

# FGP CONFLICTS OF INTEREST DISCLOSURE STATEMENT

**Securities legislation in Canada requires Foyston, Gordon & Payne Inc. (“FGP”) to make certain disclosures regarding conflicts of interest. This statement is to inform you of the nature and extent of conflicts of interest that might be expected to arise between FGP and its clients.**

It is important for you to be informed about how we identify and respond to conflicts of interest in order to minimize their impact. We consider a conflict of interest to be any situation where the interests of a client and those of FGP are inconsistent.

FGP takes reasonable steps to identify all existing material conflicts of interest and those that we would reasonably expect to arise. FGP determines the level of risk for each conflict. The Firm avoids situations that would result in a serious conflict of interest that would be too high a risk for clients or market integrity. In other circumstances involving a conflict of interest, FGP takes the appropriate steps to control the conflict of interest.

FGP, whose principal office is located in Toronto, Ontario, is currently registered in all provincial jurisdictions as a dealer in the category of Exempt Market Dealer, as an Investment Fund Manager in Ontario, Quebec and Newfoundland and Labrador managing the assets of a group of proprietary pooled investment funds (“FGP Pooled Funds”), and in all jurisdictions in Canada as an adviser in the category of Portfolio Manager, providing discretionary investment advisory services to its clients across Canada. FGP is also registered with the Securities and Exchange Commission (SEC) in the United States as an Investment Adviser.

The situations in which FGP could be in a conflict of interest with its clients, and the way in which FGP intends to respond to such conflicts, are described below.

**Related Registrants** – Affiliated Managers Group, Inc. (West Palm Beach, Florida, USA) (“AMG”), through its indirect ownership in AMG Canada Corp. (incorporated in Nova Scotia), holds a majority ownership position in FGP.

AMG is also a principal shareholder of certain dealers and advisers in Canada (“AMG Affiliates”). As a result of the AMG ownership interests, these AMG Affiliates are viewed as “related registrants,” registered with securities regulatory authorities in one or more Canadian jurisdictions and, in some instances, the United States. Except as described in this document, FGP does not have any business dealings with these AMG Affiliates and does not conduct any joint operations with them. These AMG Affiliates do not formulate advice for the Firm’s clients and do not, in the Firm’s view, present any potential conflict of interest with the Firm’s clients. Listed below are the AMG Affiliates:

1. AQR Capital Management, LLC
2. Beutel, Goodman & Company Ltd.
3. Montrusco Bolton Investments Inc.
4. River Road Asset Management, LLC

The potential for a conflict of interest is further minimized by the fact that, although AMG holds an ownership interest in each of them, the AMG Affiliates operate as discrete businesses with separate management and separate, individually constituted, boards of directors or the equivalent. If FGP determines that it is appropriate to engage an AMG Affiliate for a client, or to have the client invest in financial products offered by an AMG Affiliate, FGP will notify the client of the relationship in advance. FGP will not proceed with the investment until in receipt of the client’s written approval and authorization for the investment. It is FGP’s policy to ensure that the engagement of AMG Affiliates on behalf of FGP’s

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clients would only be done when it has been determined that such AMG Affiliate is an appropriate selection in the circumstances.

Representatives of AMG may from time to time act as directors of FGP and may also be directors of other AMG Affiliates. All AMG Affiliates have adopted policies and procedures that minimize the potential for conflicts of interest resulting from relationships of directors and the AMG Affiliates.

**Investments in Related or Connected Issuers** – A related issuer means a person or company that influences, or is influenced by, another person or company through ownership of, or direction and control over, voting securities. A person or company is connected to another person or company if, due to its relationships with such person or company, a prospective purchaser of securities of the person or company might question the other person or company’s independence from the first person or company. As a manager of pooled investment funds, FGP is connected to its own pooled investment funds, the FGP Pooled Funds. It is also related or connected to certain issuers who, in turn, are related or connected to AMG by virtue of AMG’s ownership interest in, or relationship with, these issuers (“AMG Issuers”).

FGP does not invest assets of its clients in AMG or AMG Issuers. If FGP does intend to invest in these connected or related issuers for its clients, before trading, or advising its clients, it will inform them of the relevant relationships and connections with the issuer of the securities and would require their written authorization and approval before making any such investments. Listed below is the list of the AMG Issuers:

1. Affiliated Managers Group, Inc.
2. AMG Funds group of mutual funds
3. AQR group of mutual funds
4. Beutel Goodman group of mutual funds
5. Beutel Goodman group of private pooled funds
6. Harding Loevner group of mutual funds
7. Montrusco Bolton Focus (Canadian) Global Fund Ltd.
8. Montrusco Bolton group of pooled funds
9. Third Avenue group of mutual funds
10. Tweedy, Browne group of mutual funds

**Services of Related Parties** – FGP is party to a client servicing and marketing agreement with one or more subsidiaries of AMG under which the AMG subsidiaries may market certain of FGP’s investment strategies to eligible clients and provide client services to FGP’s clients in various foreign jurisdictions. FGP pays the AMG subsidiaries a fee for these services.

**Referral Arrangements** – FGP may enter into referral arrangements from time to time whereby a third party introduces or refers clients who are interested in investing in the FGP Pooled Funds or obtaining the investment advisory services of FGP. FGP generally pays a referral fee to such introducing parties for their services. Under Canadian regulations, FGP is required to disclose the nature of such referral arrangements, including the referral fees it pays such introducing parties for referring clients to it. Clients will receive a copy of such disclosure prior to entering into an investment advisory agreement with FGP and prior to receipt or payment of referral fee if there is a change to the referral arrangement. Details of the referral arrangement, including the fee paid by FGP to the third party, are disclosed to the clients being referred.

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**Conflicts of Interest Relating to FGP Personnel/Personal Trading** – FGP’s personnel may find themselves in situations where their personal interests are in conflict with those of a client.

FGP’s Code of Ethics and related policies and procedures establish basic principles for employee conduct which, among other things, prohibit an employee from:

- Using confidential information acquired in connection with his or her duties, for the purpose of obtaining a personal advantage;
- Accepting gifts, entertainment and compensation that would influence decisions to be taken in the course of performing his or her duties; and
- Engaging in activities that could interfere or conflict with his or her duties.

FGP does not allow any of its personnel to engage in activities outside the scope of their duties, including serving as a director of a company or other entity, without first ensuring that such activities do not compromise the interests of FGP’s clients.

When FGP staff invest in the same securities as FGP, including the FGP Pooled Funds, there is a perceived or potential conflict of interest that such FGP staff may benefit from opportunities at the expense of FGP’s clients or its Funds. FGP has a Code of Ethics that sets out standards for business conduct so as to prevent conflicts of interest and has established personal trading policies and procedures to monitor personal trades of employees, officers and directors who have access to information about client portfolios and the FGP Pooled Funds. Among other things, the Code requires pre-clearance and reporting of personal securities transactions; applies blackout periods for certain personal trades; and obligates employees to provide an annual acknowledgement of compliance with the Code’s terms.

In addition, FGP has adopted certain policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading by an officer or employee of FGP. Employees are prohibited from utilizing material, non-public information for business or personal investment purposes.

**Gifts and Business Entertainment** – To address instances when employees of FGP may give or accept gifts or business entertainment of more than minimal value in connection with the Firm’s business, FGP has established policies and procedures for the provision and acceptance of gifts and business entertainment to or from persons or entities with which the Firm has an existing or potential business relationship, and regularly monitors employees’ compliance with such standards.

**Best Execution, Soft Dollars and Commission Sharing Arrangements** – When placing orders for and on behalf of clients’ accounts, FGP will select those brokers and dealers from whom the Firm reasonably can expect to obtain best execution, based on its consideration of the broker/dealer’s ability to timely and accurately communicate with FGP’s trading desk and operations team, ability to maintain confidentiality of FGP’s trading program, trading expertise, reputation, integrity, trading infrastructure and facilities, responsiveness, financial stability and capability, including availability of capital to commit in order to facilitate particular trades, access to IPOs and other offerings, access to a wide range of secondary markets, reliability and fairness in resolving problems and disputes, and the ability to charge commission rates which, when combined with these services, will produce the most favourable total costs or proceeds for each transaction under the circumstances. “Best execution” means the best overall qualitative execution, not necessarily the lowest possible commission cost.

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FGP does not currently allocate client brokerage business to broker/dealers under so called traditional “Soft-Dollar” arrangements. Specifically, FGP does not utilize commission dollars to pay broker/dealers with whom it trades for proprietary research services created and provided by those broker/dealers, who otherwise would charge for such proprietary research services. In these circumstances, FGP pays for these research services directly. Nevertheless, FGP may receive unsolicited proprietary research from broker/dealers through which it trades. Proprietary research of this nature is generally part of a “bundle” of brokerage and research, and the research is not separately priced. Any research received in such a manner is used to service all clients to which it is applicable. FGP executes trade orders with broker/dealers on the basis of best execution, as described above, without consideration of any unsolicited research services that it may receive. FGP makes no attempt to link the acquisition of unsolicited research with any particular client transactions.

Additionally, FGP, as permitted by applicable law, uses commissions to obtain products or services provided by broker/dealers, but produced by third parties, through commission sharing arrangements. In commission sharing arrangements, FGP has entered into agreements with broker/dealers so that certain commissions from transactions placed by FGP at those broker/dealers are pooled by the broker/dealers in order to compensate one or more third-party research providers, which research providers may or may not be broker/dealers. Commission sharing arrangements allow for the compensation of third-party firms for the receipt of their proprietary research in the instances where these third-party firms do not charge directly for the receipt of this information. Through these arrangements, products and services which provide lawful and appropriate assistance to FGP’s investment decision-making process may be paid for with commissions generated by client accounts to the extent such products and services were used in that process. FGP allocates the cost of such products on a basis that it deems reasonable over time according to the various uses of the products, and maintains records documenting the allocation process followed.

Only that portion of the cost of the product allocable to research services would be paid with the brokerage commissions generated by client accounts. There is no increase in commission costs to clients of FGP under commission sharing arrangements.

A copy of the FGP Brokerage Practices and Soft Dollar policies will be provided to clients on request.

**Fair Allocation Amongst Clients** – Since investment decisions frequently affect more than one account, it will often be necessary or desirable to acquire or dispose of the same security for more than one client at the same time. FGP, to the extent permitted by applicable law, regulations and advisory contracts, may, but is not obligated to, aggregate purchases and sales of its various clients, provided that, in the opinion of FGP, all accounts of the Firm are treated equitably and fairly. Where the aggregate order is executed in a series of transactions at various prices on a given day, each participating client’s (including pooled accounts) proportionate share of the order will typically reflect the average price paid or received and commission rate paid with respect to the total order placed on that day. In the cases where FGP is unable to fulfill an aggregated order on the same day, those shares that have been purchased or sold by the end of the day will generally be allocated amongst the client accounts on a pro rata basis based on each account’s order size as determined by the portfolio manager at the time of order entry. However, if such prorating should result in an inappropriately small allocation to the client account, the allotment may be reallocated to another client account, based on a rotational allocation methodology, with appropriate Compliance Department approval.

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**IPOs/New Issues** – In the event that FGP participates in an initial public offering or other securities transaction with limited availability (collectively, “IPOs”), FGP allocates the IPOs among client accounts in a fair and equitable manner over time, taking into consideration factors such as account type, client account objectives and preference, investment restrictions, account sizes, cash availability, and current specific needs. FGP typically sets an acceptable minimum allocation which is communicated to a broker/dealer to ensure fair treatment to all clients. Generally, the security will be turned back to the broker/dealer if this minimum allocation condition is not met. Portfolio managers and compliance personnel periodically monitor the allocations to client accounts and the dispersion of performance for accounts in an effort to ensure that all accounts are treated fairly and equitably over time.

**Cross Trading** – From time to time, FGP may affect a cross-trade with respect to the sale and purchase of securities, typically in the Firm’s segregated accounts. Cross trading is the contemporaneous sale of a security by one client and the corresponding purchase of that same security by a different client. The Firm does not engage in cross trades in any investment funds without the appropriate pre-approval and/or regulatory exemption pursuant to Section 13.5 of National Instrument 31-103.

In effecting a cross-trade, FGP generally attempts to seek the best price for both clients by contacting various broker/dealers with whom the Firm transacts business, or by surveying marketplace pricing information. The broker/dealer that executes the trades will be compensated as usual. FGP does not receive any additional compensation for effecting cross-trades.

FGP is mindful of its fiduciary duty to engage in cross trading activities only on behalf of eligible client accounts, to disclose information about cross trading activities, to determine that the transaction is in the best interest of both clients involved, and to follow protocols to ensure that FGP has a reasonable basis for believing the price is fair to both the buyer and the seller. FGP has implemented policies and procedures to effect cross trades in compliance with applicable Canadian regulation. The Firm’s Trading Department is responsible for maintaining documentation of any approved cross transaction to ensure compliance.

**Errors** – FGP may have a potential conflict of interest when determining when and how to deal with a pricing error or other type of account error, due to the time, processing cost and reimbursement of clients involved. FGP maintains an Error Correction policy, which is designed to ensure that errors caused by FGP or its vendors affecting client accounts are consistently resolved in the best interest of clients and that effort is made to prevent recurrence of the error.

**Fees, Valuation and FGP Pooled Fund Operating Expenses** – Since FGP charges its clients fees for its advisory services based on a percentage of the market value of each client’s account, FGP may have a conflict of interest in those instances where the Firm is responsible for valuing portfolio securities. In addition, FGP’s interest in valuing a security to show good performance, and thus obtain positive rankings and/or attract more investment, may conflict with the Firm’s fiduciary responsibility to its clients to provide accurate performance calculations for investment decision-making purposes. Accordingly, to address instances where FGP is responsible for valuing securities within clients’ portfolios, FGP has valuation policies and procedures designed to mitigate any potential conflicts of interest.

To calculate advisory fees, FGP generally relies on prices provided by third-party pricing services, custodians, and/or broker/dealers or platform sponsors for purposes of valuing portfolio securities held

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in client accounts. However, the Firm may, on occasion, be required to “fair value price” a security when a market price for that security is not readily available or when FGP has reason to believe that the market price is unreliable. When “fair value pricing” a security, FGP will use various sources of information at its disposal to determine a fair price that the security would obtain in the marketplace if, in fact, a market for the security existed. For any fair value securities, FGP will use the valuation policies and procedures referenced above in an effort to mitigate any conflicts of interest with respect to valuation. In no event shall a member of the Firm’s Investment Team make the final decision on the fair value of a portfolio security without agreement to that value by Compliance personnel, and any occurrence of fair valuation is documented and maintained by the Firm’s Operations Department.

FGP is specifically responsible for valuation of its clients’ assets in the FGP Pooled Funds. The Pooled Funds sell, redeem, and repurchase their units at a price based on the current net asset value (NAV) next calculated after the receipt of an investor’s order to purchase or sell shares. The FGP Pooled Funds calculate their respective NAVs at the close of business on each day on which the Toronto Stock Exchange is open for business. FGP has appointed a third-party service provider to obtain the prices of the FGP Pooled Funds.

With respect to fees, FGP’s compensation from its clients is limited to those investment management fees specified in each client’s investment management agreement. FGP clients do not pay any other fees to FGP. Clients invested in the FGP Pooled Funds will bear a portion of the operating expenses (such as fund accounting, audit, custody) paid by those funds, with full expense details provided in the semi-annual and annual financial statements of the FGP Pooled Funds.

**Proxy Voting** – FGP generally has discretion in voting the portfolio securities purchased for clients. A perceived conflict of interest arises because of the opportunity for the Firm to vote securities or to agree to certain corporate actions in its own interest. To minimize this potential conflict, FGP maintains proxy voting policies and procedures which explain the Firm’s process and controls for voting securities in the best economic interest of its clients. Clients may request a copy of FGP’s policies and procedures. FGP does not invest in securities of issuers in order to exercise control over, or participate in, the management of issuers. Proxy voting results are available upon request.

**Outside Business Activities** – When employees engage in certain activities, interests or associations outside of FGP, a conflict of interest may arise between the employee’s personal interests and those of FGP and its clients. FGP has developed policies and procedures that govern employees’ outside business activities and to which all employees must adhere. Under no circumstances may an employee of FGP serve on the board of directors or other governing body of a publicly traded company. Further, FGP requires that all outside business-related roles or relationships, such as directorships or trusteeships of any kind, paid or unpaid roles with charitable or religious organizations, membership in investment organizations, or significant ownership positions within holding companies, must be approved by the Compliance Department prior to acceptance of such position.

**Other Conflicts of Interest** – From time to time, other conflicts of interest may arise. FGP will continue to take appropriate measures to identify and respond to such situations fairly and reasonably and in the best interests of its clients.

FGP will update this policy if there is any material change to this Conflicts of Interest Disclosure Statement.