

CORPORATE GOVERNANCE PROXY VOTING ACTIVITY

SEPTEMBER TO NOVEMBER 2009

VOTING ACTIVITY

During the period the Fund voted at a total of 162 company meetings – 106 UK, 16 European and 40 US. In respect of these meetings (a mixture of EGMs and AGMs) the Fund opposed, abstained or withheld* 483 resolutions out of a total of 1,528, representing approximately 32% of all resolutions. During this period there were at least 40 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 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”.

UK 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 AGM	Approve the Remuneration Report	41%
Micro Focus Plc AGM	Approve the Remuneration Report	38%
National Express Plc EGM	Issue shares with pre-emption rights	32%
National Express Plc EGM	Increase the limit on the maximum nominal amount that may be allotted as part of the company’s proposed rights issue	32%
International Ferro Metals Plc AGM	Approve the Remuneration Report	29%
International Ferro Metals Plc AGM	Disapply pre-emption rights	27%
Ashmore Group Plc	Approve Rule 9 Waiver	26%
Antisoma Plc	Issue shares for cash	24%

Although the Fund may often oppose a resolution, it will support 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 detailed below:

Kofax PLC (AGM)

There were concerns over the Remuneration Report at Kofax. Maximum awards under the annual bonus and share option schemes were not disclosed. Additionally, the performance conditions under the long term incentive plan were not disclosed in the report. Whilst the performance targets were disclosed, the Company failed to provide the necessary information to assess whether they were sufficiently challenging.

The Fund opposed the resolution

Micro Focus (AGM)

A similar lack of information for assessing remuneration was also a problem at Micro Focus. The company operates an annual bonus scheme which is based on undisclosed financial targets. In addition, the Committee decided that future awards would be increased to 3 times salary and 2.5 times salary for the Chief Executive and Finance Director, respectively. This increase was not put forward for shareholder approval.

The Fund opposed the resolution

National Express PLC (EGM)

The company sought shareholder approval for a rights issue, raising approximately £360m and increasing the nominal amount of ordinary shares outstanding. Shareholders were offered 7 new ordinary shares for every 3 ordinary shares held.

However, the proposal was opposed by Mr Jorge Cosmen, a non-executive director who believed the rights issue was not in the best interests of the company and its shareholders. Mr Cosmen represents the Cosmen family which owns almost 18.5% of the company. Due to the size of the holding, the family have the right to have a representative on the board. If the family had failed to subscribe to the rights issue, their shareholding would have been considerably diluted. As a result, there was a possibility that Mr Cosmen may have lost his right for a seat on the board.

Nevertheless, the proposal respected shareholders' pre-emptive rights and the Company provided a detailed explanation of their actions which exceeded recognised best practice.

The Fund supported both resolutions

International Ferro Metals (AGM)

The remuneration report at IFM received a significant level of shareholder opposition for a number of reasons. Firstly, the company failed to provide sufficient information covering maximum award limits and performance criteria related to the bonus and option scheme.

The company also proposed a Phantom Option scheme. Phantom option schemes are a form of bonus compensation where the employee receives a quantity of units that equate to, but are not, shares in the company. The employee may sell his units at a later date and profit from any appreciation that has occurred. However this particular scheme allowed for the options to be vested immediately, rather than after a performance period of at least three years.

Moreover, non-executive directors were also entitled to participate in the option scheme, which called into question their independence.

There were further concerns over the excessive termination packages available for a number of executive directors, particularly one in excess of 430% of salary.

In addition, the CEO was entitled to a retention payment of almost 9 million rand (\$1.1m).

As a result, almost 30% of investors opposed the resolution.

The Fund opposed the resolution

Ashmore Group (AGM)

Chief Executive Mark Coombs, sought shareholder approval for the waiver of Rule 9 of the Takeover Code. This would allow him to increase his shareholding from 43.1% to 47.9% as a consequence of any share repurchase by the company, without being obliged to make a general offer to all shareholders.

The proposal was subject to the agreement of independent shareholders and therefore seen as acceptable.

The Fund supported the resolution

Antisoma (AGM)

The company seeks authority to issue shares for cash up to approximately 20% of its issued share capital. However, this level of authority far exceeds the recommended limit of 5% of issued share capital. Moreover, the details provided by the company are limited and which makes it difficult to assess whether the proposal is justified. There are also concerns that shareholders with a stake of less than 3% would suffer significant dilution without proportionate benefits accruing to their investment.

The Fund opposed the resolution

OVERSEAS ISSUES

Nike (AGM) – US

The company proposed the appointment of Price Waterhouse Coopers. However, almost 29% of their fees during the previous year were made up of unacceptable non-audit fees. Over a three-year period, non-audit fees were approximately 21% of audit and audit related fees. Therefore, there were concerns that this level of non-audit fees could create a potential conflict of interest.

The Fund opposed the resolution

Acea SpA (EGM) – Italy

The board proposes that shareholders ratify the nomination of three directors. Although the company does not provide more explicit disclosure regarding the proposal, it appears that the directors have been proposed by the company's largest shareholders. In addition, none of the candidates are considered to be independent and the existing board already has insufficient independent representation.

The Fund opposed the resolution

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