosures, inequitable treatment of shareholders, non-compliance with regulations, performance parameters, ESG issues, leadership concerns, related party transactions, corporate plans/ strategy, CSR, litigation or any other related matters.

Principle 5: Voting Policy

Quest with discretionary authority over the securities held by the Clients is viewed as having with proxy voting authority and has a duty to monitor corporate events and to vote proxies as well as a duty to cast votes in the best interest of Clients / unitholders and not subrogate Client interests to its own interests and enhancement of long term and sustainable value creation of investee companies thereby benefiting the overall capital markets as a whole.

Quest have formulated the following policies regarding voting and disclosure of voting activity in fulfilling our stewardship responsibilities:

1. We will exercise our voting rights and vote on all shareholder resolutions of investee companies, as may be deemed necessary in the interest of unitholders.
2. We will vote against resolutions which are not in the interest of unitholders and / or not consistent with our voting policy.
3. While voting we will also consider several factors, including recommendations made by our empanelled proxy advisor, if any.
4. All voting decisions will be made in accordance with our Board approved Voting Policy.
5. We will disclose on a half-yearly basis all voting decisions for every proposed resolution in investee companies, i.e., For, Against or Abstain with rationale for voting decision on the website of the Quest.

It may be noted that the final decision to exercise its voting shall be on Quest Investment Advisor and at all times in the interest of unitholders of the scheme. Quest shall always vote in those investee companies where the fund holds more than 2% of the paid up capital of the investee company.

Conflict of Interest in Voting decisions should be informed to the Compliance Officer for further guidance.

Principle 6: Reporting of Stewardship Activities

We are committed to providing transparency on our stewardship and voting activities. We will report our stewardship activities annually via our website, as per the stewardship code prescribed by SEBI vide circular number CIR/CFD/CMD1/168/2019 dated December 24, 2019.

Policy Review

The Policy shall be reviewed periodically but not less than on annual frequency.