

Proxy Voting Policy

Original Date of Policy:	October 2004
Entity:	Babson Capital Management LLC and Babson Capital Australia Pty Ltd. (“Babson Capital”)
Last Revision Date:	September 2012

I. Introduction

As an investment adviser, Babson Capital has a fiduciary duty to vote proxies on behalf of their advisory clients (“Clients”). Rule 206(4)-6 of the Investment Advisers Act of 1940 requires that Babson Capital adopt and implement written policies and procedures that are reasonably designed to ensure that proxies are voted in the best interest of its Clients. The policies and procedures must:

- Describe how Babson Capital addresses material conflicts that may arise between Babson Capital’s interests and those of its Clients;
- Disclose to Clients how they may obtain information regarding how Babson Capital voted with respect to their securities; and
- Describe to Clients Babson Capital’s Proxy policies and procedures and, upon request, furnish a copy of the policies and procedures.

II. Policy Statement

The purpose of this Proxy Voting Policy (“Policy”) is to establish the manner in which Babson Capital will fulfill its proxy voting responsibilities and comply with applicable regulatory requirements. Babson Capital understands that voting proxies is part of its investment advisory responsibilities and believes that as a general principle proxies should be acted upon (voted or abstained) solely in the best interests of its Clients (i.e., in a manner that is most likely to enhance the economic value of the underlying securities held in Client accounts).

No Babson Capital associate (“Associate”), officer, board of managers/directors of Babson Capital or its affiliates (other than those assigned such responsibilities under the Policy) can influence how Babson Capital votes proxies, unless such person has been requested to provide assistance by an authorized investment person or designee (“Proxy Analyst”) or Trading Practices Committee member and has disclosed any known Material Conflict, as discussed in the Procedures.

III. Procedure

Standard Proxy Procedures

Babson Capital engages a proxy voting service provider (“Service Provider”) responsible for processing and maintaining records of proxy votes. In addition, the Service Provider will retain the services of an independent third party research provider (“Research Provider”) to provide research and recommendations on proxies. Babson Capital’s policy is generally to vote proxies in accordance with the recommendations of the Research Provider. In circumstances where the Research Provider has not provided recommendations with respect to a proxy, Babson Capital will vote in accordance with the Research Provider’s proxy voting guidelines (“Guidelines”). Guidelines may be amended periodically and are accessible on the Compliance Department’s home page of Babson Capital’s intranet site. In

Proxy Voting Policy

circumstances where the Research Provider has not provided a recommendation nor has contemplated an issue within its Guidelines, the proxy will be analyzed on a case-by-case basis.

Babson Capital recognizes that there may be times when it is in the best interests of Clients to vote proxies, (i) against the Research Provider's recommendations; or (ii) in instances where the Research Provider has not provided a recommendation, vote against the Guidelines. Babson Capital can vote, in whole or part, against the Research Provider's recommendations or Guidelines as it deems appropriate. Procedures are designed to ensure that votes against the Research Provider's recommendations or Guidelines are made in the best interests of Clients and are not the result of any material conflict of interest ("Material Conflict"). For purposes of this Policy, a Material Conflict is defined as any position, relationship or interest, financial or otherwise, of Babson Capital or Associate that could reasonably be expected to affect the independence or judgment concerning proxy voting.

Other Considerations

There could be circumstances where Babson Capital is unable or determines not to vote a proxy on behalf of its Clients. The following is a non-inclusive list of examples whereby Babson Capital may decide not to vote proxies on behalf of its Clients:

- The cost of voting a proxy for a foreign security outweighs the expected benefit to the client, so long as refraining from voting does not materially harm the client;
- Babson Capital is not given enough time to process the vote (i.e. receives a meeting notice and proxy from the issuer too late to permit voting);
- Babson Capital may hold shares on a company's record date, but sells them prior to the company's meeting date;
- Babson Capital has outstanding sell orders on a particular security and the decision to refrain from voting may be made in order to facilitate such sale; or
- The underlying securities have been lent out pursuant to a security lending program.

Administration of Proxy Voting

Babson Capital has designated Proxy Administrators to ensure the responsibilities set forth in this Policy are satisfied.

Handling of Proxies

Proxy statements and cards are typically routed directly to Babson Capital's proxy voting Service Provider. In the event that an Associate receives a proxy statement or card, the Associate should immediately forward to a Proxy Administrator who will record receipt of the proxy, route the materials for review, maintain a record of all action taken and post votes.

Voting of Proxies

Typically, Babson Capital will vote all Client proxies for which it has proxy voting discretion, where no material conflict exists, in accordance with the Research Provider's recommendation or Guidelines, unless (i) Babson Capital is unable or determines not to vote a proxy in accordance with the Policy, or (ii) a Proxy Analyst determines that it is in the Clients' best interests to vote against the Research Provider's recommendation or Guidelines. In such events a Proxy Analyst believes a proxy should be

Proxy Voting Policy

voted against the Research Provider's recommendations or Guidelines, the Proxy Administrator will vote the proxy in accordance with the Proxy Analyst's recommendation so long as (i) no other Proxy Analyst disagrees with such recommendation, and (ii) no known Material Conflict is identified by the Proxy Analyst(s) or a Proxy Administrator. If a Material Conflict is identified by a Proxy Analyst or Proxy Administrator, the proxy will be submitted to the Trading Practices Committee to determine how the proxy is to be voted in order to achieve the Clients' best interests.

Pre-vote communications are prohibited. In the event that a pre-vote communication occurs, it should be reported to the Trading Practices Committee, Babson Capital's CCO and/or General Counsel prior to voting. Any questions or concerns regarding proxy-solicitor arrangements should be addressed to Babson Capital's CCO and/or General Counsel.

Oversight

Babson Capital's Trading Practices Committee is responsible for (i) at least annually, reviewing and recommending changes as needed to the Policy including but not limited to how proxies are processed, to ensure that the Policy serves its intended purpose, (ii) approving proxy voting forms as needed, and (iii) providing for the disclosures required by the Books and Records Retained section below.

New Account Procedures

Investment management agreements generally delegate the authority to Babson Capital to vote proxies in accordance with its Policy. In the event that an investment management agreement is silent on proxy voting, Babson Capital should obtain written instructions from the Client as to their voting preference. However, when the Client does not provide written instructions as to their voting preference, Babson Capital will assume proxy voting responsibilities. In the event that a Client makes a written request regarding proxy voting, Babson Capital will vote as instructed.

Required Disclosures and Client Request for Information

Babson Capital will include a summary of this Policy in its Form ADV Part 2A, as well as instructions as to how a Client may request a copy of this Policy and/or a record of how Babson Capital voted the Client's proxies. Requests will be directed to a Proxy Administrator, who will provide the information to the appropriate client service representative in order to respond to the Client in a timely manner.

IV. Conflict Resolution and Escalation Process

Associates should immediately report any issues they believe are a potential or actual breach of this Policy to their relevant business unit management and to the Chief Compliance Officer or the Compliance Subject Matter Expert identified in this Policy. The Chief Compliance Officer or designee will review the matter and determine whether the issue is an actual breach and whether to grant an exception and/or the appropriate course of action. When making such determination, the Chief Compliance Officer may, as part of his/her review, discuss the matter with relevant business unit management, members of the Senior Management Team, governance committees or other parties (i.e. legal counsel, auditor, etc).

Proxy Voting Policy

The Compliance Department can grant exceptions to any provision of this Policy so long as such exceptions are consistent with the purpose of the Policy and applicable law, are documented and such documentation is retained for the required retention period. Any questions regarding the applicability of this Policy should be directed to the identified Compliance Subject Matter Expert or the Chief Compliance Officer.

V. Associated Policies

- Investment Management Agreements

VI. Governing Regulatory Statute

- Rule 206(4)-6 of the Investment Advisers Act of 1940
- Rule 204-2(c)(2) of the Investment Advisers Act of 1940
- Rule 30b1-4 of the Investment Company Act of 1940

VII. Books and Records Retained

The table below identifies each Record that is required to be retained as it relates to this Policy:

Description/ Requirement	Babson Record	Creator	Owner	Retention Period	Source
The Trading Practices Committee review of Policy, proxy activity, and approval of proxy voting forms	Trading Practices Committee meeting materials	Proxy Administrator	Trading Practices Committee Chairperson	6 years	Investment Advisers Act of 1940, Rule 206(4)-6
Proxy statements, research, recommendations, and records of votes cast	Proxy records	Service Provider or Proxy Administrator	Service Provider or Proxy Administrator	6 years	Investment Advisers Act of 1940, Rule 206(4)-6

Proxy Voting Policy

Description/ Requirement	Babson Record	Creator	Owner	Retention Period	Source
Proxy Voting Forms (including supporting documentation used in deciding how to vote)	Proxy Voting Forms	Proxy Administrator and/or Proxy Analyst	Proxy Administrator	6 years	Investment Advisers Act of 1940, Rule 206(4)-6
Client written requests for proxy voting information and responses thereto	Client Proxy Requests	Proxy Administrator	Proxy Administrator	6 years	Investment Advisers Act of 1940, Rule 204-2(c)(2)
Form N-PX, for proxies voted on behalf of an investment company for which Babson Capital serves as investment adviser and is responsible for making such filing on behalf of its Clients	Form N-PX	Proxy Administrator	Legal Department	6 years	Investment Company Act of 1940, Rule 30b1-4
The Proxy Voting Policy, associated procedures and any amendments thereto	Proxy Voting Policy	Compliance Department	Compliance Department	6 years	BCM IA Compliance Manual Policy requirement
A copy of the Research Provider's proxy voting guidelines	Research Provider's Proxy Voting Guidelines	Research Provider	Proxy Administrator	6 years	BCM IA Compliance Manual Policy requirement