

Statement
of
Investment Policies and Procedures
for the
Ideal Canadian Pension Plan
Financial Services Regulatory Authority of Ontario
Registration No. pending

Certified to be a true copy of the Statement of Investment Policies and Procedures adopted for the Ideal Canadian Pension Plan by the ICPP Management Board with effect January 1, 2021.

Dec 30/20

Date



Stephen A. Eadie, Chair

Dec 30/20

Date



Paul W. Litner, Vice-Chair

December 2020

PURPOSE

The purpose of the Ideal Canadian Pension Plan (the “Plan”) is to accumulate funds and provide retirement benefits to participating Members of the Plan. The Plan is a collective defined contribution and multi-employer pension plan.

The initial Participating Employers of the Plan established the ICPP Management Board (“Management Board”), an expert committee, to be the plan sponsor and to be the administrator of the Plan as defined under the Pension Benefits Act (Ontario) (the “PBA”).

The Board has prepared this Statement of Investment Policies and Procedures (“Statement”) in accordance with the PBA, the Pension Benefit Standards Regulations, and the Income Tax Act (Canada) and Regulations (collectively, “Applicable Legislation”).

The Plan is registered with the Financial Services Regulatory Authority of Ontario, under Registration Number **pending**.

BACKGROUND

The Plan was established effective January 1, 2021. The Management Board is the Plan sponsor and the legal administrator of the Plan.

The Plan is a collective defined contribution pension plan and, as such, the liabilities of the Plan are equal to the assets of the Plan.

Each Participating Employer and the Plan Members employed by that Participating Employer are eligible to contribute to the Plan based on amounts set out in the Participating Employer Agreement between the Board and the particular Participating Employer. Members, including former Members, are eligible to transfer lump sum amounts from their personal registered savings accounts to the Plan Fund in accordance with the Plan terms.

Investment risk is borne by the Plan Members and investment management fees are charged against Members’ Accounts and the VPLA Account. Administration fees not paid by a Participating Employer are also eligible to be paid from the relevant Members’ Accounts and the VPLA Account.

ALLOCATION OF FUND AND INVESTMENT RESPONSIBILITIES

The Management Board has delegated the management of this Plan as follows:

The Management Board will:

- Establish, review and amend, as required, this Statement;
- Select an institution to provide recordkeeping services for the Plan;
- Select one or more fund managers ("Fund Manager");
- Select the Custodian to hold pension fund assets;
- Review the performance of the Agent of the Administrator with respect to the duties set out in this Statement at least annually;
- Review the performance of the Fund Manager at least annually; and
- Review and assess any changes to any Fund Manager that could affect the performance of the portfolios under management.

The Agent of the Administrator will:

- Ensure that members are provided with education and ongoing communications about the nature of Plan and the investments used for the Plan Funds as deemed necessary and appropriate by the Management Board in its sole discretion; and
- Ensure that Members are provided with information about the performance of the Investment Funds.

The Fund Manager will:

- Manage the investments within each Investment Fund, subject to the Investment Policy Statements provided to the Management Board and attached to this Statement as schedules, subject to applicable legislation and subject to the constraints set out in this Statement.

The Custodian will:

- Fulfil the regular duties required by law of the Custodian in accordance with the Plan;
- Present to the Management Board at least once per year a review and report of all investment Fund assets and transactions for the period; and
- Monitor actual investments as appropriate to ensure compliance with the PBA.

STANDARD OF PRUDENCE

The Management Board and its members, its employees and agents shall exercise the care, diligence and skill in the administration and investment of the Plan that a person of ordinary prudence would exercise in dealing with the property of another person and shall use all relevant knowledge and skill that the administrator possesses or, by reason of the person's profession, business or calling, ought to possess. Care, diligence and skills will be considered in the context of each investment fund as a whole rather than for individual assets or asset categories.

INVESTMENT OBJECTIVES, ASSET ALLOCATION POLICY AND RATE OF RETURN OBJECTIVES

Investment Objectives

The Members are the primary risk bearers under the Plan. As Plan Sponsor, the Management Board, believes the Management Board has the experience and knowledge to select fund managers and investment funds to satisfy the needs of the Members during both the asset accumulation and the pension payout phases of their lifetimes.

The Management Board has determined the Plan requires a minimum of three investment funds for success. For the Management Board's purposes the three funds are, a pooled fund named the ICPP Accumulation Fund ("Accumulation Fund"), a pooled fund named the ICPP Payout Fund ("Payout Fund") and a pooled fund named the ICPP Annuity Preparation Fund ("Annuity Preparation Fund").

The Management Board believes the investment philosophy, process and objectives under the Accumulation Fund as set out in the Investment Policy Statement for the ICPP Accumulation Fund are suitable for its Members during the accumulation stage of their retirement savings.

The Management Board believes the investment philosophy, process and objectives under the Payout Fund as set out in the Investment Policy Statement for the ICPP Payout Fund are suitable for Members approaching retirement and during the payout stage of their retirement.

The Management Board believes the investment philosophy, process and objectives under the Annuity Preparation Fund as set out in the Investment Policy Statement for the ICPP Annuity Preparation Fund are appropriate for Member assets dedicated to a planned insured annuity purchase.

The Management Board believes that the selection of these specific investment funds and regular monitoring of their performance is the best way to achieve the investment objectives of the Plan on behalf of the Members. The Management Board may introduce new investment funds as needed. Each particular investment fund must, in and of itself, meet all of the requirements of the Management Board.

All of a Member's Accounts will be invested in the Accumulation Fund until the Member is within ten years of the Member's expected retirement. Once a Member is within ten years of expected retirement, a portion of the Member's Accounts held in the Accumulation Fund will be automatically transferred annually to the Payout Fund and/or the Annuity Preparation Fund to fund the Member's selected benefits in priority order, in accordance with the terms of the Plan and other administrative procedures adopted by the Management Board on the advice of the Plan Actuary.

The VPLA Account will be invested in the Payout Fund.

The Agent of the Administrator on behalf of the Management Board will take the necessary actions to ensure that information and education is made available to enable Members to understand the nature of the Plan and Investment Funds managed by the Fund Manager.

The actual investment fund returns shall be assessed in accordance with the benchmarks established under the "Rate of Return Objectives." The Management Board shall monitor performance to determine whether the Fund Manager is achieving its expected benchmark return objectives.

The Management Board shall also monitor adherence to the investment policies and recommend changes to the policies or benchmarks as are deemed appropriate. The Fund Manager will be responsible to ensure that the requirements set out in this of this Statement with respect to the investment management of the respective investment fund are met.

Asset Allocation Policy

The Accumulation Fund, Payout Fund and Annuity Preparation Fund are expected to be fully invested at all times. Assets will be allocated to the Investment Funds in accordance with the terms of the Plan and any administrative procedures established for such allocations. The Management Board does not believe in attempting to time the entry and exit of market investing and expects the Plan assets will generally be invested in the markets at all times. The Management Board also believes that the investment returns from a rules-based actively managed, well-diversified equity investment fund will exceed the investment returns from a passively managed equity investment fund over the long term and have therefore selected an Accumulation Fund that uses a rules-based active investment approach. Investment results will be measured and reported to the Management Board no less than once per year.

The Investment Policy Statement for each Fund, as prepared by the Investment Manager, is attached to this Statement as schedules in Appendix 2.

At least annually, there shall be a full review of the policies of the Fund.

Rate of Return Objectives

The performance of the Accumulation Fund managed by the Fund Manager will be expected:

- (a) to match or exceed the calculated returns of the ICPP Total Index as determined by the ICPP Investment Oversight Committee, measured on a rolling four-year moving average basis;
- (b) to exceed the passive benchmark (50% S&P/TSX Total Return/ 50% S&P500 Total return in Canadian dollars) investment return selected for the Fund per annum, measured on a rolling four-year moving average basis.

The performance of the Payout Fund managed by the Fund Manager will be expected:

- (a) to approximately match 50% of the benchmarks established for the ICPP Accumulation Fund plus 50% of the benchmarks established for the XBB ETF (currently the FTSE TMX Universe Bond Index).

The performance of the Annuity Preparation Fund managed by the Fund Manager will be expected:

- (a) to approximately match 2/3rds of the benchmarks established for the XLB ETF (currently the FTSE TMX Long-term Bond Index) plus 1/3rd of the benchmarks established for the XBB ETF (currently the FTSE TMX Universe Bond Index).

The Management Board may establish other benchmarks, including relative benchmarks, to monitor the performance of the Fund Manager(s) and shall inform the Fund Manager(s) of such benchmarks in writing prior to their adoption.

The Management Board and the Investment Oversight Committee will monitor the actual investment results for the overall Fund. The Management Board will amend or confirm the provisions of this Statement at least annually.

OTHER REQUIREMENTS

Aggregate and Individual Investment Limits and Permitted Investment Categories

The portfolio of investments must satisfy the requirements of Pension Benefits Standards Regulation. The Management Board believes that the requirements set out in this Statement, the Investment Policy Statements for each Investment Fund and the constraints set out in the Pension Benefits Standards Regulation are sufficient.

The Fund Manager must comply with the respective Investment Policy Statements as filed with the Custodian (copies attached).

Securities Lending

The lending of securities or cash is not permitted with respect to assets held in the Member accounts.

Voting Rights

Where applicable, the Fund Manager will exercise all voting rights acquired through the Fund's investments. The Fund Manager will exercise acquired voting rights with the intent of fulfilling the spirit and intent of this Statement.

Valuation of Investments

In most cases, securities held by an investment fund will be very liquid and have an active market, in which case the valuation of those securities will be based on their market values. If the security held by the Fund does not have an active market, then that security will be valued at least annually by the Custodian using a discount rate composed of an estimate of the risk-free rate of return, an estimate of expected inflation and a risk premium commensurate with the uncertainty of the investment's future income stream and selling price.

Environment, Social and Governance Factors

The Management Board believes the incorporation of risk factors such as environmental, social and governance (ESG) factors is part of an appropriate investment philosophy and process. The inclusion of these factors in a Fund Manager's active investment management process is consistent with the Management Board's investment objectives.

The Management Board expects the Fund Manager to incorporate ESG factors as part of their investment process; however, ESG factors should not be assigned undue weight in the investment decision process. The Fund Manager is expected to develop their ESG policy and methods of assessing materiality. In fact, the Management Board expects that ESG factors have always been considered by the Fund Manager in assessing the potential outcomes of a particular investment.

Investments should not be selected or rejected solely on the basis of ESG factors. ESG factors should only influence an investment decision when they have a material potential effect on the investment.

The Management Board will periodically undertake a review of the Fund Manager's ESG policies and principles as part of their investment management governance process.

APPENDIX 1

SUMMARY OF ROLES

- **Members:** Employees and former employees of Participating Employers and Designated Organizations
- **Plan Administrator:** Management Board
- **Agent of the Administrator:** Robertson, Eadie & Associate Ltd.
- **Plan Actuary:** Robertson, Eadie & Associates Ltd. (Andrew Gillies)
- **Fund Manager:** ICPP Funds Ltd.
- **Custodian:** Co-operators Life Insurance Company
- **External Auditor:** Glenn, Graydon Wright LLP

APPENDIX 2

INVESTMENT FUNDS

ICPP ACCUMULATION FUND

ICPP PAYOUT FUND

ICPP ANNUITY PREPARATION FUND

May 17, 2017

INVESTMENT POLICY STATEMENT: ICPP ACCUMULATION FUND

Investment Objectives

The objectives of the ICPP Accumulation Fund (the "Fund") are to provide long-term capital growth and income through a portfolio of Canadian, US and International equities that is sufficiently diversified to minimize investment risk. The Fund will invest in equities of companies that are part of the ICPP Total Index ("Index") on behalf of members of Canadian registered pension plans.

The companies that are included in the Index are listed on major stock exchanges in Canada and United States. Each company included in the Index is selected based on the long-term viability of its business and its value-added return expectations within its industry. It is expected that equities of the companies included in the Index will be bought and held by the Fund for a long time. As such the Index is generally composed of large capitalization equities. The Fund will use short-term investments from time to time to accommodate the cash flow needs of the Fund. The Fund is expected to be fully invested.

Investment Strategies and Diversification

We employ the following strategies to achieve the Fund's objectives:

- The Fund will invest only in companies that are listed in the Index.
- The strategy is buy and hold reflecting the long-term objective of the Fund.
- Canadian companies are selected for the Index because they have well-established and sustainable business operations with above average return expectations for its industry. Companies in industries that have had difficulty generating consistent earnings or have been heavily reliant on government subsidies are normally not considered suitable for inclusion in the Index. The Canadian companies held in the Index form the basis for the ICPP Canadian Index.
- Foreign companies selected for the Index are large multinational enterprises that have a strong Canadian presence and provide additional exposure to industries not well represented in Canada. For example, since Canada has many large banks and oil companies foreign banks and oil companies are underrepresented in the Index. The foreign companies held in the Index form the basis for the ICPP Completion Index.
- The Index contains between 72 and 80 companies (split equally between Canadian and foreign) and the Fund will invest in a minimum of 40 holdings and a maximum of 80 holdings.
- Companies listed in the Index are paired to represent a broad range of industry groups. At least one holding from each pair must be held in the Fund at all times.
- It is expected that most of the companies listed in the index will be held at any time, with exceptions made for excessively overvalued companies or companies undergoing significant operational or management issues as determined by the Fund manager.

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- The Fund is rebalanced at the end of each quarter. Companies with a market value that exceeds 3.5% of the total Fund will be sold back to 3.0% of the total Fund. All available cash will be used to purchase other eligible companies. Purchases will generally be made for companies with the smallest current market value held in the Fund. Only companies with a market value of less than 2.0% of the total Fund at the time of purchase will be eligible for purchase. All purchases are at the discretion of the Fund manager but it is expected that the Fund will be fully invested at all times. The Fund will remain well diversified over the long term by ensuring that no company exceeds more than 3.5% of the total Fund market value for an extended period of time.

There are no specific limits on the portion of the Fund's assets that may be directly invested in foreign securities or indirectly exposed to investments in foreign securities. It should be noted, however, that approximately one-half of the companies listed in the Index are Canadian and, as a result, we expect that approximately one-half of the market value of the Fund will be invested in Canadian companies.

WHAT ARE THE RISKS OF INVESTING IN THE ICPP ACCUMULATION FUND?

Some risks for the Fund include investment risk and currency risk. For a more detailed review of risks as they relate to the Fund please refer to the Offering Memorandum dated January 1, 2017.

The Fund will be invested in securities held in Canadian and US dollars only. The Fund will not hedge the US dollar currency risk. The Fund will be invested in securities listed on major Canadian and US stock exchanges only thereby reducing liquidity risk. The Index only includes companies with sufficient daily trading volumes to allow the company stock to be bought and sold without any undue delay.

The Fund will invest in equities included in the Index only. All of the equities included in the Index are publicly-traded on major North American stock exchanges. The Index includes the stock of between 72 and 80 companies at all times; equally split between Canadian and Completion equities. Canadian equities are traded on the Toronto Stock Exchange and are purchased and invested in Canadian dollars. Completion equities are large foreign multinationals traded on major US stock exchanges. The Completion equities are purchased and invested in US dollars. The fund will be expected to hold a minimum equal to at least 1.25% of market value in at least 40 equities; 20 Canadian and 20 Completion at all times. No holding shall represent more than 3.5% of the market value of all holdings. The market values of each holding will be reviewed at the end of each quarter and, if necessary, a rebalancing will occur within ten working days of the end of the quarter.

The Fund will **not** hedge U.S. dollar currency risk and will **not** invest in derivative securities. Small amounts of short-term money market investments will be permitted to assist in the cash-flow management of the Fund.

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WHO SHOULD INVEST IN THE FUND?

The Index and Fund have been designed for investors in retirement income security schemes (e.g. pension plans) during the accumulation phase of the retirement security mandate. The funds are therefore suitable for investors seeking long-term above-average growth who can tolerate some short-term volatility and in particular for the accumulation phase segment of pension plan investment mandates.

FUND BENCHMARKS

The benchmarks established for the Fund are twofold.

First, the actual Fund returns are expected to exceed the Index total return by at least the investment management fees charged to the Fund measured over rolling four-year periods ending each quarter. The portion of the Fund return attributed to the Canadian holdings ("Canadian Portfolio") must also exceed the ICPP Canadian Index total return and the portion of the Fund return attributed to the Completion holdings ("Completion Portfolio") must exceed the ICPP Completion Index total return.

Second, the actual Fund returns are expected to exceed a benchmark constructed with 50% of the S&P/TSX Composite Total Return plus 50% of the Canadian dollar S&P 500 Total Return measured over rolling four-year periods ending each quarter. The Canadian Portfolio total return is also expected to exceed the S&P/TSX Composite Total Return over the same periods and the Completion Portfolio total returns are expected to exceed the Canadian Dollar S&P 500 Total Return over the same periods.

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FUND INVESTMENT MANAGEMENT FEES

ICPP Accumulation Fund Investment fees will be based on total assets under management. It is expected that each client of the ICPP Accumulation Fund will pay the same percentage fee based on the average assets held in the Fund for the client during each quarter. The fees will be paid to ICPP Funds Ltd. within 30 days of the end of each quarter.

The aggregate fees charged will be equal to:

- 50 basis points on the first \$10 million in average market value of assets under management for the quarter, plus
- 25 basis points on the next \$40 million in average market value of assets under management, plus
- 20 basis points on the next \$50 million in average market value of assets under management, plus
- 10 basis points on the total average market value of assets under management in excess of \$100 million.

For example, should the Fund have \$100 million in average market value of assets under management for a particular quarter, the investment fees charged by ICPP Ltd will be \$62,500 (= \$250,000 / 4). The fee will be 25 basis points for every client of the Fund in this example.

Once the Net Asset Value of the Fund has reached sufficient size, it is the intent of the Manager to reduce Management Fees to no more than 10 basis points of the total Net Asset Value of the Fund.

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INVESTMENT POLICY STATEMENT: ICPP PAYOUT FUND

Investment Objectives

The objectives of the ICPP Payout Fund (the "Fund") are to provide capital growth and income through a portfolio of Canadian fixed income securities and Canadian, US and International equities that is sufficiently diversified to minimize investment risk. The Fund will invest in approximately equal market values of units in the ICPP Accumulation Fund and of units in iShares Canadian Universe Bond Index ETF ("XBB"), an exchange traded fund ("ETF") offered by Blackrock Canada on the Toronto Stock Exchange ("TSX") (or another suitable fixed income ETF listed on the TSX that invests in the universe of Canadian fixed income instruments with an investment benchmark related to the FTSE TMX Canadian Universe Bond Index at the manager's discretion).

The IPS for both the ICPP Accumulation Fund and the XBB ETF are attached as schedules to this document.

Investment Strategies and Diversification

We employ the following strategies to achieve the Fund's objectives:

- The Fund will invest only in the ICPP Accumulation Fund and the XBB ETF (or its equivalent) in approximately equal amounts.
- The strategy is to buy and hold these funds to support payment of current and future monthly pensions in pay.
- The investments will be rebalanced at the end of each quarter to maintain an approximate 50/50 allocation between the market value of investment held between the ICPP Accumulation Fund and the XBB ETF.
- Funds will be made available through monthly unit redemptions to support each underlying investor's pension payments.

There are no specific limits on the portion of the Fund's assets that may be directly invested in foreign securities or indirectly exposed to investments in foreign securities. It should be noted, however, that approximately one-half of the companies held in the ICPP Accumulation Fund are foreign multinationals that trade in US dollars and, as a result, we expect that approximately one-quarter of the market value of the Fund will be invested in non-Canadian multinational companies.

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WHAT ARE THE RISKS OF INVESTING IN THE ICPP PAYOUT FUND?

Some risks for the Fund include investment risk and currency risk. For a more detailed review of risks as they relate to the Fund please refer to the Offering Memorandum of this Fund dated June 1, 2017, the Offering Memorandum of the ICPP Accumulation Fund dated January 1, 2017 and the documentation available for the XBB ETF (or its equivalent).

The underlying funds held in the Fund are invested in securities held in Canadian and US dollars only. The underlying funds do not hedge the US dollar currency risk. The underlying funds invest only in securities listed on major Canadian and US stock exchanges thereby reducing liquidity risk.

The underlying funds only include investments with sufficient daily trading volumes to allow the units of the underlying funds to be bought and sold without any undue delay.

The Fund will not hedge U.S. dollar currency risk and will not invest in derivative securities. Small amounts of short-term money market investments will be permitted to assist in the monthly cash-flow management of the Fund.

WHO SHOULD INVEST IN THE FUND?

The Index and Fund have been designed for registered Canadian investors who are stakeholders in retirement income security schemes (e.g. pension plans) during the payout phase of the retirement security mandate. The funds are therefore suitable for investors seeking long-term above-average growth with regular income payments. They are suitable for investors who can tolerate some short-term volatility during the payout phase of pension plan investment mandates.

FUND BENCHMARK

The benchmark established for the Fund are set equal to 50% of the benchmarks established for the ICPP Accumulation Fund and 50% of the benchmarks established for the XBB ETF (or equivalent fund).

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FUND INVESTMENT MANAGEMENT FEES

ICPP Payout Fund investment fees will be based on total assets under management. It is expected that each client of the ICPP Payout Fund will pay the same percentage fee based on the average assets held in the Fund for the client during each quarter. The fees will be paid to ICPP Funds Ltd. within 30 days of the end of each quarter.

The aggregate fees charged will be equal to:

- 10 basis points on the first \$10 million in average market value of assets under management for the quarter, plus
- 5 basis points on the next \$40 million in average market value of assets under management, plus
- 4 basis points on the next \$50 million in average market value of assets under management, plus
- 2 basis points on the total average market value of assets under management in excess of \$100 million.

For example, should the Fund have \$100 million in average market value of assets under management for a particular quarter, the investment fees charged by ICPP Ltd will be \$12,500 (= \$50,000 / 4). The fee will be 5 basis points for every client of the Fund in this example.

Once the Net Asset Value of the Fund has reached sufficient size, it is the intent of the Manager to reduce Management Fees to no more than 2 basis points of the total Net Asset Value of the Fund. These fees are in addition to any fees charged by the ICPP Accumulation Fund or the XBB ETF (or equivalent fund).

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ICPP ANNUITY PREPARATION FUND

Investment Objectives

The objective of the ICPP Annuity Preparation Fund (the "Fund") is to provide income through a portfolio of Canadian fixed income securities that is sufficiently diversified to minimize investment risk. The Fund will invest in units of the iShares Core Canadian Long Term Bond Index ETF ("XLB") and in units of the iShares Core Canadian Universe Bond Index ETF ("XBB"), both of which are an exchange traded fund ("ETF") offered by Blackrock Canada as listed on the Toronto Stock Exchange ("TSX") (or other suitable fixed income ETF investments listed on the TSX that invest in either long term Canadian fixed income instruments or the universe of Canadian fixed income instruments with either an investment benchmark related to the FTSE TMX Canada Long Term Bond Index or the FTSE TMX Canadian Universe Bond Index at the manager's discretion). The IPS for both the XLB ETF and the XBB ETF are available upon request.

Investment Strategies and Diversification

We employ the following strategies to achieve the Fund's objectives:

- The Fund will invest only in units of the XLB ETF (or its equivalent) and units of the XBB ETF (or its equivalent).
- The Fund weightings are expected to be approximately two thirds in XLB ETF units (or their equivalent) and one third in XBB ETF units (or their equivalent).
- The Fund will hold the ETF units to support the ultimate purchase of insured annuities by pension plan members or to support fixed monthly payouts for a pensioner.
- The investments will be rebalanced at the end of each quarter to maintain the approximate Fund weightings.
- Cash will be made available through monthly unit redemptions to support cash needs.

All of the Fund assets are expected to be invested in Canadian dollar investments supported by Canadian governments, government entities and corporations.

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WHAT ARE THE RISKS OF INVESTING IN THE ICPP ANNUITY PREPARATION FUND?

Some risks for the Fund include investment risk and credit risk. For a more detailed review of risks as they relate to the Fund please refer to the Offering Memorandum of this Fund dated February 1, 2019, the documentation available for the XLB ETF (or its equivalent) and the documentation available for the XBB ETF (or its equivalent).

The underlying ETFs held in the Fund are invested in securities held in Canadian dollars only. The underlying ETFs are listed on major Canadian stock exchanges thereby reducing liquidity risk. The underlying ETFs have sufficient daily trading volumes to allow the units of the ETFs to be bought and sold without any undue delay.

The fund will not invest in derivative securities. Small amounts of short-term money market investments will be permitted to assist in the monthly cash-flow management of the Fund.

WHO SHOULD INVEST IN THE FUND?

The Fund has been designed for registered Canadian investors who are stakeholders in retirement income security schemes (e.g. pension plans) who expect to purchase an insured annuity at retirement assuming the annuity contract does not provide increases to the monthly annuity payments after retirement for changes in the inflation rate. The intent is to provide approximate immunization against changes in the annuity premium caused by changes in market interest rates by matching, on an approximate basis, the effective duration of the Fund to the expected duration of an annuity for a recently retired pensioner. Full immunization will not occur unless the actual effective duration of the Fund equals the effective duration for a particular annuity purchase. This strategy will normally provide some, but not necessarily full, protection against the risk of changes in annuity premiums caused by market interest rate changes.

The Fund is also suitable for any other registered Canadian investor seeking investment in the Canadian fixed income securities market. In particular, this Fund may be suitable for a Canadian pension plan needing exposure to the longer-term Canadian fixed income securities market.

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FUND BENCHMARK

The benchmarks established for the Fund are set equal to two thirds of the benchmarks established for the XLB ETF (or equivalent fund) and one third of the benchmarks established for the XBB ETF (or equivalent fund).

FUND INVESTMENT MANAGEMENT FEES

ICPP Annuity Preparation Fund investment fees will be based on total assets under management. It is expected that each client of the ICPP Annuity Preparation Fund will pay the same percentage fee based on the average assets held in the Fund for the client during each quarter. The fees will be paid to ICPP Funds Ltd. within 30 days of the end of each quarter.

The aggregate fees charged will be equal to:

- 10 basis points on the first \$10 million in average market value of assets under management for the quarter, plus
- 5 basis points on the next \$40 million in average market value of assets under management, plus
- 4 basis points on the next \$50 million in average market value of assets under management, plus
- 2 basis points on the total average market value of assets under management in excess of \$100 million.

For example, should the Fund have \$100 million in average market value of assets under management for a particular quarter, the investment fees charged by ICPP Ltd will be \$12,500 (= \$50,000 / 4). The fee will be 5 basis points for every client of the Fund in this example.

Once the Net Asset Value of the Fund has reached sufficient size, it is the intent of the Manager to reduce Management Fees to no more than 2 basis points of the total Net Asset Value of the Fund. These fees are in addition to any fees charged by the XLB ETF (or equivalent fund) Fund or the XBB ETF (or equivalent fund).

