



## **Shareholder Rights Directive II**

June 2023

## Shareholder Rights Directive II (“SRD II”)

The purpose of this Policy is to set out John Street Capital Limited’s (**JSC**) Engagement Policy under the Shareholder Rights Directive II (**SRD II**).

The Directive (effective in the UK from 10 June 2019) states that asset managers must develop and disclose on a "comply or explain" basis, a policy on how they exercise voting rights and engage as shareholders in EU Listed Companies (**Engagement Policy**). JSC applies its Engagement Policy to all investee and potential investee companies, irrespective of their jurisdiction of incorporation or listing.

The Engagement Policy must be made available free of charge on the asset manager's website and should address how JSC:

- monitors investee companies;
- interacts and cooperates with shareholders; and
- manages conflicts of interest with investee companies.

### Annual disclosure

In addition, JSC must disclose (on a "comply or explain" basis) annually:

- how the Engagement Policy has been implemented, including a general description of voting behaviour and the use of the services of proxy advisors; and
- how the asset manager has cast votes in the general meetings of EU Listed Companies in which it holds shares.

### JSC Policy

JSC is a systematic trader in regulated futures markets using algorithmic trading methods to determine the points at which to buy and sell futures on exchange, generally in small quantities.

These futures contracts may be linked to currencies, interest rates, securities indices or individual listed securities. Contracts are generally held until pre-determined indicators trigger trading activity in relation to the holding.

Trade decisions are made by algorithms check for reasonableness which are executed by separate trading algorithms. JSC applies rigorous mathematical and computational modelling as the foundation of the trading decisions it takes which are designed to avoid human bias.

As decisions are taken electronically by an algorithm, JSC does not interact with other shareholders as its decisions are based on mathematical modelling, not stewardship issues and the quality of company management.

As such, JSC does not obtain or exercise voting rights, nor does it amass any ownership in the firms to whom it gains exposure through the futures markets. As such the Firm cannot vote and there is

no purpose in engaging with other shareholders given the way in which investment decisions are made.

Decisions to trade are electronic (though with human oversight to prevent the algorithm from acting in a way which was not intended) based on market signals rather than economic fundamentals of the underlying companies.

On the basis of the above, JSC does not need to comply with SRD II as its investment process does not place it in a position to hold voting rights and the ability to engage with management.