CORPORATE GOVERNANCE PROXY VOTING ACTIVITY

DECEMBER 2008 TO FEBRUARY 2009

VOTING ACTIVITY

During the period the Fund voted at a total of 158 company meetings – 83 UK, 34 European and 41 US. In respect of these meetings (a mixture of EGMs and AGMs) the Fund opposed, abstained or withheld* 318 resolutions out of a total of 1,455, representing approximately 22% of all resolutions. During this period there were at least 46 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 %
Bellway Plc AGM	Approve the Remuneration Report	59%
Mitchells & Butlers Plc AGM	Issue shares for cash	47%
Mitchells & Butlers Plc AGM	Issue shares with pre-emption rights	47%
N Brown Group Plc EGM	Approve the N Brown Group Value Creation Plan 2009	38%
Punch Taverns Plc AGM	Approve the Remuneration Report	35%

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 on the following page:

Bellway Plc (AGM)

The highest level of opposition recorded against a resolution at a meeting held by the Fund for the period, was on resolution 8 at Bellway's AGM, where shareholders opposed the remuneration report with a majority of approximately 60% of the votes.

Potential maximum awards covering bonus and share awards were considered to be excessive at 250% of salaries. There were also concerns over the lack of disclosure of performance targets attached to the Annual Bonus Scheme and all targets set at the start of the year have been discarded. Directors were entitled to termination payments including the average of the last two years bonus payments. None of this was considered best practice in line with the Fund's guidelines and therefore led to an opposition of the remuneration report.

The Fund opposed the remuneration report.

Mitchells & Butlers Plc (AGM)

A high number of opposition votes were recorded for resolutions to issue shares with pre-emption rights and to issue shares for cash, at the Mitchells & Butlers AGM. The resolutions received 47.25% and 47.13% of the votes cast respectively as opposition votes. The authority to issue shares with pre-emption rights was limited to one third of the issued share capital and the authority to issue shares for cash was limited to 5% of the issued share capital and both met with the Fund's guidelines. PIRC contacted Mitchells & Butlers on behalf of the Fund to try to establish why there was such a large opposition to something that met our guidelines, however they were reluctant to comment.

The Fund supported both resolutions.

N Brown Group Plc (EGM)

The company was seeking shareholder approval to introduce the Value Creation Plan (VCP) which could award the Chief Executive 1.2m shares and the Finance Director 500,000 shares. The plan uses two performance conditions – TSR (total shareholder return) and EPS (earnings per share) with the use of an underpin. While the EPS underpin is challenging according to brokers forecasts from the information provided, it is not possible to determine if the TSR award is challenging. The maximum potential awards available to both executives at a share price of 6.15p per share could result in awards of 14 times salary to the chief executive and 11 times salary to the finance director. The Fund considers these awards to be excessive.

The Fund opposed the resolution.

Punch Taverns Plc (AGM)

Remuneration was a concern at support services mid-cap Punch Taverns. Based on the maximum level of awards, neither the upper or lower TSR targets were considered to be challenging. The EPS targets however, were considered challenging in light of negative growth forecasts. Combined awards were viewed by the Fund as potentially excessive, although salaries are below the median.

The Fund opposed the remuneration report.

Other issues of particular note are detailed below:

HBOS Plc (EGM)

Following the exceptional instability and volatility that has resulted from the global dislocation in financial markets, the board of HBOS announced its intention to participate in the Proposed Government Funding, with £11.5 billion to be raised by HBOS through the HM Treasury underwriting £8.5 billion ordinary shares and purchasing £3 billion of preference shares. The capital raising was to be viewed against the backdrop of the proposed acquisition of HBOS by Lloyds TSB.

The Fund considered that the company provided sufficient information about the proposal and it was subject to sufficient independent scrutiny. Given the extraordinary circumstances that the company was facing, and the public commitments made by HM Treasury to act as a value-oriented party, the Fund voted in favour of the capital raising.

The Fund supported the resolution.

Euromoney Institutional Investor Plc (AGM)

There were a number of governance concerns at Euromoney Institutional Investor. Although the number of independent non-executive directors has increased to two, the Fund considered this to be too few given the size of the board (which consists of 19 members); no senior independent director was identified; and there was no independent representation on the audit, remuneration and nomination committees. The company failed to disclose an adequate employment policy and there was no environmental reporting. As a result of these failures the Fund opposed the report and accounts.

The Fund opposed the Annual Report and Accounts.

Daily Mail & General Trust Plc (AGM)

Remuneration was a concern at Daily Mail and General Trust. There were concerns over termination payments provisions which may include bonuses or profit share. Contrary to best practice, two executives have a two year rolling contract. The incentive remuneration was not excessive during the year under review but combined remuneration was potentially excessive. It was noted that the chairman of Euromoney Institutional Investor Plc received the equivalent of 18 times his salary under the bonus scheme of Euromoney Institutional Investor Plc, a company in which DMGT owns 66% of the share capital.

The Fund opposed the remuneration report.

OVERSEAS ISSUES

Bank of America (EGM) – US

On 5th December 2008, the board requested shareholders approval to issue approximately 1,375,345,931 additional shares of common stock to the shareholders of Merrill Lynch & Co., Inc., in order to implement the merger agreement. Under the terms of the agreement each share of Merrill Lynch common stock will be converted into the right to receive 0.8595 shares of Bank of America stock; any fractional amount will be paid to Merrill Lynch shareholders in cash. The proposed issued and reserved shares amount to approximately 34% of the company's current outstanding share equity. The NYSE listing requirements states that shareholders must approve an issuance of more than 20% of a company's issued share capital.

Between September 2007 and September 2008, the price of Merrill Lynch stock declined by about 63%. Bank of America reportedly proposed a merger to Merrill Lynch in early summer 2008, but Merrill Chairman & CEO John Thain rejected the proposal. In the week of 8th September 2008, the price lost an additional 36% of its value.

The Fund abstained from the resolution.

<u>Fortis SA/NV (EGM) – Europe</u>

At the EGM held on 11th February, shareholders of Fortis SA/NV narrowly rejected a proposal to sell part of the bank's assets to French banking giant BNP Paribas. Despite warnings the day before the shareholder's meeting, by the then chairman Jan-Michiel Hessels, that an oppose vote could bankrupt Fortis, the motion to approve the BNP deal was supported by only 49.74% of the vote – just short of approval. The critics of the bank's proposal were boosted by the announcement that Ping An, the Chinese insurance group, which owns approximately 5 per cent of the shares, had decided to oppose the proposal.

The shareholder's meeting only took place, after the governments of Belgium, the Netherlands and Luxembourg had already come to an agreement with BNP Paribas, because of a court case in Belgium which charged the plan with being a carve-up of the company without shareholder approval. The future of the company is now in question as BNP Paribas considers whether to renegotiate the deal or abandon it, and the Belgian taxpayer risks being left to pick up the bill.

The Fund supported the resolution.

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