



THE INVESTOR FORUM



Investor Forum S-360 Event – Stewardship in Fixed Income

How can Fixed Income managers be effective stewards and what challenges need to be addressed?

AGENDA

Framing the conversation for a member-event, the following questions were asked:

- 1. It is often said that equity investors care only about the upside potential while debt investors only downside risk. Is this an accurate characterisation? How should any potential misalignment of interests be managed?**
- 2. What tools are available to Fixed Income investors in their stewardship efforts and what extra tools could be useful?**

The Forum hosted 15 Member firms, with an equal mix of governance and fixed income specialists attending. The discussion centred on engagement and stewardship implications for fixed income investors, and how fund managers might demonstrate effective management across the capital structure to their clients.

SUMMARY

Key points that arose from the meeting:

- Our dialogue indicated that misalignment of interest between equity and debt investors is less problematic than commonly perceived. Our members felt that investors are aligned in wanting to encourage companies to be sustainable in the long-term, balancing opportunity and risk. When conflicts of interest do arise, members felt comfortable that these could be managed with existing procedures.
- Fund managers are integrating stewardship efforts across asset classes, but to differing degrees. Many expressed interest in better understanding how others are engaging with companies from an integrated perspective, including the perspective of Environmental, Social and Governance (ESG) teams.
- It was recognized that the direct role of equity owners in voting on boards, remuneration and transactions leads companies to prioritise their input. Fewer touch points and poorer access were noted as impediments to stewardship activities for fixed income investors.



- The usefulness of joint fixed income / equity company meetings was highlighted as key to improving stewardship and maximizing impact. This prevents management from talking only about safety and security to fixed income investors and opportunities to equity investors.
- The Investor Forum has noted that Chairmen of UK listed companies have expressed frustration that conversations with investors have become too narrow. In broadening the focus of discussion it is clear that the views of fixed income investors should be incorporated, along with those of stakeholders outside the investment community.
- Governance teams can play a vital role in fostering collaboration between asset classes in stewardship activities. Not only are they at the centre of a Venn diagram in most firms, they also tend to collaborate more with other firms and stakeholders.

If you would like more detail on this Stewardship-360 event, please contact info@investorforum.org.uk