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MOST MUTUAL FUNDS BACK MANAGEMENT: THE CANADIAN PROXY VOTING RECORD

VANCOUVER – Canadian mutual funds are more likely to oppose the election of directors put forward by corporate management than in previous years according to a study released today by SHARE and Fund Votes. The second annual *Proxy Voting by Canadian Mutual Funds* report found that although most mutual funds continue to vote overwhelmingly in favour of business proposed by companies and against ballot items put forward by shareholders, the 2008 record shows some movement away from management.

"Canadians depend on mutual fund companies to protect their retirement savings and studies have shown repeatedly that careful proxy voting adds value and manages risk for investors. At this time of battered financial markets and depressed shareholder value, it is a positive sign that more funds are challenging management's hold on the ballot," said Laura O'Neill, SHARE's Director of Law and Policy.

Three fund families stood out from the crowd. Among their peers, Inhance Asset Management, Meritas Mutual Funds, and Northwest &Ethical Funds, were significantly more likely to vote against management. The three companies are known for integrating environmental, social and governance factors into their investment decisions.

Fund Votes, a Vancouver-based research firm, compiled the funds' voting records from information published by each fund company. Since 2006, Canada's mutual fund companies have been required to publish the votes cast by their funds.

According to the Investment Funds Institute of Canada, more than 30% of Canadians' financial wealth is held in mutual funds. *Proxy Voting by Canadian Mutual Funds* helps investors to assess how 21 of Canada's largest fund companies voted on issues that Canadian companies brought to investors over the past three years.

With few exceptions, mutual funds are management friendly voters. Few Canadian fund families used their ballots to express less than 90% support for management proposals. Similarly, shareholder proposals, which are almost invariably opposed by management, were did not win very much support from most funds. Most fund families (18 of 21) rejected more than 80% of the proposals they voted.

Ermanno Pascutto, Executive Director of the Canadian Foundation for Advancement of Investor Rights (FAIR Canada) welcomed new analysis of fund proxy voting: "Securities regulators rightly require mutual fund companies to provide information about the significant role they play in corporate decision making, but the enormous amount of data can be unwieldy for investors. The

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SHARE/Fund Votes report sifts and summarizes the data, providing fund unitholders with an important guidebook to critical voting decisions that can impact their financial security".

Three funds families, Inhance, Meritas and Northwest & Ethical, voted 'for' shareholder proposals on at least 40% of all ballots and each withheld their support from management on at least 1 in 5 resolutions.

The report indicates that investors in socially responsible investment funds (SRI funds) sold by diversified fund companies will find that although the investment approach of an SRI fund is different than that of non-SRI funds in the same family, the proxy voting decisions are likely to be the same. This is often the case even for shareholder proposals asking companies to be more attentive about the impacts of their operations on human rights and the environment.

Ms O'Neill summarized the situation this way: "When you invest in a fund from an SRI family, you can count on very progressive proxy voting. We found that in most cases, an SRI product managed within a non-SRI fund family votes in the same management-friendly way for all its funds".

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Editors Note: To download a copy of the Proxy Voting by Canadian Mutual Funds, 2006-2008 please visit: www.share.ca

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