



FOYSTON, GORDON & PAYNE INC.

I N V E S T M E N T C O U N S E L

FORM ADV PART 2A
DISCLOSURE BROCHURE

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March 28, 2016

Item 1 – Cover Page

March 28, 2016

This Form ADV Part 2A (the “Brochure”) provides information about the qualifications and business practices of Foyston, Gordon & Payne, Inc. (“FGP” or “Firm”). If you have questions about the contents of this Brochure, please contact us at 416-362-4725. The information in this Brochure has not been approved or verified by the U.S. Securities and Exchange Commission (“SEC”) or by any state securities authority.

Additional information about FGP is also available on the SEC’s website at www.adviserinfo.sec.gov. The SEC’s web site also provides information about any persons affiliated with FGP who are registered, or are required to be registered, as investment adviser representatives of FGP.

Although FGP is registered as an investment adviser under the Investment Advisers Act of 1940, such registration does not imply that FGP or our personnel have a certain level of skill or training.

Item 2 – Material Changes

To Our Clients and Prospects:

This Item requires us to summarize any material change to our Form ADV Part 2A since our last annual update on March 27, 2015. While we do not believe that the following changes are material, we have nonetheless summarized our changes to the current Form ADV Part 2A below:

- Item 4 – Advisory Business: We updated this Item to reflect our assets under management as approximately CAD \$12,281,600,000 as of December 31, 2015.

FGP has also made other non-material changes throughout this form.

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Item 4 – Advisory Business

FGP was incorporated in November 1980. FGP has been in business for over 35 years. The Firm is registered in all Canadian provinces 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 (the “FGP Pooled Funds”), and as an adviser in the category of Portfolio Manager in all Canadian jurisdictions. The Firm is also registered with the Securities and Exchange Commission (SEC) as an Investment Adviser.

FGP currently has approximately 50 employees working in the Firm’s Toronto office. As of December 31, 2015, FGP had CAD \$12,281,600,000 in assets under management.

FGP generally provides investment management and supervisory services on a discretionary basis to investment portfolios for pension funds, group retirement plans, mutual funds, foundations and endowments, and individuals. Please see “Item 7 – Types of Clients” of this Brochure for more information with respect to FGP’s clients.

Principal Ownership

FGP is jointly owned by its management and Affiliated Managers Group Canada Corp., a wholly owned subsidiary of Affiliated Managers Group, Inc. (“AMG”), our institutional partner in the United States. As an affiliate of AMG, we operate autonomously maintaining investment and operational control, and benefit from access to the resources of a larger international partner. AMG owns a majority interest in FGP, with the remaining interests divided amongst FGP’s partners.

AMG, a publicly-traded asset management company (NYSE: AMG), also holds equity interests in other investment management firms (“AMG Affiliates”). Further information on both AMG and AMG Affiliates is provided in “Item 10 – Other Financial Industry Activities and Affiliations.”

Advisory Services

FGP believes that consistent investment returns are achieved by taking a bottom-up, value-oriented approach to investing based upon detailed, internal fundamental research and analysis. Our value investment philosophy focuses on buying good quality securities at discounted prices. This philosophy is generally applied in all market conditions, in all our portfolios. FGP manages portfolios across asset classes, including Canadian, U.S., and International equities, as well as fixed income.

As an asset manager for individual and institutional clients, FGP recognizes that all of our clients are unique and that, therefore, their investment needs may be different. As such, FGP may modify our primary investment strategies, as necessary, to meet the goals that our clients specify, in an effort to accommodate the particular investment objectives and accompanying restrictions requested by our clients. At the commencement of the client relationship, each of our clients executes an investment management agreement (retainer agreement) and typically executes or provides the client’s investment policy statement, which sets forth the client’s investment objectives, investment strategy and any investment restrictions that will be applicable to our management of the assets in the client’s account. Prior to the execution of the agreement, FGP reviews requested objectives and restrictions and will work with the client as needed to refine these objectives and restrictions to both meet the client’s needs and provide us with sufficient discretion to properly invest the client’s assets.

Wrap Fee Programs

"Wrap arrangements," "wrap programs," and/or "wrap fee accounts" involve individually-managed accounts for individual or institutional clients. The wrap programs are offered by a "sponsor," usually a brokerage, banking or investment advisory firm, and managed by one or more investment advisers. FGP has agreements with various wrap fee program sponsors through which FGP's services are offered as an investment option within the wrap program and, accordingly, FGP provides investment management services to those clients who select FGP as part of the program. As described in Item 5, the sponsor typically pays a portion of its wrap program fee to FGP for its services.

Generally, FGP's management of wrap fee accounts and other accounts under the same investment strategy is consistent. Although we cannot necessarily offer the same level of portfolio customization to wrap fee accounts that is offered to other accounts within an investment strategy, we do offer our wrap fee clients the opportunity to customize their portfolios by imposing reasonable investment restrictions on their account.

In addition, when trading for our wrap fee program accounts, FGP may trade with different broker/dealers than for our other accounts even when trading in the same security pursuant to the same strategy. When trading in our wrap fee accounts, and while FGP continues to seek best execution when selecting brokers, trades for wrap fee program accounts are typically directed to the wrap fee program sponsor (or its designated broker/dealer), since brokerage commissions are included in the wrap fee. In such situations, FGP may be required to trade a wrap fee program's accounts separately from other accounts being managed within the same strategy.

While brokerage directed to a wrap account program sponsor is designed to benefit the wrap fee program account through lower trading costs, there may be some circumstances where directed trades do not receive the best price, or where dividing the trade into separate components may inhibit FGP's ability to obtain the same level of, or as timely, execution that we may otherwise have been able to obtain if we had been able to execute the entire trade with one broker/dealer. For example, FGP may at times execute securities transactions with wrap fee program sponsors after non-directed brokerage orders are completed, thus potentially resulting in a less favorable price for wrap accounts. Additionally, depending upon the wrap program sponsor's place in the rotation of broker/dealers we use to execute an order, we may not be able to fill the entire order with a particular wrap fee program sponsor. Moreover, under such a rotation, when the time for placement of the order with the wrap fee program sponsor arises, we may determine that it is no longer advantageous for the wrap fee client to participate in the security transaction due to price movements or liquidity constraints. In such a case, we would not execute the transaction on the wrap fee client's behalf, thus precluding the client from an investment opportunity that other clients in the same strategy, whose orders were placed earlier, were able to partake.

In addition, to the extent that FGP is required to trade with a different brokerage firm, the client will typically incur the costs associated with this trading, in addition to the wrap fees normally payable. Notwithstanding these factors, FGP continues to employ methods, such as trade rotation and periodic brokerage review, in an effort to reduce the impact of these issues.

Assets Under Management

As noted above, as of December 31, 2015, FGP's client assets under management ("AUM") total was approximately CAD \$12,281,600,000. Please see FGP's Form ADV Part 1A – Item 5.F for more information.

Item 5 – Fees and Compensation

Standard Fee Schedule

FGP is compensated for its investment advisory services through payments of fees made by our clients. FGP's standard fee schedules are included below. These standard fee schedules may be modified from time to time.

Investment Services Provided

FGP manages, on a discretionary basis, investment portfolios for pension funds, group retirement plans, mutual funds, foundations and endowments, and individuals. See "Item 7 – Types of Clients." As previously noted, the Firm is also the manager of the FGP Pooled Funds [not available to residents of the United States]. Fees can be charged in either U.S. dollars (based on the value of assets under management expressed in U.S. dollars) or in Canadian dollars (based on the value of assets under management expressed in Canadian dollars) depending on client instructions. Fee schedules are the same in either instance.

Generally, the minimum client relationship size is \$10 million for Institutional clients and \$2 million for individual clients. See "Conditions for Managing Accounts" under "Item 7 – Types of Clients" of this Brochure.

Institutional Clients

Pooled Balanced Mandates

0.70% On the first \$ 2,000,000

0.55% On the next \$ 3,000,000

0.25% On the next \$45,000,000

0.20% On the balance

Surcharge of 0.50 of 1% on non-North American investments

Segregated Balanced Mandates

0.80% On the first \$ 2,000,000

0.55% On the next \$ 3,000,000

0.25% On the next \$45,000,000

0.20% On the balance

Surcharge of 0.50 of 1% on non-North American investments

Equity Mandates

0.45% On the first \$ 50,000,000

0.30% On the next \$ 25,000,000

0.20% On the next \$125,000,000

0.125% On the next \$50,000,000

0.10% On the balance

Individual Clients

Pooled Fund Only Accounts

1.00% On the first \$1,000,000

0.75% On the next \$1,000,000

0.50% On the balance

Surcharge of 0.50 of 1% on non-North American investments

Segregated Asset Accounts

1.25% On the first \$1,000,000

1.00% On the next \$1,000,000

0.50% On the balance

Surcharge of 0.50 of 1% on non-North American investments

The above individual client fee schedules are subject to a minimum annual fee of \$12,500 for segregated asset accounts and \$10,000 for pooled fund only accounts. This fee is applied to the combined portfolio value of all accounts of immediate family members and any related accounts. There are no minimum fees for institutional client relationships. FGP may waive the minimum or require a higher minimum at its discretion, depending on the specific strategy selected and the level of additional support provided to the client. The standard fee schedule may be modified from time to time. Subject to applicable laws and regulations, FGP retains discretion over the fees that it charges to its clients, as well as any changes in its fee schedules. Fees and minimums may be negotiated or modified in FGP's sole discretion in light of a client's special circumstances, such as asset levels, service requirements or other factors. FGP may agree to offer clients a fee schedule that is lower than that of any other comparable clients in the same investment style. In addition, there may be historical fee schedules with longstanding clients that differ from those applicable to new client relationships and fee discounts may be available for charitable organizations at the discretion of FGP. No management fees are charged directly to the FGP Pooled Funds other than for Class 'C' and 'D' units, which are not offered to U.S. investors. For comparable services, other investment advisers may charge higher or lower fees than those charged by FGP.

The fees charged to clients generally are computed as a percentage of the value of the assets under management. Fees are typically billed on a quarterly basis, or monthly if requested by the client. Clients can request to have fees calculated based on the calendar quarter-end market value of their portfolio, based on the average of each month-end market value during the calendar quarter, or based on the average of each daily market value during the calendar quarter. Fees are billed to the client or the custodian in accordance with the client's instructions.

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 in client accounts. 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 maintains policies and procedures relating to the valuation and client billing process 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.

Performance-based fee arrangements are typically available if requested by the client. Fees based in whole or in part on the performance of an account are structured in compliance with applicable laws and regulations, including Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), where applicable.

Subject to the terms of the Client Retainer Agreement, clients may generally terminate the investment advisory contract on thirty days written notice (standard notice period). Fees for terminated accounts will generally be charged to the date of termination. Any unearned prepaid fees will be promptly refunded.

Sub-advisory Arrangements

FGP also provides advice to certain Canadian mutual funds through sub-adviser agreements. FGP's fees for sub-advisory arrangements are paid by the funds and agreed with the funds' investment managers. Clients whose assets are invested in mutual funds may pay a combination of unit holder fees and operating expenses, including our fee. Clients should review the prospectus of any fund in which their assets are invested in order to understand the fees that may be applicable to their particular investments.

Wrap Fee Programs

For additional information with respect to wrap fee programs, please see the sub-section entitled "Wrap Fee Programs" under "Item 4 - Advisory Business" of this Brochure.

With regard to wrap fee program accounts, the all-inclusive fee may exceed the aggregate cost of the services provided if such services were negotiated and purchased separately, depending on:

- the level of the all-inclusive fee;
- the amount of trading activity in a client's account;
- the cost of brokerage commissions (which costs are typically negotiated between the client and the broker/dealer, rather than by FGP, with transactions being effected either by the broker/dealer or a third party);
- the value of any other services rendered to the client; and
- other miscellaneous factors.

Clients in these programs generally pay the wrap program sponsor a single fee (called a "wrap fee") for consulting, brokerage, custodial, portfolio monitoring, and investment management services, typically up to 3% of the assets under management. The fees paid by a client for investing in a wrap fee account are set by the sponsor, and are generally disclosed in the sponsor's contract established with each client. The sponsoring firm then pays FGP a portion of this wrap fee. Wrap fee program investors are encouraged to refer to the sponsoring firm for more information. For detailed information on the wrap fees charged by each wrap fee program sponsor, please refer to the specific sponsor's Form ADV Part 2A, Appendix 1.

Additional Fees and Expenses Payable by Clients

FGP's fees are exclusive of brokerage commissions, transaction fees, service provider fees, and other related costs and expenses which will be incurred by the client. Execution of client transactions typically requires payment of brokerage commissions by clients. "Item 12 – Brokerage Practices" further describes the factors that FGP considers in selecting or recommending broker/dealers for the execution of transactions and determining the reasonableness of their compensation (e.g., commissions). Investment activity may also involve other transaction fees payable by clients, such as deferred sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, clients may incur certain charges imposed by custodians, broker/dealers, third-party investment consultants, and other third parties, such as management fees, consulting fees, and custodial fees.

Fees for the Sale of Securities

Neither FGP nor its employees receive, directly or indirectly, any compensation from the sale of securities or investments that are purchased or sold for your account. FGP is compensated through the stated management fee agreed upon in the investment management agreement. Accordingly, FGP believes that we do not have any conflicts of interest regarding the receipt of additional compensation relating to the client assets that we manage, except as specifically disclosed from time to time.

Item 6– Performance-based Fees and Side-by-Side Management

Performance-based fee arrangements are generally available if requested by the client. Fees based in whole or in part on the performance of an account are structured in compliance with applicable laws and regulations, including Rule 205-3 of the Investment Advisers Act of 1940, as amended (the "Advisers Act"),

where applicable. Accordingly, we may have both performance-based fee accounts and asset-based fee accounts within a particular investment strategy.

Performance-based fees may create certain inherent conflicts of interest with respect to FGP's management of assets. Specifically, our entitlement to a performance-based fee in managing one or more accounts may create an incentive for us to take risks in managing assets that we would not otherwise take in the absence of such arrangements. Additionally, since performance-based fees reward us for strong performance in accounts which are subject to such fees, we may have an incentive to favor these accounts over those that have only asset-based fees (i.e., fees based simply on the amount of assets under management in an account) with respect to areas such as trading opportunities, trade allocation, and allocation of new investment opportunities.

Our investment professionals also simultaneously manage multiple types of portfolios (including separate accounts, Canadian registered funds, and pooled funds) according to the same or a similar investment strategy (i.e., side-by-side management). The simultaneous management of these different investment products creates certain conflicts of interest, as the fees for the management of certain types of products may be higher than others. Additionally, as described in Item 11, certain principals and employees of FGP may invest in FGP Pooled Funds that follow investment strategies similar to those of other portfolios.

Nevertheless, when managing the assets of multiple accounts, regardless of the fee structure, FGP recognizes that it has a duty to treat all portfolios within an investment strategy fairly and equitably over time. However, managing client portfolios in accordance with this duty does not mean that such portfolios will be managed the same at all times. In general, investment decisions for each client account will be made independently from those of other client accounts, and will be made with specific reference to the individual needs and objectives of each client account. In fact, different client guidelines and/or differences within particular investment strategies may lead to the use of different investment practices for portfolios within a similar investment strategy. In addition, FGP will not necessarily purchase or sell the same securities at the same time or in the same proportionate amounts for all eligible portfolios, particularly if different portfolios have materially different amounts of capital under management by FGP or different amounts of investable cash available. As a result, although FGP manages numerous portfolios with similar or identical investment objectives, or may manage accounts with different objectives that trade in the same securities, the portfolio decisions relating to these accounts, and the performance resulting from such decisions, may differ from portfolio to portfolio.

Side-by-side management of various types of portfolios and varying fee arrangements raise the possibility of favorable or preferential treatment of a portfolio or a group of portfolios. FGP is conscious of these and other potential conflicts and has designed the Firm's order allocation procedures to ensure that all portfolios are treated fairly and equitably over time. In addition, FGP has implemented monitoring and oversight controls over the Firm's investment process to ensure that our duties are appropriately discharged. Specifically, the Firm's Compliance Department prepares periodic reports to review asset mix and performs dispersion analysis. These reports are reviewed by the Portfolio Managers and members of the Investment Committee. Further, the Trading Department monitors order allocations and the Compliance Department conducts periodic testing of orders and order allocations.

Item 7 – Types of Clients

Types of Clients

FGP generally manages, on a discretionary basis, investment portfolios for pension funds, group retirement plans, Canadian mutual funds, foundations and endowments, and individuals. The Firm is also the manager of the FGP Pooled Funds (a group of non-registered, Canadian-based pooled funds).

Conditions for Managing Accounts

Subject to negotiation, FGP sets minimum client relationships at \$2 million in assets for individual clients and related accounts and \$10 million for institutional clients.

For individual client relationships, annual minimum fees (in the respective currency that fees are charged) are \$10,000 for pooled fund only accounts and \$12,500 for segregated asset accounts. There are no minimum fees for institutional client relationships.

In those circumstances where FGP serves as an adviser within a wrap fee program, the account minimums are determined by the Firm's agreement with the program sponsor.

Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

FGP generally employs a bottom-up stock selection process in which ideas emanate from a variety of sources, both external (written broker research; on-site management meetings; domestic/global conferences; independent research/strategies; industry/trade group publications and other seminars/meetings) as well as internal (in-house screening/database management; analyst/portfolio manager brainstorming sessions; company management visits; analyst/management conference calls; topical readings; etc.).

Company ideas are typically short-listed, with the analyst team conducting preliminary assessments and narrowing the scope to those companies for which they have high-conviction. These names are then typically processed with full write-ups (internal company reports, including internal investment grade rating) and formalized recommendations. Recommendations are presented to the portfolio manager and Investment Committee members, at which point the internal investment grade is reviewed and finalized and a determination is made as to whether follow-up work is required. Ultimately, the portfolio manager will determine timing and entry price level of an approved investment idea. In addition, update reports on existing holdings generally occur periodically.

Strategy Overview and Related Risks

FGP typically takes a long-term, value-oriented approach to investing based upon detailed, fundamental research. When considering investments, our primary concern is to select quality companies that we believe are priced conservatively.

When analyzing businesses and valuations and in constructing the portfolios, risk is typically evaluated from the following vantage points: business risk; financial risk; market risk; and valuation risk.

Business risk is related to the nature of the companies in which we are investing. We evaluate business risk within our Investment Quality Ranking System, and typically seek to minimize our exposure to business risk by choosing only what we believe are investment grade securities (those companies that pass minimum quality tests).

We seek to minimize the financial risk of a portfolio by striving to develop a thorough understanding of the financial characteristics of each company, including an assessment of the balance sheet and an analysis of cash flow trends. We seek to have portfolios skewed to what we believe are higher quality companies, based on our internal quality assessment process.

We aim to manage market risk through our internal diversification guidelines. In an effort to maintain prudent diversification, we generally follow strict self-imposed internal guidelines covering components such as: the number of holdings in a portfolio; the maximum we will hold of any single name or industry sector; and the maximum exposure to non-North American geographical regions. In addition, portfolios are generally constructed with internal guidelines covering market capitalization ranges for holdings.

Valuation risk is addressed through our adherence to our value parameters. These parameters generally result in the following characteristics for a typical portfolio:

<u>Value Parameter</u>	<u>Portfolio Relative to Index</u>
Price/Earnings	Lower
Price/Cash Flow	Lower
Market/Book	Lower
Dividend Yield	Higher

Portfolios are generally constructed in an effort to ensure prudent diversification and FGP's quality standards.

Typical Investing process

- A new investment idea is generated by an analyst / portfolio manager.
- Circulation of the investment research report.
- Presentation and discussion of the new idea to the investment committee and confirmation of investment grade rating.
- The lead portfolio manager of the asset class makes the decision as to whether to purchase the security.

Research

Research is primarily internally generated by our team of portfolio managers and research analysts. Our analysts' research is generally conducted on an industry basis. External research is typically used only as a supplement to our research. Sources of external data and research for both equity and fixed income include company specific financial statements, meetings with company management and their competitors / customers, various investment periodicals, PC Bond, Investment Dealer Research, and Bloomberg.

The Buy Decision

In general, there are two aspects to our purchase decision: first, an evaluation of a company's quality characteristics; second, if the company passes the required quality tests, the evaluation of the attractiveness of the share price. The share price evaluation is based on a variety of factors, including share price in relation to cash flow, asset value, net borrowing power, net working capital and earnings yield. Typically, a stock would be purchased if it were determined to present a value opportunity.

The Sell Decision

The same two criteria, price and quality, that are used for the buy decision, are typically used in the sell decision. Sales from the portfolio are normally undertaken if the quality deteriorates to the point that the company is no longer considered by FGP to be investment grade or if the valuation rises to a level that is considered by FGP to be fully valued.

Strategies

FGP's investment strategies include Canadian Equities, Foreign Equities (including developing markets), Fixed Income and Balanced. In implementing our strategies, we employ a range of techniques including long-term purchases, short-term purchases, foreign exchange contracts, and asset allocation.

The investment strategies utilized by FGP carry different levels of risk. In each strategy, all securities include a risk of loss of principal and any profits that have not been realized. The stock markets, bond markets, and derivatives markets fluctuate substantially over time and, as recent global and domestic

economic events have indicated, performance of any investment is not guaranteed. As a result, there is a risk of loss of the assets the Firm manages on your behalf, and such a loss may be out of our control. We cannot guarantee any level of performance and cannot guarantee that you will not experience a loss of your account assets.

Each of FGP's strategies has the potential for the clients' assets to decline in value based on market conditions. These risks mean that an investor could lose money by investing. Some of the specific risks to which client assets may be susceptible are as follows:

- **Currency Risk** – is the risk that the value of an investment will fluctuate due to changes in foreign exchange rates. Strategies that hold investment in securities denominated in foreign currencies could be adversely affected by reductions in the value of a foreign currency relative to the functional currency of the portfolio.
- **Credit Risk** – is the risk that the issuer of the security will be unable to pay the interest or principal when due. The degree of credit risk will depend not only on the financial condition of the issuer, but also on the terms of the bonds in question.
- **Interest Rate Risk** – arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Prices of fixed income securities generally increase when interest rates decline, and decrease when interest rates rise. Prices of longer-term fixed income securities generally fluctuate more in response to interest rate changes than do shorter-term securities.
- **Market Risk** – is the risk that the market value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate or currency risk). General market risk is the risk that markets will go down in value, including the possibility that those markets will go down sharply and unpredictably. Several factors can influence market trends, such as economic developments, changes in interest rates, political changes, and catastrophic events. All investments are subject to general market risk.
- **Liquidity Risk** – liquidity is the ability to sell an asset for cash readily and at a fair price. Certain securities may become less liquid due to changes in market conditions, such as interest rate changes or market volatility, which could impair the ability to sell such securities quickly or at a fair price. This risk is mitigated by investing in a diversified portfolio of companies, generally with a market cap greater than CAD \$800 million (\$100 million for small cap companies), with a minimum market capitalization at time of purchase of at least CAD \$100 million (CAD \$25 million for small cap companies).

Liquidity risk is further controlled by restricting fixed income investments, for the most part, to bonds that have a minimum issue size of CAD \$100 million and minimum ten buyers of the new issue.

- **Risks of Foreign Investing** – Foreign securities are subject to special risks. Foreign issuers are usually not subject to the same accounting and disclosure requirements that domestic companies are subject to, which may make it difficult to evaluate a foreign company's operations or financial condition. In addition to currency risk, the value of foreign investments may be affected by exchange control regulations, foreign taxes, higher transactions and other costs, delays in the settlement of transactions, changes in economic or monetary policy or other political or economic factors.
- **Fixed-Income Market Risks** – Economic and other market developments can adversely affect fixed-income securities markets in Canada, the United States, Europe and elsewhere. At times,

participants in debt securities markets may develop concerns about the ability of certain issuers to make timely principal and interest payments, or they may develop concerns about the ability of financial institutions that make markets in certain debt securities to facilitate an orderly market which may cause increased volatility in those debt securities and/or markets.

- **Risks of Developing or Emerging Markets** – The economies of developing or emerging market countries may be more dependent on relatively few industries that may be highly vulnerable to local and global changes. The governments of developing and emerging market countries may also be more unstable than the governments of more developed countries. These countries generally have less developed securities markets or exchanges, and less developed legal and accounting systems. Securities may be more difficult to sell at an acceptable price and may be more volatile than securities in countries with more mature markets.
- **Counterparty Risk** - The risk that an issuer, guarantor of a security, or counterparty to a derivatives contract, does not fulfill its contractual obligations due to its financial condition or other factors, resulting in delays in the recovery of assets or losses to a client's portfolio.

FGP seeks to manage risk by following investment guidelines and employing risk management policies to maintain sufficient diversification and, as appropriate, limits on exposure.

Investments in securities and other financial instruments and products that are subject to fluctuations create many types of risk that can cause the permanent loss of capital as a result of adverse market conditions.

Item 9 – Disciplinary Events

There are no applicable legal or disciplinary events relating to FGP.

Item 10 – Other Financial Industry Activities and Affiliations

Affiliations

Relationship of Related Parties:

As noted in Item 4, AMG, a U.S.-based publicly traded asset management company, holds an interest in FGP through its 100% ownership of AMG Canada Corp. AMG's equity interest in FGP is structured so that FGP maintains operational autonomy in managing its business. AMG does not have any role in the day-to-day management of FGP. AMG also holds equity interests in certain other investment advisers ("AMG Affiliates"). Each of the AMG Affiliates, including FGP, operates autonomously and independently of AMG and each other. Except as described in this Form ADV, FGP does not have any business dealings with these AMG Affiliates and does not conduct any joint operations with them. The AMG Affiliates do not formulate advice for FGP's clients and do not, in FGP's view, present a potential conflict of interest with FGP's clients. More information regarding AMG, including its public filings and a list of all AMG Affiliates, is available at www.amg.com.

Certain AMG Affiliates are also registered as dealers and/or advisors or operate under an exemption under Canadian National Instrument 31-103 – Registration Requirements and Exemptions and related instruments. As mentioned above, FGP does not have any business dealings with these AMG Affiliates and does not conduct any joint operations with them.

Policies and Procedures to Minimize Conflict of Interest

Potential for Conflict

To the extent that one AMG Affiliate determines it to be in the interests of its clients to engage the services of, or invest in financial products offered by, another AMG Affiliate, it could be subject to a potential conflict of interest, given its indirect relationship with the other AMG Affiliates. FGP and its officers and employees must ensure that if they select another AMG Affiliate, it is based on the determination that such other AMG Affiliate is an appropriate selection having regard to the client's circumstances.

Discrete Businesses

The potential for conflict of interest is minimized by the fact that, although AMG holds ownership interests in each of them, the AMG Affiliates operate as discrete businesses with separate management and, in some cases, separate, individually constituted boards of directors.

If FGP determines that it is appropriate to engage another AMG Affiliate for a client, or to have the client invest in financial products offered by another AMG Affiliate, FGP will, at such time, notify the client of the relationship between FGP and such other AMG Affiliate, to the extent that that relationship is not otherwise described in materials provided to the client, in connection with the engagement or investment.

Representatives of AMG and other AMG Affiliates may from time to time act as directors of FGP and may also be directors of other AMG Affiliates. FGP has adopted policies and procedures that minimize the potential for conflicts of interest resulting from the relationships of the directors and the AMG Affiliates, and the directors are required to observe such policies in carrying out their duties.

Compliance with Regulatory Requirements

Finally, FGP will only engage in activities where it is confident that such activities are in compliance with all requirements imposed by NI 31-103 and the Advisers Act.

Item 11 – Code of Ethics, Participation in Client Transactions and Personal Trading

FGP has established a variety of internal controls and procedures designed to address potential conflicts of interest arising among client accounts and between client accounts and FGP and its personnel.

Code of Ethics and Personal Trading

To help mitigate potential conflicts of interest, all employees must comply with FGP's Code of Ethics ("Code"), which imposes restrictions on the purchase or sale of securities for their own accounts and the accounts of certain household members and seeks to ensure that employees do not personally benefit from the short-term market effects of FGP's recommendations to clients. 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. Limitations also exist on FGP's employee participation in initial public offerings and private placements. All personnel are required to provide FGP with duplicate copies of confirmations and statements with respect to their brokerage accounts.

Participation or Interest in Client Transactions

FGP may recommend to clients that they buy or sell shares of funds or other investment products in which FGP or a related person has some financial interest. Due to the nature of our clientele, FGP may from time to time trade in securities issued by our clients. In all such cases, FGP shall do so in the best interest of our clients trading in such securities. Certain principals of FGP and certain employees may invest their own or the Firm's assets in the FGP Pooled Funds. These accounts may hold, purchase, or sell the same securities in which clients have interests.

Except as noted above, FGP generally does not buy or sell, for its own accounts, securities that the Firm has recommended to clients. However, FGP may find itself holding such securities in connection with the correction of certain trade errors, as discussed under “Trade Error Accounts” below. In addition, employees are permitted to buy, sell or hold such securities for their personal accounts, subject to the restrictions and reporting obligations contained in FGP’s Code.

Insider Trading/Material Non-Public Information

All employees of FGP are subject to the Affiliated Managers Group, Inc. Insider Trading Policy and Procedures (the “AMG Insider Trading Policy”). The AMG Insider Trading Policy broadly prohibits the use of material, non-public information, and also imposes restrictions on the trading of AMG’s stock. 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.

In accordance with these policies, to prevent trading of public securities based on material, non-public information, FGP may maintain a “restricted list” that identifies any securities that cannot be purchased for employee, client, or firm-owned accounts because material, non-public information may have been received by an employee of the Firm. The issuers named on this restricted list are typically coded as “prohibited” in FGP’s trading and portfolio compliance system, thus blocking FGP from trading in these securities without the consent of FGP’s Chief Compliance Officer.

Gifts and Business Entertainment

FGP’s Code includes policies and procedures regarding giving or receiving gifts and business entertainment between the Firm’s employees and certain third parties (e.g., vendors, broker/dealers, consultants, etc.) to help mitigate the potential for conflicts of interest surrounding these practices. In general, FGP limits the amount of gifts and business entertainment that may be provided by employees to these parties, and requires the pre-approval of certain items by our Compliance Department. FGP specifically monitors for any potential conflicts of interest with respect to individual instances of gifts or entertainment, as well as patterns of the same over time, to prevent the interests of FGP and its employees from being placed ahead of the interests of our clients.

Charitable Contributions

From time to time, FGP may donate to charitable enterprises that are clients, are supported by clients, and/or are supported by an individual employed by one of our clients. In general, those donations are made in response to requests from clients and/or their personnel. Members of FGP’s management team approve charitable contributions to be made by the Firm. Management may take into consideration the importance of the client relationship as one factor in determining whether to approve a charitable contribution.

Political Contributions

FGP prohibits its employees from making political contributions on behalf of FGP or to be reimbursed for personal political contributions, or from making political contributions for the purpose of securing or retaining business. FGP maintains policies and procedures that set forth specific limitations as to whom employees may make contributions and the amounts of such contributions, as well as preclearance requirements for certain political contributions. FGP monitors all such contributions in furtherance of its efforts to comply with federal law and to inhibit the potential for any such contributions to affect the awarding of public business related to the management of assets.

Distribution of Code

We are firmly committed to making our employees and clients (both current and prospective) aware of the requirements within our Code. All of our employees are provided with a copy of our Code at the time of hire and as amended thereafter, and each employee must affirm that they have received a copy of the Code,

and that they have read and understand its provisions. Additionally, we conduct periodic compliance training that addresses the requirements of the Code and the other policies described in this Item. A copy of the Code of Ethics is available to clients upon request by contacting the FGP Compliance Department at 1-877-795-4536.

Item 12 – Brokerage Practices

Brokerage Relationships

FGP's relationships with broker/dealers, particularly those affiliated with large financial services organizations, are complex. FGP uses various broker/dealers to execute trades on behalf of clients, but FGP may also have many other relationships with such firms. For example:

- FGP may invest client assets in securities issued by broker/dealers or their affiliates.
- FGP may provide investment management services to certain broker/dealers or their affiliates.
- Certain broker/dealers may provide both internally-generated and third-party research to FGP, as part of a bundled service.
- Certain brokers/dealers may refer clients to FGP.

Notwithstanding such relationships or business dealings with these broker/dealers, FGP has a fiduciary duty to its clients to seek best execution when trading with these firms, and has implemented policies and procedures to monitor its efforts in this regard.

Best Execution – Selection Factors for Broker/Dealers

It is FGP's duty to seek the best overall execution of transactions for client accounts consistent with the Firm's judgment as to the business qualifications of the various broker/dealers with which FGP may do business. In selecting a broker/dealer to effect securities transactions for clients, FGP will generally select a broker/dealer 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 favorable 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.

FGP has implemented a series of internal controls and procedures to address the conflicts of interest associated with its brokerage practices. To determine that it is receiving best execution for its transactions over time, FGP will obtain information as to the general level of commission rates being charged by the brokerage community, from time to time, and will periodically evaluate the overall reasonableness of brokerage commissions paid on client transactions by reference to such data. To the extent FGP has been paying higher commission rates for its transactions, FGP will typically determine if the quality of execution and the services provided by the broker/dealer justify these higher commissions.

Members of the FGP Investment Committee review the reasonableness of broker commissions on an ongoing basis through regular review of the general level of commissions paid and services received in comparison with industry data. There may be significant disparity in commission rates paid by an account using client-directed brokerage, versus rates paid by other FGP clients.

Brokerage commissions incurred by a client may be greater than commissions charged elsewhere, where the Firm believes that such commission rates are reasonable, in light of the execution and research services received by FGP.

Alternative Trading Systems (“ATsS”)

ATsS provide automated trading systems which bring together orders from buyers and sellers of securities. Unlike exchanges, ATsS do not list securities and may only trade securities which are listed on other marketplaces. The catalyst for the rise of ATsS has been institutional investors’ growing need to trade large blocks of stock without causing markets to move against them. ATsS responded to this need by offering ever more trading on an anonymous basis, and without displaying specific order information before trades occur. These types of ATsS have come to be known as “dark pools”.

Attracting sufficient liquidity to achieve critical mass has proven a continuous challenge for many dark pools, which have been addressed in various ways. For example, many dark pool operators have allowed their own proprietary trading desks to have access to their pools, while other operators have allowed their affiliates to trade within their pools, and still other operators have given high-speed traders access to their dark pools, all in an attempt to ensure that ATsS subscribers will find counterparties for their trades as quickly and consistently as possible. The implacable need that dark pools have for liquidity has intensified certain conflicts of interest between the operators and their subscribers.

FGP utilizes dark pools as a tool to provide anonymity, which reduces information leakage and signaling risk. Controls in place to mitigate risks associated with dark pools include regular reviews of venues to which brokers are routing orders, the ability to direct brokers to route away from venues under investigation by regulators and the use of minimum fill rates to avoid potentially predatory strategies. In addition, reviews are conducted of the disclosed practices of the dark pool operators to assess whether the dark pools are operating accurately and consistently with these practices. FGP also identifies the extent to which high frequency traders have access to the dark pool and whether or not the dark pool is available to the proprietary trading desks of the dark pool operator and/or to the operator’s related affiliates. The FGP Traders conduct detailed analysis of order routing and pricing information to detect instances where the Firm may have been disadvantaged. In addition, Firm personnel closely monitor the activities of regulators and their potential investigation of, and charges against, dark pool operators.

Directed Brokerage

In some cases, clients have directed FGP to use specified broker/dealers for portfolio transactions in their accounts. In these cases, FGP is not obligated to, and will generally not, solicit competitive bids for each transaction or seek the lowest commission rates for the client as the commission rates have typically been pre-negotiated between the client and the broker and FGP is unable to supersede the terms of such an agreement. In some instances, pre-negotiated rates have not been made by the client. In those cases, the client will generally be charged the broker’s applicable commission rate. As such, the client may pay higher commission costs, higher prices and transaction costs than it otherwise would have had it not directed FGP to trade through a specific broker/dealer, since FGP has not negotiated the rate and may not be able to obtain volume discounts. In addition, the client may be unable to obtain the most favorable price on transactions executed by FGP as a result of FGP’s inability to aggregate/bunch the trades from this account with other client trades. Furthermore, the client may not be able to participate in the allocation of a security of limited availability (such as an IPO). As a result of the special instruction, FGP may not execute client securities transactions with broker/dealers that have been directed by clients until non-directed brokerage orders are completed. Due to these circumstances, there may be a disparity in commission rates charged to a client who directs FGP to use a particular broker/dealer from other client accounts and their clients may experience investment and other differences. Accordingly, clients directing commissions may generate returns in their accounts that are different from those clients with accounts that do not direct commissions. Clients who direct brokerage should understand that similar brokerage services may be obtained from other brokers/dealers at lower costs and possibly with more favorable execution.

In cases where a client’s account is custodied at a broker/dealer, FGP typically places the client’s trades with that broker/dealer. The custodian broker/dealer may require this course of action or there may be cost savings in trading through that broker/dealer, such as smaller transaction fees or smaller custody fees. In

light of these factors, FGP considers a client's choice to custody its account at a specific broker/dealer as an instruction to FGP to direct transactions in that client account to that broker/dealer, unless the client notifies FGP otherwise.

FGP's institutional and pension accounts may have been obtained from outside consultants that may have pre-existing arrangements or relationships with a particular broker-dealer. Therefore, FGP may be required to direct some or all of the account's brokerage transactions to that particular broker/dealer.

See "Item 4 – Advisory Business" for a discussion of directed brokerage for wrap fee program accounts.

Step-Outs

FGP may use "step-out trades" when we determine that it may facilitate better execution for certain client trades. Step-out trades are transactions which are placed at one broker/dealer and then "given up" or "stepped out" by that broker/dealer to another broker/dealer for credit. Step-out trades may benefit the client by finding a natural buyer or seller of a particular security so that FGP can trade a larger block of shares more efficiently. Unless directed otherwise by the client, FGP may use step-out trades for any client account.

FGP may use step-out trades to accommodate a client's directed brokerage mandate. In the case of directed brokerage accounts, trades are often executed through a particular broker/dealer and then "stepped-out" to the directed brokerage firm for credit. In circumstances where FGP has followed the client's instructions to direct brokerage, there can be no assurance that FGP will be able to step-out the trades, or, if it is able to step-out the trades, that it will be able to obtain more favorable execution than if it had not stepped-out the trades.

Cross Trades

From time to time, FGP may affect a cross trade with respect to the sale and purchase of securities, typically in 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 account subject to the provisions of the U.S. Employee Retirement Income Security Act of 1974 (ERISA) or in any investment funds, without the appropriate pre-approval and or regulatory exemption pursuant to Section 13.5 of Canadian 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 market place pricing information. The broker/dealer that executes the trades will be compensated as usual. The Firm 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 U.S. and Canadian regulation. In general, trades for U.S. client accounts will be carried out in accordance with the liquidity, market value and commission provisions of Rule 17a-7 under the U.S. Investment Company Act of 1940, which stipulates that the price be equal to the last independent trade on a registered stock exchange, or recognized market (no bid or offering on our part is to be in the market place), and also that the transaction is consistent with the policy of each account involved. No brokerage commission or other remuneration is to be paid in connection with the transaction, except the customary transfer fees. If the security is traded over-the-counter, the same procedures will typically apply except that the price will be determined by the mean between the highest recorded bid and

the lowest recorded offering. The Firm's Trading Department is responsible for maintaining documentation of any approved cross transaction to ensure compliance.

Opposing Orders in the Same Security

From time to time, FGP may execute orders for the same security on opposite sides of the market for accounts in a manner designed to provide adequate market exposure to both orders. This situation may occur when FGP is buying securities for one account following a client contribution, while selling securities for another client account following a client withdrawal. FGP generally places such orders with different broker/dealers, but may also use alternative trading systems such as electronic communications networks ("ATSS") if FGP determines that such venues offer adequate market exposure. FGP may also purchase securities from a broker-dealer to whom it has recently sold the same securities when FGP believes that doing so is consistent with seeking best execution, particularly where that broker-dealer is one of a limited number of broker-dealers who hold or deal in those securities and/or where inventory is limited. FGP does not consider these types of opposing orders to be cross trades so long as they are separate and independent transactions.

Liquidity Rebates

In selecting broker/dealers to execute transactions for the accounts we manage, FGP does not consider any "liquidity rebates" that may be available to those broker/dealers. Broker/dealers may earn "liquidity rebates" (i.e., a certain cash rebate) when placing orders in certain market centers while trading on behalf of FGP. However, FGP chooses broker/dealers based on our policy of seeking best execution, which is determined by several quantitative and qualitative factors. It is against FGP's policy to take into consideration a broker/dealer's potential to earn liquidity rebates when deciding whether to choose a particular full service broker/dealer.

Soft Dollars

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 is typically 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.

FGP periodically reviews the past performance of broker/dealers with whom it has been placing orders. Notwithstanding any research provided, FGP may cease to do business with certain broker/dealers whose performance may not have been competitive, or we may demand that such broker/dealers improve their performance before receiving any further orders. The overall reasonableness of commissions paid is typically evaluated by reviewing what competing broker/dealers were willing to charge for similar types of services. The evaluation would also consider the timeliness and accuracy of the research received. Reasonableness is evaluated on an ongoing basis.

Commission Sharing Arrangements

FGP may also use commissions to obtain products or services provided by broker/dealers, but produced by third parties, through commission sharing arrangements. In commission sharing arrangements, FGP enters 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 for FGP to direct the compensation to one or more third-party investment 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 FGP directly for the receipt of this information. Any research received is typically used to service all clients to which it is applicable. Through these arrangements, products and services that provide lawful and appropriate assistance to FGP's investment decision-making process may be paid for with commissions generated by client accounts.

The proprietary research received through commission sharing arrangements includes investment advice (either directly or through publications or writings) as to the value of securities, the advisability of investing in, purchasing or selling securities, the availability of securities or purchasers or sellers of securities, analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy and the performance of accounts and access to company management. To the extent that FGP is able to obtain such proprietary research through the use of clients' commission dollars, it reduces the need to produce the same research internally or through outside providers for hard dollars and thus provides an economic benefit to FGP and its clients. FGP may have an incentive to select a broker/dealer offering commission sharing arrangements in order to receive such products and services whether or not the client receives best execution. However, FGP does not give trading preference to those broker/dealers that provide research products and services, either directly or indirectly, unless FGP believes that the selection of a particular broker/dealer is consistent with FGP's duty to seek best execution. FGP allocates the cost of such products on a basis that it deems reasonable over time according to the various uses of the product, and maintains records to document this allocation process. As part of this process, Trading personnel at FGP document the allocation of commissions under commission sharing arrangements and provide regular updates to Compliance and members of the FGP Executive Committee for review.

Trade Aggregation

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 the FGP, all accounts of the Firm are treated equitably and fairly. In certain cases, 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, with appropriate Compliance Department approval.

Initial Public Offerings ("IPOs")

An initial public offering is a company's first offer of stock for sale to the public. Depending on the interest in this initial offering, FGP's access to these newly offered shares may be limited in amount at the time of the initial offering. In the event that FGP participates in an initial public offering or other securities with limited availability (collectively, "IPOs"), FGP generally allocates 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.

Trade Errors and Trade Error Accounts

FGP has established Error Correction procedures which provide that the resolution of all errors be made in light of the Firm's fiduciary duties and in the affected client's best interest. It is FGP's policy to resolve any error identified in a client account in a manner which ensures that the account is made whole.

FGP may maintain a trade error account with certain broker/dealers. These accounts typically allow for the netting of gains and losses relating to trade errors occurring with respect to the Firm's clients. Any net

losses residing in these accounts require reimbursement from FGP unless they can be offset by net gains in the accounts. Any net gains will accumulate to be used to offset future trade error losses (unless the brokerage program specifies the trading gains are required to be allocated to the Client's account). In no instances will FGP use net error gains for anything other than the offsetting of trade error losses.

Foreign Currency Transactions

FGP generally uses broker-dealers to execute foreign currency transactions. FGP trades foreign currency through a client's custodian when legal requirements or operational considerations make executing through a broker-dealer impractical. For example, standing instructions are issued to client custodians to effect foreign currency transactions related to the repatriation of interest and dividends.

Item 13 – Review of Accounts

FGP's Portfolio Management, Trading, Operations and Compliance teams are responsible for the regular review of the accounts under their supervision. The number of reviewers and accounts assigned to each varies depending on the nature of the product, service or strategy. Certain events, such as significant market movements, may trigger a particular additional review, including a full review of asset mix compliance and portfolio weighting and holding analysis, by our investment, client servicing and compliance teams. Our investment professionals review client accounts on a frequent basis, generally daily, for portfolio strategy and asset allocation purposes. Each account typically has an assigned primary and secondary portfolio manager.

Reviews are also generally conducted on a daily basis by Compliance personnel for adherence to client investment restrictions and internal investment guidelines for each asset class.

At least quarterly, FGP furnishes clients with reports concerning their investment advisory accounts. These reports include a statement of their portfolio holdings as well as portfolio transactions during the period. Clients receive similar information from their respective custodians or broker-dealers. Certain clients may receive additional reports as requested from time to time.

These reports are supplemented by trade confirmations and other reports on clients' portfolio holdings and transactions provided to clients from their respective custodians and/or broker/dealers, as described above. As noted, the custodian statements reflect the official books and records for the accounts we manage, rather than FGP's statements. See also "Item 15 – Custody" of this Brochure.

Item 14 – Client Referrals and Other Compensation

Relationships with Consultants

From time to time, FGP's clients and prospective clients retain investment consultants to advise them on the selection and review of investment managers. FGP has dealings with investment consultants both in the consultants' role as advisor for their clients and in independent business relationships. FGP provides consultants with information on portfolios it manages for its mutual clients, pursuant to the clients' directions. FGP also provides information on its investment style to consultants, who use that information in connection with searches they conduct for their clients. FGP may also respond to Requests for Proposals in connection with those searches.

Other interactions FGP may have with consultants include the following:

- FGP may invite consultants to events or other entertainment hosted by the Firm.
- In some cases, FGP may serve as investment adviser for the proprietary accounts of consultants or their affiliates, or as adviser or sub-adviser for funds offered by consultants and/or their affiliates.

- FGP may purchase software applications, access to databases, and other products or services from some consultants.
- FGP may pay for the opportunity to participate, along with other investment managers, in conferences organized by consultants. These conferences provide FGP with the opportunity to discuss a broad variety of business topics with consultants, clients and prospective clients.

In general, we rely on the consultant to make appropriate disclosure to its clients of any conflict that the consultant may believe to exist due to its relationship with our Firm.

In addition, these consultants may also be broker/dealers, or may have certain pre-existing financial arrangements or relationships with a particular broker/dealer. Clients referred by these consultants may instruct us to direct some or all of their brokerage transactions to the consultants or a related broker/dealer, or FGP may otherwise allocate brokerage to these or related broker/dealers.

Consulting Databases

FGP may pay consultants or other third parties to include information about FGP's investment approaches in databases that they maintain to describe the services provided by investment managers to prospective clients.

Relationships with Solicitors

FGP has in place several referral arrangements 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. A full disclosure of any solicitation arrangement will be made to each client for whom such an arrangement applies, and a signed statement will be obtained from the client indicating that the client has received written disclosure of the relationship. The solicitation fee does not result in an additional charge to the client. Any such arrangements with U.S. clients will be in accordance with the provisions of Advisers Act Rule 206(4)-3 and Canadian National Instrument 31-103.

Notwithstanding these various arrangements with other parties, FGP employs procedures to provide reasonable assurance that all clients and accounts are treated fairly and equitably over time, and that FGP's relationships with such parties do not give rise to any inappropriate preferential treatment. As previously noted, the Firm has order allocation procedures to ensure that all portfolios are treated fairly and equally over time. Please refer to "Item 12 – Brokerage Practices" for additional disclosure regarding FGP's procedures.

Item 15 – Custody

FGP does not act as a custodian over the assets in the accounts we manage for our clients. Clients must make their own arrangements for custody of securities in their accounts. Such custodians may be broker/dealers, banks, trust companies, or other qualified institutions. The qualified custodian will typically provide the client with at least quarterly account statements relating to the assets held within the account managed by FGP. Each client should carefully review the qualified custodian's statement upon receipt to determine that it completely and accurately states all holdings in the client's account and all account activity over the relevant period. Any discrepancies identified by a client should be immediately reported to FGP and the qualified custodian.

In addition to the account statements provided by qualified custodians to our clients, FGP generally provides account statements to clients on a quarterly basis. Certain clients may receive additional reporting as requested from time to time. We encourage clients to compare statements provided to them by FGP against those provided to them by the qualified custodians who hold the assets of their accounts, and to report any questions, concerns, or discrepancies to both FGP and the qualified custodian promptly. Such

questions, concerns, or discrepancies may be communicated to FGP by writing, e-mailing, or telephoning us using the following contact information:

Mark E. Thompson
Chief Operating Officer and Chief Compliance Officer
Foyston, Gordon & Payne Inc.
1 Adelaide Street East, Suite 2600
Toronto ON M5C 2V9
Phone #: (416) 362-4725 ext. 228
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Email: mthompson@foyston.com

Our statements may vary from custodial statements based on accounting procedures, reporting dates, and/or valuation methodologies of certain securities. However, please note that custodian statements reflect the official books and records for the accounts we manage.

Item 16 – Investment Discretion

FGP is typically granted discretionary authority by a client at the outset of an advisory relationship to determine the identity and amount of securities to be bought or sold. In all such cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. When selecting securities and determining amounts of securities for purchase or sale, FGP observes the investment policies, limitations, and restrictions that are applicable to our clients' accounts, as set forth by our clients. Any investment guidelines and restrictions, including amendments, must be provided to FGP by our clients in writing. A client will grant FGP discretionary authority by executing an investment management agreement and/or a separate power of attorney, which typically includes, among other items, a statement giving FGP full authority to invest the assets identified by the client in a manner consistent with the investment objectives and limitations delineated by the client, and to engage in transactions on a discretionary basis in the client account.

Class actions:

As a matter of practice, FGP does not typically initiate any legal or other action with regard to class action suits relating to securities purchased by FGP for its clients. However, FGP, where appropriate, may provide supporting documentation to plaintiff's counsel in support of a claim to assist FGP clients in receiving their share from any claim award that enures to the benefit of the plaintiffs. Should a client, however, wish to retain legal counsel and/or take action regarding any class action suit proceedings, FGP will provide the client or the client's legal counsel with information that may be needed upon the client's reasonable request.

Item 17 – Voting Client Securities

FGP views seriously its responsibility to exercise proxy-voting authority over securities within its clients' portfolios. As an investment adviser and fiduciary of client assets, FGP utilizes proxy voting policies and procedures intended to protect the value of shareholder investments and are designed to reasonably ensure that FGP votes proxies in the best economic interest of clients. In voting proxies, we seek to both maximize the long-term value of our client's assets and to cast votes that we believe to be fair and in the best interest of the affected client(s). Proxies are considered client assets and are managed with the same care, skill and diligence as all other client assets.

For each client, the delineation of the proxy voting responsibilities between FGP and the client are generally documented in the Investment Management Agreement and/or Statement of Investment Policies and Procedures. FGP clients will either retain proxy-voting authority or delegate it to FGP. If a client has

delegated such authority to FGP (whether in the client's investment management agreement with FGP or otherwise), FGP will vote proxies for that client. If a particular client for whom FGP has investment discretion has not explicitly delegated proxy-voting authority to FGP, FGP will vote such client's proxies. The following is a summary of the policies and procedures that govern the voting of proxies in situations where FGP is responsible for such voting.

Proxy Voting Policy:

In voting proxies, FGP acts prudently and solely in the best economic interest of the client. All proxy material must be reviewed in a timely fashion to ensure that the appropriate votes can be made prior to the deadlines stated in the proxy material received. FGP must take steps that are reasonable under the circumstances to verify that FGP actually receives the proxies for which it has voting authority.

Proxy Voting Guidelines:

The following are guidelines only. FGP portfolio managers are required to use their discretion to enhance shareholder value.

1. Tender Offers: When acting upon a tender offer, FGP will continue to act in the best interests of the client, within its obligations as a fiduciary.
2. Class Actions: When class action notices are received on behalf of FGP Clients, it is FGP's policy to determine if participation in the class action is in the clients' best interests. If so, FGP Compliance personnel, the Client's custodian or the proxy service provider will prepare any necessary documents required to participate in the class action.
3. Routine Corporate Administration Issues:
 - a. *Appointment of Auditors*: FGP will support the appointment of auditors unless there is concern over the reputation of the firm being recommended.
 - b. *Such other business as may properly come before the meeting*: The voting for or against such other business will be dependent on the issue itself.
4. Corporate Governance Issues: FGP is a member of the Portfolio Management Association of Canada (PMAC). The Association has published its Principles of Corporate Governance, which is supported by FGP.

Proxy Voting – Conflicts of Interest:

FGP, as a firm, does not invest in securities for its own purposes; all investing is conducted on behalf of and in the best interest of its clients. Thus, for proxy voting purposes, FGP Investment Professionals are reviewing and voting proxies prudently and solely in the interest of its clients.

FGP recognizes that there may be a potential conflict of interest when we vote a proxy solicited by an issuer with whom we have another business or personal relationship that may affect how we vote on the issuer's proxy. We believe that centralized management of proxy voting, oversight by FGP's Compliance personnel and Investment Committee, and adherence to these policies ensure that proxies are voted with only our clients' best economic interests in mind. Nevertheless, we have implemented additional procedures to ensure that our votes are not the product of a conflict of interest, including, where a material conflict of interests exists, reviewing our proposed vote by applying a series of objective tests and, where necessary, considering the views of a third-party research service to ensure that our voting decision is consistent with our clients' best interests. Should FGP identify a material conflict of interest in the proxy voting process, FGP will take steps to ensure it votes the proxy in the best interest of its clients. FGP Compliance personnel generally review the voting directions for all proxy activity.

In those instances whereby there may be a conflict of interest between the views of FGP Investment Professionals and those of the client, the following procedures must be followed:

1. Report the details of the conflict of interest to the FGP Chief Compliance Officer and/or FGP President.
2. The FGP Chief Compliance Officer and/or FGP President will review the appropriate proxy information and will ensure the proxy is voted consistent with FGP policies and guidelines.
3. If required, the client will be contacted to discuss the details of the proxy matters and FGP will then vote consistent with the wishes of the client.

Proxy/Shareblocking:

In general, unless otherwise directed by the client, FGP will make reasonable efforts to vote client proxies in accordance with FGP's proxy voting guidelines. FGP generally abstains from voting shares for companies that are located in countries that have share blocking. If the portfolio manager determines to vote against management for any company in a share blocking country, the portfolio manager must determine that the shares will be held and not sold until the end of the applicable share blocking period.

If you have instructed FGP to vote your proxies and would like to obtain information on how they were voted, or if you would like a copy of FGP's Proxy Voting Policies and Procedures, please contact the Compliance Department at 1-877-795-4536.

Item 18 – Financial Information

FGP has no financial condition that impairs our ability to meet our contractual and fiduciary commitments to our clients, and FGP has not been the subject of a bankruptcy proceeding.