

Arcus Investment Limited

UK Stewardship Code Disclosure Statement and Proxy Voting Policy

Under COBS 2.2 of the FSA Handbook, Arcus Investment Ltd ('Arcus') is required to make a public disclosure in relation to the nature of our commitment to the above Code, which was published by the Financial Reporting Council ('FRC') in July 2010.

The Code aims to enhance the quality of engagement between institutional investors and companies to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities. It sets out good practice on engagement with investee companies and is to be applied by firms on a "comply or explain" basis. The FRC recognises that not all parts of the Code will be relevant to all institutional investors and that smaller institutions may judge some of the principles and guidance to be disproportionate. It is of course legitimate for some asset managers not to engage with companies, depending on their investment strategy, and in such cases firms are required to explain why it is not appropriate to comply with a particular principle.

The seven principles of the Code are that institutional investors should:

- Publicly disclose their policy on how they will discharge their stewardship responsibilities;
- Have and publicly disclose a robust policy on managing conflicts of interest in relation to stewardship;
- Monitor their investee companies;
- Establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value;
- Be willing to act collectively with other investors where appropriate;
- Have a clear policy on voting and disclosure of voting activity; and
- Report periodically on their stewardship and voting activities.

We consider that engagement with the companies in which we invest can often be in the interests of our investors. The following policy sets out our approach to the FRC's UK Stewardship Code.

Principle 1: Stewardship responsibilities- Arcus has a duty to act in the best long-term interests of its investors and to follow the investment process as outlined in the prospectus and offering memorandum of the funds it manages. Arcus' investment philosophy is long-term and 'bottom-up' in scope and therefore emphasises ensuring best practice in corporate governance at investee companies. Arcus will, where appropriate, seek to encourage management to consider the long-term interests of shareholders when formulating company policy. We are generally opposed to the transfer of control of companies unless shareholders receive an appropriate control premium, and to steps that tend to entrench existing management.

Principle 2: Conflicts of interest policy- As an entity regulated by the FSA, Arcus has in place a conflict of interest policy which specifies the Arcus approach to managing potential conflicts of interest the firm may be exposed to. Stewardship is subordinate to Arcus' fiduciary duty to its investors, and in any conflict fiduciary duty will prevail. Where conflict arises between

stewardship goals, these will be resolved in the light of the best long term interests of our investors.

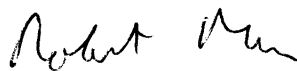
Principle 3: Monitoring – Arcus monitors all investments unusually closely. Superior knowledge of our investments is the basis of our excess returns. It is our experience that under normal circumstances management are better informed than investors on the topic of company strategy, so we do not generally seek to offer advice in this area. If Arcus did not agree with the strategy or philosophy of company management we would be less likely to invest in that company. Monitoring of investee companies often includes direct dialogue with management.

Principle 4: Escalation – Arcus always seeks to protect and enhance shareholder value by the most appropriate means available. The unique social and investment culture of Japan means that this will almost always involve private discussion with management rather than public confrontation. If discussion fails any escalation to a public forum will usually appear unproductive, but may be considered if there appear any grounds to expect that it would be effective.

Principle 5: Collective action – Public contests for control and investor revolts are extremely rare in Japan. However, in the event that Arcus is in a position to influence a decision through collective action with other shareholders the decision will be made in the light of the best long term interests of our investors. If it were in the best long term interests of clients; allowable by law and regulation; and considered the most effective approach. Then Arcus might seek to engage with other shareholders in collective action.

Principle 6: Proxy voting and disclosure – In Japan it is in practice rare for substantial decisions to be put to a formal vote by investors. However, should this happen the decision on how to vote will be made in the light of the best long term interests of our investors, and may be disclosed if this is considered to be useful. Arcus is generally supportive of incumbent management but might, where it is believe management are not acting in the best interests of shareholders, vote against or abstain where this appears appropriate.

Principle 7: Reporting – All funds managed by Arcus produce monthly reports to investors which already discuss our engagement with companies and this will continue.



Robert Macrae
27 June 2011