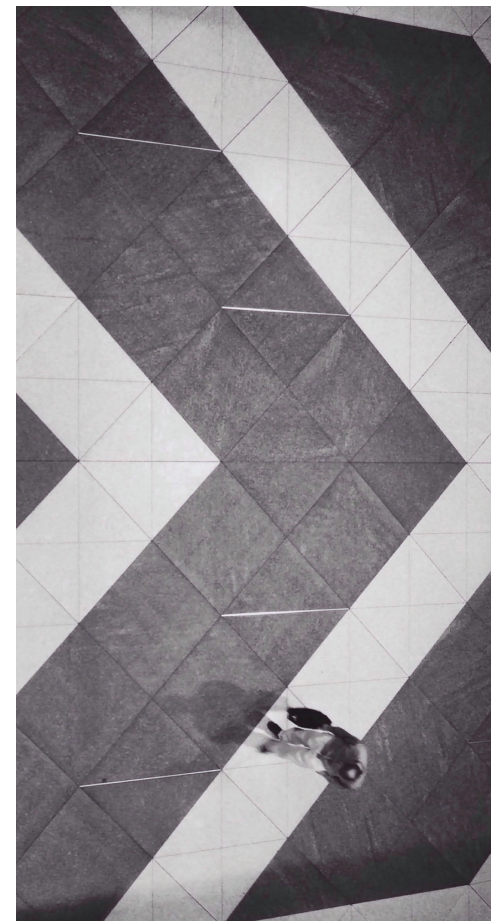


Next-generation proxy voting

How data-driven analytics, omni-channel delivery and blockchain are helping mutual funds achieve their proxy goals.



The background of the top section is a collage of financial data and market indicators. It features various colored arrows (upward and downward) and numerical values such as '+0.20', '+0.41%', '2.95%', '4.78', '64.75', '15.90', '+0.25', '+0.60', '+3.77%', '1.54%', '5.90', and '19.50'. The overall aesthetic is modern and data-driven, with a color palette of blues, greens, and reds.

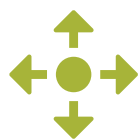
Forward-looking funds use next-gen technologies to transform today's challenges into tomorrow's opportunities.

Gone are the days where proxy mailings and phone calls represent the only means of shareholder engagement. Today, innovations are helping funds target and engage shareholders in ways that strengthen long-term relationships and maximize participation.

When it comes to proxy voting, mutual funds face unique challenges. Unlike corporate issuers, mutual funds rely heavily on retail shareholders who are less likely to vote. Low voter interest combined with a lack of actionable shareholder data makes it harder to drive engagement.

On the back end, mutual funds struggle to ensure vote integrity — missing votes and overvoting sometimes throw meeting outcomes into question. And increasing costs continue to plague even the most well-planned campaigns.

To address these challenges, best practices suggest supplementing traditional, paper-based communications with next-gen digital tools to execute comprehensive strategies that improve outcomes while lowering overall costs. Below are the myriad ways leading funds leverage new technologies to transform governance and the proxy process.



INNOVATORS DON'T ABANDON TRADITIONAL METHODS OF ENGAGEMENT. INSTEAD, THEY BUILD ON PROVEN TECHNIQUES.



In this paper, you'll discover how new technologies, like advanced analytics, omni-channel communication and blockchain can help funds:

PLAN THE VOTE

Execute data-driven campaign planning and management.

DRIVE THE VOTE

Deliver more impactful communications.

CAPTURE THE VOTE

Make voting easier for shareholders.

PROCESS THE VOTE

Transform processing and reconciliation.

AN UPHILL CLIMB

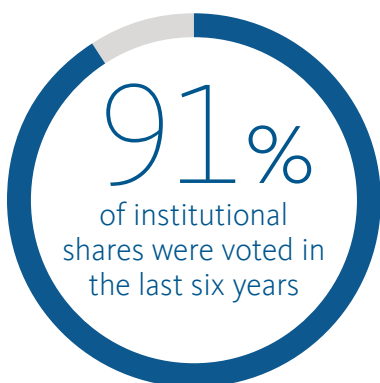
Corporate issuers can rely almost exclusively on institutional shareholders to achieve their voting goals — a whopping 91 percent of institutional shares were voted in the last six years. Mutual funds, by contrast, enjoy no such luxury. Roughly 95 percent of all accounts holding mutual fund shares are retail accounts, which vote at much lower rates. In fact, over the last six years, only 12 percent of retail accounts holding mutual funds voted their shares.

Such low retail voting rates pose serious risks for funds. Mutual fund proxy votes occur only when there is a proposal significantly impacting the fund's prospectus, or involves the approval of a merger, new governance arrangement or advisory contract. If a mutual fund cannot attain quorum and garner enough votes to ensure proposal passage, the ramifications can be costly. Mergers might be abandoned altogether, advisory contracts can lapse and funds may forfeit incurred expense.

Mutual funds must be far more proactive than corporate issuers when it comes to driving — and processing — the vote. Funds must get it right the first time. From vote planning to reconciliation and validation, there's little room for error.



BY THE NUMBERS: MUTUAL FUND PROXIES



PLAN THE VOTE

Execute data-driven campaign planning and management.

Any proxy solicitation campaign is essentially a math exercise. You start with the total vote requirement, identify likely institutional votes and then, finally, deduce outstanding retail votes. The formula is easy enough. But the challenge is figuring out what to plug into each variable. That's where advanced data analytics is the difference-maker.

Some funds use data aggregation technologies to compile historical voting statistics. These tools enable funds to identify who has voted in the past and who is likely to vote in the future. Other funds rely on select proxy service providers for access to enormous longitudinal datasets. Both approaches help unlock segmented insight at a unique level of granular detail.

During voting, funds may perform a propensity-to-vote analysis to identify specific shareholder groups and institutions most likely to vote for or against a given proposal. From there, they can more accurately forecast vote projections and allocate resources.

Along with campaign planning, funds use analytics to track and forecast votes in real time, enabling on-the-fly adjustment. First, funds identify shareholders who haven't yet voted. Then, they issue targeted reminders based on an analysis of communication methods most likely to generate a response. There's no reason to spend money on phone calls to shareholders who are unlikely to respond. From planning through execution, data-driven analysis and targeting helps funds manage limited resources more effectively.

DISCRETIONARY VOTING: REACH QUORUM FASTER

In certain cases, funds may rely on broker discretionary voting to reach quorum. Discretionary voting applies in cases where the meeting agenda contains routine items.

These rules enable brokers to vote on behalf of shareholders (if shareholders don't provide specific instruction). When planning a proxy, it is important to know which brokers support the discretionary voting and which do not.

You can access historical voting data to identify brokers that tend to submit discretionary votes, as well as brokers that tend to vote according to management recommendations.

WHEN FUNDS BUILD A PROXY SOLICITATION CAMPAIGN AROUND DISCRETIONARY VOTING, THEY CAN ACHIEVE QUORUM FASTER AND DRIVE BETTER OUTCOMES.

DRIVE THE VOTE

Deliver more impactful communications.

There's an unfortunate myth in the proxy solicitation industry that digital communication methods aren't as effective as paper. But the reality is that digital communications have proven to help funds achieve their proxy goals. The most successful funds have the full arsenal at the ready: social media, video, mobile, email, text messaging and digital delivery, in addition to printed mailings and outbound calling.

Importantly, funds that adopt digital communications don't stop using alternative methods altogether.

A multi-pronged, omni-channel approach combines the best of both worlds. Paper proxies are effective. Paper proxies followed by social media reminders are more effective still.



The key is finding ways to leverage digital tools to make traditional methods more effective.

CHOOSE THE BUDGET-FRIENDLY OPTION

Every fund knows that printing and distributing paper ballots can be enormously expensive. Postage alone consumes a significant portion of a fund's proxy solicitation budget. Phone solicitation is an even pricier option.

Digital communication eliminates most of those costs. You can easily scale up and deliver multiple reminders with marginal additional spend, making digital delivery an extremely budget-friendly option.

Regardless of the approach, it's vital to ensure that messaging is compelling, engaging and on brand. Plain proxy statements often go unread. That's why industry leaders are using customized proxies, with engaging visuals and content, to drive engagement. The best funds even pay attention to small things, like enhanced packaging, which boost open rates and generate a better response.

Another area gaining attention is shareholder education. Many shareholders call their advisor for help with proxy voting. It's imperative, therefore, to make sure advisors are informed and knowledgeable, and can help navigate shareholders through the process. Some funds send Q&As to advisors in advance. That way, advisors are prepared to educate their clients about what's at stake and inform them of all available voting options.



In the very near future, it will be possible to facilitate voting directly via text messages.

The rise of social media and text messaging

Social media platforms represent an incredible opportunity for funds to maximize shareholder participation. Native platform marketing tools enable funds to target shareholders with pinpoint accuracy (thanks to extremely rich user analytics). Some funds even design ads to target specific shareholder segments.

Text messaging is also gaining popularity. Digital consent, text message notifications and reminders can direct shareholders to voting websites. Compared to phone calls, text messaging is non-invasive. Shareholders can respond at their convenience.



Text messaging combined with social media advertising has been shown to significantly boost voting rates. Best of all, social media and text messaging are comparatively cost-effective, especially compared to mail and phone campaigns.

68%

of U.S. adults report that they are Facebook users



75%

of those users access Facebook on a daily basis

Source: Pew Research Center

Year over year the Broadridge mobile voting platform has seen

15%
growth
in votes

27%
growth in
shares voted

CAPTURE THE VOTE

Make voting easier for shareholders.

Consumer expectations are changing as fast as technology itself. Everything must be quicker, easier, more intuitive. Shareholders want the same kind of experience they're getting everywhere else. No matter how sophisticated or advanced targeting techniques are, funds can't convert entitlements if they don't provide the convenience and accessibility shareholders have come to expect.

If you want to get the vote, make it easy — and provide more options. Each voting option translates into better outcomes for funds.

HOW FUNDS ENABLE SHAREHOLDERS TO VOTE:

- Paper mailing
- Digital shareholder mailbox
- Phone
- Social media link
- Email
- Mobile voting site
- Text messaging

Shareholders who prefer digital channels vote at roughly the same rate as paper-only shareholders. They also tend to vote sooner and hold more shares (on average). For years, Broadridge has helped funds expand the use of digital voting. Today, about 35 percent of proxy votes are cast via electronic ballots, slightly below the 40 percent cast by paper ballots (the remaining vote by various means, including touchtone phone, third-party advisors and outbound solicitation). Expect this ratio to move more toward electronic voting in the next few years.

Digital voting generates participation from a wider swath of shareholders. Our internal data shows that digital tools are more likely to bring first-time voters into the fold. In addition, millennials and younger investors clearly respond more readily to digital communications. Long-term opportunity is created whenever funds make it easier to vote.

TOP FIVE REASONS TO ADOPT DIGITAL PROXY COMMUNICATIONS

- 1 Shareholders prefer it.**
Shareholders demand the same kind of consumer-first experience they're getting everywhere else.
- 2 Competitors are stepping up.**
Funds that don't use digital communications are already behind.
- 3 It's proven to work.**
Shareholders who choose digital communications vote at roughly the same frequency as paper-only shareholders.
- 4 Speed matters.**
Funds minimize voting turnaround time when they execute a digital-first strategy.
- 5 It saves money.**
Digital communications alleviate much of the costs associated with printing and postage.

PROCESS THE VOTE

Transform processing and reconciliation.

In proxy voting, the question of who gets to vote is rather simple. And yet, the reality is that our investment ecosystem still contains too much uncertainty. In the last few decades, the proxy vote system has expanded into a vast and sprawling infrastructure, with multiple acting agents, issuers and brokers all operating through an intermediated holding system.

Without accurate vote reconciliation, situations can arise where the mutual fund believes they have reached quorum when, in fact, they have not; or the fund may erroneously believe they failed to achieve quorum when, in fact, they have. In an era of increased shareholder activism, both of these flaws pose significant risks.

At the extreme, successful meeting outcomes could be overturned if all votes cannot be reconciled with speed and accuracy.

To address these challenges, Broadridge has developed a first-of-its-kind industry utility designed to streamline the proxy vote reconciliation process. Given our position at the center of the financial industry, we are uniquely positioned to track, account for and accurately tabulate outstanding shares to ensure only entitled beneficiaries vote — and to ensure all votes are accurately counted.

THE BROADRIDGE RECONCILIATION PROCESS



STEP 1

Receive data



STEP 2

Perform systematic identification of registered data



STEP 3

Conduct a systematic entitlement match



STEP 4

Research data variances and discrepancies



STEP 5

Apply final vote entitlements

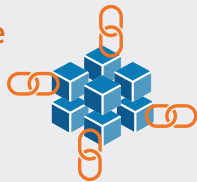


Tomorrow's technology

How blockchain eliminates the need for post-vote reconciliation.

Recently, Broadridge completed a successful pilot with a corporate issuer using blockchain technology to revolutionize the way proxy votes are distributed, managed and tabulated. Although the technology is not yet available for open-end mutual funds, our engineers are finding promising applications for ETFs and closed-end funds.

Blockchain streamlines the proxy-voting process by using distributed ledger technology to generate an immutable and shared record of all voting activity.



The hyper-secure blockchain recordkeeping mechanism enables real-time proxy vote reconciliation, driving improved efficiency, cost savings and confidence.

The advantage is clear: Since there is only one recordkeeping system, built on a distributed ledger, there's no need to reconcile multiple databases or systems. Problems associated with overvoting and missing votes are eliminated during the voting process, making post-vote reconciliation unnecessary.

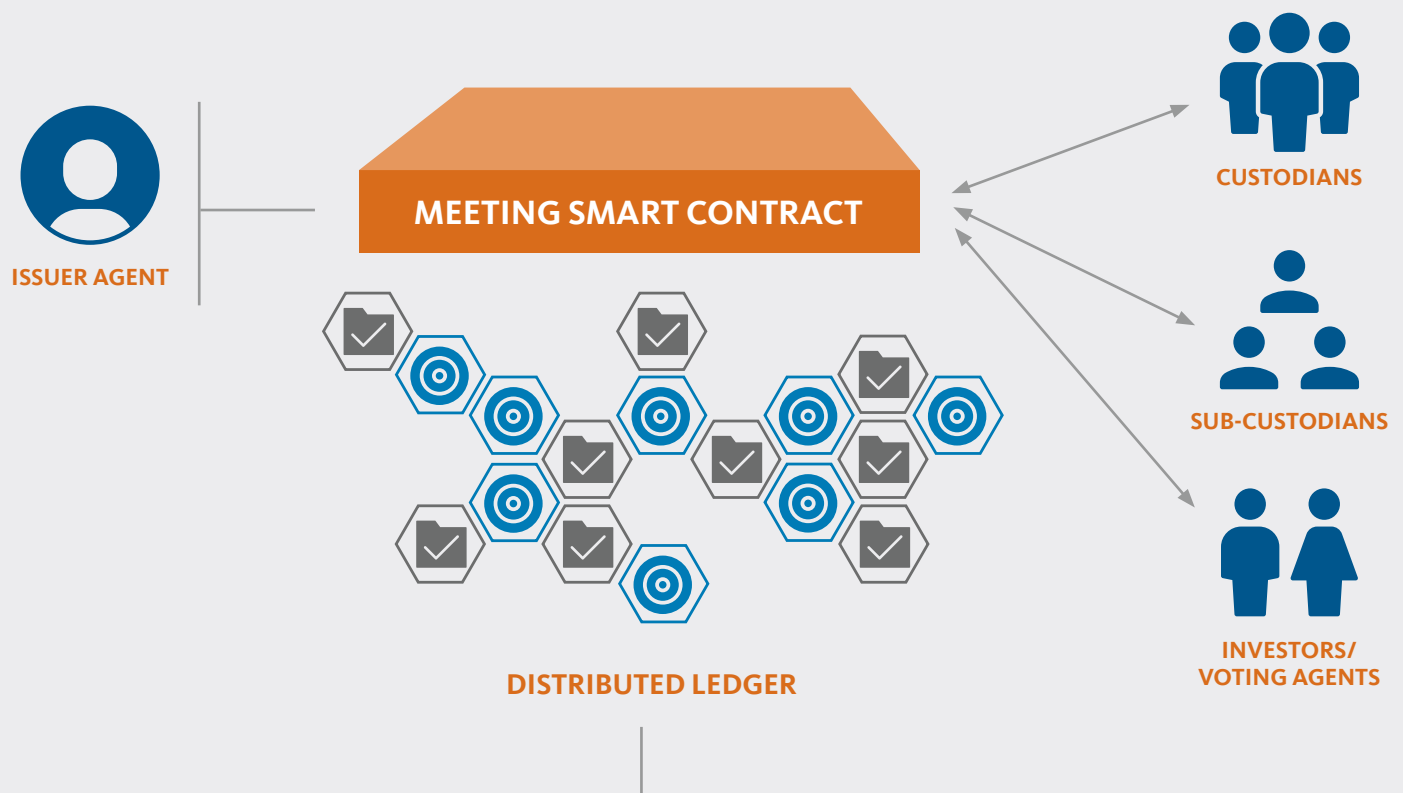
In the end, all parties are confident in the voting outcome because there is a single, immutable record of all transactions.

Blockchain maximizes voting efficiency, security and confidence

Here's how the process works: Issuers import meeting information onto a distributed ledger (decentralized database), including agenda items and event details. At the same time, the fund may define specific rules related to the meeting. These rules establish what's called a "smart contract."

A smart contract is a computer protocol that contains the processing logic for the shareholder meeting. It specifies things like:

- When notifications should be distributed
- What constitutes quorum
- Who is entitled to vote
- Which parties can have access to what information and when



Entitled voters will be able to use Broadridge proxy systems to cast their votes onto the distributed ledger. Each time a vote is imported onto the ledger, it creates an individual cryptographically-signed block. Because each block is an immutable record in the chain, the blockchain guarantees data privacy and security.

INNOVATE TODAY. TRANSFORM TOMORROW.

For more than 50 years, Broadridge's industry-leading innovation has transformed proxy voting for thousands of clients. Broadridge manages the end-to-end proxy voting process across all distribution channels — from project planning and management, mailing and solicitation to voting tabulation. Our access to more than 800 banks and brokers, as well as historical voting data, enables our clients to provide targeted, cost-effective campaigns that maximize engagement and long-term loyalty.

LOOKING FOR MORE?

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Broadridge Financial Solutions (NYSE: BR), a global Fintech leader with \$5 billion in revenues, provides the critical infrastructure that powers investing, corporate governance, and communications to enable better financial lives. We deliver technology-driven solutions that drive business transformation for banks, broker-dealers, asset and wealth managers and public companies. Broadridge's infrastructure serves as a global communications hub enabling corporate governance by linking thousands of public companies and mutual funds to tens of millions of individual and institutional investors around the world. Our technology and operations platforms underpin the daily trading of more than U.S. \$9 trillion of equities, fixed income and other securities globally.

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