

## INVESTMENT OBJECTIVE

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

## PERFORMANCE OBJECTIVE

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

## PERMISSIBLE INVESTMENTS

Eligible investments include private or public market securities secured by real property or cash flow streams, mortgage-backed securities, asset-backed securities, bonds, debentures, notes, coupons, residuals, floating rate notes, private placements, limited partnerships, real return bonds, extendible/retractable bonds, other evidence of indebtedness of Canadian or foreign issuers, whether denominated and payable in Canadian dollars or a foreign currency, and other mortgage-related fixed income oriented securities (including preferred shares and equities). These investments include, but are not limited to, direct mortgage lending, first mortgage bonds, secured and unsecured mortgage-related debentures, and indirect investments in both open and closed mortgage pools and securitizations, income loans, construction loans, land loans, loan participations units, senior secured, junior secured and mezzanine loans.

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 evidence of indebtedness with terms to maturity of less than one year.

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.

**Security Level Guidelines:** The individual weight for each investment will vary based on FGP's assessment of suitability. Specific ranges for direct and indirect investments are provided below. Credit rating limits will use credit ratings as assessed by FGP portfolio managers or analysts, or as determined by a recognized credit rating agency.

**Cash Level Guidelines:** The Fund may have a maximum cash weighting of 20%. The minimum credit quality for any short-term money market investments is 'R1' or 'A'.

## INVESTMENT STRATEGY

FGP will utilize our consistent and disciplined fundamental credit process to construct a fund of diversified mortgage or mortgage related investments with the ability to generate stable and appealing returns over long investment horizons for our clients. The portfolio managers, supported by FGP's research team, are responsible for security selection and portfolio construction within FGP's diversification and risk control guidelines.

## Performance Benchmark

FTSE Canada Short Term Bond Index

# FGP MORTGAGE FUND

Investment Policy Statement | March 31, 2022



**Security Level Guidelines:** The individual weight for each investment will vary based on FGP's assessment of suitability. Specific ranges for direct and indirect investments are provided below:

TYPE OF INVESTMENT	MAXIMUM
Direct investments - Single mortgage/borrower	
• Single mortgage/borrower rated 'BBB (Low)' or better	10%
• Single mortgage/borrower rated below 'BBB (Low)'	6%
Indirect mortgage investments (mortgage pools – all structures)	
• Rated 'BBB (Low)' or better – Aggregate Limit	100%
• Unrated or Rated below 'BBB (Low)' - Aggregate limits	80%
Foreign mortgages/borrowers – Aggregate limit	75%

**Redemption Guidelines:** Given the potential illiquidity from time to time of investments held within the Fund, redemption requests are only accepted for the last business day of the month and must be submitted by the 15th day of the month, or next business day if the 15th falls on a weekend/holiday. In the event that all redemption requests cannot be fulfilled on one or more redemption dates, a priority system will be set up among holders who have submitted a redemption notice pursuant to the provisions hereof and are awaiting fulfillment. This priority system shall be based on the calendar month in which the requests were received. All requests received in the same calendar month will have equal priority and will be fulfilled before the redemption requests of subsequent calendar months. Within the same calendar month, requests shall be fulfilled on a pro rata basis.

## FUND FACTS

Fund Code	1036
Fund Class	A
Performance Inception Date	August 31, 2021
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 *	0.16%
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 investment are paid to unitholders on a periodic basis as indicated. Distributions are made on a pro rata basis within each class to unitholders of record at the close of business on the second last business day prior to the date of distribution

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 2021 expense ratio for the Fund is presented above. FGP does not charge management fees directly to the Fund.

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