

**TAUBE HODSON STONEX PARTNERS LLP (“THS”)
STATEMENT OF COMPLIANCE
WITH
FRC UK STEWARDSHIP CODE**

Background

On 2nd July 2010, the Financial Reporting Council (“the FRC”) published the first UK Stewardship Code (“the Code”) for institutional investors.

The aim of the Code is to enhance the quality of engagement between institutional investors and the companies in which they invest to help improve long-term returns to shareholders and the efficient exercise of governance responsibilities.

The Code sets out good practice on engagement with investee companies to which the FRC believes institutional investors should aspire. The Code is addressed in the first instance to firms who manage assets on behalf of institutional shareholders such as pension funds, insurance companies, investment trusts and other collective investment vehicles. The FRC expects those asset management firms to disclose how they have applied the Code on their websites.

The Code

The Code comprises seven principles which are as follows:

Principle 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

Principle 3

Institutional investors should monitor their investee companies

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity

Principle 7

Institutional investors should report periodically on their stewardship and voting activities

THS' compliance with the Principles

Principle 1

Institutional investors should publicly disclose their policy on how they will discharge their stewardship responsibilities

THS supports the FRC and the UK Stewardship Code and will publish its Statement of Compliance with the Code on its website (www.thspartners.com).

Principle 2

Institutional investors should have a robust policy on managing conflicts of interest in relation to stewardship and this policy should be publicly disclosed

In accordance with regulatory requirements, THS has identified conflicts of interest that exist, or may exist, between THS and its clients or between one client and another and has established measures which it considers appropriate to monitor, manage and control the potential impact of those conflicts. Honouring its fiduciary and other duties to its clients is the underlying principle which underpins its approach to corporate governance and voting issues.

Examples of potential conflict between interests or duties include where:

- (i) THS undertakes Investment Business for more than one client;
- (ii) A Member or employee of THS or of an Associate, is a director of, holds or deals in securities of, or is otherwise interested in any company whose securities are held or dealt in on behalf of Clients;
- (iii) a transaction is effected in securities in respect of which THS or an Associate may benefit from a commission, fee, mark-up or mark-down payable otherwise than by the Client and/or THS or an Associate may also be remunerated by the counterparty;
- (iv) THS deals on behalf of a Client with, or in the securities of, an Associate;
- (v) THS may act as agent for a Client in relation to transactions in which it is also acting as agent for the account of other Clients and/or Associates;
- (vi) a transaction for a Client is effected in units or shares of a company or fund of which THS or an Associate is the manager, operator banker, adviser, custodian or trustee;

- (vii) THS may effect transactions involving placings and/or new issues for Clients with an Associate who may be acting as principal or receiving agent's commission;
- (viii) a transaction is effected for a Client in securities of a company for which THS or an Associate has underwritten, or managed or arranged an issue or offer for sale within the previous 12 months;
- (ix) a transaction is effected for a Client in securities in respect of which THS or an Associate, or a Member or employee of THS or an Associate, is contemporaneously trading or has traded on its own account or has either a long or short position.
- (x) THS may aggregate transactions for more than one Client (but allocate all such transactions on a fair and reasonable basis in accordance with the requirements of the FSA handbook.

THS has put measures in place that are designed to minimize the risk of conflicts of interest adversely affecting the interests of its Clients. These include:

- (i) Requiring potentially sensitive activities to be kept confidential (e.g. via confidentiality clauses in employment contracts, its Compliance Manual and its Personal Account Dealing Policy);
- (ii) Adopting guidelines to ensure that its staff (and their related persons and business interests) cannot benefit personally from their employment at the expense of clients (e.g. via its Personal Account Dealing Policy);
- (iii) Avoiding compensation arrangements which could disadvantage clients (e.g. via inappropriate remuneration and discretionary bonus arrangements);
- (iv) Adopting measures to prevent or limit any person from exercising inappropriate influence over the way another person carries out services or activities (e.g. through a collegiate decision making process); and
- (v) Above all, ensuring that its staff handles the affairs of its Clients at all times in the best interests of those Clients.

In the event that it identifies a material conflict that it cannot manage appropriately, THS will report this to the Client and agree the way forward. Where it considers that it is not able to manage the conflict of interest in any other way, it will decline to act.

Principle 3

Institutional investors should monitor their investee companies

THS monitors investee companies closely via a combination of regular dialogue and meetings with company management and independent research into company activities. Over recent years, THS fund managers have undertaken between 600 and 800 company meetings a year. These will generally include at least one meeting with each company held in Client portfolios. This represents a core part of the analysis on which a THS Client portfolio is constructed and naturally engenders dialogue on all matters relating to investee companies, including corporate, environmental and social issues.

Principle 4

Institutional investors should establish clear guidelines on when and how they will escalate their activities as a method of protecting and enhancing shareholder value

Active intervention will take place when THS believes that this is the course of action which is in the best interests of our clients with any such action tailored to the particular circumstances.

Principle 5

Institutional investors should be willing to act collectively with other investors where appropriate

When THS deems it to be in the interests of its Clients, THS will act collectively with other investors to seek to influence investee companies.

Principle 6

Institutional investors should have a clear policy on voting and disclosure of voting activity

It is the policy of THS to exercise voting entitlements at all available opportunities including at Annual General Meetings and General Meetings.

In general, THS's policy in exercising shareholders' votes is to vote in favour of management's proposals unless THS consider that it would be in the best interest of the Client to vote against.

THS is obliged to comply with the relevant terms of Client Investment Management Agreements, which typically give THS full discretion on voting matters subject to the Client's specific instructions. However, if THS elects to vote against management's proposals, certain Clients require that THS either consults with the Client and/or obtains the Client's specific approval.

Principle 7

Institutional investors should report periodically on their stewardship and voting activities

THS reports quarterly to Clients on its voting activity, or more frequently if required by the Client. This statement of compliance will be reviewed by the Managing Members of THS on, at least, an annual basis.

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