

CORPORATE GOVERNANCE PROXY VOTING ACTIVITY

DECEMBER 2007 TO FEBRUARY 2008

VOTING ACTIVITY

During the period the Fund voted at a total of 138 company meetings – 89 UK, 20 European and 29 US. There were no meetings for Japanese companies this period. In respect of these meetings (a mixture of EGMs and AGMs) the Fund opposed, abstained or withheld* 288 resolutions out of a total of 1,214, representing approximately 24% of all resolutions. During this period there were at least 52 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 %
Gartmore European IT Plc AGM	Issue shares for cash	57%
Chrysalis Plc AGM	Approve the remuneration report	43%
Paragon Group Plc AGM	Approve the remuneration report	36%
Northern Rock Plc EGM	Shareholder proposals	34%
Regus Group Plc	Approve Rule 9 Waiver	28%

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:

Gartmore European I.T. plc (AGM)

The highest level of opposition recorded against resolution of a UK company held by the Fund during the quarter was at the Gartmore European I.T. AGM, where the resolution to Issue shares

for cash was opposed by 56.59% of shares cast. This was limited to 5% of the issued share capital which meets The Fund's guidelines.

Several shareholders decided to vote against this resolution stating that, as the Directors were willing to issue shares at a lower discount than acquired in a tender offer; this did not follow the guidelines that shares should be issued at a premium.

The Fund voted in favour of this resolution.

Chrysalis Group plc (AGM)

There were a number of concerns at the media and entertainment group Chrysalis.

They received the second highest level of opposition against approving the remuneration report, opposed by 43.25% of voters. The Fund believed that disclosure was adequate and that total remuneration during the year under review was not excessive, however potentially available amounts were deemed excessive. Compensation payments included bonuses and Chief Executive Jeremy Lascelles' contract included possible additional compensation payments which could amount to more than 200% of salary. Furthermore, Phil Riley a former Executive Director who resigned in August 2007 received compensation payments amounting to approximately 355% of base salary.

There was a separate resolution to appoint the auditors. For the year under review non-audit fees amounted to approximately 150% of the audit fees. However for the past two years non-audit fees had been less than 25%.

The Fund opposed both resolutions.

Paragon Group plc (AGM)

The third highest level of opposition recorded against a resolution was at the Paragon Group of Companies AGM where resolution 2 to approve the remuneration report was opposed by 35.86% of shares cast. There was a general description of overall policy but insufficient explanation of aims in terms of company objectives. Performance targets under Performance Share and Matching Share Plans were adequately disclosed but insufficiently challenging, and there was insufficient information on performance conditions for Annual Bonus and outstanding share option awards. Potential and actual awards under incentive plans were excessive.

There was a separate resolution to appoint the auditors. There were also concerns over both the level of material non-audit work in the year under review and the aggregate level of non-audit work in the last three years, and whether to re-appoint Deloitte & Touche LLP as auditors and allow the board to determine their remuneration.

The Fund opposed both resolutions.

Northern Rock plc(AGM)

Shareholders SRM Global Master Ltd Partnership (SRM) and RAB Special Situations (Master) Fund Ltd (RAB) filed four resolutions at the EGM on 15th January.

In the first resolution they proposed to replace the current authority to issue shares with pre-emption rights of one-third of the issued share capital with a limit of approximately 5% of the share capital for a period of 5 years. Although the proposal was within the Funds guidelines, the requisitionists did not, in our view, provide an adequate explanation as to why they believed that such a limited authority was necessary, furthermore the Fund believed that the proposed level (approximately 5% of the issued share capital) was a restraint on the board's powers to act in the best interest of all shareholders.

Secondly SRM and RAB proposed a limit of GBP 5,000,000 of the aggregate nominal value (equivalent to approximately 5% of the issued share capital) to issue shares for cash for a five-year period. Although resolution 2 is conditional upon the passing on resolution 1, it was felt that shareholders should vote on each proposal individually.

The third resolution proposed to amend article 106 of the company's articles of association whereby the board within a twelve month period may not dispose of any interest in any assets which exceeds 5% or make acquisitions which exceeds 20% of the value of all the assets of the Group without shareholder approval. The Fund was not persuaded that the provision of the current *Takeover Panel Rules* for class one disposals was inadequate and therefore opposed the resolution.

In the final resolution, shareholders SRM and RAB proposed that the board take such actions which prevent other members of the Group from disposing of, transferring or issuing shares and/or other securities or otherwise altering their share capital structure. Again the Fund was not persuaded that the provision of the *Takeover Panel Rules* for class one disposals was inadequate and therefore opposed the resolution.

The Fund opposed all the resolutions.

Regus Group plc (EGM)

The board was seeking shareholder approval for a rule 9 waiver that would apply retrospectively to Mr Dixon, the Chief Executive, in relation to the share buy back proposal approved by the AGM last year (resolution 1) and also in relation to the vesting of share awards in various company schemes (resolution 2). The lack of such a proposal at the time was described as an oversight and the company wished to amend that.

The Fund supported both resolutions.

Other issues of particular note are detailed below:

Euromoney Institutional Investor (AGM)

There were significant governance concerns at Euromoney Institutional Investor.

The structure of the board was the first major concern. There was only one independent non-executive director in the board (which consisted of 18 members) and no senior independent director was identified. There was no independent representation on the audit, remuneration and nomination committees. The Fund opposed the report and accounts due to serious concerns about the company's governance.

As a result of concerns about the lack of independent representation on the board, the Fund also opposed the election of the proposed non-executive directors who the Fund did not consider to be independent.

There were also concerns about remuneration. In the event of early termination, both the executive chairman and the managing director, who were employed on one-year rolling contracts, were entitled to 12 month's salary, pension and car allowance. In addition they were entitled to an entire profit share irrespective to the date of the notice of termination.

Performance targets for UK based share schemes were acceptable; however, there were no performance targets for US schemes in which directors participated. Whilst this was common in the US, PIRC believed that as a UK Listed company, it should comply with UK best practice. Due to both of these concerns, the Fund opposed the remuneration report.

The Fund opposed the above resolutions.

Easyjet plc (AGM)

At Easyjet there were concerns over the potential termination package of Chief Executive Andrew Harrison which provided termination payments in excess of two years' salary and benefits, and therefore the Fund opposed his re-election.

There were also concerns about remuneration policy. The LTIP (Long Term Incentive Plan) only had a single performance condition and lacked a comparator group. Combined awards were potentially excessive, although Mr Harrison had a 12-month notice period.

Separately, shareholder authorisation was sought to amend the LTIP. The board proposed to increase the maximum award from 100% to 200%, but for financial year 2008 the maximum will be 175%. The target will remain ROE (Return on Equity) but more challenging targets were set for awards in excess of 100%. The Fund welcomed the more stringent upper performance target, however on the basis that the overall potential awards were already deemed excessive the Fund opposed the recommendation.

The Fund opposed the above resolutions.

Intec Telecom Systems plc (AGM)

Reporting and remuneration were issues of concern at software and computer services firm Intec Telecomm Systems plc.

The Fund opposed the Annual Report as the company did not clearly disclose its strategy and objectives in its Business Review.

Looking at remuneration the executives were awarded options in the year under review. It was considered a performance period of two years insufficient for the option scheme to align the longer term interests of shareholders and executives. Also specific targets were not disclosed. Regarding the LTIP, the EPS (Earnings per Share) targets are not considered challenging by PIRC given the attainable award and the current broker forecasts.

Finally the Fund opposed the election of Chairman and interim Chief Executive John Hughes. As policy the Fund generally does not support the Chairman taking the role of interim Chief Executive.

The Fund opposed the resolutions.

OVERSEAS ISSUES

Dell Inc. (AGM) – US

The proponents requested that the Executive Compensation Committee adopt a policy requiring that senior executives retain a significant percentage of shares acquired through equity compensation programs during their employment, and to report to stockholders regarding the policy before Dell's 2008 AGM. The proposal will require senior executives to hold a significant portion of shares obtained through compensation plans and it is hoped this will help focus them on Dell's long-term success and align their interests with stockholders. The proponents consider a retention ratio to be better for this task than the current Company Scheme (an ownership requirement), as a retention requirement ensures that equity compensation translates into equity ownership regardless of how much stock an executive owns, and secondly, a retention ratio is more flexible and does not require catch-up purchases in the event the company's stock price falls and the executive becomes out of step with ownership requirements.

The Fund generally welcomes propositions aimed at aligning executive interests with the long-term interests of the shareholders.

The Fund supported the resolution.

Banco Comercial Portugues (EGM) – Europe

After a long dispute over the control of BCP, the Bank's founder Mr. Jardim Goncalves and his team shall step down from the management and hand over to a new investor group led by the state owned Caixa Geral de Depositos (CGD). Due to the strong links to the Portugues government, the Fund questions whether the proposed management team will be able to sufficiently represent the interest of all shareholders.

The Fund opposed the resolution

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