Corporate Governance Proxy Voting Activity
December 2004 – February 2005

During the period the Fund voted at a total of 129 company meetings - 9 European, 22 US and 98 UK. In respect of these meetings (a mixture of EGMs and AGMs) the Fund abstained or opposed 282 resolutions out of` a total of 1,060, representing approximately 27% of all resolutions. During this period there were only 38 meetings where the Fund supported all the resolutions put forward by companies.

The Fund recently revised its voting guidelines to support non-routine proposals at EGMs, providing the Fund's best practice requirements are met. Companies are increasingly using such meetings to request approval for capital restructuring when participating in mergers or demergers or where disposals and acquisitions of a significant size are proposed. The Fund's existing voting guidelines will be applied to other types of EGM resolutions such as new share schemes or new directors.

On February 9 PIRC published its new shareholder voting guidelines with most of the revisions reflecting changes to the Combined Code – the amalgamation of reports, including the Higgs Report, on how companies should be run. One of the more significant changes is the requirement that at least half the board (excluding the chairman) be independent. The focus of the new guidelines is improved disclosure, this is reflected in requirements such as written contracts for directors and the audit committee disclosing its policy on the types of non-audit work it permits.

The major issues of contention that attracted a high level of shareholder opposition are typically illustrated in the examples in the following table. The continuing issue of rewards for executives saw Institutions again rejecting companies attempts to seek approval for unrealistic remuneration schemes. Unless otherwise stated, resolutions are those put forward by the company and not by shareholders.

MEETING	RESOLUTIONS CAUSING SHAREHOLDER CONCERN	SHAREHOLDERS OPPOSING %
TR European Growth Trust Plc AGM	Issue shares for cash	54
TR European Growth Trust Plc AGM	Issue shares with pre-emption rights	54
Lonmin Plc AGM	Approve the 2004 remuneration report	54
Scottish Value Trust Plc AGM	Sell treasury shares	51
Freeport Plc AGM	Approve the remuneration report	35
McCarthy & Stone Plc AGM	Approve the remuneration report	33
Diploma Plc AGM	Approve the remuneration report	29
Regent Inns Plc AGM	Re-elect Peter Savage	24

Although the Fund opposed most of the resolutions referred to above it will vote for a resolution if it believes the company has followed best practice, despite significant opposition sometimes from other shareholders.

Background details on some of these resolutions where opposition was significant are as follows:

VOTING REVIEW

TR European Growth Trust (AGM)

The company sought approval for a resolution to issue shares for cash and a further resolution for the authority to issue shares with pre-emption rights. In each case as sufficient explanation was given and the resolutions met the Fund's guidelines the Fund supported both. A significant oppose vote of around 54% in each case resulted in the rejection of both proposals. Large shareholders including Henderson voted against the resolution, however, it is not clear what prompted their decision. The company itself claimed to not be unduly concerned by the result as it only issues shares when they are trading at a premium, which they have not done in the last four years.

Lonmin (AGM)

The Fund voted against a resolution to approve the remuneration report together with over 54% of votes cast. The decision to oppose the report relates to payments made to directors. In one case the payment was a means of compensating for loss of awards with the individual having left the company before the end of the year. The Fund does not consider such action to be in line with best practice.

Scottish Value Trust (AGM)

The Fund supported the resolution to sell treasury shares as it considered it an acceptable proposal. It was rejected by 51% of shareholders but again with the resolution meeting standard institutional guidelines it was unclear why it should have been opposed. The company themselves have concluded that one or two large shareholders may have been advised to vote against the resolution but no further explanation has emerged.

Freeport (AGM)

The potentially excessive nature of an executive bonus scheme resulted in the Fund opposing the remuneration report. Although the report was passed the company reported that the total oppose vote was over 35% with a notable abstention of more than 14%. It is worth noting that a similar resolution was successfully opposed at the company's last AGM.

McCarthy & Stone (AGM)

Much of the remuneration report was acceptable, but the terms of the Executive Share Option Scheme (E.S.O.S), however, taken with the annual bonus scheme are considered to be potentially excessive. In addition, two executives have two year rolling contracts with no indication that this will change which does not meet the Fund's guideline of one year rolling contracts. The Fund opposed the resolution along with 33% of votes cast with a significant level of abstention of over 17%.

Diploma (AGM)

The remuneration report received opposition votes of almost 29%. There were some concerns about whether targets were sufficiently challenging for certain elements of the Long Term Incentive Plan (LTIP), while there is no justification for the ex-gratia payment of £120,000 to the outgoing chairman. The Fund opposed the resolution.

Regent Inns (AGM)

The Fund supported the resolution to appoint Peter Savage, the former chairman, as a non-executive director as he was considered independent by our voting guidelines. While the oppose vote (24%) perhaps reflected some concerns over his role in the management of the company, most shareholders clearly felt Savage would prove valuable within the new board structure.

OVERSEAS ISSUES

Walt Disney (AGM)

The AGM in February reported on the outcome of the previous AGM, in particular Michael Eisner being compelled to stand down as Chairman following strong shareholder opposition (43%) against him continuing to combine the role with that of CEO. There was further institutional criticism for Eisner's appointment and subsequent payout to a director who also happens to be a personal friend of the CEO, Michael Ovitz. Ovitz joined without board approval being sought by Eisner, who in turn made an ex-gratia payment to Ovitz of $140m upon his departure after fourteen months . The payout is subject to current legal action in the US. Disney has committed to improve its corporate governance record and both Eisner and the Chairman, Mr. Mitchell, are due to leave in 2006. The dissident shareholder group led by former director Roy Disney have expressed concern, which the Fund and our voting partner PIRC share, at the announcement that Eisner will be interviewing candidates for the role of CEO.

Qualcomm (AGM)

The Chairman of Qualcomm, Dr Irwin Jacobs, who combines the role with that of CEO, is potentially entitled to over $360m in option gains in the event of a change of control. This possible charge is likely to add significantly to the cost of bidding for the company and further entrenches the existing board of directors. The Fund is also concerned by the lack of disclosure relating to the various performance based payment schemes.

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