

# SENTRY SELECT CAPITAL INC.

December 14, 2010

## PROXY VOTING POLICIES AND PROCEDURES

### 1. Purpose and Background

In its management of investment funds (the “Funds”), Sentry Select Capital Inc. (“Sentry”) acts as fiduciaries of the Funds and must act in their best interests. The purpose of the Proxy Voting Policies and Procedures (the “Policy”) is to ensure that conflicts of interest that may arise between Sentry and the Funds in the exercise of voting rights are appropriately identified and considered promptly.

Sentry will make every reasonable effort to exercise all voting rights with respect to securities held in the Funds that it manages or to which it provides sub-advisory services. Proxies for the Funds where the portfolio management is performed by an affiliate or a third party (a “Sub-Advisor”) will be voted in accordance with the Sub-Advisor’s policy, unless the sub-advisory agreement provides otherwise. Sentry will review the Sub-Advisor’s policy prior to entering into the sub-advisory agreement and from time to time thereafter in order to ensure that the Sub-Advisor’s policy is satisfactory to Sentry.

In order to ensure the proxy voting process occurs in accordance with this Policy, Sentry has a committee (the “Investment Committee”) that is charged with general proxy voting oversight responsibilities among its other investment department related duties. The Investment Committee consists of the Chief Investment Officer, senior portfolio managers and representatives from Sentry’s Legal/Compliance Department.

The portfolio managers have responsibility for exercising all proxy votes and in doing so, acting in the best interest of the Funds, subject to proxy voting matters that may give rise to potential conflicts of interest that will be handled by the Investment Committee (as is described in “Conflicts of Interest” below). Portfolio managers must vote proxies in accordance with the guidelines, as amended from time to time, a copy of which is attached to this Policy (the “Guidelines”).

Sentry may delegate to a third party the responsibility to vote proxies on behalf of all or certain Funds, in accordance with the Guidelines.

### 2. Voting Process and Records Management

The Compliance Manager will, to the best of his/her ability, ensure that all proxies and notices are received from all issuers promptly, and will maintain for all Sentry Funds:

- a record of all proxies received;
- a record of votes cast; and

- a copy of the reasons for voting against management.

Proxy voting circulars for all companies are received electronically through an external service provider. In addition, circulars for North American companies and ADRs are generally also received in paper format.

Once a circular is received, the Compliance Manager verifies that all securities and Sentry Funds affected are correctly listed. The Compliance Manager provides the proxy voting information to the portfolio manager(s) whose Funds hold the securities, unless the Investment Committee has provided guidelines for voting on questions unlikely to raise conflict of interest concerns. Thereafter, the portfolio manager decides whether or not circumstances exist that may give rise to a potential conflict of interest relative to a particular proxy voting matter. If the portfolio manager believes that a potential conflict of interest exists, the portfolio manager will then follow the procedure outlined in “Conflicts of Interest” below.

Once voting information has been received from the portfolio manager, voting instructions are sent electronically to the service provider who then forwards the instructions to the appropriate proxy voting agent or transfer agent. The external service provider retains on behalf of Sentry a record of the votes cast and agrees to provide Sentry with a copy of proxy records promptly upon request. The service provider must make all documents available to Sentry for a period of seven years.

In the event that Sentry ceases to use an external service provider, all documents would be maintained and preserved in an easily accessible place for a period of seven years.

### **3. Conflicts of Interest**

Potential conflicts of interest may arise between a Sentry Fund and (i) Sentry and its affiliates; (ii) individuals making proxy voting decisions; or (iii) service providers making proxy voting decisions. When a potential conflict of interest exists, the matter will be reviewed by the Investment Committee.

If it is determined that a potential conflict of interest may exist, the portfolio manager submits a memorandum to the Investment Committee detailing how the portfolio manager intends to vote and the reasons for such decision. The Investment Committee then reviews the matter to determine what actions are necessary to ensure that the proxy is voted in the best interests of the Sentry Funds and provides its approval or denial. When such actions are decided upon by the Investment Committee, they must be recorded in writing. If necessary, the Investment Committee may consult reputable independent proxy voting services to assist in ensuring the proxy is voted appropriately.

If the Investment Committee determines that there are no potential conflicts of interest, the Compliance Manager then gives a copy of the proxy summary to each portfolio manager whose Fund(s) hold the security and maintains a tracking list to ensure that all proxies are voted within the prescribed deadlines. The Investment Committee will minute this decision and the reasons for the decision.

Sentry must ensure that in exercising its proxy voting rights it achieves a fair and reasonable result for the affected Fund(s) and is acting in the best interests of the affected Fund(s). Sentry must ensure that in exercising its proxy voting rights it does not favour the interests of Sentry or a person or entity related to Sentry for those of the Fund(s). There exists a potential conflict of interest if Sentry does not adhere to this obligation or this Policy because the adherence would negatively affect Sentry or a person or entity related to Sentry, or if by not adhering Sentry or a person or entity related to Sentry receives a financial or some other form of benefit, or it otherwise favours their interests over that of the Fund(s).

#### **4. Compliance and Reporting**

The CRCO will report on proxy voting to the Investment Committee on an annual basis with respect to all Sentry Funds managed by Sentry or a Sub-adviser.

In accordance with National Instrument 81-106 *Investment Fund Continuous Disclosure*, proxy voting records for all Funds for the period ending June 30<sup>th</sup> are posted on Sentry's website no later than August 31<sup>st</sup> of each year.

The CRCO will review the applicable departments at least once every three years to test that they are, in accordance with this Policy, operating within a compliant framework. Semi-annually, the CRCO will seek written confirmations from the employees in the applicable departments that they are complying with this Policy.

Annually, as well, the CRCO will ensure that tests are performed with respect to a specific aspect or requirement of this Policy as well as testing to see whether potential conflicts of interest are being addressed in the manner contemplated by this Policy.

On behalf of Sentry, the CRCO will report to the Independent Review Committee on a semi-annual basis with respect to situations on which a standing instruction for this Policy was relied upon.

## **SENTRY SELECT CAPITAL INC.**

(“Sentry”)

### **PROXY VOTING GUIDELINES**

#### **Purpose**

The purpose of this document is to describe the general guidelines for voting proxies received from companies held in funds managed by Sentry (the “Funds”). Proxy voting for the Funds managed on behalf of Sentry on a sub-advised basis (i.e. by an affiliate or on a third party basis) are subject to the proxy voting policies & procedures of those other entities. As part of its regular due diligence, Sentry will review the proxy voting policies & procedures of any new sub-advisors to ensure that they are appropriate in the circumstances.

#### **Introduction**

Sentry has the fiduciary obligation to ensure that the long-term economic best interest of the investors in a Fund is the key consideration when voting proxies of portfolio companies.

As a general rule, Sentry shall vote against any actions that would:

- reduce the rights of or benefits to shareholders,
- reduce shareholder influence over the board of directors and management,
- reduce the alignment of interests between management and shareholders, or
- reduce the value of shareholders’ investments.

At the same time, since our portfolio managers follow an investment discipline that includes investing in companies that are believed to have strong management teams, the portfolio managers will generally support the management of companies in which they invest, and will accord proper weight to the positions of a company’s board of directors. Therefore, in most circumstances, votes will be cast in accordance with the recommendations of the company’s board of directors.

While Sentry’s proxy voting guidelines are stated below, the portfolio managers will take into consideration all relevant facts and circumstances (including country specific considerations), and retain the right to vote proxies as deemed appropriate. These guidelines may be amended from time to time.

#### **BOARD OF DIRECTORS**

We believe that a board of directors that has at least a majority of independent directors is integral to good corporate governance. Unless there are restrictions specific to a company’s home jurisdiction, key board committees, including audit and compensation committees, should be completely independent.

### **Voting on Director Nominees in Uncontested Elections**

Votes in an uncontested election of directors are evaluated on a case-by-case basis, considering factors that may include:

- Long-term company performance relative to a market index,
- Composition of the board and key board committees,
- Nominee's attendance at board meetings,
- Nominee's time commitments as a result of serving on other company boards,
- Nominee's investments in the company,
- Whether the chairman is also serving as CEO, and
- Whether a retired CEO sits on the board.

### **Voting on Director Nominees in Contested Elections**

Votes in a contested election of directors are evaluated on a case-by-case basis, considering factors that may include:

- Long-term financial performance of the target company relative to its industry,
- Management's track record,
- Background to the proxy contest,
- Qualifications of director nominees (both slates),
- Evaluation of what each side is offering shareholders as well as the likelihood that the proposed objectives and goals can be met, and
- Stock ownership positions.

### **Majority Threshold Voting for Director Elections**

We will generally vote **for** proposals that require directors to be elected with an affirmative majority of votes cast unless the relevant portfolio manager believes that the company has adopted formal corporate governance principles. The adoption of such corporate governance principles should present a meaningful alternative to the majority voting standard.

### **Reimbursement of Proxy Solicitation Expenses**

Decisions to provide reimbursement for dissidents waging a proxy contest are made on a **case-by-case** basis.

## **Separating Chairman and CEO**

Shareholder proposals to separate the chairman and CEO positions should be evaluated on a **case-by-case** basis.

While we may support these proposals, some companies have governance structures in place that can satisfactorily counterbalance a combined position. Voting decisions will take into account factors such as:

- Designated lead director, appointed from the ranks of the independent board members with clearly delineated duties;
- Majority of independent directors;
- All-independent key committees;
- Committee chairpersons nominated by the independent directors;
- CEO performance is reviewed annually by a committee of outside directors; and
- Established governance guidelines.

Where the chairman and CEO positions are held by the same person, we will support shareholder proposals to separate the chairman and CEO positions in the absence of there being a designated lead director that has been appointed from the ranks of the independent board members with clearly delineated duties.

## **Majority of Independent Directors**

While we generally support shareholder proposals asking that a majority of directors be independent, each proposal should be evaluated on a case-by-case basis.

We generally vote for shareholder proposals that request that the board's audit, compensation, and/or nominating committees be composed exclusively of independent directors.

## **Stock Ownership Requirements**

We believe that individual directors should be appropriately compensated and motivated to act in the best interests of shareholders. Share ownership by directors better aligns their interests with those of other shareholders. Therefore, we believe that meaningful share ownership by directors is in the best interest of the company.

We generally vote **for** proposals that require a certain percentage of a director's compensation to be in the form of common stock.

## **Size of Boards of Directors**

We believe that the number of directors is important to ensuring the board's effectiveness in maximizing long-term shareholder value. The board must be large enough to allow it to adequately discharge its responsibilities, without being so large that it becomes cumbersome.

While we will prefer a board of no fewer than 5 and no more than 16 members, each situation will be considered on a **case-by-case** basis taking into consideration the specific company circumstances.

## **Classified or Staggered Boards**

In a classified or staggered board, directors are typically elected in two or more "classes", serving terms greater than one year.

We prefer the annual election of all directors and will generally **not support** proposals that provide for staggered terms for board members. We recognize that there may be jurisdictions where staggered terms for board members is common practice and, in such situations, we will review the proposals on a **case-by-case** basis.

## **Director Indemnification and Liability Protection**

We recognize that many individuals may be reluctant to serve as corporate directors if they were to be personally liable for lawsuits and legal costs. As a result, limitations on directors' liability can benefit the corporation and its shareholders by helping to attract and retain qualified directors while providing recourse to shareholders on areas of misconduct by directors.

We generally vote **for** proposals that limit directors' liability and provide indemnification as long as the arrangements are limited to the director acting honestly and in good faith with a view to the best interests of the corporation and, in criminal matters, are limited to the director having reasonable grounds for believing the conduct was lawful.

## **AUDITORS**

A strong audit process is a requirement for good corporate governance. A significant aspect of the audit process is a strong relationship with a knowledgeable and independent set of auditors.

## **Ratification of Auditors**

We believe a company should limit its relationship with its auditors to the audit engagement, and certain closely related activities that do not, in the aggregate, raise an appearance of impaired independence.

We generally vote **for** the reappointment of the company's auditors unless:

- It is not clear that the auditors will be able to fulfill their function;

- There is reason to believe the auditors have rendered an opinion that is neither accurate nor indicative of the company's financial position; or
- The auditors have a significant professional or personal relationship with the issuer that compromises their independence.

### **Disclosure of Audit vs. Non-Audit Fees**

Understanding the fees earned by the auditors is important for assessing auditor independence. Our support for the re-appointment of the auditors will take into consideration whether the management information circular contains adequate disclosure about the amount and nature of audit vs. non-audit fees.

There may be certain jurisdictions that do not currently require disclosure of audit vs. non-audit fees. In these circumstances, we will generally **support** proposals that call for this disclosure.

### **COMPENSATION PROGRAMS**

Appropriately designed equity-based compensation plans, approved by shareholders, can be an effective way to align the interests of long-term shareholders and the interests of management, employees and directors. Plans should not substantially dilute shareholders' ownership interests in the company, provide participants with excessive awards or have objectionable structural features. We will consider each compensation plan in its entirety (including all incentives, awards and other compensation) to determine if the plan provides the right incentives to managers and directors and is reasonable on the whole.

While we generally encourage companies to provide more transparent disclosure related to their compensation programs, the following are specific guidelines dealing with some of the more common features of these programs (features not specifically itemized below will be considered on a **case-by-case** basis taking into consideration the general principles described above):

#### **Cash Compensation and Severance Packages**

We will generally **support** the board's discretion to determine and grant appropriate cash compensation and severance packages.

#### **Equity Based Plans - Dilution**

We will generally vote **against** equity-based plans where the total dilution (including all equity-based plans) is excessive.

#### **Employee Stock Purchase Plans**

We will generally vote **for** the use of employee stock purchase plans to increase company stock ownership by employees, provided that shares purchased under the plan are acquired for no less than 85% of their market value. It is recognized that country specific circumstances may exist (e.g. tax issues) that require proposals to be reviewed on a **case-by-case** basis.

### **Loans to Employees**

We will vote **against** the corporation making loans to employees to allow employees to pay for stock or stock options. It is recognized that country specific circumstances may exist that require proposals to be reviewed on a case-by-case basis.

### **Stock Option Plans – Board Discretion**

We will vote **against** stock option plans that give broad discretion to the board in setting the terms and conditions of the programs. Such programs should be submitted with detail and be reasonable in the circumstances regarding their cost, scope, frequency and schedule for exercising the options.

### **Stock Option Plans – Inappropriate Features**

We will generally vote **against** plans that have any of the following structural features:

- ability to re-price “underwater” options without shareholder approval,
- ability to issue options with an exercise price below the stock’s current market price,
- ability to issue “reload” options, or
- automatic share replenishment (“evergreen”) features.

### **Stock Option Plans – Director Eligibility**

While we prefer stock ownership by directors, we will **support** stock option plans for directors as long as the terms and conditions of director options are clearly defined and are reasonable.

### **Stock Option Plans – Repricing**

We will vote **for** proposals to re-price options if there is a value-for-value (rather than a share-for-share) exchange.

### **Stock Option Plans – Vesting**

We will vote **against** stock option plans that are 100% vested when granted.

### **Stock Option Plans – Authorized Allocations**

We will generally vote **against** stock option plans that authorize allocation of 25% or more of the available options to any one individual.

### **Stock Option Plans – Change in Control Provisions**

We will vote **against** stock option plans with change in control provisions that allow option holders to receive more for their options than shareholders would receive for their shares.

## **CORPORATE MATTERS**

We will review management proposals relating to changes to capital structure, reincorporation, restructuring and mergers & acquisitions on a case-by-case basis, taking into consideration the impact of the changes on corporate governance and shareholder rights, anticipated financial and operating benefits, portfolio manager views, level of dilution, and a company's industry and performance in terms of shareholder returns.

### **Common Stock Authorization**

We will review proposals to increase the number of shares of common stock authorized for issue on a **case-by-case** basis.

### **Dual Class Share Structures**

Dual class share structures involve a second class of common stock with either superior or inferior voting rights to those of another class of stock.

We will generally vote **against** proposals to create or extend dual class share structures where certain stockholders have superior or inferior voting rights to another class of stock.

### **Stock Split**

We will vote **for** proposals to increase common share authorization for a stock split, provided that the increase in authorized shares would not result in excessive dilution given a company's industry and performance in terms of shareholder returns.

### **Reverse Stock Splits**

We will vote **for** management proposals to implement a reverse stock split, provided that the reverse split does not result in an increase of authorized but unissued shares of more than 100% after giving effect to the shares needed for the reverse split.

### **Share Repurchase Programs**

We will vote **against** proposals to institute open-market share repurchase plans if all shareholders do not participate on an equal basis.

### **Reincorporation**

Reincorporation involves re-establishing the company in a different legal jurisdiction.

We will generally vote **for** proposals to reincorporate the company provided that the board and management have demonstrated sound financial or business reasons for the move. Proposals to reincorporate will not be supported if solely as part of an anti-takeover defense or as a way to limit directors' liability.

## **Mergers & Acquisitions**

We will vote **for** merger & acquisition proposals that the relevant portfolio managers believe, based on their review of the materials:

- will result in financial and operating benefits,
- have a fair offer price,
- have favourable prospects for the combined companies, and
- will not have a negative impact on corporate governance or shareholder rights.

## **SOCIAL RESPONSIBILITY**

We recognize that to effectively manage a corporation, directors and management must consider not only the interests of shareholders, but the interests of employees, customers, suppliers, and creditors, among others.

We believe that companies and their boards must give careful consideration to social responsibility issues in order to enhance long-term shareholder value.

We **support** efforts by companies to develop policies and practices that consider social responsibility issues related to their businesses.

## **SHAREHOLDER PROPOSALS**

Shareholder proposals can be extremely complex, and the impact on the interests of all stakeholders can rarely be anticipated with a high degree of confidence. As a result, shareholder proposals will be reviewed on a **case-by-case** basis with consideration of factors such as:

- the proposal's impact on the company's short-term and long-term share value,
- its effect on the company's reputation,
- the economic effect of the proposal,
- industry and regional norms applicable to the company,
- the company's overall corporate governance provisions, and
- the reasonableness of the request.

We will generally **support** shareholder proposals that require additional disclosure regarding corporate responsibility issues where the relevant portfolio manager believes:

- the company has failed to adequately address these issues with shareholders,

- there is information to suggest that a company follows procedures that are not in compliance with applicable regulations, or
- the company fails to provide a level of disclosure that is comparable to industry peers or generally accepted standards.

We will generally **not support** shareholder proposals that place arbitrary or artificial constraints on the board, management or the company.

### **Compensation**

Generally vote on a case by case, taking into account company performance, pay level versus peers, pay level versus industry, and long term corporate outlook. But will generally vote FOR shareholder proposals that:

- Advocate the use of performance-based awards like indexed, premium-priced, and performance-vested options or performance-based shares, unless the proposal is overly restrictive or the company already substantially uses such awards.
- Call for a shareholder vote on extraordinary benefits contained in supplemental executive retirement plans.

### **Ordinary Business Practices**

We will generally **support** the board's discretion regarding shareholder proposals that involve ordinary business practices.

### **Protection of Shareholder Rights**

We will generally vote **for** shareholder proposals that are designed to protect shareholder rights if the company's corporate governance standards indicate that such additional protections are warranted.

### **Barriers to Shareholder Action**

We will generally vote **for** proposals to lower barriers to shareholder action.

### **Shareholder Rights Plans**

We will generally vote **for** proposals to subject shareholder rights plans to a shareholder vote.

### **OTHER**

We will vote **against** any proposal where the proxy materials lack sufficient information upon which to base an informed decision.

We will vote **against** any proposals to authorize the company to conduct any other business that is not described in the proxy statement (including the authority to approve any further amendments to an otherwise approved resolution).