

**Statement of  
Investment Policies  
and Procedures**

The University of  
Winnipeg

Trusted Pension  
Plan

Defined Benefit  
Component

As of December 2014

APPROVED on this 2<sup>nd</sup> Day of March, 2015  
on behalf of the Board of Trustees

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Chair

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Secretary

# Contents

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|   |           |
|---|-----------|
| <b>Section 1—Overview</b>                                     | <b>1</b>  |
| 1.01 Background of the DB Plan                                | 1         |
| 1.02 Investment and Risk Philosophy                           | 1         |
| <b>Section 2—Roles and Responsibilities</b>                   | <b>3</b>  |
| 2.01 Delegation of Responsibilities                           | 3         |
| <b>Section 3—Asset Mix, Benchmark, Ranges and Rebalancing</b> | <b>5</b>  |
| 3.01 Fund Performance Objectives                              | 5         |
| 3.02 De-risking Glidepath                                     | 5         |
| 3.03 Fixed Income Transition                                  | 6         |
| 3.04 Fund Asset Mix and Benchmark                             | 6         |
| 3.05 Asset Mix Rebalancing                                    | 6         |
| <b>Section 4—Permitted and Prohibited Investments</b>         | <b>7</b>  |
| 4.01 General Guidelines                                       | 7         |
| 4.02 Permitted Investments                                    | 7         |
| 4.03 Minimum Quality Requirements                             | 8         |
| 4.04 Maximum Quantity Restrictions                            | 9         |
| 4.05 Prior Permission Required                                | 10        |
| 4.06 Securities Lending                                       | 10        |
| 4.07 Borrowing  | 11        |
| <b>Section 5—Administration</b>                               | <b>12</b> |
| 5.01 Conflicts of Interest                                    | 12        |
| 5.02 Related Party Transactions                               | 13        |
| 5.03 Valuation of Securities Not Regularly Traded             | 13        |
| 5.04 Voting Rights  | 13        |
| 5.05 Soft Dollars   | 13        |
| <b>Appendix A—Glossary of Definitions</b>                     |           |
| <b>Appendix B—Performance Measurement</b>                     |           |
| <b>Appendix C— Fixed Income Transition Schedule</b>           |           |
| <b>Appendix D—Policy Revision History</b>                     |           |
| <b>Appendix E—Pooled Fund Policies</b>                        |           |

## Section 1—Overview

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### 1.01 Background of the DB component of the Plan

This policy document covers the defined benefit component of the University of Winnipeg Trusteed Pension Plan (the Plan) and the Pension Trust Fund (the Fund). The Plan is subject to the Pension Benefits Act of Manitoba, and the Income Tax Act, and as a registered pension plan is required to prepare a Statement of Investment Policies and Procedures.

The DB component of the Plan (DB Plan) was closed to new members on January 1, 2000. The defined contribution component, established on the same date, remains open to new members. The number of active members in the DB component is declining and the average age of the active members continues to increase. As a result, liabilities attributable to pensioners continue to grow as percentage of total liabilities.

The primary purpose of the DB Plan is to provide retirement and related benefits for members after retirement in respect of service as employees of the University of Winnipeg.

As per the December 31, 2013 Actuarial Valuation Report, the DB Plan had a going-concern unfunded liability of \$17.6 million on assets of \$126.4 million and liabilities of \$144.0million. The DB Plan's going-concern funding ratio was 0.88 as of December 31, 2013. The DB Plan's solvency ratio was 0.76 as of December 31, 2013.

DB Plan membership as of December 31, 2014 was 477; 163 actives, 269 pensioners and beneficiaries, and 45 members who have left the Plan and whose settlement is pending.

The DB Plan members are each required to contribute 8% of pensionable salary, reduced by 1.8% of that part of the salary on which CPP contributions are made. The University makes regular contributions that are one percent of pensionable salary higher than the contributions made by the members.

The University is also responsible for any additional Current Service Cost and Going Concern funding required under the Pension Benefits Act, and has been granted exemption from solvency deficiency payments while the Plan is ongoing.

### 1.02 Investment and Risk Philosophy

DB Plan assets should be prudently managed to assist in managing funding and return volatility. The Board understands risk to be multi-faceted. The Board considers the primary risk to be adverse changes in the funding ratio. i.e. liabilities increase faster than assets. DB Plan funding risk is monitored by measuring the going-concern funding ratio, and solvency ratio, and changes in required contribution levels during periodic valuations.

The Board seeks to manage the primary risk by employing a combination of a Liability Matching Portfolio, consisting of fixed income instruments, and a growth-oriented portfolio

(Growth Portfolio), consisting of equities and real estate. As well, a de-risking strategy has been implemented to systematically manage the mix between the Liability Matching Portfolio and the Growth Portfolio based on the funding ratio over time. As illustrated in Section 3.02, the de-risking strategy will increase the amount of assets allocated to the Liability Matching Portfolio as the funding status improves.

The Board believes that active management provides superior returns in the long-run, particularly in more risky asset classes, and that value can be added by using best in class managers.

## Section 2—Roles and Responsibilities

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### 2.01 Delegation of Responsibilities

The Board of Trustees is the legal Administrator of the DB Plan and is responsible for the overall management, including the development of this Statement, and establishing and maintaining an investment manager structure. The Board delegates certain responsibilities to various agents retained to assist it in carrying out its duties in respect of the DB Plan. Plan administration and actuarial services are primarily provided under a third-party administration and consulting agreement; certain other day to day administration services are provided by the University under a Plan Services Agreement. The Board, however, retains overall responsibility for the DB Plan. The Board has allocated tasks in respect of the DB Plan as set out below, which include, but are not limited to:

#### a) Defined Benefit Committee

- (i) Recommend a Statement of Investment Policies and Procedures;
- (ii) Recommend an appropriate investment management structure;
- (iii) Recommend appointment of Investment Managers;
- (iv) Recommend appointment of Custodian;
- (v) Recommend appointment of Actuary and administrator;
- (vi) Recommend appointment of Investment Consultant;
- (vii) Monitor investment performance of the Fund and provide periodic written reports to the Board as to the performance of the Fund and its Investment Managers;
- (viii) Liaise with the Investment Managers, Custodian, Actuary and Investment Consultants;  
and
- (ix) Recommend changes to investment policy for review and, to the extent acceptable, acceptance by the Board.

#### b) Investment Managers

- (i) Invest the assets of the Fund in accordance with this Policy;
- (ii) At all times and in all respects, comply with the Code of Ethics and Standards of Professional Conduct as promulgated by the CFA Institute;
- (iii) Meet with the Committee as required but at least annually and provide written quarterly reports regarding their past performance, their future strategies and other issues as requested;

- (iv) Notify the Committee, in writing, of any changes in the Investment Manager's organization, personnel or investment process;
- (v) Notify the Committee, in writing, of any legal or regulatory proceedings or charges against the Investment Manager's firm or investment personnel, or sub-advisors or that firm's investment personnel; and
- (vi) Provide quarterly compliance verification.

**c) Custodian**

- (i) Perform the regular duties required of a trustee/custodian by law;
- (ii) Receive all DB contributions to the Fund and disburse all DB payments from the Fund;
- (iii) Perform the duties required of the Custodian pursuant to agreements entered into from time to time with the Committee;
- (iv) Execute the instructions of the Committee, as delegated to any Investment Manager appointed to manage the assets of the Fund; and
- (v) Provide monthly reporting, of all assets of the Fund and reports of all transactions during the period.

**d) Actuary**

- (i) Provide actuarial valuations of the DB Plan as required; and
- (ii) Provide recommendations to the Committee with respect to any matters relating to DB Plan funding and contribution rates.

**e) Investment Consultant**

- (i) Assist in the development and implementation of this policy and provide related research;
- (ii) Prepare reports on the investment performance and asset mix of the Fund, and Investment Manager updates on a quarterly basis;
- (iii) Support the Committee on matters relating to investment management and administration of the Fund; and
- (iv) Meet with the Committee and/or Board as required.
- (v) Make recommendations to the Committee on rebalancing the Portfolio quarterly

## Section 3—Asset Mix, Benchmark, Ranges and Rebalancing

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### 3.01 Fund Performance Objectives

The Fund's primary performance objective is to improve the DB Plan's funded status on a going-concern basis.

A secondary performance objective is to achieve or exceed the return of the Fund Benchmark portfolio, net of fees, as described in Appendix B.

The third performance objective is to achieve the return objectives, net of fees, in each asset class as listed below over a four year rolling period.

Canadian equities - S&P/TSX Capped Composite Index + 1.0%

Global equities - MSCI World Index (Cdn.\$) + 1.0%

Emerging Markets - MSCI EMF Index (Cdn.\$) + 2.0%

Real estate - IPD Canadian Property Index + 0.0%

Bonds - FTSE/TMX Universe Bond Index + 0.10%

Long term bonds – FTSE/TMX Long Term Bond Index + 0.10%

High Yield – FTSE/TMX Corporate BBB Index + 0.70%

### 3.02 De-risking Glidepath

The de-risking strategy adopted for the Fund separates the assets in the Growth Portfolio and the Liability Matching Portfolio. The de-risking strategy includes a transition schedule, or glidepath, to ensure the de-risking is implemented as the DB Plan's funding ratio permits. As the funding ratio improves, a portion of the Growth Portfolio will be transferred to the Liability Matching Portfolio, effectively reducing DB Plan risk. The transition is divided into the six stages shown below, which are expanded upon into specific asset-class targets in Appendix B. The trigger for each stage is based on the going-concern funding ratio.

#### De-risking Glidepath

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| Going-Concern Funding Ratio  | <85% | 85% to<br>90% | 90% to<br>95% | 95% to<br>100% | 100% to<br>105% | >105% |
|------------------------------|------|---------------|---------------|----------------|-----------------|-------|
| Growth Portfolio             | 75   | 65            | 55            | 50             | 45              | 40    |
| Liability Matching Portfolio | 25   | 35            | 45            | 50             | 55              | 60    |

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### **3.03 Fixed Income Transition**

As part of the de-risking glidepath the Liability Matching Portfolio is to transition from a combination of universe bonds and high yield bonds to a combination of long term bonds and high yield bonds. Appendix C outlines a transition schedule to move from universe bonds to long bonds.

### **3.04 Fund Asset Mix and Benchmark**

The Fund's asset mix is determined subject to the schedules developed for the de-risking glidepath and fixed income transition schedule. The asset mix schedule is provided in Appendix B.

### **3.05 Asset Mix Rebalancing**

The Board of Trustees adopted the de-risking glidepath in Appendix B. Subsequent to each annual valuation or annual update, the funded ratio will be determined and the asset mix will be confirmed or reset as per the glidepath. Exempt from solvency funding requirements, the Plan's going concern ratio will trigger movements between risk stages, including de-risking and re-risking. A trigger is met when the Fund will remain in the subsequent risk stage even after the asset reallocation is completed (i.e. the Fund will remain in the appropriate investment mix for the funded ratio after the valuation rate of return assumption has been adjusted to reflect the new asset mix).

The Administrator will maintain the Liability Matching Portfolio and Growth Portfolio to within +/- 3% of the target allocation, given the funding level. In addition, should any asset class fall outside of policy ranges found in Appendix B, that asset class will be rebalanced to the target weight, where practical. Rebalancing will be accomplished by transferring cash to (from) other asset classes in order of greatest variance from target as soon as is practical. In order to reduce cost, the number of asset classes/managers involved in the rebalancing should be the fewest possible to bring the weight back to target.

Under normal circumstances the Investment Consultant will report on the Fund's asset mix each calendar quarter, and when necessary provide a recommendation on timing, amounts and implementations of potential rebalancings. Based on the recommendation, and other relevant influencing factors, including upcoming Fund changes, liquidity of each asset class and cash flows, the DB Committee may provide direction as to the rebalancing to Administration.



## Section 4—Permitted and Prohibited Investments

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### 4.01 General Guidelines

The investments of the Fund must comply with the requirements and restrictions imposed by the applicable legislation, including but not limited to the requirements of The Pension Benefits Act of Manitoba, which refers to the federal Pension Benefits Standards Act on investment related issues, the Income Tax Act and Regulations, and all subsequent amendments.

### 4.02 Permitted Investments

#### (a) Canadian and Foreign Equities

- (i) Equity securities traded on recognized exchanges as well as listed equity substitutes that are convertible into equities traded on those same exchanges.
- (ii) Unlisted equity securities, such as private placement equity, where the investment manager determines the security will become eligible for trading on a recognized exchange within a reasonable and defined timeframe, not to exceed six months, and the issuing company is publicly listed on a recognized exchange

#### (b) Fixed Income

- (i) Bonds, debentures, notes, non-convertible preferred stock and other evidence of indebtedness of Canadian or developed market foreign issuers whether denominated and payable in Canadian dollars or a foreign currency
- (ii) Mortgage-backed and asset-backed securities
- (iii) Term deposits and guaranteed investment certificates

#### (c) Cash and Short Term Investments

- (i) Cash on hand and demand deposits
- (ii) Treasury bills issued by the federal and provincial governments and their agencies
- (iii) Mortgage-backed and asset-backed securities
- (iv) Obligations of trust companies and Canadian and foreign banks chartered to operate in Canada, including bankers' acceptances
- (v) Commercial paper and term deposits

#### (d) Real Estate

Investment in real estate by way of participation in a pooled fund is permissible. While it is recognized any real estate pooled fund in which the Fund participates is governed by

its own investment policy, desirable traits in selection of a real estate manager and pooled fund include:

- (i) An institutional investment focus;
- (ii) A core style of real estate investing that is predominately focused on developed income-producing properties;
- (iii) A well-diversified portfolio by property type and by region; and
- (iv) Modest use of leverage, not to exceed 75% of the value of an individual property and 50% of the total pooled fund assets.

**(e) Derivatives**

The use of derivatives (such as options, futures and forward contracts) is permitted as a substitute for direct investment. No derivatives can be used for speculative trading or to create a portfolio with leverage.

**(f) Pooled Funds**

Investment in pooled funds is permissible. Pooled fund investments are governed by the policies for each fund.

#### **4.03 Minimum Quality Requirements**

**(a) Quality Standards**

Within the investment restrictions for individual Investment Manager portfolios, including pooled funds, all portfolios should hold a prudently diversified exposure to the intended market.

- (i) The minimum quality standard for individual bonds, debentures and mortgage backed securities, except for within a high yield bond mandate, is 'BBB' or equivalent as rated by at least two recognized bond rating agencies listed in Section 4.03(d), at the time of purchase (includes all sub-rating levels within the overall 'BBB' rating).
- (ii) The minimum quality standard for individual short term investments is 'R-1 Low' or equivalent as rated by a recognized bond rating agency, at the time of purchase
- (iii) All investments shall be reasonably liquid (i.e., in normal circumstances they should be capable of liquidation within 1 month), with the exception of real estate

**(b) Split Ratings**

In cases where the recognized bond rating agencies do not agree on the credit rating, the security will be classified according to the methodology used by FTSE/TMX Canada, which states:

- (i) If two agencies rate a security, use the lower of the two ratings;
- (ii) If three agencies rate a security, use the most common; and

(iii) If all three agencies disagree, use the middle rating.

**(c) Downgrades in Credit Quality**

The Investment Manager will take the following steps in the event of a downgrade in the credit rating of a portfolio asset by a recognized bond rating agency to below the purchase standards set out in Section 4.03 (a):

- (i) The Committee will be notified of the downgrade at the earliest possible opportunity;
- (ii) Within ten business days of the downgrade, the Investment Manager will advise the Committee in writing of the course of action taken or to be taken by the Investment Manager, and its rationale; and
- (iii) The Investment Manager will provide regular reporting on the status of the asset until such time as the security matures, is sold or is upgraded to a level consistent with the purchase quality standards as expressed in the above guidelines.

**(d) Rating Agencies**

For the purposes of this Policy, the following rating agencies shall be considered to be 'recognized bond rating agencies':

- (i) DBRS;
- (ii) Standard and Poor's;
- (iii) Moody's Investors Services; and
- (iv) Fitch Ratings (foreign issuers only).

#### **4.04 Maximum Quantity Restrictions**

**(a) Individual Investment Manager Level**

The Investment Managers shall adhere to the following restrictions:

**(i) Equities**

- (a) No one equity holding shall represent more than 10% of the market value of the respective equity portfolio of any one Investment Manager within the Fund
- (b) No one equity holding shall represent more than 30% of the voting shares of a corporation within the Fund
- (c) No one equity holding shall represent more than 10% of the available public float of such equity security within the Fund
- (d) Within global equity portfolios, a maximum of 10% of the portfolio may be invested in stocks domiciled in non-MSCI World index (emerging market) countries
- (e) Within emerging market equity portfolio, a maximum of 10% of the portfolio may be invested in stocks domiciled in non-MSCI EMF index (frontier market) countries

**(ii) *Bonds and Short Term Investments***

- (a) Except for federal and provincial bonds (including government guaranteed bonds), no more than 10% of the market value of an Investment Manager's bond portfolio may be invested in the bonds of a single issuer and its related companies
- (b) Except for federal and provincial bonds, no one bond holding shall represent more than 10% of the market value of the total outstanding for that bond issue
- (c) 'BBB' or equivalent rated bonds may not be purchased if the purchase would raise the 'BBB' holdings to more than 15% of the market value of the universe bond portfolio
- (d) Within the high yield bond portfolio, no more than 30% holdings may be rated below BBB
- (e) Within the high yield bond portfolio, no more than 10% holdings may be rated below BB
- (f) No more than 15% of the market value of an Investment Manager's bond portfolio shall be invested in bonds of foreign issuers
- (g) Foreign currency exposure is limited to 10% of the market value of the bond portfolio

**(iii) *Pooled Fund Investments***

- (a) An investment by the Fund in a single pooled fund should not exceed 10% of the market value of that pooled fund. The Fund may exceed the 10% limit if a provision has been made to transfer assets out of the Fund "in kind", excluding real estate pooled funds.

**4.05 Prior Permission Required**

The following investments require prior permission from the Committee:

- (a) Direct investments in resource properties;
- (b) Direct investments in venture capital financing;
- (c) Derivatives other than those otherwise permitted in Section 4.02(e) above; and
- (d) Investments in any other securities not specifically referenced in this policy statement.

**4.06 Securities Lending**

The securities of the Fund may be loaned for the purpose of generating revenue, subject to the provisions of the applicable legislation and provided that:

- (a) The custodian provides borrower default protection related to counterparty risk and collateral risk;

- (b) The loans are secured by cash or readily marketable investments having a market value of at least 102% of the market value of the securities loaned, or other amount reflecting best practices in the Canadian market; and
- (c) The loans are marked to market daily to ensure the collateral continues to have a market value of at least 102% of the market value of the loaned asset or other amount reflecting best practices in the Canadian market.

Investment in a pooled fund that permits securities lending is permissible. The pooled fund manager shall disclose whether the fund uses securities lending.

#### **4.07 Borrowing**

The DB Plan shall not borrow money, except to cover short-term contingency and the borrowing is for a period that does not exceed ninety days, subject to applicable legislation.

## Section 5—Administration

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### 5.01 Conflicts of Interest

#### (a) Responsibilities

This standard applies to the Board, the DB Committee and any employees of the University who have responsibilities in administration of the DB Plan, as well as to all agents employed by them, in the execution of their responsibilities to the Fund (the “Affected Persons”).

An “agent” is defined to mean a company, organization, association or individual, as well as its employees, who are retained by the Committee to provide specific services with respect to the investment, administration and management of the Fund.

In carrying out their fiduciary responsibilities, these parties must act at all times in the best interest of the Fund.

#### (b) Disclosure

In the execution of their duties, the Affected Persons shall disclose any material conflict of interest relating to them, or any material ownership of securities, which would appear to a reasonable person to impair their ability to render unbiased advice, or to make unbiased decisions, affecting the administration of the Fund.

Further, it is expected that no Affected Person shall make any personal financial gain (direct or indirect) because of his or her fiduciary position. However, normal and reasonable fees and expenses incurred in the discharge of their responsibilities are permitted if documented and approved by the Committee.

No Affected Person shall accept a gift or gratuity or other personal favor, other than one of nominal value, from a person with whom the individual deals in the course of performance of his or her duties and responsibilities for the Committee.

It is incumbent on any Affected Person who believes that he/she may have a conflict of interest, or who is aware of any conflict of interest, to disclose in writing the full details of the situation to the attention of the Committee immediately. The Committee, in turn, will decide what action is appropriate under the circumstances but, at a minimum, will have the matter tabled and recorded in the minutes of the next regular meeting of the Committee.

No Affected Person who has or is required to make a disclosure which is determined to be in conflict as contemplated in this Policy shall participate in any discussion, decision or vote relating to any proposed investment or transaction in respect of which he or she has made or is required to make disclosure.

## **5.02 Related Party Transactions**

The Administrator of the DB Plan may not enter into a transaction with a related party unless:

- (a) The transaction is required for the operation or administration of the DB Plan and the terms and conditions of the transaction are not less favourable to the DB Plan than market terms and conditions; or
- (b) The securities of the related party are acquired at a public exchange.

Under the conflict of interest guidelines, any person who becomes aware of a conflict of interest shall notify the Committee. Such conflict includes related party transactions.

## **5.03 Valuation of Securities Not Regularly Traded**

The following principles will apply for the valuation of investments that are not traded regularly:

- (a) Equities, last available trade price, unless otherwise instructed by the client;
- (b) Bonds, same as for equities;
- (c) Mortgages, at fair market value;
- (d) Real estate, a certified written appraisal from a qualified independent appraiser at least every two years; and
- (e) Other securities that are not publicly traded are valued at cost unless there is an external transaction or other evidence that indicates market value is different from cost.

## **5.04 Voting Rights**

The Board has delegated voting rights acquired through Fund investments to the custodian of the securities, to be exercised in accordance with the Investment Managers' instructions. Investment Managers are expected to vote all proxies in the best financial interests of the beneficiaries of the Fund.

The Investment Managers should disclose their proxy voting policies and any changes thereto, and report quarterly in the compliance report on (1) whether all eligible proxies were voted on the Fund's behalf and (2) if the proxy guidelines were followed and report on any deviations.

## **5.05 Soft Dollars**

A variety of brokers should be used in order to gain maximum utilization of the services available. It is the responsibility of the Investment Manager to ensure that the commission distribution is representative of the services rendered.

Investment Managers may use soft dollars to pay for research and other investment-related services with annual disclosure to the Committee provided they comply with the Soft Dollar Standards promulgated by the CFA Institute.

# Appendix A—Glossary of Definitions



## Definitions

For the purposes of this document the following words, phrases and abbreviations are assigned:

- (a) Actuary Actuarial firm hired by the Board to provide actuarial valuations and other advice regarding DB Plan funding and contribution rates
- (b) Administrator As defined by The Pension Benefits Act of Manitoba, administrator means The University of Winnipeg Trusteed Pension Plan Board of Trustees
- (c) Board Board of Trustees for The University of Winnipeg Trusteed Pension Plan
- (d) Fund Investment assets of The University of Winnipeg Trusteed Pension Plan Trust Fund
- (e) Committee The Defined Benefit Committee of the Board of Trustees
- (f) Investment Consultant Consulting firm retained by the Board to provide strategic advice regarding the DB Plan's investment policy, investment managers and investment performance issues
- (g) Investment Managers Professional investment managers hired to manage the assets of the Fund
- (i) DB Plan The University of Winnipeg Trusteed Pension Plan – Defined Benefit Component
- (j) Prudent Person Approach As defined by the Office of the Superintendent of Financial Portfolio Institutions (OSFI), the Prudent Person Portfolio Approach requires the Board to establish, and the Fund to adhere to, "investment and lending policies, standards and procedures that a reasonable and prudent person would apply in respect of a portfolio of investments and loans to avoid undue risk of loss and obtain a reasonable return".
- (k) Related Party "Related party" is defined in section 1 of Schedule III to the Pension Benefits Standards Regulations, 1985 (Canada). A related party is a person who is the administrator of the Plan including any officer, director or employee of the administrator, or any person who is a member of the Board or Committee. It also includes, the Investment Managers and Investment Consultant and their employees, a union representing employees of the employer, a member of the Plan, a spouse or child of the persons named previously, or a corporation that is directly or indirectly controlled by the persons named previously, among others. Related party does not include government or a government agency
- (l) Custodian Trust Company responsible for safekeeping of the assets, income collection, settlement of investment transactions, and accounting for the investment transactions.
- (o) Soft Dollars An arrangement between Investment Managers and brokers to use client brokerage commissions to purchase research or services that helps the Investment Managers make investment decisions.

(p) **Asset Backed Securities** A debt security backed by the cash flows from a specific assets, such as a collateralized pool of credit card receivables or car loans. An asset backed security differs from conventional debt securities that are backed by the general cash flows and credit of the issuing entity whether it corporate or government.

# Appendix B—Performance Measurement

## Performance Measurement

The performance of the Fund shall be measured monthly and return calculations shall be as follows:

- Time weighted rates of return; and
- Total returns, including realized and unrealized gains and losses and income from all sources.
- Normally be assessed over rolling four-year periods.

### (a) Fund Benchmark

The Fund Benchmark portfolio asset mix is subject to the de-risking glidepath and fixed income transition and will be set based on the asset mix corresponding to the going-concern status and bond transitions status at any one quarter.

The Fund Benchmark asset mixes based on the DB Plan funding ratio are as follows.

| Going-Concern Funding Ratio      | <85%         | 85% to 90%   | 90% to 95%   | 95% to 100%  | 100% to 105% | >105%        |
|----------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Canadian equities                | 20.0         | 17.5         | 15.0         | 12.5         | 12.5         | 10.0         |
| Global equities                  | 35.0         | 30.0         | 25.0         | 22.5         | 17.5         | 15.0         |
| Emerging market equities         | 10.0         | 7.5          | 5.0          | 5.0          | 5.0          | 5.0          |
| Real Estate                      | <u>10.0</u>  | <u>10.0</u>  | <u>10.0</u>  | <u>10.0</u>  | <u>10.0</u>  | <u>10.0</u>  |
| <b>Total Growth Portfolio</b>    | <b>75.0</b>  | <b>65.0</b>  | <b>55.0</b>  | <b>50.0</b>  | <b>45.0</b>  | <b>40.0</b>  |
| Universe/Long bonds <sup>1</sup> | 20.0         | 30.0         | 40.0         | 45.0         | 50.0         | 55.0         |
| High yield bonds                 | <u>5.0</u>   | <u>5.0</u>   | <u>5.0</u>   | <u>5.0</u>   | <u>5.0</u>   | <u>5.0</u>   |
| <b>Total Liability Matching</b>  | <b>25.0</b>  | <b>35.0</b>  | <b>45.0</b>  | <b>50.0</b>  | <b>55.0</b>  | <b>60.0</b>  |
| <b>Total Fund</b>                | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> | <b>100.0</b> |

<sup>1</sup> The fixed income component is determined by the transition schedule outlined in Appendix C

As of January 1, 2015, based on the Plan's December 31, 2013 going-concern funding ratio, the Fund Benchmark was set at the 85% to 90% Funding Ratio asset mix.

### (b) Indices and Min/Max Range

The following table summarizes the market indices used to measure the returns of the Fund Benchmark portfolios and describes the asset-mix tolerances within each specific Fund Benchmark portfolio for the various funding statuses of the DB Plan as presented above:

| <b>Asset Class</b>          | <b>Market Index</b>  | <b>Range in Relation to the Fund Benchmark %</b> |
|-----------------------------|--|--|
| Canadian equities           | S&P/TSX Capped Composite Index                                 | Between 5% below and 10% above                   |
| Global equities             | MSCI World (Cdn. \$)   | Between 5% below and 10% above                   |
| Emerging market equities    | MSCI Emerging Markets (Cdn.\$)                                 | Between 5% below and 2.5% above*                 |
| Real Estate                 | Investment Property Databank                                   | Between 10% below and 5% above                   |
| Universe Bonds / Long Bonds | FTSE/TMX Universe Bond Index/<br>FTSE/TMX Long Term Bond Index | Between 10% below and 10% above                  |
| High Yield bonds            | FTSE/TMX Corporate BBB Index                                   | Between 5% below and 5% above                    |

\* This includes the emerging market component of the global equity mandate.

## **Appendix C—Fixed Income Transition Schedule**

## University of Winnipeg Trusteed Pension Plan - DB Portion

Percent of Bond Holdings to be Moved to Long Bonds

| GoC Long Bond Yield* | YEAR            |                 |                 |                 |                 |                 |                 |                 |                 |                 |                 |  |
|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|--|
|                      | <u>EOY 2013</u> | <u>EOY 2014</u> | <u>EOY 2015</u> | <u>EOY 2016</u> | <u>EOY 2017</u> | <u>EOY 2018</u> | <u>EOY 2019</u> | <u>EOY 2020</u> | <u>EOY 2021</u> | <u>EOY 2022</u> | <u>EOY 2023</u> |  |
| <3.0%                | 0.0%            | 10.0%           | 20.0%           | 30.0%           | 40.0%           | 50.0%           | 60.0%           | 70.0%           | 80.0%           | 90.0%           | 100.0%          |  |
| >3.0% - 3.5%         | 25.0%           | 32.5%           | 40.0%           | 47.5%           | 55.0%           | 62.5%           | 70.0%           | 77.5%           | 85.0%           | 92.5%           | 100.0%          |  |
| >3.5% - 4.0%         | 50.0%           | 55.0%           | 60.0%           | 65.0%           | 70.0%           | 75.0%           | 80.0%           | 85.0%           | 90.0%           | 95.0%           | 100.0%          |  |
| >4.0% - 4.5%         | 75.0%           | 77.5%           | 80.0%           | 82.5%           | 85.0%           | 87.5%           | 90.0%           | 92.5%           | 95.0%           | 97.5%           | 100.0%          |  |
| >4.5%                | 100.0%          | 100.0%          | 100.0%          | 100.0%          | 100.0%          | 100.0%          | 100.0%          | 100.0%          | 100.0%          | 100.0%          | 100.0%          |  |

\* As measured by the Government of Canada CANSIM V39056.

## Appendix D—Policy Revision History



## Policy Revision History

| Date Adopted     | Amended By | Comments   |
|------------------|------------|--|
| December 9, 2013 | Aon Hewitt | Full revision of SIPP <ul style="list-style-type: none"> <li>• Incorporated new Asset Mix and Management Structure</li> <li>• Incorporated De-risking Glidepath</li> <li>• Incorporated Long Bond Transition Strategy</li> </ul>   |
| March 2, 2015    | Aon Hewitt | Annual Review and Update <ul style="list-style-type: none"> <li>• Updated Asset Mix as per the De-risking glidepath</li> <li>• Revised value added objectives</li> <li>• Amended list of permissible equity investments</li> </ul> |
|                  |            |  |
|                  |            |  |
|                  |            |  |
|                  |            |  |
|                  |            |  |
|                  |            |  |
|                  |            |  |

# Appendix E—Pooled Fund Policies

## INVESTMENT OBJECTIVE

The FGP Canadian Equity Fund (the "Fund") aims to generate an attractive total investment return through long-term capital growth as well as dividend and other income. To achieve this, the Fund will primarily invest in a diversified mix of Canadian equity securities.

## INVESTMENT STRATEGY

FGP employs a long-term, bottom-up value-oriented approach to security selection. The portfolio manager, supported by FGP's research team, is responsible for security selection and portfolio construction within FGP's diversification and risk control guidelines.

## PERFORMANCE OBJECTIVE

The Fund's objective is to exceed the return of its Performance Benchmark over five-year periods.

### Performance Benchmark

S&P/TSX Composite Total Return Index

## PERMISSIBLE INVESTMENTS

Eligible equity investments include publicly-listed common and preferred shares, debentures convertible into common or preferred shares, and exchange-traded index participation units. Also eligible are income trust units, real estate investment trusts, royalty trusts and limited partnerships provided they trade on the S&P/TSX and are domiciled in a Canadian province that has enacted limited liability legislation.

Eligible cash and short-term investments include cash and demand deposits, treasury bills issued by the Federal, Provincial or Territorial governments or any of their agencies; bankers' acceptances, term deposits and commercial paper.

Indirect investments are primarily units of other FGP Funds.

### Diversification and Risk Control Guidelines

The Fund has established guidelines to ensure the investments of the Fund are diversified. The assets of the Fund are invested in a prudent fashion with securities selected for their overall contribution to the investment objective of the Fund.

**Security Level Guidelines:** The Fund typically holds 30 to 50 equity securities, and the individual weight for each equity investment will vary based on FGP's assessment of quality. Each security is limited to a maximum weight of 10% of the market value of the Fund. The top ten equity investments are limited to 55% of the Fund's market value. The minimum credit quality for any short-term money market investments is "A" or "R1-Mid."

**Sector Level Guidelines:** The Fund is required to have holdings in a minimum of seven out of 10 sectors. There is no minimum investment requirement within a sector. Total investments in each sector may not exceed the performance benchmark sector weight plus 10%.

# FGP CANADIAN EQUITY FUND

Investment Policy Statement | August 1, 2013

**Cash Level Guidelines:** The Fund may have a maximum cash weighting of 5%.

**Market Capitalization (Cap) Guidelines:** The Fund invests directly and indirectly in a diversified portfolio of stocks, generally with a market cap greater than \$800 million. Investments of any holding cannot exceed 15% of the company's market cap. The minimum market cap for any direct investment is \$100 million. The following additional guidelines are designed to ensure a diversified portfolio of small, mid and large size companies:

| COMPANY MARKET CAP (C\$)     | MINIMUM % OF FUND | MAXIMUM % OF FUND |
|------------------------------|-------------------|-------------------|
| Over \$4 billion             | 40%               | 100%              |
| \$800 million to \$4 billion | 0%                | 60%               |
| Under \$800 million          | 0%                | 10%               |

## FUND FACTS

|   |  |
|---|--|
| <b>Fund Code</b>                                | <b>1001</b>  |
| <b>Performance Inception Date</b>               | <b>January 31, 1993</b>  |
| <b>Taxable Investors (Non-Registered Plans)</b> | <b>Eligible</b>  |
| <b>Non-Taxable Investors (Registered Plans)</b> | <b>Eligible</b>  |
| <b>Valuation Frequency</b>                      | <b>Daily</b>   |
| <b>Distribution Frequency</b>                   | <b>Income – Monthly<br/>Capital Gains –<br/>Minimum Annually</b> |
| <b>Expense Ratio*</b>                           | <b>0.01% (2012)</b>  |
| <b>Trustee</b>                                  | <b>CIBC Mellon Trust Co.</b>                                     |
| <b>Custodian</b>                                | <b>CIBC Mellon Trust Co.</b>                                     |
| <b>Auditor</b>                                  | <b>Deloitte LLP</b>  |

The units of the Fund are issued and redeemed at the applicable net asset value per unit. The net asset value is determined daily at the close of each business day.

Net investment income and net realized gains on investments are paid to unitholders on a periodic basis as indicated. Distributions are made to unitholders of record at the close of business on the second last day of the month, pro rata to their holdings in the Fund as of that date.

Temporary variances from these investment policy guidelines will generally be corrected within 90 days.

\*The Fund incurs direct expenses for services provided by the Trustee, Custodian, Registrar and Auditor. The annualized expense ratio for the Fund for the most recently completed year is presented here. FGP does not charge management fees directly to the Fund.

## INVESTMENT OBJECTIVE

The FGP Small Cap Canadian Equity Fund (the “Fund”) aims to generate an attractive total investment return through long-term capital growth as well as dividend and other income. To achieve this, the Fund will invest primarily in a diversified mix of Canadian equity securities.

## INVESTMENT STRATEGY

FGP employs a long-term, bottom-up value-oriented approach to security selection. The portfolio manager, supported by FGP’s research team, is responsible for security selection and portfolio construction within FGP’s diversification and risk control guidelines.

## PERFORMANCE OBJECTIVE

The Fund’s objective is to exceed the return of its Performance Benchmark over five-year periods.

### Performance Benchmark

BMO Small Cap Index (blended index, weighted price)

## PERMISSIBLE INVESTMENTS

Eligible equity investments include publicly-listed common and preferred shares, debentures convertible into common or preferred shares, and exchange-traded index participation units. Also eligible are income trust units, real estate investment trusts, royalty trusts and limited partnerships provided they trade on the S&P/TSX and are domiciled in a Canadian province that has enacted limited liability legislation.

Eligible cash and short-term investments include cash and demand deposits, treasury bills issued by the Federal, Provincial or Territorial governments or any of their agencies; bankers’ acceptances, term deposits and commercial paper.

Indirect investments are primarily units of other FGP Funds.

### Diversification and Risk Control Guidelines

The Fund has established guidelines to ensure the investments of the Fund are diversified. The assets of the Fund are invested in a prudent fashion with securities selected for their overall contribution to the investment objective of the Fund.

**Security Level Guidelines:** The Fund typically holds 35 to 70 equity securities, and the individual weight for each equity investment will vary based on FGP’s assessment of quality. Each security is limited to a maximum weight of 10% of the market value of the Fund. The top ten equity investments are limited to 50% of the Fund’s market value. The minimum credit quality for any short-term money market investments is “A” or “R1-Mid”.

**Sector Level Guidelines:** The Fund is required to have holdings in a minimum of seven out of 10 sectors. There is no minimum investment requirement within a sector. Total investments in each sector may not exceed the Performance Benchmark sector weight plus 10%.

# FGP SMALL CAP CANADIAN EQUITY FUND

Investment Policy Statement | August 1, 2013



**Cash Level Guidelines:** The Fund may have a maximum cash weighting of 5%.

**Market Capitalization (Cap) Guidelines:** The Fund invests directly and indirectly in a diversified portfolio of stocks, generally with a market cap greater than \$100 million. Investments of any holding cannot exceed 15% of the company's market cap. The minimum market cap for any direct investment is \$25 million. The following additional guidelines are designed to ensure a diversified portfolio of smaller companies:

| COMPANY MARKET CAP (C\$)       | MINIMUM % OF FUND | MAXIMUM % OF FUND |
|--------------------------------|-------------------|-------------------|
| Over \$1.5 billion             | 0%                | 25%               |
| \$100 million to \$1.5 billion | 60%               | 100%              |
| Under \$100 million            | 0%                | 25%               |

## FUND FACTS

|  |   |
|--|---|
| Fund Code                                | 1018  |
| Performance Inception Date               | February 28, 2002 *                                     |
| Taxable Investors (Non-Registered Plans) | Eligible  |
| Non-Taxable Investors (Registered Plans) | Eligible  |
| Valuation Frequency                      | Daily   |
| Distribution Frequency                   | Income – Monthly<br>Capital Gains –<br>Minimum Annually |
| Expense Ratio **                         | 0.03% (2012)  |
| Trustee                                  | CIBC Mellon Trust Co.                                   |
| Custodian                                | CIBC Mellon Trust Co.                                   |
| Auditor                                  | Deloitte LLP  |

The units of the Fund are issued and redeemed at the applicable net asset value per unit. The net asset value is determined daily at the close of each business day.

Net investment income and net realized gains on investments are paid to unitholders on a periodic basis as indicated. Distributions are made to unitholders of record at the close of business on the second last day of the month, pro rata to their holdings in the Fund as of that date.

Temporary variances from these investment policy guidelines will generally be corrected within 90 days.

\* FGP Small Cap Canadian Equity Fund was launched January 23, 2006. Historical performance from performance inception date February 28, 2002 to March 2006 is based on a segregated Canadian Small Cap portfolio. On March 1, 2006 this portfolio was transferred into the Fund. Performance from this date onwards is based entirely on the Fund.

\*\*The Fund incurs expenses for services provided by the Trustee, Custodian, Registrar and Auditor. The annualized expense ratio for the Fund for the most recently completed year is presented here. FGP does not charge management fees directly to the Fund.

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## INVESTMENT OBJECTIVE

The FGP Bond Fund (the “Fund”) aims to generate an attractive total investment return through income and long-term capital appreciation through investments in debt obligations and other evidences of indebtedness of Canadian, U.S., and international issuers. To achieve this, the Fund will invest primarily in a diversified mix of fixed-income securities.

## INVESTMENT STRATEGY

FGP utilizes interest rate anticipation, credit sector and security selection strategies in the context of a long-term, bottom-up, value-oriented approach. The portfolio manager, supported by FGP’s research team, is responsible for security selection and portfolio construction within FGP’s diversification and risk control guidelines.

## PERFORMANCE OBJECTIVE

The Fund’s objective is to exceed the return of its Performance Benchmark over five-year periods.

### Performance Benchmark

DEX Universe Bond Index

## PERMISSIBLE INVESTMENTS

Eligible fixed income investments include bonds, debentures, notes, coupons, residuals and other evidence of indebtedness of Canadian or foreign issuers, whether denominated and payable in Canadian dollars or a foreign currency, mortgage-backed securities, asset-backed securities, floating rate notes, private placements, real return bonds, extendible/retractable bonds, and other fixed income oriented securities. Private placements over \$100 million in issue size may be included in the Fund as long as the securities have received an investment grade rating from a recognized credit rating agency, and a liquid market for the securities is maintained by a recognized broker/dealer.

Eligible cash and short-term investments include cash and demand deposits, treasury bills issued by the Federal, Provincial or Territorial governments or any of their agencies, bankers’ acceptances, term deposits and commercial paper.

The Fund may use derivatives, such as currency forwards as permitted by Canadian securities laws, to hedge against potential currency fluctuations.

Indirect investments are primarily units of other FGP Funds.

### Diversification and Risk Control Guidelines

The Fund has established guidelines to ensure the investments of the Fund are diversified. The assets of the Fund are invested in a prudent fashion, with securities selected for their overall contribution to the investment objective of the Fund.

**Security Level Guidelines:** The number of direct holdings will typically range from 10 to 25 fixed income investments. Specific ranges for indirect investments are provided in each relevant FGP Fund Investment Policy Statement.

The Fund is required to invest a minimum of 50% of its market value in federal and federally-guaranteed securities, and any short-term holdings are subject to the same guideline. Maximum investment limits for fixed income securities are as follows:

# FGP BOND FUND

Investment Policy Statement | August 1, 2013

| TYPE OF ISSUE                                       | MAXIMUM |
|---|---------|
| Federal and Federally-Guaranteed Issues             | 100%    |
| Provincial and Provincially-Guaranteed Issues       | 50%     |
| Municipal Issues                                    | 25%     |
| Corporate Issues                                    | 50%     |
| Inflation Linked Issues*                            | 15%     |
| Foreign Currency Issues and Foreign Issuers*        | 20%     |
| Foreign Currency Issues                             | 10%     |
| Foreign Issuers – C\$ pay                           | 20%     |
| Corporate 'BBB' Rated                               | 10%     |
| Single Corporate Issuer rated 'AA' or higher        | 4%      |
| Single Corporate Issuer rated 'A', R1-Mid or higher | 3%      |
| Single Corporate issuer rated 'BBB'                 | 2%      |

\*Only long-term inflation linked issues, foreign currency issues or foreign issuers rated higher than 'BBB' are permitted.

**Cash Level Guidelines:** The Fund may have maximum cash or short-term holdings of 5%.

**Credit Quality Guidelines:** The minimum credit quality for a fixed income investment is 'BBB (low)' as determined by a recognized credit rating agency or as assessed by FGP portfolio managers or analysts. The minimum overall credit quality for the fixed income portfolio is 'A', and the minimum credit quality for any short-term money market investments is 'R1-Mid' or 'A.'

**Duration/Term to Maturity Guidelines:** The modified duration range for the fixed income portfolio is plus or minus two years around the duration of the DEX Universe Bond Index.

## FUND FACTS

|  |   |
|--|---|
| Fund Code                                | 1007  |
| Performance Inception Date               | January 31, 1993  |
| Taxable Investors (Non-Registered Plans) | Eligible  |
| Non-Taxable Investors (Registered Plans) | Eligible  |
| Valuation Frequency                      | Daily   |
| Distribution Frequency                   | Income – Monthly<br>Capital Gains –<br>Minimum Annually |
| Expense Ratio**                          | 0.02% (2012)  |
| Trustee                                  | CIBC Mellon Trust Co.                                   |
| Custodian                                | CIBC Mellon Trust Co.                                   |
| Auditor                                  | Deloitte LLP  |

The units of the Fund are issued and redeemed at the applicable net asset value per unit. The net asset value is determined daily at the close of each business day.

Net investment income and net realized gains on investments are paid to unitholders on a periodic basis as indicated. Distributions are made to unitholders of record at the close of business on the second last day of the month, pro rata to their holdings in the Fund as of that date.

Temporary variances from these investment policy guidelines will generally be corrected within 90 days.

\*\*The Fund incurs direct expenses for services provided by the Trustee, Custodian, Registrar and Auditor. The annualized expense ratio for the Fund for the most recently completed year is presented here. FGP does not charge management fees directly to the Fund.



## INVESTMENT OBJECTIVE

The FGP Corporate Bond Fund (the "Fund") aims to generate an attractive total investment return through income and long-term capital appreciation through investments in debt obligations and other evidences of indebtedness of Canadian, U.S., and international issuers. To achieve this, the Fund will invest primarily in a diversified mix of fixed-income securities of corporate issuers.

## INVESTMENT STRATEGY

FGP utilizes interest rate anticipation, credit sector and security selection strategies in the context of a long-term, bottom-up, value-oriented approach. The portfolio manager, supported by FGP's research team, is responsible for security selection and portfolio construction within FGP's diversification and risk control guidelines.

## PERFORMANCE OBJECTIVE

The Fund's objective is to exceed the return of its Performance Benchmark over five-year periods.

### Performance Benchmark

DEX Universe All Corporate Bond Index

## PERMISSIBLE INVESTMENTS

Eligible fixed income investments include bonds, debentures, notes, coupons, residuals and other evidence of indebtedness of Canadian or foreign issuers, whether denominated and payable in Canadian dollars or a foreign currency, mortgage-backed securities, asset-backed securities, floating rate notes, private placements, real return bonds, extendible/retractable bonds and other fixed income oriented securities. Private placements over \$100 million in issue size may be included in the Fund as long as the securities have received an investment grade rating from a recognized credit rating agency and a liquid market for the securities is maintained by a recognized broker/dealer.

Eligible cash and short-term investments include cash and demand deposits, treasury bills issued by the Federal, Provincial or Territorial governments or any of their agencies, bankers' acceptances, term deposits and commercial paper.

The Fund may use derivatives, such as currency forwards as permitted by Canadian securities laws, to hedge against potential currency fluctuations.

Indirect investments are primarily units of other FGP Pooled Funds.

### Diversification and Risk Control Guidelines

The Fund has established guidelines to ensure the investments of the Fund are diversified. The assets of the Fund are invested in a prudent fashion, with securities selected for their overall contribution to the investment objective of the Fund.

**Security Level Guidelines:** The number of holdings will typically range from 25 to 40 fixed income investments.

Specific ranges for indirect investments are provided in each relevant FGP Fund investment policy statement.

# FGP CORPORATE BOND FUND

Investment Policy Statement | August 1, 2013

The Fund is required to invest a minimum of 95% of its market value in corporate issues. Maximum investment limits for fixed income securities are as follows:

| TYPE OF ISSUE                                       | MAXIMUM |
|---|---------|
| Federal and Federally-Guaranteed Issues             | 5%      |
| Provincial and Provincially-Guaranteed Issues       | 0%      |
| Municipal Issues                                    | 0%      |
| Corporate Issues                                    | 100%    |
| Inflation Linked Issues                             | 15%     |
| Foreign Currency Issues and Foreign Issuers         | 20%     |
| Foreign Currency Issues                             | 10%     |
| Foreign Issuers – C\$ pay                           | 20%     |
| Corporate Issuers rated 'BBB'                       | 20%     |
| Corporate Issuers rated <'BBB'                      | 0%      |
| Single Corporate Issuer rated 'AA' or higher        | 8%      |
| Single Corporate Issuer rated 'A', R1-Mid or higher | 6%      |
| Single Corporate Issuer rated 'BBB'                 | 4%      |

**Cash Level Guidelines:** The Fund may have maximum cash or short-term holdings of 5%.

**Credit Quality Guidelines:** The minimum credit quality for a corporate bond is 'BBB (low)' as determined by a recognized credit rating agency or as assessed by FGP portfolio managers or analysts. The minimum overall credit quality for the fixed income portfolio is 'A' and the minimum credit quality for any short-term money market investments is 'R1-Mid' or 'A.'

**Duration/Term to Maturity Guidelines:** The modified duration range for the fixed income portfolio is plus or minus two years around the duration of the DEX Universe All Corporate Bond Index.

## FUND FACTS

|  |   |
|--|---|
| Fund Code                                | 1026  |
| Performance Inception Date               | May 31, 2009  |
| Taxable Investors (Non-Registered Plans) | Eligible  |
| Non-Taxable Investors (Registered Plans) | Eligible  |
| Valuation Frequency                      | Daily   |
| Distribution Frequency                   | Income – Monthly<br>Capital Gains –<br>Minimum Annually |
| Expense Ratio*                           | 0.02% (2012)  |
| Trustee                                  | CIBC Mellon Trust Co.                                   |
| Custodian                                | CIBC Mellon Trust Co.                                   |
| Auditor                                  | Deloitte LLP  |

The units of the Fund are issued and redeemed at the applicable net asset value per unit. The net asset value is determined daily at the close of each business day.

Net investment income and net realized gains on investments are paid to unitholders on a periodic basis as indicated. Distributions are made to unitholders of record at the close of business on the second last day of the month, pro rata to their holdings in the Fund as of that date.

Temporary variances from these investment policy guidelines will generally be corrected within 90 days.

\*The Fund incurs direct expenses for services provided by the Trustee, Custodian, Registrar and Auditor. The annualized expense ratio for the Fund for the most recently completed year is presented here. FGP does not charge management fees directly to the Fund.

## INVESTMENT OBJECTIVE

The Fund aims to generate income primarily through investments in debt obligations of Canadian issuers. To achieve this, the Fund will invest in a diversified mix of fixed income securities with a maximum term to maturity of five years or less.

## INVESTMENT STRATEGY

FGP utilizes interest rate anticipation, credit sector and security selection strategies in the context of a long-term, bottom-up, value-oriented approach. The portfolio manager, supported by FGP's research team, is responsible for security selection and portfolio construction within FGP's diversification and risk control guidelines.

## PERFORMANCE OBJECTIVE

The Fund's objective is to exceed the return of its Performance Benchmark over five-year periods.

### Performance Benchmark

DEX Short Term Bond Index

## PERMISSIBLE INVESTMENTS

Eligible fixed income investments include bonds, debentures, notes, coupons, residuals and other evidence of indebtedness of Canadian issuers, mortgage-backed securities, asset-backed securities, floating rate notes, private placements, extendible/retractable bonds, and other fixed income oriented securities. Private placements over \$100 million in issue size may be included in the Fund as long as the securities have received an investment grade rating from a recognized credit rating agency, and a liquid market for the securities is maintained by a recognized broker/dealer. Only issues of Canadian currency denomination may be held.

Eligible cash and short term investments include cash and demand deposits, treasury bills issued by the Federal, Provincial or Territorial governments or any of their agencies, bankers' acceptances, term deposits and commercial paper.

Indirect investments are primarily units of other FGP Funds.

### Diversification and Risk Control Guidelines

The Fund has established guidelines to ensure the investments of the Fund are diversified. The assets of the Fund are invested in a prudent fashion, with securities selected for their overall contribution to the investment objective of the Fund.

**Security Level Guidelines:** The number of direct holdings will typically range from 10 to 30 fixed income investments. Specific ranges for indirect investments are provided in each relevant FGP Fund Investment Policy Statement.

The Fund is required to invest a minimum of 50% of its market value in federal and federally-guaranteed securities. Maximum investment limits for fixed income securities are as follows:

# FGP SHORT TERM BOND FUND

Investment Policy Statement | August 1, 2013



| TYPE OF ISSUE                                       | MAXIMUM |
|---|---------|
| Federal and Federally-Guaranteed Issues             | 100%    |
| Provincial and Provincially-Guaranteed Issues       | 50%     |
| Municipal Issues                                    | 25%     |
| Corporate Issues                                    | 50%     |
| Single Corporate Issuer rated 'AA' or higher        | 8%      |
| Single Corporate Issuer rated 'A', R1-Mid or higher | 6%      |

**Cash Level Guidelines:** The Fund may have maximum cash or short term money market holdings of 5%.

**Credit Quality Guidelines:** The minimum credit quality for a fixed income investment is 'A', as determined by a recognized credit rating agency or as assessed by FGP portfolio managers or analysts. The minimum credit quality for any short term money market investments is 'R1-Mid' or 'A.'

**Duration/Term to Maturity Guidelines:** The modified duration range for the fixed income portfolio is plus or minus one half year around the duration of the DEX Short Term Bond Index.

## FUND FACTS

|  |   |
|--|---|
| Fund Code                                | 1027  |
| Performance Inception Date               | June 30, 2010   |
| Taxable Investors (Non-Registered Plans) | Eligible  |
| Non-Taxable Investors (Registered Plans) | Eligible  |
| Valuation Frequency                      | Daily   |
| Distribution Frequency                   | Income – Monthly<br>Capital Gains –<br>Minimum Annually |
| Expense Ratio **                         | 0.12% (2012)  |
| Trustee                                  | CIBC Mellon Trust Co.                                   |
| Custodian                                | CIBC Mellon Trust Co.                                   |
| Auditor                                  | Deloitte LLP  |

The units of the Fund are issued and redeemed at the applicable net asset value per unit. The net asset value is determined daily at the close of each business day.

Net investment income and net realized gains on investments are paid to unitholders on a periodic basis as indicated. Distributions are made to unitholders of record at the close of business on the second last day of the month, pro rata to their holdings in the Fund as of that date.

Temporary variances from these investment policy guidelines will generally be corrected within 90 days.

\*\*The Fund incurs direct expenses for services provided by the Trustee, Custodian, Registrar and Auditor. The annualized expense ratio for the Fund for the most recently completed year is presented here. FGP does not charge management fees directly to the Fund.

# SPRUCEGROVE GLOBAL POOLED FUND – INVESTMENT GUIDELINES

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## INVESTMENT PHILOSOPHY / STRATEGY

- to maximize the long-term rate of return while preserving the investment capital of the Fund by avoiding investment strategies that expose fund assets to excessive risk

## PERFORMANCE OBJECTIVES

- outperform the MSCI WORLD Index over a full market cycle
- to achieve An above average ranking relative to similar funds over a market cycle

## HOLDING GUIDELINES

### Permitted investments

- short term investments and cash – defined as Canadian issues with maturities of less than one year which are issues of, or guaranteed by, the federal government, provincial governments, municipal governments, and corporations rated R-1 by the Dominion Bond Rating Service
- short term investments of an unrated security if deemed to be R-1
- common equity securities including ADR's (excluding Canada)
- financial derivatives for hedging purposes
- other securities convertible into equities
- unitized funds containing only such investments
- securities lending with minimum collateral coverage of at least 105%

### Prohibited investments

#### *Industry / Specific securities*

- none

#### *Transactions*

- purchase of Canadian equities

### Sector weightings

- fund will hold in a minimum of 7 of 10 of the following sectors

|                        |                            |
|------------------------|----------------------------|
| Energy                 | Health Care                |
| Materials              | Financials                 |
| Industrials            | Information Technology     |
| Consumer Discretionary | Telecommunication Services |
| Consumer Staples       | Utilities                  |

- maximum weight for any one sector is 30%

### Maximum allocation to one security

- 5% of portfolio market value

**Maximum allocation to one country**

- 0 - 30% - Japan
- 5 – 20% - United Kingdom
- 20 – 65% - United States
- 0 - 15% - all others
- Invested in the United States and a minimum of three countries from the European region and three from the Asia/Pacific region.

**Maximum / minimum cash allocation**

- maximum cash is 10% of market value of portfolio under management

**Restrictions on allocation to countries outside MSCI World**

- maximum exposure to non- MSCI WORLD Index markets – 10% of market value of fund

**Other**

- the Fund may exceed the above guidelines for short periods of time in special circumstances
- minimum of 60 holdings