

## Philosophy

Peregrine votes proxies for the sole benefit of the clients. Our objective is to protect the financial investment of the shareholder (or participant in a qualified employee benefit plan). Therefore, we review each proposal to determine its financial implications for shareholders.

Our purchase and retention of a stock inherently project confidence that management will operate the company in a manner consistent with earning a reasonable return. For example, we support management on routine, noneconomic proposals. However, we also exercise discretion in determining how we can best protect the financial investment of the shareholder while providing support to management in the operation of the business.

## Policy

- The Board of Directors develops proxy policy and philosophy and approves proxy guidelines.
- The Portfolio Managers vote proxies in adherence to established policies and guidelines.
- Portfolio Managers document the rationale for their vote, either by referencing established guidelines or by a specific explanation.
- If a Portfolio Manager votes contrary to established guidelines, (i.e., votes contrary to the guidelines established within this document) they are required to receive prior approval from the CCO.
- Portfolio Managers must vote proxies for specific securities identically across accounts unless specific client instruction is accepted.
- Portfolio Managers should vote proxies related to common issues consistently unless circumstances are materially different. (See qualification above)
- Peregrine's internal voting position guidelines cover four types of proposals:
  - routine management proposals;
  - anti-takeover proposals;
  - shareholder proposals; and
  - non-routine non-compensation proposals.
- The CCO reviews votes monthly and reports any non-compliance with this Proxy Manual to the Board. The frequency of CCO review is subject to change based on issues and findings in the monthly reviews.
- Peregrine employees that become aware of an actual or potential proxy voting conflict of interest must communicate the issue to the CCO, who will inform the Board. Any proxy

vote that presents the potential for a material conflict of interest between clients, the firm, or its employees will vote in favor of clients who are not directly or indirectly involved in the conflict. Material conflicts of interest may develop in situations such as proxy votes for companies that are clients of Peregrine and proxy votes in which a particular client attempts to influence our votes. The Board reviews proxy votes with the potential for material conflicts of interest. The Board will ensure that such votes are consistent with our responsibility to vote stock held in our accounts for the sole and exclusive benefit of the beneficiaries. Proxy votes for companies that are also clients of Peregrine must be disclosed (subject to confidentiality issues) in our client proxy reports.

- Peregrine does not routinely recall securities on loan to vote proxies. Portfolio Managers may recall shares on loan if the vote may materially impact the potential return on the security.
- Despite best efforts to vote proxies promptly, there may be circumstances outside of Peregrine's control that interfere with our ability to do so. Examples include late notice of the vote; lack of timely confirmation by the custodian of shares available for vote; and delays in the recall of shares on loan.

## Procedures

- Peregrine utilizes ISS Proxy Exchange, an online proxy voting system, for accounts we are authorized to vote. As new accounts are opened, Peregrine contacts the custodian to set up proxy ballot receipt and voting through ISS Proxy Exchange.
- The Proxy Coordinators maintain each meeting notification from Institutional Shareholding Services, Inc. (ISS) in ISS Proxy Exchange website. ISS provides a listing of the ballots received, number of shares held per client account (according to custodians) and proxy materials. The number of shares according to the Peregrine accounting system is automatically uploaded to ISS Proxy Exchange for reconciliation against the shares reported by the custodians. Discrepancies in shares are forwarded via the ISS service or reviewed by the Proxy Coordinator and researched with internal accounting and, if necessary, the custodian until resolved.
- The Proxy Coordinator forwards the proxy documentation to the appropriate Portfolio Manager to vote.

**Exception due to automatic voting standing instructions:** The Board has approved automatic voting standing instructions for three proposals: A1, the election of directors, A2, the ratification and appointment of auditors, and A10, advisory vote on compensation/say on pay frequency. We cast a FOR vote for these three proposals *unless* the Portfolio Manager provides timely instructions to the contrary. Each style determines how they wish to vote the A10 issues. When a meeting includes only proposals A1, A2, and A10 the Proxy Coordinators send an e-mail to the Portfolio Manager and Compliance containing information about the meeting and its proposals. If the Portfolio Manager or Compliance do not respond to the contrary designation, the Proxy Coordinator votes the proposals according to the standing instructions.

- Meeting information, records of votes, and supporting rationales are available through the ISS website for the current year and the previous five calendar years.
- Peregrine prepares and distributes reports to clients every quarter (or client's desired frequency) summarizing the proxy voting activity. Votes against management and votes that are contrary to our proxy guidelines are footnoted and explained.

## Routine Management Proposals

A. Consistent with our general philosophy of supporting management, we vote in support of management on the following routine management proposals:

A1. Election of directors and other officers of the corporation.

A2. Appointment of auditors.

A3. Amending the By-laws or Articles of Incorporation to conform with modern business practices, for simplification or to comply with applicable laws.

A4. Reduce supermajority vote requirement.

A5. Indemnification of officers, directors, employees and agents.

A6. Increasing/decreasing the number of shares outstanding for ordinary business purposes.

A7. Declaring stock splits and stock dividends.

A8. Authorizing a new class or series of securities for ordinary business purposes.

A9. Changing or fixing the number of directors.

A10. Advisory vote on compensation/say on pay frequency.

A11. Changing the date and/or location of annual meetings.

A12. Employment contracts between the company and its executives and remuneration for directors. (cash plan)

A13. Automatic dividend reinvestment plans.

A14. Changing the company name (without a re-organization).

A15. Qualified and non-qualified restricted stock option plans for employees and/or directors.

A16. Thrift and saving plans.

A17. Retirement plans, pension plans, profit sharing plans and employee stock ownership plans, creation of and amendments thereto.

## Anti-takeover Proposals

B. Although we generally support management proposals, management initiatives that limit the price appreciation potential or the marketability of a stock may not be in the best interests of the shareholders. In these cases, our responsibility to vote the proxy in the best financial interest of the shareholders overrides our general desire to support management. We vote against the following management proposals when deemed to provide such a conflict:

B1. Board classification without cumulative voting.

B2. Elimination of shareholder action by written consent.

B3. Blank check preferred stock.

B4. Restricting removal of directors for cause only and only by a supermajority vote.

B5. Fair-price proposals combined with supermajority rules.

B6. Multiple anti-takeover proposals.

B7. Poison Pill proposals, includes action that is designed to reduce the value of a company to a potential acquirer such as the right to purchase shares of the acquirer at a discount, a sale of assets of a subsidiary to a third-party in the event of an acquisition, immediate vesting of pension rights, continuation of salaries for employees with a certain number of years of tenure, etc.

B8. Golden Parachutes, includes continuation of employee contracts with top executives, payment of a certain multiple of annual compensation, immediate vesting of incentive, stock, and merit programs, etc.

B9. Excessive requests for additional shares (currently authorized shares plus requested shares over four times the combination of outstanding shares and shares reserved for option programs) with no specific purpose.

## Shareholder Proposals

C. Consistent with our policy of supporting management, we generally vote against shareholder proposals opposed by management. Exceptions to this guideline must be considered to be in the best financial interests of the shareholder.

## Non-Routine Non-Salary Compensation Proposals

D. Although we generally support management proposals, management initiatives that result in the transfer of equity ownership, that may prove highly dilutive to existing shareholders, or that materially reduce the shareholder's role in controlling non-salary compensation may not be in the best interests of shareholders. In these cases, our responsibility to vote the proxy in the best financial interests of the shareholders overrides our general desire to support management. We vote against the following management proposals for non-salary compensation plans when deemed to provide such a conflict:

D1. Plans which provide for exercise prices below 85% of market value at the time of grant.

D2. Plans which result in total dilution potential of over 10% (2% per year) for companies with moderate growth prospects and over 25% (5% per year) for companies with rapid growth prospects (20% or better annual growth).

D3. Plans that would (or delegate to the Board the authority to) reprice or replace underwater options.

D4. Plans which give the Board the authority to establish exercise prices without preset limits.

D5. Plans which provide for a laundry list of vehicles for grants including stock appreciation rights, restricted stock awards, and outright awards of stock and/or delegate broad authority to the Board to determine the size, nature, and conditions of the awards.

D6. Combinations of the initiatives above.