

CORPORATE GOVERNANCE PROXY VOTING ACTIVITY

MARCH TO MAY 2008

VOTING ACTIVITY

During the period the Fund voted at a total of 855 company meetings – 290 UK, 210 European, 351 US and 4 Japanese. In respect of these meetings (a mixture of EGMs and AGMs) the Fund opposed, abstained or withheld* 2,957 resolutions out of a total of 10,021, representing approximately 30% of all resolutions. During this period there were at least 118 meetings where the Fund supported all the resolutions put forward by companies.

The Fund has a bespoke template for voting at UK meetings, however, the Fund currently follows the voting advice of the Pensions and Investments Research Consultants Ltd (PIRC) for European, Japanese and US company meetings.

* It should be noted that due to a combination of US state law and individual company bye-laws, votes pertaining to individual directors cannot be cast as “oppose” but have to be cast as “withheld”.

VOTING ANALYSIS

The major issues of contention that attracted a high level of shareholder opposition during the period are typically illustrated in the examples in the table below:

Meeting	Resolutions Causing Shareholder Concern	Shareholders Opposing or Abstaining %
Kofax Plc EGM	Amend Article: (dispute resolutions and removal of limit to borrowing powers)	72%
Ark Therapeutics Group Plc AGM	Issue shares in exchange for warrants	66%
Aegis Group Plc AGM	Appoint Philippe Germond to the board	57%
	Appoint Roger Hatchuel	57%
	Adopt new Articles of Association	41%
	Issue shares for cash	40%
Regus Group Plc AGM	Approve Rule 9 Waiver	49%

Although the Fund opposed a number of the resolutions referred to above it will vote for a resolution if it believes the company has followed best practice, even if there is significant opposition from other shareholders. Background details on some of these resolutions where opposition was significant are as follows:

Kofax (EGM)

There were concerns over the proposal to amend the dispute resolution provision contained in the existing articles to make clear that derivative claims can only be brought in the courts of England and Wales. The exclusive jurisdiction clause represents a potential infringement of shareholders' rights. In addition, the board wishes to remove the borrowing limits from the current articles, which is also considered to be a reduction in shareholder protection.

The Fund opposed the resolution.

Ark Therapeutics Group (AGM)

The company sought authority to issue shares for warrants valued at approximately 3.4% of the issued share capital. The Fund generally considers such procedures as a benefit to the organisation and therefore the shareholders. However, there is insufficient disclosure in respect of the specific stipulations under the warrant and shareholders are unable to make a relevant prognosis of the benefit of such investment in relation to the increased dilution for minority shareholders. Further to this it has now become clear that the warrant was offered at a significant discount at the time of the agreement. A number of its key shareholders expressed their dissatisfaction at this placing and the board recognised that, despite acting at all times in the Company's best interests, it had not consulted shareholders adequately in advance.

The Fund opposed the resolution.

Aegis (AGM)

For the fifth time in two years, Groupe Bollere was seeking to have two non-executives nominated by them appointed to the Aegis board. The board of Aegis recommended opposition to the resolutions. The board stated that any nominee put forward by Groupe Bollere had an overriding conflict of interest that made them inappropriate to act as a director of Aegis, given that Vincent Bollere, chairman and controlling shareholder of the Groupe, is also chairman and a substantial shareholder in Havas, a company which competes directly with Aegis in media services. In addition, the board was focused on delivering full value for all shareholders, not simply for influential blocks.

The two resolutions seeking to appoint directors both achieved the support of just under 43% of the shareholder vote. However, this close headline result obscures the fact that Groupe Bollere itself is a significant shareholder and accounted for the overwhelming majority of the 43%. According to Aegis 91% of non-Groupe Bollere shareholders voted against the proposals.

The Fund opposed the resolutions.

Regus Group (AGM)

In March 2008, Chief Executive Mr Dixon was awarded options under the Regus Group Co-Investment Plan. He has yet to exercise these options but were he to do so and not arrange for the immediate sale of the underlying ordinary shares this could result in his interest in ordinary shares increasing beyond its current level thereby triggering a mandatory offer under rule 9 of the code. The resolution requested to approve a Rule 9 Waiver.

Should resolution 15 be approved (Authorise Share Repurchase), the Original Waiver granted by the panel and approved by share holders at the EGM on 7th December 2007 will expire. As a result Mr Dixon would be in a position where were he not to participate pro rata to his interests in any further repurchase by the company of its own shares, his interests in the ordinary shares would

increase beyond the current level thereby triggering a mandatory offer under rule 9 of the code. The resolution requested to approve a Rule 9 Waiver.

The Fund supported the resolutions.

Other issues of particular note are detailed below:

Carnival Corporation (AGM)

Combined roles aren't just a problem at M&S; it was also an issue at cruise ship operator Carnival. It was recommended that the Fund oppose the re-election of the chair/CEO Micky Arison. The company has previously stated that more than two-thirds of US-based corporations have such combined roles. Mr Arison and his family are major shareholders. Whilst it is understood that there is a difference in corporate culture in US companies, it is not considered best practice for the roles of chairman and chief executive to be combined.

Separately, it was recommended that the Fund oppose the report and accounts as a result of numerous governance concerns. No employment policy was disclosed, Independent representation on the board was inadequate and the company had made political donations in the year under review.

The Fund opposed both resolutions.

Millennium & Copthorne Hotels (AGM)

There were various governance concerns at Millennium & Copthorne that lead to opposing several resolutions.

The new chief executive did not seek election at the AGM. In addition, the company's business review was not forward-looking and failed to include any non-financial key performance indicators.

There were also concerns over the election of the chairman, Kwek Leng Beng and his length of tenure on the board. He is a representative of the controlling shareholder and therefore able to exercise significant influence over voting rights.

Additionally, the election of non-executive Kwek Leng Joo was raised. He is a director of majority shareholder City Developments Ltd and other Hong Leong Group companies and has a family relationship to other directors on the board.

The Fund opposed both resolutions.

Thomas Cook (AGM)

Remuneration was an issue at travel company Thomas Cook which recently merged with MyTravel. Combined potential award levels under the annual bonus plan and PSP were deemed excessive by the Fund. Bonus payout for the year under review exceeded the maximum level indicated by the company by more than two times the amount. Salaries are in the upper quintile of the sector. There was an interesting issue in respect of bonuses. Former MyTravel chief executive Peter McHugh will, in addition to his earned annual and synergy bonus receive a 'retention' bonus of £1 million and other benefits (based on a salary of £600,000) which the Fund finds excessive and contrary to best practice. It is also worth noting that Mr. McHugh left the merged company in December 2007.

The Fund opposed the resolution.

OVERSEAS ISSUES

Walt Disney (AGM) – US

The board was seeking approval for authority to award an additional 33 million shares under the 2005 Stock Incentive Plan which would bring the total number of shares authorised under the plan to 91 million. PIRC noted that the company received shareholder approval for an increase of 31 million shares last year. The Fund considers that an increase of 64 million shares in two years to be excessive and would expect another request for a large increase in 2009.

The board was also seeking approval to the terms of the 2002 Plan in order to allow the compensation committee to choose from a wider range of measures in establishing performance targets and allow the committee to allocate bonuses more flexibly. The amendments would add performance measures including EBITDA cash flow margin financial statement objectives and total shareholder return. Also the amendment would allow the company to award up to 50% of the \$55 million annual bonus pool to one officer instead of the current \$15 million maximum. Also the performance measures added under the amended plan make no reference to comparative measures with peer company performance especially considering that the company awarded about 270% of annual bonus target awards in 2007 while underperforming the S&P500 average in terms of shareholder return.

The Fund opposed both resolutions

Credit Suisse (AGM) – Europe

The Board of Directors requests shareholders to discharge its members as well as those of the executive management of their responsibilities for their management of the Company for the fiscal year 2007.

Credit Suisse was less impacted by the US subprime crisis than most of its competitors. However, write-offs were necessary, leading the Bank to restate its profit announcement. These write-offs are the result of an internal investigation initiated following the discovery of weakness of internal controls and reported in the auditor's letter. The investigation identified intentional misconduct by a small number of traders.

As Credit Suisse is also listed on the New York Stock Exchange, it is subject to Article 404 on Internal Controls of the Sarbanes Oxley Act, which requires that the Company auditor issue an opinion on the Company Internal Control. This requirement has also come into force in Switzerland. Credit Suisse's auditor, KPMG, qualified its Auditor Report by issuing an adverse opinion on their Internal Control.

The Fund considers that Internal Control of financial reporting is a major corporate governance issue which is under the responsibility of the Board. Internal Controls are usually designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements. Given that the auditor expresses an adverse opinion on the Bank's Internal Control, the Fund are of the opinion that this reflects a serious shortcoming in the exercise of Director's duties and that it is not in the best interest of shareholders to discharge them.

The Fund opposed the resolution.

This information is provided by PIRC in accordance with the Fund's voting template.