

Policy document - Exercising Proxy Voting

1. Objective

Good corporate governance provides a structure likely to maximise returns to unit-holders. Voting rights are part of unit-holder value with the primary objective of the voting process being to uphold the interests of the portfolio's beneficial owners; that is, to protect and enhance the value of the portfolio assets.

This policy sets out how Advance Asset Management Limited ('Advance') will exercise its voting power in relation to the Australian stocks held on behalf of our clients. Procedures have been adopted to achieve consistent application of this policy and compliance with IFSA standard No. 13.00 – Proxy Voting.

The Board of Advance has approved the policy and it will be made available to interested parties including clients and prospective clients.

Advance will also send this voting policy, on an annual basis, to the underlying investment managers seeking confirmation their voting policy is in accordance with our statement of significant policy positions.

2. Statement of Significant Policy Positions

All voting is decided on a case-by-case basis, although the following list outlines a summary of our views on items of significant Corporate Governance importance. We believe that effective Corporate Governance is advanced by;

1. The separation of the Chairman and Chief Executive Officer roles,
2. The board should have sufficient independent directors (external) to serve as a majority on Audit and Remuneration Committees,
3. We support employee share schemes,
4. We support executive share/option schemes, which are structured to provide an incentive to improve upon current performance, and do not immediately translate into a benefit at the time of instigation
5. We support the re-election of directors where financial performance has been acceptable,
6. We believe in one share/one vote,
7. Executive remuneration should be reasonable,
8. Conflict of interest situations must be disclosed, and we believe that the best solution is to minimise the extent of conflicts of interest,
9. We support the formation of nomination, remuneration, and audit committees comprised of board members.

3. Policy of Exercising Proxy Voting

Advance's policy is to vote or make a considered decision to abstain on company resolutions where it has voting authority and responsibility to do so (consistent with IFSA Standard No. 13.00 - Proxy Voting).

Decisions on how to vote proxies will be made on a company-by-company and resolution basis with regard to the following factors:

- Preserving and increasing the value of the investment in the best interests of members in the fund
- Improving and upholding the governance of the company
- The performance of the company

Advance may:

- Give authority to underlying investment managers to exercise any right to vote attached to a unit or share.
- Restrict an underlying investment manager from voting.

Advance will not vote, nor permit underlying investment managers to vote, in respect of holdings of Westpac Banking Corporation ('WBC') held by Advance funds.

4. Underlying investment managers voting rights

Advance does not generally direct underlying investment managers on voting when they give authority to exercise voting rights attached to a unit or share.

In the absence of any direction from Advance, investment managers may elect to exercise, or not exercise, the right to vote as they see fit. They may have their own policies to determine if the above factors are taken into account when making investment decisions however Advance does not require them to do so.

The actual process pre-lodgement of voting intentions is for the underlying investment manager to advise the Chief Investment Officer (or Managing Director in his absence) of the issues with respect to the vote and to outline his recommendation on the vote. The Chief Investment Officer (or Managing Director) will then either ratify or express his objection to the proposal. If approved, the underlying investment manager will then send the voting instruction to NACS Corporate Actions team under authenticated test key procedures.

In the event that Advance gives direction to the investment managers in relation to the appointment of a proxy and the way in which the proxy should vote, the underlying investment manager must use its best endeavours to implement the direction.

The underlying managers each have performance objectives to achieve, and their interpretation on issues for voting should form part of this management component. Each of the managers provides Advance a summary of their participation in corporate actions, and their voting instructions on a quarterly basis.

5. Reporting

On a quarterly basis the investment managers will forward copies of all voting instructions to the Advance Compliance Manager.