

FBR Fund Advisers, Inc. Proxy Voting Policy

FBR Fund Advisers, Inc. (the “Advisor”) takes seriously the responsibility of exercising its rights to vote all proxies over which it has voting authority in the best interests of its clients. We have therefore adopted and implemented the following policies and procedures that we believe are reasonably designed to ensure that proxies are voted in the best interest of clients, in accordance with our fiduciary duties and Rule 206(4)-6 under the Investment Advisers Act of 1940.

General Statement of Policy

Each proxy is voted on a case-by-case basis in the best economic interest of the client or shareholder taking into consideration all relevant contractual obligations and other circumstances at the time of the vote. Proxies are also voted with the objective of fostering good corporate governance practices, including the fair and equal treatment of shareholders together with the reasonable disclosure of company policies, activities and returns.

The Advisor delegates the responsibility to exercise voting authority with respect to securities held in portfolios for which the Advisor has retained one or more Sub-Advisors to those Sub-Advisors in accordance with each applicable Sub-Advisor Proxy Voting Policy.

- Each Portfolio Manager of the Advisor and/or Proxy Designate (a representative designated by the Portfolio Manager to vote proxies) is encouraged to own shares in the fund over which he oversees the proxy process as to align his voting interest with other fund shareholders.
- The Portfolio Manager and/or Proxy Designate is required to review each proxy issue and make a voting decision in a timely manner that, in his/her best judgment, is in the best interests of the client.

General Philosophies / Categories of Issues

There are many issues that can come up in the proxy voting process. The Advisor’s general philosophy with respect to voting certain broad categories of proxies is as follows:

Election of the Board of Directors

- We support the concept that a board should consist of a majority of Independent Directors and will vote accordingly.
- We will support the concept that audit, compensation and nominating committees will be comprised of a majority of Independent Directors and will vote accordingly.

Approval of Independent Auditors

In general, we support the concept that the relationship between the company and its auditors should be limited to the audit engagement. Although there can be certain rational explanations to exceptions to this policy, in general, non-audit income derived by the companies auditors should not exceed 50% of the total fees paid by the company to the audit firm and will vote accordingly. If this is not fully disclosed in the proxy statement, we will generally abstain from voting on the election of auditors.

Equity-based Compensation Plans

As a general rule, we support equity based compensation programs that are approved by shareholders and that align management's interests with a company's non-affiliated shareholders. Since such plans can have many different forms, it is hard to provide specific proxy voting guidelines that can cover all possibilities. However the following are some basic concepts that we support and will vote accordingly.

- We will generally vote against any plan that causes significant shareholder dilution.
- We will generally vote against plans that re-price underwater options.
- We will generally support requirements that require senior management to own stock of the company
- We will generally support ESOP plans that allow employees to purchase stock at no more than a 15% discount to market prices.

Corporate Structure and Shareholder Rights

As an overall philosophy we support the concept that all shareholders are created equal and that their voting interest should be in proportion to their equity interests. In addition:

- We will generally vote against low shareholder participation requirements to affect a quorum.
- We will generally vote against imposition of super majority requirements to pass various resolutions.
- We will generally vote against the establishment of different stock classes with disparate voting rights.
- We will generally require that any "poison pills" require shareholder vote.

Corporate and Social Issues

- In general, we believe that a corporation's routine policies and procedures should be left to the management and board of a corporation. With regards to shareholder resolutions that wish to amend these policies and procedures we will vote to support management's recommendations unless we have specific knowledge of the particular issue that, in our judgment, would be in the shareholders best interest if it were enacted.

Abstention

The Advisor may abstain from voting a client proxy under the following circumstances: (i) when the effect on shareholders' economic interests or the value of the portfolio holding is indeterminable or insignificant; or (ii) when the cost of voting the proxies outweighs the benefits, *e.g.*, when voting certain non-U.S. securities.

Conflicts of Interest

The Advisor generally insulates itself from conflicts of interests between itself and its clients or shareholders by voting proxies in accordance with these Policies. The Advisor may also create another procedure that results in a decision that is demonstrably based on the client's best interest and not the product of conflict, for example, by pursuing one of the following courses of action:

- (1) convene an ad-hoc committee to assess and resolve the conflict;
- (2) vote in accordance with the instructions of a client or shareholder after providing notice to that client or shareholder of the conflict;
- (3) vote the proxy in accordance with the recommendation of an independent third-party service provider; or
- (4) delegate the vote to an independent third-party service provider.

The Advisor will document the process of resolving any identified material conflict of interest.

Record Keeping

The Advisor maintains records related to proxy voting as required by Rule 204-2(c) of the Investment Advisers Act, which includes: (1) a copy of all proxy voting policies and procedures; (2) proxy statements received regarding client securities (this may be satisfied by relying on EDGAR or a third party if the party undertakes to provide a copy promptly upon request); (3) a record of each vote cast (third party records similarly permitted); (4) a copy of any document created by the Advisor that was material to making a decision how to vote proxies on behalf of a client or that memorializes the basis for that decision; and (5) each written client request for proxy voting records and the Advisor's written response to any (written or oral) client request for such records. Additionally, the Advisor maintains any documentation related to an identified material conflict of interest.

Proxy voting books and records are maintained by the Advisor in an easily accessible place for a period of five years, the first two in the Advisor's primary business location.

Review and Oversight

The staff of the Advisor will provide for the supervision and periodic review of its proxy voting activities and the implementation of these Policies.