CORPORATE GOVERNANCE PROXY VOTING ACTIVITY

December 2005 – February 2006

During the period the Fund voted at a total of 135 company meetings - 12 European, 31 US and 92 UK. In respect of these meetings (a mixture of EGMs and AGMs) the Fund abstained or opposed 229 resolutions out of` a total of 1,019, representing approximately 22% of all resolutions. During this period there were only 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 Pirc's voting advice for European and US company meetings.

PIRC has recently expressed its concern following the Chancellor's decision to abolish the Operating Financial Review. PIRC believes that the OFR would have been valuable in ensuring that the standard of corporate reporting improves. PIRC sought the views of FTSE companies on this matter and received varied opinions. PIRC was reassured to some extent that 19% of the respondents stated the intention to continue to produce a voluntary OFR that would reflect to some degree the abolished standard. PIRC still has some unease, however, given that there appears to be the intention amongst many of the respondent companies to "tone down" some areas of their own OFR. It also appears that a significant proportion of companies are simply awaiting developments as uncertainty surrounding the reporting standard going forward continues. PIRC was pleased to note that overall there was a recognition of the value of quality reporting and greater transparency which gives some hope that corporate report standards will continue to rise.

MEETING	RESOLUTIONS CAUSING SHAREHOLDER CONCERN	SHAREHOLDERS OPPOSING %
Gartmore European IT Plc, AGM	Resolution to re-appoint Mr. B. Merki as a non-independent non-executive director	31.15
Persimmon Plc, EGM	Approve the Persimmon 2006 Executive Synergy Plan	30.97
McCarthy & Stone Plc, AGM	Approve the directors' remuneration report; (re-election of K Lovelock & K Purser & approve performance plan)	26.40
Finsbury Growth & Income Trust Plc, EGM	Issue shares for cash	22.80
Future Plc, AGM	Issue shares with pre-emption rights and issue shares for cash	20.94
Aberdeen Asset Management Plc, AGM	Approve the remuneration report	17.87
Gartmore European IT Plc, AGM	Authorise share issue and issue shares for cash	15.82
JP Morgan Fleming Continental European IT Plc, EGM	Approve share buy back proposal	15.78
Finsbury Growth & Income Trust Plc, EGM	Authority to allot shares	13.97
BOC Plc, AGM	Approve the directors' remuneration report	10.52

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

Gartmore European IT Plc (AGM)

The company sought shareholder approval for a resolution seeking the re-election of Mr Merki as a non-independent and non-executive director. This proposal drew the highest opposition vote from shareholders of a company held by the Fund. However, the level of independence required by the Fund had been achieved by Gartmore and the Fund was able to support the resolution.

Significant opposition votes were also recorded for a further two resolutions seeking authority to issue shares with and without pre-emption rights. In each instance 15.82% of votes cast rejected the proposals. The company had restricted the number of shares in both proposals to within the standard acceptable limit allowing the Fund to support both resolutions.

Persimmon Plc (EGM)

A resolution sought authority to acquire Westbury Plc as well as introduce a new incentive plan related to the purchase. PIRC expressed its concern that there was a very short notice period served prior to the meeting and its discomfort with the level of independence on the board, which stood at 20% at the time of the meeting.
The Fund voting guidelines do not support acquisition related bonuses as it views such transactions as part of the directors' main duties and as such this should be reflected in base salary, or in exceptional circumstances an additional bonus target. As a result the Fund rejected both proposals, joining 31% of shareholders in opposing the incentive plan.

McCarthy & Stone Plc (AGM)

The company features prominently this period with a number of resolutions at the AGM attracting significant shareholder opposition. A key concern for the Fund was that the share option awards are exercisable based on a single vesting point, and a discretionary bonus award of 17% was granted during the year. As a result the Fund was amongst 10.49% of shareholders who opposed the share option plan. The remuneration report attracted an opposition vote of over 26%, the highest for this type of resolution in the period. The Fund's guidelines were also breached by the contract policy of two directors directors including the executive chairman who were seeking re-election. As a result, the Fund lodged an opposition vote.

Finsbury Growth & Income Trust Plc (EGM)

The Fund's approval was sought regarding a special resolution to permit the issue of shares for cash in excess of normal recommended limits. The shares were issued at a premium to net asset value (NAV) and, as a result, the Fund supported the resolution as the premium issue price was seen as sufficient to counter-act the dilutive impact on shareholders.

Future Plc (AGM)

There was significant shareholder opposition of almost 21% to the company's two proposals to issue shares with and without pre-emption rights. The Fund was able to support the resolution as the share issues were within standard recommended limits. PIRC was informed by the company that the large oppose vote was the consequence of a single shareholder who, in spite of being content with management and the way in which the company is being run, has previously made it clear that they will not support the issuance of shares in this way given the propensity for such authorities to be used to fund acquisitions.

Aberdeen Asset Management (AGM)

The company's AGM witnessed the second highest level of rejection of the remuneration report this period (18%). The Fund participated in the oppose vote as much of the report conflicted with its voting guidelines. The awards during the year were considered excessive, with two directors receiving combined annual bonus and share awards in excess of 200% of salary. The chief executive was awarded his annual bonus (178% salary) as a benefit payment, without any clear justification from the company. There is no individual limit on annual bonus awards and targets under the LTIP (Long Term Investment Plan) are not considered sufficiently challenging given the forecasts of brokers. Furthermore, there are concerns that the company intends to break the 100% salary limit on LTIP awards in 2006. The Fund's guidelines were also contravened by the company's decision to include bonuses in the termination provisions of executive contracts.

JP Morgan Fleming Continental European IT Plc (EGM)

The company sought shareholder permission for a share buy back. The Fund rejected the proposal as its voting guidelines state that this type of resolution should require a 75% special majority rather than the ordinary majority the company had applied.

BOC Group Plc (AGM)

The Fund was able to approve much of the company's remuneration report, in particular disclosure and the balance of performance and reward. Important areas such as cash figures and policy was of a good level and the targets attached to the LTIP awards made during the year were considered appropriately challenging given the company's expected value calculation. In addition, combined potential awards were also acceptable. In spite of rolling contracts for directors, however, there appears to be potential for termination payments for directors appointed pre-2005 to exceed two years salary. This does not meet the Fund's guidelines on best practice and an opposition vote was consequently lodged together with 10% of other shareholders.

OVERSEAS ISSUES

Guidant Corp EGM (US)

The company has been at the centre of a recent bidding war between Johnson & Johnson and Boston Scientific. The company held the first of two EGMs in January to seek shareholder approval for a merger with Johnson & Johnson. The Fund abstained on this issue due to concern over the lack of independence on the board of directors. A key objection was that if Guidant chose to terminate the agreement with Johnson & Johnson they would be required to pay $705m. Less than a week before the meeting Guidant reneged on the agreement with Johnson & Johnson in favour of the offer from Boston Scientific. As a result, the EGM did not go ahead and the cancellation payment was supplied by Boston Scientific, along with an offer per share of $73. Guidant will seek shareholder approval at a special meeting scheduled for the end of March.

Swiss Reinsurance (Europe)

The company announced at the end of last year that it had reached agreement with General Electric to acquire GE Insurance Solutions. If successful the purchase would create the world's largest reinsurer. Payment ($7.6bn)is to be made in a combination of cash, Swiss Re shares, and in mandatory convertible or similar instruments and notes. Shareholder approval was sought and received at an EGM for the authority to create both an authorised capital and a conditional capital to finance part of the deal. The company is now embarking on a program of integration.

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