Portfolio Holding Engagement Policies

Background Information

Scharf Investments (hereafter referred to as "Scharf" or the "Adviser") has adopted the following corporate governance principles. These principles should be seen as overall guidelines for corporate governance to be applied to all investments in client accounts (including investment companies) for which Scharf is the Investment Adviser.

We believe that sound corporate governance contributes to shareholder value and adds value to all types of investments. Companies that score well on ESG metrics tend to be less risky and have more durable earnings growth. Combining ESG risk factors with rigorous, fundamental investment analysis improves the chances for superior risk-adjusted returns for our clients. Superior corporate financial performance is often associated with superior environmental and social performance and best-in-class governance and capital structure practices often indicate top management and leadership. Buying high quality companies at compelling valuations is foundational to long-term investment success.

Corporate governance is essential for a transparent relationship between companies and investors, in which those shareholders play a vital role in improving the performance of a company.
Scharf's objective is to support proposals aiming to protect or enhance long-term shareholder value creation, to improve material ESG issue transparency, and address material ESG risks.

Engagement Process

Our engagement activities are based on the objective to improve the behavior of companies in our client portfolios. We are committed to taking an active ownership position when warranted. Engagement activity refers to purposeful interactions between Scharf and current or potential companies within our portfolios. These interactions are taken with the hope of influencing on matters such as strategy, financial and non-financial performance, risk, capital structure, environmental and social impacts, as well as corporate governance through disclosure, culture, and remuneration.

Principles of Engagement Policy

PRINCIPLE 1: Monitoring Holdings

Asset managers engagement policy should describe how they monitor investee companies on relevant matters, including strategy, financial and non-financial performance, and risk.

Scharf monitors the underlying holdings in each investment strategy and evaluates financial and non-financial performance, risk, capital structure, ESG factors, board composition, remuneration practices and capital mandates, among other things. When practicable, the Adviser makes best efforts to influence company-specific issues and to promote a better corporate governance structure, risk management, performance, or disclosure related standards with respect to a wide range of ESG related issues.

PRINCIPLE 2: Environmental and Social Impact

It is expected that our investment holdings incorporate and include relevant environmental and social risk factors in their long-term business planning as these can have significant impact on the value of a company’s assets.

We believe engagement with management can promote positive ESG outcomes and pay special attention to minority shareholder rights, board independence, executive compensation, and management’s capital allocation track record. We are not activist investors, but we seek to invest in companies with management teams who act in the best interest of stakeholders. As social and environmental issues are increasingly scrutinized and present financial risk to our clients’ investments, we actively monitor them to assess and engage with management accordingly.
To further our capacity to engage, we also use Sustainalytics’ Material Risk Engagement service as a supplement to our management engagement activities.

PRINCIPLE 3: Conduct Dialogues with Companies

The Adviser will perform a review of engagement progress and engagement documentation to decide on next steps for dialogue. Scharf aims to choose relevant escalation measures that we deem to be in the best interest of our clients.

The Advisor may resort to closing dialogue that comprises a final discussion with the issuer prior to potentially escalating concerns publicly, if applicable. The last step of the escalation process is to consider, where possible and applicable, to reduce or fully divest the issuer from our portfolios.

PRINCIPLE 4: Exercise Voting Rights and Other Rights

We strive to utilize our voting rights on all issues when applicable. Our votes are performed via proxy and follow the philosophy and process laid out in Scharf’s Proxy Voting Policies. This process involves third party recommendations, analysis from the Proxy Voting Committee, and the covering research analyst(s). Our voting records are available upon request.

PRINCIPLE 5: Cooperate with Other Shareholders

On occasion, we may communicate and cooperate with other shareholders for collective action. We strive to enhance proper corporate governance practices by working with other institutions and joining working groups when necessary. It is the Adviser’s belief that shareholder collaboration can be an effective tool to achieve engagement goals with companies.

Principle 6: Manage Actual and Potential Conflicts of Interest

As a Registered Investment Adviser to many clients we strive to manage any conflicts in a manner consistent with the highest standards of integrity and fair dealing.