

FGP INCOME FUND

Investment Policy Statement | January 1, 2019

INVESTMENT OBJECTIVE

The FGP Income Fund (the “Fund”) aims to generate an attractive total investment return through income and long-term capital growth. To achieve this, the Fund will invest primarily in a diversified mix of debt obligations and other evidences of indebtedness of primarily Canadian issuers, preferred shares, common shares, income trusts and real estate investment trusts.

The Fund is primarily oriented to taxable individuals and organizations and its objective is to optimize after-tax returns.

PERFORMANCE OBJECTIVE

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

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 Benchmark

FGP Income Blended Benchmark:

TOTAL RETURN BENCHMARK INDEX	WEIGHT
FTSE Canada 91 Day Treasury Bill Index	5%
FTSE Canada Universe Bond Index	35%
S&P/TSX Composite Total Return Index	30%
S&P/TSX Preferred Share Index	30%

Asset Allocation Guidelines

ASSET CLASS	MINIMUM	BENCHMARK	MAXIMUM
Cash and Short-Term ¹	0%	5%	10%
Bonds	15%	35%	60%
Dividend Paying Equities	20%	60%	80%
<i>Preferred Shares</i>	10%	30%	50%
<i>Common Shares</i>	10%	30%	50%

¹ Securities with a term to maturity of one year or less. Primarily invested in the FGP Money Market Fund.

PERMISSIBLE INVESTMENTS

Eligible equity investments include primarily, but not exclusively, CDN\$ denominated publicly-listed common and preferred shares, securities convertible into common or preferred shares, installment receipts, American Depository Receipts, Global Depository Receipts 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 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.

Eligible cash and money market investments include cash and demand deposits, short term debt securities of Canadian government(s) and corporate issuers including treasury bills issued by the Federal, Provincial or Territorial governments or any of their agencies; bankers' acceptances, term deposits, commercial paper, the FGP Money Market Fund, and any other evidences of indebtedness with terms to maturity of less than one year.

Indirect investments are primarily units of other FGP Funds.

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

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.

Equity

Security Level Guidelines: The number of direct holdings will typically not exceed 40 common equity investments. The individual weight for each equity investment will vary based on FGP's assessment of quality. Each security is limited to a maximum weighting of 10% of the market value of the equity component of the Fund.

Market Capitalization (Cap) Guidelines: The minimum market cap for any one direct holding is \$50 million at the time of purchase. Investments in any holding cannot exceed 15% of the company's market cap. The maximum weight of equities with a total issuer market capitalization of less than \$800 million is 35%.

Fixed Income

Security Level Guidelines: The number of direct holdings will typically not exceed 50 fixed income investments.

Cash Level Guidelines: The Fund may have maximum cash or short term holdings of 10%.

Credit Quality Guidelines: The minimum credit quality for a directly held corporate bond at the time of purchase is 'BBB', as assessed by FGP portfolio managers or analysts, or as determined by a recognized credit rating agency. The minimum overall credit quality for the directly held corporate bond portfolio is 'BBB', and the minimum credit quality for any short-term money market investments is 'R1' or 'A.' The minimum credit quality for any directly held preferred shares at the time of purchase is 'P3-Low'.

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FUND FACTS

Fund Code	1025
Fund Class	A
Performance Inception Date	June 30, 2009
Taxable Investors (Non-Registered Plans)	Eligible
Non-Taxable Investors (Registered Plans)	Eligible
Valuation Frequency	Daily
Distribution Frequency	Income – Monthly Capital Gains – Minimum Annually
Expense Ratio *	0.07% (2017)
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.

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