Proxy Voting Policy

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1. Introduction

As an asset manager, we have a fiduciary duty to make investment decisions that are in our clients' best interests by maximizing the value of their shares. As long-term investors, we see our clients as part owners of the businesses in which we are shareholders on their behalf – this is very different to seeing shareholding as part of a portfolio of investments. Proxy voting is an integral part of this process. We exercise these ownership rights on behalf of our clients in investee companies through:

- Voting (directly or via proxy)
- Intervention and Engagement
- Careful management of any price sensitive information

Shareholder rights are generally exercised by casting votes in person or by proxy at shareholder meetings on matters submitted to shareholders for approval (such as the election of directors). At Perpetua, we have formal proxy voting policy & guidelines to govern how and when we make recommendations to our clients on how they should vote, or where the mandate requires us to vote on their behalf. Our proxy voting guidelines aim to:

- Improve accountability of an investee company's management and Board of Directors to its shareholders (governance)
- Align the interests of management with shareholders (alignment)
- Improve a company's business and operational disclosure (transparency)

While we review the recommendations of one or more Research Providers in making proxy voting decisions, we are in no way obligated to follow such recommendations. The investment professionals in our team make the recommendations on the manner of voting that we believe will best protect our clients' interests. As a research-driven firm, we approach our proxy voting responsibilities with the same commitment to rigorous research and engagement that we apply to all our investment activities, focused on the factors that are likely to affect company performance. Our bottom up approach is therefore well suited to making these recommendations. In evaluating proxy issues and determining our votes, we welcome and seek out the points of view of various parties. Internally, the analyst responsible may consult the Chief Investment Officer, ESG Cluster, and Portfolio Managers in whose portfolio a share is held.

Externally, the analyst may engage with company management, company directors, interest groups, shareholder activists, other shareholders and research providers. Perpetua takes an engagement-first approach, emphasizing direct dialogue with companies on governance issues that have a material impact on financial performance. We generally prefer to engage in the first instance where we have concerns and give management time to address or resolve the issue. As a long-term investor, we are patient and persistent in working with our portfolio companies to have an open dialogue and develop mutual understanding of governance matters, to promote the adoption of best practices and to assess the merits of a company's approach to its governance.

It is the responsibility of the ESG Cluster to evaluate and maintain proxy voting procedures and guidelines, to evaluate proposals and issues not covered by these guidelines, to consider changes in policy, and to review the Proxy Voting Policy no less frequently than annually. In addition, the ESG Cluster meets as necessary to address special situations.

Our proxy voting guidelines are principles-based rather than rules-based. We adhere to core principles that are described in this Proxy Voting Policy. We assess each proxy proposal in light of these principles. Our proxy voting will always be based on what we view as most likely to maximize long-term shareholder value. We believe that authority and accountability for setting and executing corporate policies, goals and compensation generally should rest with the board of directors and senior management. In return, we support strong investor rights that allow shareholders to hold directors and management accountable if they fail to act in the best interests of shareholders. Where we voted against management recommendations, we communicate privately to the company our reasons for those votes.

Perpetua would only enter into securities lending where the specific client mandates it and in such instances the proxies are voted in line with the client's proxy voting guidelines and/or our standard proxy voting policy.

These guidelines are not intended to address all issues that may appear on all proxy ballots. Proposals not specifically addressed by these guidelines, whether submitted by management or shareholders, will be evaluated on a case-by-case basis, always keeping in mind our fiduciary duty to make voting decisions that are in our clients' best interests.

With this as a backdrop, our proxy voting guidelines pertaining to specific issues are set forth below.

2. Proxy voting guidelines

While our investment professionals will consider the specific resolutions proposed at all company meetings separately, typically proposed resolutions can be broadly grouped into the following categories:

2.1 Voting Proxies for Non-South African Companies
Some Perpetua mandates/funds have the ability to invest in voting securities issued by companies that are domiciled outside South Africa and are not listed on the Johannesburg Stock Exchange. Corporate governance standards, legal or regulatory requirements and disclosure practices in foreign countries can differ from those in South Africa (SA). When voting proxies relating to non-SA securities, Perpetua generally will evaluate proposals under these guidelines and where applicable and feasible, take into consideration differing laws, regulations and practices in the relevant foreign market in determining how to vote shares.

Voting proxies of companies located in some jurisdictions may involve several problems that can restrict or prevent the ability to vote such proxies or entail significant costs. These problems include, but are not limited to:

(i) proxy statements and ballots being written in a language other than English;
(ii) untimely and/or inadequate notice of shareholder meetings;
(iii) restrictions on the ability of holders outside the issuer's jurisdiction of organization to exercise votes;
(iv) requirements to vote proxies in person;
(v) the imposition of restrictions on the sale of the securities for a period of time in proximity to the shareholder meeting; and
(vi) requirements to provide local agents with power of attorney to facilitate our voting instruction

As a result, we vote clients' non-SA proxies on a best efforts basis only, after weighing the costs and benefits of voting such proxies, consistent with the Proxy Voting Policy. We recognize that accepted standards of corporate governance differ between markets, but we believe there are sufficient common threads globally to identify an overarching set of principles as set out in the following sections.

2.2 Voting Proxies for Fixed income securities
From time to time, certain custodians may process events for fixed income securities through their proxy voting channels rather than corporate action channels for administrative convenience. Normally, fixed income securities do not provide voting rights, however special circumstances may occur that permit voting.

The Fixed Income and Credit Research Cluster is responsible for researching and issuing proxy voting recommendations with respect to fixed income securities. Given the nature of proposals that come up for vote at bondholder meetings, we consider each proposal regarding a fixed income security on a case-by-case basis after taking into consideration the financial implications of the proposal, any relevant contractual obligations as well as other relevant facts and circumstances at the time of the vote. These voting recommendations will be consistent with our principles set out below, with the view of making voting decisions in the best interests of clients.

2.3 Routine Matters

We generally support routine management proposals. The following are examples of routine management proposals:

- Approval of financial statements, and auditor reports if delivered with an unqualified auditor's opinion, unless there are appropriate reasons to vote otherwise
- Approval of annual reports and other committee reports (such as the social and ethics report), unless there are appropriate reasons to vote otherwise
- General updating/corrective amendments to the charter, articles of association or bylaws, unless we believe that such amendments would diminish shareholder rights
- Proposals that allow companies to call a special meeting with a sufficient time frame for review - generally two weeks or more

2.4 Board matters

2.4.1. Chairperson of the board

A Board that is sufficiently independent from Management ensures that shareholders' interests are adequately represented. The presence of an independent chairperson allows the board to work more effectively. We will generally vote against shareholder proposals where the chair is not independent; however, in doing so, the following factors are considered:

- Lead independent director presence: a strong lead independent director generally provides sufficient independent perspective to balance against a non-independent chair
- Overall board independence: High affiliated representation on the board may outweigh independent voices and further entrench insider leadership. Enhancing the role of independent directors by appointing an independent chairperson, despite the presence of a lead independent director, may offer a counter to the non-independent voices on the board
- Structural Governance flaws: certain governance practices and corporate structures may create an environment more favourable to potential entrenchment of management and other insider board members. For example, multiple share classes with different voting rights limit shareholders' voices, and key committees that are not fully independent restrict a board's role in management oversight. In these cases, having an independent chairperson even with the presence of a lead independent director could provide a needed balance.

We would also discourage the practice of Chief Executive Officers being the chairperson or moving directly into the position of chairperson following their retirement, and in general will not support such proposals.

2.4.2 Board directors and composition

2.4.2.1 Board composition and size

Perpetua believes it is beneficial for new directors to be brought onto the board periodically to refresh the group's thinking and to ensure both continuity and adequate succession planning. In identifying potential candidates, boards should take into consideration the multiple dimensions of diversity, including personal factors such as gender, ethnicity, and age; as well as professional characteristics, such as a director's industry, area of expertise, and geographic location. The board should review these dimensions of the current directors and how they might be augmented by incoming directors. We believe that directors are in the best position to assess the optimal size for the board, but we would be concerned if a board seemed too small to have an appropriate balance of directors or too large to be effective. We recognize that the optimal board size and governance structure can vary by company size, industry, region of operations, and circumstances specific to the company.

2.4.2.2 Director independence

We generally support proposals promoting board independence, and promoting all independent audit, compensation and nominating/governance committees. Board independence is a cornerstone of effective governance and accountability. At a company with a shareholder or group that controls the company by virtue of a majority economic interest in the company, we have a reduced expectation for board independence, although we believe the presence of independent directors can be helpful, particularly in staffing the audit committee, and at times we may withhold support from or vote against a nominee on the view the board or its committees are not sufficiently independent.

Perpetua will classify Directors as non-independent when:

- For executive Directors:
  - Current employee of the company or one of its affiliates.
- For non-executive Directors:
  - Significant ownership (beneficial owner of more than 10% of the company's voting power)
  - Former CEO of the company or of an acquired company within the past five years.
  - Former officer of the company, an affiliate or an acquired firm within the past five years.
  - Immediate family member of a current or former officer of the company or its affiliates within the last five years
  - Currently provides (or an immediate family member provides) professional services to the company, to an affiliate of the company or an individual officer of the company or one of its affiliates
  - On the board of an interlocking company
  - Has been on the board for more than 9 years

2.4.2.3 Director effectiveness

Generally speaking, we believe Directors should sit on no more than 5 public boards at any given time. Directors serving on an excessive number of boards could result in time constraints and an inability to fulfil their duties. Non-executive directors should carefully consider the number of appointments they take in that capacity so as to ensure that the companies on which they serve enjoy the full benefit of their expertise, experience and knowledge. Details of the candidate directors' other fiduciary commitments such as other directorships should accompany the proposal for their re-election or election.

We consider withholding support from or voting against a nominee who has failed to attend at least 75% of the nominee's board and board committee meetings within a given year without a reasonable excuse. We also consider opposing nominees if the company does not meet market standards for disclosure on attendance.

We believe investors should have the ability to vote on individual nominees and may abstain or vote against a slate of nominees where we are not given the opportunity to vote on individual nominees.

Under extraordinary circumstances, we will vote against directors individually, committee members, or the entire board, due to:

- Criminal wrongdoing of material failures of governance, stewardship, risk oversight, or fiduciary responsibilities at the company including, but not limited to: bribery; large or serial fines or sanctions from regulatory bodies; significant adverse legal judgments or settlement; or hedging of company stock;
- Failure to replace management as appropriate; or
- Egregious actions related to a director's service on other boards that raise substantial doubt about his or her ability to effectively oversee management and serve the best interests of shareholders at any company.

We vote in favour of unitary boards as opposed to tiered board structures. We believe that unitary boards offer flexibility while, with a tiered structure, there is a risk of upper tier directors becoming remote from the business, while lower tier directors become deprived of contact with outsiders of wider experience. No director should be excluded from the requirement to submit him/herself for re-election on a regular basis.

2.4.2.4 Audit committee
In markets that encourage designated audit committee financial experts, we consider voting against members of an audit committee if no members are designated as such. We also consider voting against the audit committee members if the company has faced financial reporting issues and/or does not put the auditor up for ratification by shareholders. We will vote against audit committee members in instances of a material misstatement or material weakness in multiple years without sufficient remedy. The Chairman of the audit committee has to be independent. If the Chairman is from an audit firm that currently/previously audited the company, we would question that.

2.4.2.5 Remuneration committee
We vote against the election of incumbent members of the remuneration committee if, within the last year and without shareholder approval, the company's board of directors or compensation committee has re-priced outstanding options.

2.4.3 Discharge of directors
These proposals ask shareholders to give discharge from responsibility for all decisions made during the previous financial year. Depending on the country, this resolution may or may not be legally binding, may not release the board from its legal responsibility, and does not necessarily eliminate the possibility of future shareholder action (although it does make such action more difficult to pursue). We will generally vote against such proposals.

2.5 Corporate transactions and corporate structure
2.5.1 Share buybacks
We generally support share buyback programs, provided that the repurchase price to be paid would not exceed market levels by a material amount. As unconstrained investment managers we would typically only invest in companies that we believe were attractively valued. We would therefore be generally supportive of those same companies investing in their own attractively valued shares if it was the best use of the company's excess capital and would enhance the value per share. We would however consider negative free float impact should that be a possible factor. These proposals will therefore be considered on a case-by-case basis.

We examine proposals relating to mergers, acquisitions and other special corporate transactions (i.e., takeovers, spinoffs, sales of assets, reorganizations, restructurings and recapitalizations) on a case-by-case basis.

2.5.2 Mergers and acquisitions
In terms of mergers and acquisitions, we review and evaluate the merits and drawbacks of the proposed transaction, balancing various and sometimes countervailing factors including:

- Valuation: Is the value to be received by the target shareholders (or paid by the acquirer) reasonable? While the fairness opinion may provide an initial starting point for assessing valuation reasonableness, emphasis is placed on the offer premium, market reaction, and strategic rationale.

- Strategic rationale: Does the deal make sense strategically? From where is the value derived? Cost and revenue synergies should not be overly aggressive or optimistic, but reasonably achievable. Management should also have a favourable track record of successful integration of historical acquisitions.
- Negotiations and process: Were the terms of the transaction negotiated at arm's-length? Was the process fair and equitable? A fair process helps to ensure the best price for shareholders. The comprehensiveness of the sales process (e.g., full auction, partial auction, no auction) can also affect shareholder value.
- Conflicts of interest: Are insiders benefiting from the transaction disproportionately and inappropriately as compared to non-insider shareholders? As the result of potential conflicts, the directors and officers of the company may be more likely to vote to approve a merger than if they did not hold these interests. We consider whether these interests may have influenced these directors and officers to support or recommend the merger.
- Governance: Will the combined company have a better or worse governance profile than the current governance profiles of the respective parties to the transaction? If the governance profile is to change for the worse, the burden is on the company to prove that other issues (such as valuation) outweigh any deterioration in governance. We would vote against the proposal if the companies do not provide sufficient information upon request to make an informed voting decision.
- Market reaction: How has the market responded to the proposed deal? A negative market reaction should cause closer scrutiny of a deal.

2.5.3 Private placements, warrants and convertible debentures

In terms of proposals regarding private placements, warrants, and convertible debentures, we review and evaluation the merits and drawbacks taking into consideration:

- Dilution to existing shareholders' position: The amount and timing of shareholder ownership dilution should be weighed against the needs and proposed shareholder benefits of the capital infusion.
- Terms of the offer (discount/premium in purchase price to investor, including any fairness opinion, conversion features, termination penalties, exit strategy). The terms of the offer should be weighed against the alternatives of the company and in light of company's financial condition.

2.5.4 Bankruptcy

In terms of bankruptcy plans of reorganization, we review and evaluate the merits and drawbacks taking into consideration:

- Estimated value and financial prospects of the reorganized company;
- Percentage ownership of current shareholders in the reorganized company;
- Whether shareholders are adequately represented in the reorganization process;
- The cause(s) of the bankruptcy filing, and the extent to which the plan of reorganization addresses the cause(s);
- Existence of a superior alternative to the plan of reorganization; and
- Governance of the reorganized company

2.6 Auditors

We will vote against the appointment of the external auditor in the following cases:

- If the audit firm has been auditing the company for more than 10 years, or the lead independent auditor has not been rotated in 5 years. From our experience, it appears that audit firm independence diminishes over time as the relationship between the audit firm and the company being audited becomes symbiotic. This compromises the audit firm's independence.
- If there are question marks over the independence of the auditor, other than tenure, such as that their non-audit fees make up more than 50% of their total fees
- There are material misstatements in the Annual Reports or serious concerns regarding the auditor's procedures and methodologies.
- The new auditor proposed is not large or recognised enough for the size and complexity of the relevant company

2.7 Executive and Director Remuneration

In certain markets, publicly traded issuers are required by law to submit their company's remuneration report to a non-binding shareholder vote. The report contains, among other things, the nature and amount of the compensation of the directors and certain executive officers as well as a discussion of the company's performance. We evaluate remuneration reports on a case-by-case basis, taking into account the reasonableness of the company's compensation structure and the adequacy of the disclosure. We may abstain or vote against a remuneration policy if disclosure of the remuneration details is inadequate or the report is not provided to shareholders with sufficient time prior to the meeting to consider its terms.

In markets where remuneration policies are not required for all companies, we will support shareholder proposals asking the board to adopt a policy (i.e. "say on pay") that the company's shareholders be given the opportunity to vote on an advisory resolution to approve the compensation committee's report. Although say on pay votes are by nature only broad indications of shareholder views, they do lead to more compensation-related dialogue between management and shareholders and help ensure that management and shareholders meet their common objective: maximizing the value of the company.

Generally, we vote for shareholder proposals seeking disclosure regarding the Company, Board, or Compensation Committee's use of compensation consultants, such as company name, business relationship(s), and fees paid.

Perpetua believes that there should be a clear link between variable pay and company performance that drives shareholder returns. We are not supportive of one-off or special bonuses unrelated to company or individual performance. We acknowledge that the use of peer group evaluation by compensation committees can help ensure competitive pay; however we are concerned when increases in total compensation at a company are justified solely on peer benchmarking rather than outperformance. We support remuneration policies that foster the sustainable achievement of results relative to competitors. The remuneration of executive management needs to be clear and appropriate in the following regards:

a. The base packages must be reasonable given the size, the complexity of the business and the industry within which it operates.

b. Bonuses and other discretionary forms of remuneration (share-based allocation) should be clearly related to performance-based criteria and more importantly aspects about performance that are within the control of the management team. The ultimate measure of the effectiveness of a management team and its business decisions and handling is reflected in the overall return to the owners of the business over the long-term. Also this must be explicitly monitored and transparently communicated (unless this can compromise strategic or competitive positioning)

c. Retention and other payments like restraint of trade payments should be considered on a case-by-case basis. While stability in a good management team is key we would be cautious about any form of payment which conveys an excessive perception of reliance on any particular individual as this might also discourage adequate succession planning.

The vesting timeframes associated with incentive plans should facilitate a focus on long-term value creation. We believe consideration should be given to building claw back provisions into incentive plans such that executives would be required to forgo rewards when they are not justified by actual performance. Compensation committees should guard against contractual arrangements that would entitle executives to material compensation for early termination of their contract. Finally, pension contributions and other deferred compensation arrangements should be reasonable in light of market practice.

We generally support the following:

- Proposals for employee equity compensation plans and other employee ownership plans, provided that our research does not indicate that approval of the plan would be against shareholder interest. Such approval may be against shareholder interest if it authorizes excessive dilution and shareholder cost, particularly in the context of high usage ("run rate") of equity compensation in the recent past; or if there are objectionable plan design and provisions.
- Proposals relating to fees to non-executive directors, provided the amounts are not excessive relative to other companies in the country or industry, and provided that the structure is appropriate within the market context. Non-executive director remuneration needs to be in line with other similar sized companies and take into account the complexity of the company and the industry in which it operates. If we believe the remuneration is excessive we would consider voting against the proposal. While stock-based compensation to outside directors is positive if moderate and appropriately structured, we are wary of significant stock option awards or other performance-based awards for outside directors, as well as provisions that could result in significant forfeiture of value on a director's decision to resign from a board (such forfeiture can undercut director independence).
- We generally support shareholder proposals for reasonable "claw-back" provisions that provide for company recovery of senior executive bonuses to the extent they were based on achieving financial benchmarks that were not actually met in light of subsequent restatements.
- We support shareholder proposals that seek to require a company to submit option re-pricing to a shareholder vote. Re-pricing underwater options reduces the incentive value of stock compensation plans and dilutes shareholder value.

We are opposed to the following: retirement plans and bonuses for nonexecutive directors and independent statutory auditors; significant misalignment between CEO pay and company performance; anything that appears to compensate management for empire-building behaviour; equity grants/options that allow for unlimited upside and no downside.

We believe that financial assistance, particularly to executive directors, breaches good corporate governance and prejudices shareholders. It is permissible if it occurs in terms of the Share Incentive Trust applicable to all employees. We also believe that the award of share options to non-executive directors compromises their independence.

We will vote on a case-by-case basis on all other shareholder proposals regarding executive and director pay, taking into account relevant factors, including but not limited to: company performance, pay level and design versus peers, history of compensation concerns or pay-for-performance disconnect, and/or the scope and prescriptive nature of the proposal.

2.8 Social and Environmental Issues

Perpetua expects companies to identify and report on the material, business-specific environmental and social risks and opportunities and to explain how these are managed. This explanation should make clear how the approach taken by the company best serves the interests of shareholders and protects and enhances the long-term economic value of the company. Environmental and social factors are material if they are core to how the business operates. The key performance indicators in relation to environmental and social factors should also be disclosed and performance against them discussed, along with any peer group benchmarking and verification processes in place. This helps shareholders assess how well management is dealing with these material factors relevant to the business. Any generally recognized best practices and reporting standards adopted by the company should also be discussed in this context.

We do not see it as our role to make social or political judgments on behalf of clients. Our consideration of these environmental and social factors is consistent with protecting the long-term economic interest of our clients' assets. We expect investee companies to comply, at a minimum, with the laws and regulations of the jurisdictions in which they operate. They should explain how they manage situations where local laws or regulations that significantly impact the company's operations are contradictory or ambiguous to global norms.

As Perpetua believes that relevant social and environmental issues can influence risk and return, we consider how to vote on proposals related to social and environmental issues on a case-by-case basis by determining the relevance of social and environmental issues identified in the proposal and their likely impacts on shareholder value. We generally support proposals that if implemented would enhance useful disclosure, such as disclosures aligned with SASB (Sustainability Accounting Standards Board) and the TCFD (Taskforce on Climate-related Financial Disclosures) and proposals that aim to reduce or mitigate a company's impact on the global climate. We seek to balance concerns on reputational and other risks that lie behind a proposal against costs of implementation, while considering appropriate shareholder and management prerogatives.

On empowerment transactions, we will generally support B-BBEE transactions which have a good investment case, that create meaningful long-term value through clearly demonstrated benefits, and are broad-based.

2.9 Other

2.9.1 CEO succession planning

We vote for proposals seeking disclosure on a CEO succession planning policy, considering, at a minimum, the following factors:

1. The reasonableness/scope of the request; and
2. The company's existing disclosure on its current CEO succession planning process.

2.9.2 Reincorporation

Management or shareholder proposals to change a company's state of incorporation should be evaluated on a case-by-case basis, giving consideration to both financial and corporate governance concerns including the following:

1. Reasons for reincorporation;
2. Comparison of company's governance practices and provisions prior to and following the reincorporation; and
3. Comparison of corporation laws of original state and destination state.

We will ordinarily vote for reincorporation when the economic factors outweigh any neutral or negative governance changes.

2.9.3 Shareholder ability to call special meetings
We will vote against management or shareholder proposals to restrict or prohibit shareholders' ability to call special meetings. We will also vote for management or shareholder proposals that provide shareholders with the ability to call special meetings as long as the proposed minimum shareholding threshold is 10 percent or higher.

2.9.4 Classes with superior voting rights
Generally, we vote against proposals to create or maintain a new class of common stock unless:
1) The company discloses a compelling rationale for the dual-class capital structure, such as:
- The company's auditor has concluded that there is substantial doubt about the company's ability to continue as a going concern; and/or
- The new class of shares will be transitory;

2) The new class is intended for financing purposes with minimal or no dilution to current shareholders in both the short term and long term; and
3) The new class is not designed to preserve or increase the voting power of an insider or significant shareholder.

We will vote against proposals at companies with more than one class of common stock to increase the number of authorized shares of the class of common stock that has superior voting rights; and vote for the cancellation of classes of non-voting or sub-voting shares.

2.9.5 Pre-emptive rights
We vote for proposals to create pre-emptive rights and against proposals authorising Directors to disapply pre-emption rights, and authorising Directors to disapply pre-emption rights for purposes of acquisitions or capital investments. This is not in shareholders' best interests as it exposes them to potential dilution.

2.9.6 Authority to issue shares for cash or place shares under directors' control
Placing unissued shares under control of directors or directors issuing shares for cash is something we would generally vote against. Currently, directors have to apply to shareholders on an annual basis to renew their control over unissued shares in the company. Unlike issuing shares for cash the mandate requested by directors is unrestricted and does not require a special resolution. The use of scrip for corporate action can and has resulted in substantial destruction of shareholder wealth in the past, hence our caution.

We view it as preferable to have the opportunity to review the reasoning and strategy behind a material issue of shares and thus seek a special resolution be presented to shareholders with respect to material placement of unissued shares. Perpetua would usually vote in favour of proposals by the company to limit control over unissued shares to 5% of issued share capital. Permission to issues shares to option schemes and executive share schemes should be put forward in a separate resolution as required by the Companies Act. We oppose resolutions where the directors may seek authorisation to issue shares in an effort to avoid a takeover. The motivation for the company to issue shares will need to be carefully examined on a case-by-case basis.

2.9.7 Share splits
Perpetua supports share Splits (or reversals) when the impact is likely to be beneficial for liquidity of the share.