

Item 1 - Cover Page

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This brochure provides information about the qualifications and business practices of Addenda Capital Inc. ("Addenda"). If you have any questions about the contents of this brochure, please contact us at 514-287-7373 or info@addenda-capital.com. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority.

Additional information about Addenda is also available on the SEC's website at www.adviserinfo.sec.gov. You can search this site by a unique identifying number, known as a CRD number. Addenda's CRD number is 137034.

Addenda is registered as an investment adviser with the SEC under the Investment Advisers Act of 1940, as amended ("Advisers Act"). SEC registration does not imply a certain level of skill or training.

Item 2 - Material Changes

There are no material changes to report.

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Item 4 - Advisory Business

A. Description of your advisory firm, including how long you have been in business and its principal owners.

Addenda Capital is an investment management firm providing solutions for institutional and high net worth clients. We offer our clients expert services in a broad range of asset classes. Our mission is to add value through innovation, discipline and integrity, and to nurture genuine partnerships with our clients.

With offices in Montréal, Guelph, Regina and Toronto and a team of over 50 investment professionals, Addenda Capital offers traditional and alternative investment solutions that meet clients' needs.

Over 30 years of investing expertise, with entrepreneurial and co-operative roots Addenda and its predecessor Co-operators Investment Counselling Limited have been offering portfolio management services since 1985. In April 2008, Addenda merged its operations with those of Co-operators Investment Counselling Limited, a division of The Co operators Group Limited, and pursued its operations under the Addenda Capital Inc. name. Today, Addenda Capital is one of Canada's largest multi-asset investment firms, with over \$27 billion under management.

Co-operators Financial Services Limited, a wholly-owned subsidiary of the Co-operators Group, is Addenda's principal shareholder with 72.05% ownership; Fonds de solidarité FTQ owns 20.79%, and Addenda (employees or ex-employees) management shareholders owning the remaining 7.16%.

B. Description of the types of advisory services you offer

Addenda offers discretionary investment management services to institutional or high-net-worth clients through a comprehensive range of investment strategies. Clients may invest on a segregated basis, or through Addenda's family of pooled funds that are currently only available to Canadian investors or on a pooled basis in the United States through the Addenda Capital International Equity CIT. Addenda offers different investment strategies and styles available to meet client investment needs and risk exposure.

Addenda's values are based on the following principles:

Added Value

We analyze underlying market and sector trends, we assess business fundamentals and we invest with a long-term focus on stability and predictability.

Teamwork

We rely on disciplined teamwork to navigate an increasingly complex environment. We share specialized knowledge, bringing together diverse perspectives for richer insights and bespoke solutions.

Independence

We are a privately owned firm. We are freethinkers. We follow nobody's mandate but that of our clients.

Goals

Our clients' goals are our own. Our mission is to achieve our clients' return objective within risk parameters and exceed their expectations.

Relationships

We nurture close and candid relationships with our clients, with an open and transparent approach whereby we give them access to our key specialists.

Information

We deliver timely and relevant information to our clients while we manage our strategies. We remain open-minded, rational, aware of the world around us, and always apply sound judgment as part of our investment process.

Ethics

We hold ourselves to the highest ethical standards. There can be no compromise on integrity.

Trust

We never take our clients' trust for granted. We strive to earn it every day.

Addenda offers the following range of investment solutions:

Fixed Income

- Active Duration Bonds
- Core Bonds
- Corporate Bonds
- Absolute Return Bonds
- Preferred Shares
- Infrastructure Bonds
- Global Tactical Fixed Income (Core+)

Equities

- Canadian Equities
- US. Equities
- International Equities
- Global Equities

Commercial Mortgages**Multi-Asset**

- Liability Driven Investments (LDI)
- Insurance
- Balanced and Customized Mandates
- Diversified Income (Domestic & Global)

C. Explanation on how you tailor your advisory services to the individual needs of clients

Addenda offers investment solutions in an effort to fulfill its clients' needs and objectives. Restrictions may be imposed by the client through its investment parameters, restrictions and constraints documented within the client's investment policy. Nevertheless,

restrictions and constraints must be approved by the Co-Chief Investment Officer(s), the Chief Compliance Officer and the Head of Business Development & Client Partnerships as being acceptable and in line with the return and risk tolerance objectives established by the client.

D. Participation in wrap fee programs

Addenda does not currently participate in a wrap fee program.

E. Client assets managed on a discretionary basis

As of December 31, 2016, Addenda's discretionary assets under management were US \$20.3 billion¹. Addenda does not manage client assets on a non-discretionary basis.

Item 5 - Fees and Compensation

A. Compensation for your advisory services.

Addenda is compensated for its discretionary investment management services by management fees agreed upon in writing between Addenda and its clients.

Addenda's standard fee schedule for products to be offered to U.S. based clients are as follows:

International Equities (EAFE and Global)

Segregated Management

Market Value	Annual Fees
First \$10 million	0.70 of 1%
Next \$15 million	0.65 of 1%
Next \$50 million	0.55 of 1%
Next \$75 million	0.40 of 1%
Thereafter	0.30 of 1%

Minimum Account Size: \$10,000,000

Minimum Annual Fee: \$70,000

Addenda Capital International Equity CIT

	Annual Fees
Class A*	0.50 of 1%
Class B	0.70 of 1%

* Class A Units are available for any Eligible Plan that makes an initial contribution to the Addenda Capital International Equity CIT before such Fund reaches \$100 million in aggregate net assets. To the extent an Eligible Plan's initial investment is into Addenda Capital International Equity CIT's Class A Units, all subsequent investments by such

¹ Includes a temporary mandate from an existing client totalling 1.4 USD billion

Eligible Plan into the same Fund shall also be for Class A Units. For the avoidance of doubt, once Addenda Capital International Equity CIT has reached \$100 million in aggregate net assets, the Class A Units of such Fund shall be permanently closed to investment by new Eligible Plans and only Class B Units of such Fund shall be available to new Eligible Plans.

SEI Trust Company (the "Trustee") serves as the Trustee of the Fund and maintains ultimate fiduciary authority over the management of, and the investments made, in the Fund. The Fund is part of a Collective Investment Trust (the "Trust") operated by the Trustee. The Trustee is a trust company organized under the laws of the Commonwealth of Pennsylvania and wholly owned subsidiary of SEI Investments Company (SEI).

The Addenda Capital Master Collective Investment Trust is a trust for the collective investment of assets or participating tax qualified pension and profit sharing plans and related trusts, and governmental plans as more fully described in the Declaration of Trust. As bank collective trusts, the Addenda Capital Master Collective Investment Trust is exempt from registration as an investment company. The Addenda Capital Master Collective Investment Trust is managed by SEI Trust Company, the trustee, based on the investment advice of Addenda Capital Inc., the investment adviser to the trusts.

Canadian Equities and Canadian Equities (Resources)

Segregated Management

Market Value	Annual Fees
First \$10 million	0.50 of 1%
Next \$15 million	0.30 of 1%
Next \$50 million	0.25 of 1%
Next \$75 million	0.20 of 1%
Thereafter	0.15 of 1%

Minimum Account Size: \$10,000,000

Minimum Annual Fee: \$50,000

Absolute Return Dynamic Bonds

Fixed Fee: 0.75% of market value of assets

Performance Fee: 10% of investment profits in excess of the value-added objective. Performance fee is subject to 2 high water marks.

This strategy could also be offered with only performance-based fees.

Addenda has a policy to treat all its clients fairly and equitably to prevent any conflict of interest; however, it may consider factors such as willingness of the client to seed a new

strategy, size and structure of the mandate as well as servicing and reporting requirements in order to negotiate fees that differ from its basic fee schedule.

B. Payment of fees

Fees are specified in the investment management agreement signed between Addenda and the client.

Fees are invoiced to the client or their custodian. Addenda cannot deduct its fees from client accounts. Clients are invoiced on a quarterly basis in arrears. Fees are based upon the portfolio's average market value for each month included in the invoicing period.

C. Other types of fees or expenses

In addition to the management fees specified in paragraph A above, clients incur custodial fees. Clients with accounts managed on a segregated basis must undertake their own arrangements for hiring a custodian.

Clients may incur brokerage and other transaction costs related to the purchase or sale of securities. Please refer to Item 12 for further details on the costs involved.

D. Payment, refunds and expenses

Clients are not requested to pay fees in advance.

Typically, an investment management agreement can be terminated with a 30-day written notice period. Management fees for a partial month are charged on a pro-rata basis, using the market value of the portfolio on the last day of the mandate.

E. Compensation to supervised persons

Not applicable.

Item 6 - Performance-Based Fees and Side-By-Side Management

Special fee arrangements may be negotiated with certain clients. Addenda may from time to time enter into performance based fee arrangements with certain clients in accordance with the conditions and requirements of Rule 205-3 under the Advisers Act, where applicable. While such performance fee arrangements will be negotiated with each client and thus the terms vary, they typically provide for a management fee comprised of an asset-based fee plus a performance fee. If a portfolio outperforms the designated benchmark or threshold, a portion of that outperformance, as stipulated in the relevant investment management agreement, will be paid to Addenda as a performance fee.

Addenda may face conflicts of interest in advising accounts that are charged a base fee and accounts that are charged a performance fee, including having an incentive to favor accounts charged a performance fee when allocating investment opportunities. To address this conflict, Addenda has adopted a policy, as described below, to address this conflict. Addenda's Absolute Return Dynamic Bond strategy is the only strategy for which Addenda charges a performance fee in addition to a fixed management fee. The approach and underlying objective of this strategy is rather unique and not replicated elsewhere, thus limiting any potential conflicts of interest.

Certain investments may be appropriate for more than one client advised by Addenda. Investment decisions for each client are made with a view to achieving each client's investment objectives after consideration of relevant factors such as current holdings, availability of cash for investment and the size of the client's investment portfolio. A particular security may be bought or sold by Addenda for a given client or in different amounts and at different times for more than one but less than all clients.

In order to ensure that all clients are treated equitably, regardless of the fee being paid to Addenda, Addenda has instituted a Policy for Fairness in Allocation of Investment Opportunities designed and implemented to ensure that all clients are treated fairly and equitably, and to mitigate the conflict of interest posed by incentive-based compensation arrangements. Please see Item 12 for more information about Addenda's allocation practices.

Potential conflicts of interest may also arise where Addenda takes opposing investment positions in the same security for different clients. For example, a particular investment may be bought by Addenda for one or more clients while at the same time Addenda is selling the investment for one or more other clients. Addenda may also cause certain clients to engage in short sales of an investment owned or being purchased by certain other clients. These circumstances may arise due to a number of factors, including but not limited to Addenda's management of various investment strategies and client-specific guidelines, policies and restrictions.

Addenda has in place several policies that help reduce and handle conflicts of interest should they arise. Specifically, they are the Policy for Fairness in Allocation of Investment Opportunities, Conflict of Interest Policy, Code of Ethics, Statement of Policies and Best Execution.

Item 7 - Types of Clients

Institutional

Addenda manages assets on a discretionary basis for pension funds, insurance companies, foundations, endowment funds, aboriginal and religious entities, third party mutual funds, labour-sponsored funds and corporations.

High-Net-Worth

Addenda also manages assets for private investor clients. Addenda's wealth management services are designed for individuals, families, family offices, holding companies, platforms and trusts.

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

Addenda offers a range of investment solutions including traditional and alternative asset classes. The following describes strategies that will be offered to U.S. based investors.

International (EAFE) and Global Equities

The International Equity Team's ("IE Team") investment philosophy is based on the belief that sustainable and repeatable earnings growth create value for investors over time. The

team-based approach utilizes a combination of industry analysis and bottom-up stock selection based on fundamental analysis to construct diversified portfolios comprised of 40 to 60 companies. Stock selection focuses on global or regional leaders based on identified sustainable long-term thematic. The objective is to build portfolios of companies that are likely to deliver over 10% bottom-line growth.

The research-driven investment process involves three steps.

Step I – What Addenda looks for

The IE Team searches for companies with the following characteristics:

- Presence in sustainable growth industries
- Regional or global leadership positions
- Non-commoditized business models
- Market capitalizations of more than USD \$1 billion

Step II – Analysis

Most research is generated internally and there is a cross coverage of sectors amongst team members. Sources of information include company financial reports, company meetings with all levels of management, industry peers, suppliers, industry specialists/consultants, industry databases, etc. All business models and sectors are analyzed and assessed versus the IE Team's four investment criteria:

Industry analysis – The investable candidate operating within a growth industry should display long term consistent revenue growth of 4% to 6% per annum.

Barriers to entry – Analyze firms with understandable and identifiable long term competitive advantages. Additionally, these firms should have a proven history of growing free cash flow generation capabilities, capital discipline, and financial strength.

Management – Conduct regular interviews with firm management, clients, suppliers and competitors in combination with reviewing historical company financials and strategic initiatives to validate quality of decision-making process and execution. Additional attention is given to governance issues.

Valuation – Assess the firm's fair value on an absolute and relative basis. Key metrics include: Price/Operating Earnings, Free Cash Flow Yield, Price/Operating Cash Flow, and EV/EBITDA.

Step III – Security Selection/Portfolio Construction

Selected securities are the ones showing the most predictable and sustainable growth characteristics with the highest visibility and/or lowest operational risk profiles. Consequently, security weightings are established as a function of its relative underlying risk/return proposition versus other candidates. Sector and country weights are a bi-product of the stock selection process; The IE Team does not actively manage sector and country allocation.

The IE Team employs an established buy and sell discipline. Changes to any of the four investment criteria must be validated by the team prior to adding to or trimming a position. An initial position would typically have a 1% weight and the IE Team would add towards the desired target weight based on conviction and valuation. They will subsequently add to a position if one or more investment criteria improve the relative risk/return proposition

of the security, and conversely, the position will be reduced if one or more investment criteria deteriorate the risk/return proposition.

Risk control for the strategy is based on fundamental operational risk of the underlying securities. This business risk is controlled through the team's fundamental analysis and assessment of the four investment criteria.

For purpose of risk reduction and diversification, the firm's Global and EAFE equity portfolios will be invested in at least 6 GICS (Global Industry Classification Standard) sectors, in a minimum of 6 countries and 10 minimum industry groups.

For EAFE Portfolios, the following Regional limits will also be observed:

- Continental Europe 20 – 80%
- Japan 5 – 50%
- UK 5 – 50%
- Pacific ex-Japan 0 – 25%
- Emerging countries* 0 – 10%

For Global Equity portfolios, the following Regional limits will also be observed:

- Continental Europe 5 – 55%
- Japan 5 – 40%
- UK 5 – 40%
- Pacific ex-Japan 0 – 20%
- U.S. 20 – 80%
- Canada 0 – 20%
- Emerging countries* 0 – 10%

**Emerging countries refer to countries that are part of the MSCI Emerging Index*

Canadian Equities

The Canadian Equity Team's ("CE Team") investment philosophy is framed by a belief that an individual company has an underlying intrinsic value that, through the use of disciplined fundamental research, can be calculated. The CE Team believes that over the longer term markets are generally efficient and that share prices will trend to this intrinsic value and that superior returns may be generated by constructing portfolios of stocks with the most attractive price to intrinsic value relationship. The CE Team defines intrinsic value as the net present value of all future free cash flow available to common shareholders.

The CE Team undertakes rigorous, detailed fundamental analysis to calculate the intrinsic value of each company in its investible universe and as a result stock selection is expected to contribute up to 80% of overall performance. The remaining 20% will be generated by sector allocation resulting from Addenda's top-down, macroeconomic perspectives.

The CE Team's process can be broken into four distinct steps – research, intrinsic value calculation, ranking investment opportunities and portfolio construction.

Research

The Canadian equity platform has been built with a focus on creating a team of sector specialist portfolio managers that bring a seasoned depth of knowledge and high levels of analytical abilities to the role.

Each member of Addenda's team of Portfolio Managers conducts rigorous research to gain a deep understanding of each company and industry that they cover. Their

experience is extensive; in some cases they have covered the same companies for many years and through many phases.

They systematically build full financial statements (balance sheet, cash flow, income statement) that allow them to understand what factors are driving a company's profits currently and to forecast at least 5 years forward. This long term model helps them to determine the position of the company, both in its life cycle and in its industry, and whether the company can maintain a competitive advantage in the future.

Information gathering is an important part of the process and to accomplish this, the CE Team applies a "mosaic" theory. In addition to fundamental financial analysis, additional insights into a company are accumulated by combining information from numerous public, external and internal sources.

Intrinsic Value Calculation and Ranking

The financial modelling generates the required inputs to populate the CE Team's discounted cash flow model which is a consistent model used for all companies across all sectors. Company specific inputs are generated from the research process and financial models are maintained by the Portfolio Managers. Other inputs required to generate an appropriate discount rate (inflation rates, risk free rates, equity and bond risk premiums and betas) are pre-set following an annual review of the model by the CE Team. Utilizing an appropriate discount rate is an important and necessary requirement, however, the bulk of the CE Team's research and analysis is focussed on properly analysing and forecasting the stream of free cash flow that a company can generate as we believe that this is where we will be able to generate differentiated, non-consensus, views on appropriate investment opportunities.

The output of the Discounted Cash Flow model is the present value of all future free cash flow generated by the company, or its Intrinsic Value, which is then compared to the current price of the stock to determine where the stock is trading relative to the underlying intrinsic value the CE Team calculated. While calculated intrinsic values do not change significantly or frequently, share prices do, and accordingly the team constantly monitors and ranks investment opportunities by the size of the discrepancy between their calculated intrinsic value and the current share price.

Portfolio Construction

Portfolio construction is managed by the Vice-President, Canadian Equities, based on the work of the team of sector specialists. Detailed reviews of models and assumptions used by each Portfolio Manager in their research, participating in management interviews, ensuring the process and philosophy are respected and followed, and utilizing this to construct appropriate client portfolios.

Buy Discipline

Stocks are purchased when the CE Team believes they have an attractive price/intrinsic value relationship, supporting industry analysis and a strong investment opinion. The weight of a stock in the portfolio is a function of the overall investment thesis around the idea. This would include the size of the price discrepancy (to the intrinsic value), the degree of conviction held by the sector PM, the underlying drivers of the price discrepancy, and the liquidity and risk considerations imposed by both the market and individual clients.

Sell Discipline

Stocks are reduced or removed from the portfolio due to price appreciation moving the security towards or through its determined fair value, external factors causing change to the intrinsic value, new investment ideas having a better valuation and requiring funding, or a violation of the CE Team's investment opinion.

For purpose of risk reduction and diversification, the Canadian Equity portfolios will be invested as follows:

Number of sectors	8-11
Maximum sector weighting	>5% of TSX: 50-150% of the index <5% of TSX: 0-200% of the index
Maximum cash	7.5%
Range of securities	50-65
Small cap stocks	Max. 5% of portfolio
Sectors being defined as the S&P/TSX GICS	

Canadian Equities (Resources)

The CE Team also manages a Canadian Equity Resource Fund using a process similar to the one described in the Canadian Equity section. However, for this strategy, investments are limited to the Energy Material Sectors of the Canadian Equity Index (e.g., S&P/TSX).

Absolute Return Dynamic Bonds

The Absolute Return Dynamic Bond strategy seeks to generate positive returns irrespective of market movements by exploiting volatility and relative value fixed income opportunities within a disciplined investment and risk management framework.

Our approach involves tactical and strategic positioning within five potential sources of added value: market volatility, relative value of major global sovereign bonds, Canadian provincial credit, currency and Canadian corporate credit.

Tactical positioning aims to capitalize upon short term market discrepancies over a 1 to 5-day horizon and represents approximately 30% of the portfolio's positions at any given point in time. The portfolio's core strategic positioning is based on longer term views stemming from both in-depth fundamental and quantitative analysis.

The team seeks to generate approximately 35% of the portfolio's added value from market volatility, including twist, shift and butterfly strategies within the Canadian fixed income landscape. Relative value opportunities related to developed government bond markets arise from macroeconomic and technical indicators. Such opportunities generally contribute another 35% of the portfolio's added value. The Canadian provincial bond market provides significant trading opportunities. Addenda seeks to take advantage of price discrepancies within the credit curve or the under or over performance of the asset class to generate around 25% of the portfolio's added value. Canadian corporate markets can also provide significant trading opportunities and Addenda will seek to invest so that potential change in credit spreads represent another 5% of the portfolio's added value.

The investment process involves the analysis of macro-economic, industry data and sentiment variables which allow us to identify investment opportunities related to market volatility and relative value. Once opportunities have been identified, curve analysis, relative value metrics and sentiment are assessed to determine how best to capture several theme(s). The size and weighting of each position is then calibrated within the risk/return objectives, Value at Risk (VaR) and leverage limits applicable to the fund. Positions are stress-tested according to multiple scenarios and assessed for correlation. Addenda may utilize leverage, derivatives (including credit default swaps) and short selling techniques in order to implement views.

Risk Management

The overall risk management strategy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on a portfolio's rate of return. Addenda has established a risk management process to monitor, evaluate and minimize the main risks of Addenda's various management styles and strategies. Addenda monitors risks rigorously using third party systems, internal systems, procedures and controls.

For fixed income mandates, client investment policy, restrictions and guidelines are monitored daily through the use of an internal system developed by Addenda. This system allows for the monitoring of the portfolios and the simulation of trades. The output generated by these simulations includes, among others, the impact on cash, modified duration and sector/issuer allocation of the portfolios.

For equity mandates, the Portfolio Managers utilize a third party order management system for pre-trade compliance to ensure client investment restrictions and guidelines are being adhered to. Pre-trade issues are addressed with the compliance team as needed.

In addition, the Compliance Team utilizes the trade order management system for post-trade compliance of fixed income and equity portfolios.

Each portfolio is controlled according to the limits of its applicable investment policy and is validated against its benchmark. In addition, Addenda has access to several tools and external systems to quantify and manage the risk related to financial markets. Quantitative and qualitative measures are used to limit the risks inherent to the portfolios.

The equity (EAFE, Global, and Canadian) strategies may involve the following risks:

- Currency Risk
- Equity Risk
- Foreign Investment Risk
- Investment Risk
- Issuer Risk
- Management Risk
- Market Risk

The Absolute Return Dynamic Bond strategy may involve the following risks:

- Counterparty Risk
- Credit Risk
- Currency Risk
- Derivatives Risk
- Interest Rate Risk
- Issuer Risk

- Leveraging Risk
- Management Risk
- Market Risk
- Short Sale Risk

The risks outlined above are defined as follows:

Counterparty Risk

A strategy that uses derivatives will be subject to credit risk with respect to the counterparties with which it enters into derivatives contracts and other transactions such as repurchase agreements and securities lending transactions. If a counterparty becomes insolvent or otherwise fails to perform its obligations, the portfolio may experience significant delays in obtaining any recovery in an insolvency, bankruptcy, or other reorganization proceeding. The portfolio may obtain only a limited recovery or may obtain no recovery in such circumstances.

Credit Risk

The ability, or perceived ability, of a debt security's issuer to make timely payments of interest and principal on the security will affect the value of the security. It is possible that the ability of an issuer to meet its obligations will decline substantially or that the issuer will default on its obligations. An actual or perceived deterioration of the ability of an issuer to meet its obligations will likely have an adverse effect on the value of the issuer's securities. Credit risk is generally greater for investments issued at less than their face values and requiring their issuers to make interest payments only at maturity rather than at intervals during the life of the investment. Credit rating agencies base their ratings largely on the issuer's historical financial condition and the rating agencies' investment analysis at the time of rating. The rating assigned to any particular investment does not necessarily reflect the issuer's current financial condition and does not reflect an assessment of an investment's volatility or liquidity. Although investment-grade investments generally have lower credit risk than investments rated below investment grade, they may share some of the risks of lower-rated investments, including the possibility that the issuers may be unable to make timely payments of interest and principal and thus default.

Currency Risk

Investments in securities issued from foreign countries are often denominated in different currencies. Changes in the values of those currencies relative to the portfolio's base currency may have a positive or negative effect on the values of the portfolio's investments denominated in those currencies. In some instances, currency exchange contracts may be used to reduce exposure to different currencies. These contracts may reduce or eliminate some or all of the benefit that the portfolio may experience from favourable currency fluctuations. The values of other currencies relative to the portfolio's base currency fluctuate in response to, among other factors, interest rate changes, intervention (or failure to intervene) by national governments, central banks or supranational entities such as the International Monetary Fund, the imposition of currency controls, and other political or regulatory developments. Currency values can decrease significantly both in the short term and over the long term in response to these and other developments.

Derivatives Risk

The use of derivative instruments involves risks different from, and possibly greater than, the risks associated with investing directly in securities and other more traditional

investments. Derivatives are subject to a number of risks, such as potential changes in the value of the underlying product such as interest rate changes or other market developments or as a result of the counterparty's credit quality and the risk that a derivative transaction may not have the anticipated effect. Derivatives also involve the risk of mispricing or improper valuation and the risk that changes in the value of a derivative may not correlate perfectly with the underlying product of the derivative. Derivative transactions can create investment leverage and may be highly volatile. Use of derivatives other than for hedging purposes may be considered speculative. When the portfolio invests in a derivative instrument, it could lose more than the principal amount invested. Many derivative transactions are entered into "over the counter" (not on an exchange or contract market); as a result, the value of such a derivative transaction will depend on the ability and the willingness of the counterparty to perform its obligations under the transaction. A liquid secondary market may not always exist for the derivative positions at any time. Although the use of derivatives is intended to enhance the portfolio's performance, it may instead reduce returns and increase volatility.

Equity Risk

The market prices of equity securities may fluctuate up or down, sometimes rapidly or unpredictably. The value of a security may decline for a number of reasons that may directly relate to the issuer, such as management performance, financial leverage, non-compliance with regulatory requirements and reduced demand for the issuers' goods or services. The values of equity securities also may decline due to general market conditions that are not specifically related to a particular company, such as real or perceived adverse economic conditions, changes in the general outlook for corporate earnings, changes in interest or currency rates, or adverse investor sentiment generally.

Foreign Investment Risk

The value of foreign investments may be affected by financial markets and general economic trends in the countries where the securities are issued. Foreign markets may not have standards that are similar to those in the U.S. For example, some foreign markets may not be as strictly regulated as U.S. markets. Their laws might make it difficult to protect investor rights. The political climate might be less stable and social, religious and regional tensions may exist. Business disclosure and accounting standards may be less stringent than in the U.S., making it difficult to obtain complete information about a potential investment. Securities markets may be smaller than in more developed countries, making it more difficult to sell securities in order to take profits or avoid losses. As a result, the value of foreign securities may rise or fall more rapidly and to a greater extent than U.S. investments. In general, securities issued in more developed markets have lower foreign investment risk. Securities issued in emerging or developing markets have higher foreign investment risk.

Interest Rate Risk

The values of bonds and other debt instruments usually rise and fall in response to changes in interest rates. Declining interest rates generally result in increases in the values of existing debt instruments, and rising interest rates generally result in reductions in the values of existing debt instruments. Interest rate risk is generally greater for investments with longer durations or maturities. Some investments give the issuer the option to call or redeem an investment before its maturity date. If an issuer calls or redeems an investment during a time of declining interest rates reinvestment of the proceeds will occur at a lower yield and therefore might not benefit from any increase in value as a result of declining interest rates. Adjustable rate instruments also generally

react to interest rate changes in a similar manner although generally to a lesser extent (depending, however, on the characteristics of the reset terms, including the index chosen, frequency of reset and reset caps or floors, among other factors).

Investment Risk

Investment risk includes the possible loss of the entire amount invested. The values of securities may increase or decrease, at times rapidly and unexpectedly. Investment may at a point in the future be worth less than its original value.

Issuer Risk

The values of securities may decline for a number of reasons which directly relate to the issuers, such as, for example, management performance, financial leverage, and reduced demand for the issuer's goods and/or services.

Leveraging Risk

Certain transactions, including, for example, when-issued, delayed-delivery, and forward commitment purchases, repurchase agreements (or reverse repurchase agreements), and the use of some derivatives, may result in leverage. Leverage generally has the effect of increasing the amounts of loss or gain an investment may realize, and creates the likelihood of greater volatility of the value of the investment. In transactions involving leverage, a relatively small market movement or change in other underlying indicator can lead to significantly larger losses on investments. Leverage can produce a risk of loss in excess of invested capital.

Management Risk

Management risk is involved when a strategy is actively managed. The investment manager's judgements about the attractiveness, relative value, or potential appreciation of a particular sector, security, or investment strategy may prove to be incorrect, and there can be no assurance that it will provide the desired results. Management is dependent to a substantial degree on the continued service of the investment manager's management personnel. In the event of changes in a key personnel of the investment management team, the performance may be adversely impacted.

Market Risk

General economic conditions such as prevailing economic growth, inflation, and interest rates may affect investment values. For example, when economic growth slows, equity securities tend to decline in value; when interest rates rise, fixed income securities generally decline in value. Even if general economic conditions do not change, the value of investments may decline if the particular industries, sectors, or companies in which the investments are held do not perform well or are adversely affected by events.

Short Sale Risk

Short selling a security may result in a profit or a loss depending upon whether the market price of the security decreases or increases between the date of the short sale and the date on which the borrowed security is replaced. An increase in the value of the security sold short over the price at which it was sold short will result in a loss, and there can be no assurance that the position will be closed at any particular time or at an acceptable price. The loss from a short sale is potentially unlimited. The use of short sales will likely result in the creation of leverage. Short sales may require the use of one or more prime brokers. The portfolio will typically be required to maintain with a prime broker the

proceeds of its short sales and related margin; the ability to recover these amounts will depend on the ability of the prime broker to perform its obligation at the time.

Item 9 - Disciplinary Information

Addenda and its management personnel have no relevant or material legal and regulatory events to report or to disclose.

Item 10 - Other Financial Industry Activities and Affiliations

A. Not applicable.

B. Not applicable.

C. Below is the list of related persons of Addenda as of the date hereof, as well as a concise statement of the relationship between these issuers and Addenda:

- a) Co-operators Financial Services Limited – direct majority owner of Addenda;
- b) Co-operators Group Limited – indirect majority owner of Addenda;
- c) Co-operators Life Insurance Company – sister affiliate controlled by the Co-operators Group Limited;
- d) Guelph University – may be considered a related person by virtue of having one or more board members in common with Addenda;
- e) Fonds de solidarité FTQ – direct minority owner of Addenda; Fonds de solidarité FTQ also owns interests in the following companies, which may be deemed to be related persons of Addenda:
 - Transat A.T. Inc.
 - Montrusco Bolton Investments Inc.
 - Technologies Interactives Mediagrif Inc.
 - NAPEC Inc.
 - Group HNZ Inc.

Certain of Addenda's related persons may be advisory clients of Addenda. With the exception of such advisory relationships, Addenda does not enter into transactions with any of the above-listed entities. Consequently, Addenda does not believe these relationships should cause any material conflicts of interest. Addenda's policy is to refrain from purchasing securities of issuers who are related persons of Addenda.

D. Not applicable.

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

As part of an overall internal compliance program, Addenda has adopted a Code of Ethics that imposes standards of business conduct, including requirements to put client interests first and not to take inappropriate advantage of employment-related information, seeks to minimize potential conflicts of interest between employees and investment advisory clients and helps to ensure compliance with applicable laws and regulations. The Code of Ethics, among other things, imposes restrictions on employee personal securities transactions

and accounts and requires (with certain exceptions) reporting of personal securities accounts, transactions and/or holdings to the Chief Compliance Officer. The Code of Ethics also generally requires Addenda's officers and employees to obtain pre-approval of certain personal securities transactions. Addenda's officers and employees are required to acknowledge they have reviewed the Code of Ethics on an annual basis and are required to attend an annual training on the Code of Ethics, conflicts of interest and other Addenda's compliance policies. Addenda's Code of Ethics and Employee handbook will be made available to any client or prospective client upon request. Addenda has also established a Conflicts of Interest Policy to address circumstances that present a conflict of interest not addressed by the Code of Ethics or other compliance policies. The Conflicts of Interest Policy sets forth the process for handling conflicts of interest that may arise in the course of Addenda's business, including escalation and monitoring procedures.

Subject to the provisions of the Code of Ethics, Addenda's officers and employees may from time to time have acquired or sold, or may subsequently acquire or sell, for their personal accounts securities which may also be purchased or sold for the accounts of Addenda's clients.

Addenda, its officers and employees may engage in transactions or cause or advise a particular client to engage in transactions which may differ from or be identical to the transactions engaged in by Addenda for other accounts. Addenda shall not have any obligation to engage in any transaction for a client's account or to recommend any transaction to a client in which any of Addenda's officers, employees or affiliates may engage either for their own accounts or the account of any other client, except as otherwise required by applicable law.

In connection with its U.S. investment activities, Addenda may receive information that is not generally available to the public. Addenda is not obligated to make such information available to its clients or to use such information to effect transactions for its clients. Also, at times, Addenda's officers or employees may come into possession of material, non-public information. Under applicable law, Addenda is prohibited from improperly disclosing or using such information, including for the benefit of a client. Addenda maintains policies and procedures that preclude trading on the basis of, or taking any other action to take advantage of, material non-public information. These procedures may limit Addenda from being able to purchase or sell securities of the issuer to whom the material, non-public information pertains.

To the extent permitted by applicable law, Addenda's compliance policies and procedures, and a client's investment policy, Addenda may execute "cross trades" between different clients. Addenda does not execute cross trades with respect to any clients that are related persons of Addenda. In a "cross trade," Addenda, as investment manager to a client account, causes that client account to purchase a security directly from another client account. Cross trades may benefit clients on both sides of the trade by eliminating the need to pay a spread, mark-up or commission to a counterparty. Cross trades are executed through a third party broker/dealer but do not incur any commission or similar transaction costs. However, cross trades also present a potential conflict of interest because Addenda represents the interests of both the selling account and the buying account in the same transaction. As a result, clients for whom Addenda executes cross trades bear the risk that one counterparty to the cross trade may be treated more favorably than the other party, particularly in cases where the first party pays Addenda higher management fees. Additionally, there is a risk that the price of a security bought or sold

through a cross trade may not be as favorable as it might have been had the trade been executed in the open market.

Addenda has a written valuation policy, which provides the method for valuing the securities and other investments managed by Addenda ("Valuation Policy"). Addenda uses a third party for daily valuation of securities. Where third party valuations are not available, Addenda will use internal models based on market practices relevant to the securities being priced. When the use of an internal model is required, Addenda will document the valuation process and make it available to its clients. The adherence to Addenda's valuation policy mitigates the risk of conflict of interest that can occur when a higher fair value is assigned to a security resulting in greater management fees and possibly higher performance fees paid to Addenda.

Item 12 - Brokerage Practices

A. Addenda has a duty to seek to achieve best execution for its clients' brokerage transactions. Addenda is required to execute securities transactions for its clients such that the net proceeds to the client are the most favourable under the circumstances. Addenda's policy is to select brokers or counterparties to execute client transactions in a manner that is consistent with the best interests of its clients and to employ a trading process that attempts to maximize the value of a client's portfolio within the client's investment policy. In carrying out this duty, Addenda has established a broker/dealer selection process pursuant to which Addenda considers the full range and quality of a broker's services in placing brokerage, including, among other factors, commission rates and responsiveness. A complete review of these requirements is performed annually and a list is maintained of approved brokers/dealers. The addition of any new broker/dealer is the result of a joint decision by the Senior Vice-President and Chief Investment Officers, the Chief Compliance Officer and the Director of Portfolio Accounting after a due diligence analysis has been performed. Portfolio managers may trade with any broker/dealer on this approved broker/dealer list.

Also, Addenda has established a Brokerage Committee and a Best Execution Committee. The Brokerage Committee oversees the broker selection, allocation process and monitoring of trade allocations. The Best Execution Committee oversees the brokerage function, and validates the achievement of trading objectives.

In seeking to achieve best execution, Addenda may not always obtain the lowest possible commission cost.

1. Research and Other Soft Dollar Benefits

Addenda has established a Soft Dollar Policy that is based upon the CFA Institute's Soft Dollar Standards. Elements such as the relationship with clients, selection of brokers/dealers, eligible research services/products, limits, client-directed brokerage, disclosure and reporting are addressed in detail.

The use of soft dollar arrangements may enable Addenda to obtain brokerage or research products or services from broker/dealers in connection with placing securities transactions on behalf of clients. This is a benefit to Addenda since Addenda would otherwise have to produce or pay for these services or products. Such products and services may include, but are not limited to, fundamental research reports (both third party and proprietary), technical and portfolio analyses, pricing services, economic forecasting and interest rate

projections, historical and statistical securities information and computer software that assist Addenda's investment management process. Some of the brokerage or research products or services received with respect to commissions paid by certain accounts may benefit other accounts under the management of Addenda. Brokers/dealers who provide such services may receive a commission which is in excess of the amount of the commission another broker/dealer may have charged if in the judgment of Addenda the higher commission is reasonable in relation to the value of the brokerage or research products or services rendered. Addenda may have an incentive to select or recommend brokers/dealers based on Addenda's interest in receiving the research or other products or services which could differ from a client's interest in receiving the most favorable execution costs. Soft dollar arrangements are reviewed, and will be reviewed periodically, to determine if the products or services are needed, whether such products or services provide legitimate assistance in the investment decision making process, and the reasonableness of the commissions paid in relation to the value of the products or services.

Addenda will seek the express permission of the client before engaging in any soft dollar arrangements using that client's account. If a client prohibits Addenda's use of the client's brokerage to purchase legitimate research products or services or limits Addenda to directed brokerage arrangements, Addenda's clients who do not impose such prohibition or limitation may potentially pay higher commissions on their brokerage due to Addenda's soft dollar arrangements compared to the commission paid by clients who do have such prohibition or limitation. In these instances, clients without such prohibition may pay a commission which may be in excess of the amount of the commission paid by clients with such prohibition or limitation if in the judgment of Addenda the higher commission is reasonable in relation to the value of the legitimate brokerage or research products or services rendered. The research paid for by such clients' commission may nevertheless benefit clients who impose such prohibitions or direct the brokerage on their accounts.

2. Brokerage for Client Referrals

Not applicable.

3. Directed Brokerage

Addenda does not recommend or require its clients to direct it to execute transactions through a specified broker-dealer and has no affiliations with any broker-dealer. Addenda selects its brokers in accordance with its policy described in Item 12 A.

Clients that require Addenda to direct brokerage through a specific broker-dealer should understand that they may lose the possible advantage which clients not directing brokerage derive from aggregation of orders. Such clients should consider whether commission expenses, execution, and clearance and settlement capabilities will be comparable to those otherwise obtainable by the client if it did not make such a broker designation.

B. Aggregation of Orders

Addenda may execute trades on a "block" or on an aggregate basis for many clients at the same time and at the same price when doing so is in the best interest of each participating client. When doing so, Addenda will apply the principles outlined in its Policy for Fairness in Allocation of Investment Opportunities which provides that all portfolios with

similar mandates are treated equitably and fairly in transactions initiated for the various strategies developed by the management teams. The company applies a pro rata rule to ensure this treatment from each management team.

There are certain exceptions that may be made to the pro rata rule, including but not limited to, the existing asset allocations of a portfolio, client investment policy constraints, risk considerations or the fact that the security in question may already be held in a portfolio.

Item 13 - Review of Accounts

A. Addenda's separately managed accounts and pooled funds are monitored on a daily basis by their respective portfolio managers and by the trading, operations and compliance teams in the context of their respective investment objectives and guidelines.

B. Not applicable.

C. Addenda generally provides the following written reports:

Portfolio Holdings / Transactions / Income reporting - The information provided monthly includes a portfolio holdings report and a transaction report. Such reports include an opening balance, monthly transactions that have been carried out, total earned income, gains and losses, and closing balance. Such report is also available through secure access to Addenda's website.

Performance reporting – Addenda calculates performance (final returns) for client portfolios daily in relation to that of their benchmark and reports such performance on a monthly basis. Upon request, Addenda also produces risk metric factors such as standard deviation, information ratio and Value at Risk (VaR). Most of these reports are also available through secure access to Addenda's website.

Portfolio Management Report – Addenda produces a Portfolio Management Report on a quarterly basis. This report includes a summary of the economic and financial environment; its impact on the client portfolio; performance reports presented against the client's benchmark and a performance attribution summary. This report is also available through a securitized access to Addenda's website.

Compliance Letter or Compliance Certificate – A letter or certificate, produced by the Compliance Team highlighting compliance with client investment restrictions, is provided to clients quarterly. This report is also available through secure access to Addenda's website.

Other - Upon request, Addenda also prepares portfolio information such as the sensitivity analysis to changes in interest rates and the fair value measurement of the portfolio's financial assets or financial liabilities according to a three-level hierarchy required under Canadian and International accounting standards.

Item 14 - Client Referrals and Other Compensation

A. Not applicable.

B. Not applicable.

Item 15 - Custody

Not applicable.

Item 16 - Investment Discretion

All clients of Addenda have signed a discretionary investment management agreement. Discretion is exercised within the parameters contained in the client's investment policy.

Investment policies, objectives and restrictions are agreed upon and approved by Addenda and the client.

Item 17 - Voting Client Securities

A. Addenda accepts authority to vote a client's securities at the client's request. Clients may direct the vote of their security in a particular solicitation if they provide written instructions in a timely manner.

Addenda has adopted and implemented written policies and procedures that are reasonably designed to ensure that client securities are voted in the best interest of clients. The procedures include how Addenda addresses material conflicts that may arise between Addenda's interests and those of its clients. The policy establishes how Addenda intends to vote on some commonly raised issues such as the election of directors, executive and director compensation, shareholder rights, takeover protection and environmental and social factors. Addenda may make use of a third party proxy service provider.

Clients may obtain information from Addenda about how it voted with respect to their securities in the regular investment management reporting they receive from Addenda or by contacting their client service representative. Clients may obtain a copy of Addenda's proxy voting policies and procedures by contacting their client service representative.

B. Clients may retain the authority to vote their securities, in which case Addenda will not be responsible for voting such clients' securities. In this case, clients will receive their proxies from their custodian or other service provider. In general, Addenda does not advise clients who retain voting authority on how to vote a proxy.

Item 18 - Financial Information

Not applicable.

Item 19 - Requirements for State-Registered Advisers

Not applicable.