



NEWS

For Immediate Release

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NEW STUDY FINDS SIGNIFICANT VOTING PATTERNS VARIATIONS AMONG LARGE EXCHANGE-TRADED FUNDS

NEW YORK, NY, June 30, 2009 – The Investor Responsibility Research Center Institute and PROXY Governance Inc. today released a new in-depth analysis of the proxy voting policies and recent voting records of seven of the largest exchange-traded fund (ETF) sponsors, which account for some 94% of the ETF market. The findings indicate a considerable variation in the voting patterns and philosophies of these funds.

“ETFs have surged in growth, from a single fund in 1993 to approximately 750 ETFs with more than a half trillion dollars in assets under management in the U.S. alone as of year end 2008,” said Jon Lukomnik, IRRC Institute program director. “Most investors don’t know that when they buy an ETF, they also give that ETF the right to vote at all the underlying companies owned by that ETF. This is the first look at how ETFs are using the voting power they have amassed, which ultimately impacts corporate performance and shareholder value. Importantly, the findings come at a time of unprecedented focus on corporate governance in the U.S.,” he added.

“Our analysis revealed wide variation in both the voting policies of the seven dominant ETF sponsors, as well as how they actually voted on a sample of twenty-one specific votes on a variety of important governance and social policy issues,” said Scott Fenn, senior managing director for policy at PROXY Governance and a co-author of the report. “On one end of the spectrum, ProFunds voted with management on only 5 of the 21 proposals in our sample; at the other end, Rydex voted with management on 19 of the 21 proposals – with the remaining funds falling in between,” he added. “The

funds also differed markedly on how often they voted against or withheld votes from director nominees,” Fenn said, “ranging from about 19 percent of firms in the S&P 500 index to 0 percent.”

The new study, “*Proxy Voting by Exchange-Traded Funds: An Analysis of ETF Voting Policies, Practices and Patterns*,” was commissioned by the non-profit IRRIC Institute and conducted by PROXY Governance. The key research findings are as follows:

- There appear to be significant differences in the level of detail of proxy voting guidelines utilized by ETF sponsors. The ETF sponsors in the study that relied on guidelines provided by proxy advisory firms appear to have the most detailed and comprehensive, and prescriptive, guidelines. At the other end of the spectrum, Rydex has very summary guidelines that stipulate voting with management on virtually all issues.
- There is significant variation in the voting philosophies and patterns of the largest ETF sponsors, with some funds much more likely to vote against management on both shareholder and management-sponsored proposals than other funds.

The three largest ETF sponsors are somewhat less likely to vote against management on shareholder and management proposals than are most of the smaller fund sponsors examined in this study. Yet, the three largest ETF sponsors, on average, appear to withhold votes from incumbent director nominees at a greater number of companies than the smaller funds, which appears to be their preferred means of expressing dissatisfaction with management or board governance rather than voting against management on specific proposals.

- The votes by the specific funds at selected 2008 annual meetings are generally consistent with the written voting policies of those funds. Case-by-case voting policies by many funds on most issues explain much of this consistency. In a few cases, however, specific votes were cast that appear to be potentially contrary to the fund’s written voting guidelines.
- Funds that rely heavily on a proxy advisory firm for voting guidelines or to make their vote decisions tend to vote against management proposals, and in favor of shareholder proposals, more frequently than those that rely on their own guidelines.

The study covers the following seven ETF sponsors – Barclays Global Investors (iShares), State Street Global Advisors (SPDRs), Vanguard Group (Vanguard ETFs), Invesco Ltd. (PowerShares), ProFunds (ProShares), Rydex Investments (RydexShares) and WisdomTree Trust (WisdomTree ETFs). (NB: Barclay’s Plc recently announced that it would sell its Barclay’s Global Investors asset management division, the single largest ETF manager, to BlackRock, Inc.)

The full report is available at www.irrcinstitute.org and www.proxygovernance.com. The report also is included in the Social Science Research Network Corporate Governance Network at <http://www.ssrn.com/cgn/index.html>. The CGN is sponsored by the Institute and makes available

thousands of research reports on environmental, social and corporate governance research to anyone, anywhere, anytime.

About The IRRIC Institute

The IRRIC Institute is a not-for-profit organization headquartered in New York, N.Y whose mission is to provide thought leadership at the intersection of corporate responsibility and the informational needs of investors. More information is available at www.irricinstitute.org.

About PROXY Governance

PROXY Governance, Inc. is an independent and conflict-free proxy advisory firm that helps build long-term shareholder value by providing various proxy advisory services to institutional investors, including mutual funds, public and private pension funds, insurance companies' investment divisions, and investment banks. PGI's services include high-quality research, independent voting recommendations and a state-of-the-art proxy voting platform, known as PROXY Advantage.

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