

Fairbank Investment Management Limited
Firm Brochure
(Part 2A of Form ADV)

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This brochure provides information about the qualifications and business practices of Fairbank Investment Management Limited (“Fairbank”, “FIML”, “us”, “we”, “our”). If you have any questions about the contents in this brochure, please contact us at (905) 707-1991. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any States Securities Authority. Additional information about Fairbank is also available on the SEC’s website at www.adviserinfo.sec.gov.

Item 2 - Material Changes

This brochure is Fairbank's initial version of Part 2A of Form ADV.

Item 3 Table of Contents

Item 1 - Cover Page	1
Item 2 - Material Changes.....	2
Item 3 - Table of Contents	3
Item 4 - Advisory Business.....	4
Item 5 - Fees & Compensation	7
Item 6 - Performance-Based Fees and Side-By-Side Management	8
Item 7 - Types of Clients	9
Item 8 - Methods of Analysis, Investment Strategies and Risk of Loss.....	10
Item 9 - Disciplinary Information	14
Item 10 - Other Financial Industry Activities and Affiliations	15
Item 11 - Code of Ethics.....	16
Item 12 - Brokerage Practices	20
Item 13 - Review of Accounts	22
Item 14 - Client Referrals and Other Compensation	23
Item 15 - Custody	24
Item 16 - Investment Discretion.....	25
Item 17 - Voting Client Securities (i.e., Proxy Voting).....	26
Item 18 - Financial Information.....	27
Item 19 - Requirements for State-Registered Advisors	28

Item 4 - Advisory Business

Description of Advisory Services:

Overview of Fairbank

Fairbank Investment Management Limited is an independent investment advisory firm founded in 2009 by John and Josie Watson who are the principal owners of the firm. Fairbank is organized as a corporation incorporated under the laws of Ontario, Canada on November 15, 2008.

Fairbank provides discretionary investment management services to high net worth individuals, charitable foundations, trusts and smaller public & private corporations from our office in Thornhill, Ontario, Canada. We identify investment opportunities through rigorous fundamental research. We seek to find undervalued companies with strong fundamentals that preserve and grow capital for shareholders over the long term. As a value manager, we believe that markets can often be inefficient and that our investment process comprised of primary bottom-up, fundamental research in concert with a disciplined approach to capital allocation using a long-term perspective, can capitalize on mispricing in the market. We invest primarily in individual equity and fixed income securities. From time to time we will also own derivative instruments such as warrants or installment receipts, particularly if they have been paid to our clients by a company whose shares they own.

Between 1967 and 1989, our President and co-Owner, Mr. Watson worked in investment operations at Confederation Life Insurance Company (Confed). He started as an assistant investment analyst in 1967, assumed the role of Director of Investment Research in 1973 and became Vice President, Investments in 1977 and held that position until 1989. In 1989, he became Chairman of the Board and CEO of Confed Investment Counselling Limited, an investment advisor to Canadian Pension Funds and Endowments. He led a team that developed and managed the global investment management services for the Canadian, US and UK based clients of Confed. In 1993, Mr. Watson and two other individuals cofounded Toronto-based investment advisor, Sprucegrove Investment Management Ltd., which ultimately took over virtually all of Confed's global equity management business. The research and investment process that Mr. Watson and his team developed at Confed was and continues to be used at Sprucegrove. On December 31, 2008, Mr. Watson retired from Sprucegrove and formed Fairbank on January 1, 2009. Fairbank follows the same rigorous value-based research process developed by Mr. Watson.

Fairbank currently offers investment management services to clients holding segregated accounts in Canada. We refer to such clients as "segregated portfolio" clients herein. We also offer Canadian clients access to an investment opportunity via the Fairbank Pooled Value Fund ("FPVF"), for which Fairbank acts as investment adviser. The FPVF will not be available to clients in the United States.

This brochure focuses on the services offered to potential clients in the United States who will have the opportunity to participate in our segregated portfolio services only.

Fairbank does not participate in wrap fee programs.

Fairbank's segregated accounts are managed by our team of portfolio managers and research personnel led by Mr. Watson. We manage the assets on a fully discretionary basis. Our investment decisions arise from our research process.

Fairbank is a private company that is 100% employee-owned. At October 31, 2018, we had seven full-time employees. The principal owners are John and Josie Watson, each of whom own 50% of Fairbank. All employees participate in the company-wide profit-sharing plan.

At Fairbank, we provide discretionary portfolio management for our clients. We offer two broad mandates for asset allocation (all equity and balanced), within which we adhere to certain parameters which our clients may ask that we tailor:

- **Asset Allocation:** clients may request slight adjustments to minimum and maximum portfolio allocations to broader asset classes (cash, fixed income and equity).
- **Individual Securities:** From time to time, a client will request a higher than normal emphasis on current income or restrict the ownership of companies to a certain geography or provide a list of companies they are restricted from holding due to their occupation.
- **Concentration:** we limit the allocation to any single investment to 10% of a client's total portfolio. It would be very unlikely that we would commit more than 5% of a client's portfolio to a single investment – meaning that the 10% threshold would only exist if its value grew to that level.
- **Geographic limitations:** the key investment determinants that we use are quality and value, which we use as our guide to identify suitable opportunities worldwide. We also consider the potential impacts of changes in foreign currencies relative to the Canadian and/or US dollar prior to making an investment decision.

All clients will sign a document that is comprised by six parts:

- An **Investment Management Agreement (IMA)** which includes a description of Fairbank, its custodians and the relationship with which we maintain with our clients.
- An **Investment Policy Statement (IPS)** which reviews the Asset Mix and Investment Policy on the context of the client(s)' Investment Objectives and Constraints.
- A **Client Profile** that describes the client demonstrating FIML's understanding of their personal circumstances.
- The **Fee Schedule** that details the investment management fees charged by FIML.
- A **Risk Disclosure Section** that reviews the various risks inherent in investing in the capital markets.
- **The Complaint Resolution Process**, which describes the steps that a client may take if they have a complaint about our service.

Assets Under Management

As at December 31, 2020, Fairbank had C\$180,375,925 in assets under management on a discretionary basis under the following offerings:

	Canada	United States	
Mandate (C\$ millions)	Clients	Clients	Total
Segregated Portfolios	147,038,911	4,280,185	151,319,096
FPVF	29,056,829		29,056,829
Total	176,095,740	4,280,185	180,375,925

References to “C\$” and “Canadian dollars” in this brochure are to the lawful currency of Canada. On December 31, 2020, the daily exchange rate posted by the Bank of Canada for conversion of Canadian dollars into U.S. dollars was C\$1.00 equals U.S.\$0.7854 and such rate on the date of this brochure, February 1, 2021 was C\$1.00 equals U.S.\$0.7798.

Item 5 - Fees & Compensation

The fee schedule for the management of segregated portfolios is described below. The fees are not negotiable and not refundable.

Segregated Portfolio Fees (% of portfolio value)

- 1.25% on the first C\$2 million
- 1.00% on the next C\$3 million
- 0.75% on the next C\$5 million
- 0.50% on the balance

Segregated portfolio clients are billed semi-annually in arrears. Our clients pre-authorize us (FIML) to instruct the custodians to deduct the fees directly from their (client) accounts. The fees for assets that are not managed for a full semi-annual period are prorated.

Additional Fees & Expenses

Clients will also incur brokerage and other transaction costs that are payable to third parties. Depending on the type of account, there may be additional third-party expenses for custodial fees, wire transfer and electronic fees and other expenses incurred in the course of the investment and administrative activity associated with the particular client account (portfolio).

In the future, Fairbank may establish and/or provide investment supervisory services to other collective investment vehicles, including limited partnerships, limited liability companies, and business or investment trusts for investors. If this occurs, we reserve the right to establish fee scales that differ from those described above.

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

Fairbank does not charge performance-based fees.

Item 7 - Types of Clients

Fairbank provides investment management advice through segregated client portfolios for:

- Individual clients;
- Trusts, estates and charitable organizations;
- Corporations including public and private operating businesses, pension plans, endowments and family offices.

For segregated client portfolios, we tailor the investment services to the individual needs of the client. Examples would include adjusting our standard investment guidelines to accommodate client specific mandates or holdings.

The minimum capital required to open a segregated portfolio is C\$2 million, which we can waive in our discretion.

We intend to remain a small firm and may periodically take measures to control our growth. If, as and when we elect not to accept new clients, we shall continue to receive deposits from existing clients. This decision shall be reviewed annually.

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

Investment philosophy, strategy, and investment style

Fairbank is a value manager that follows a bottom-up approach, seeking to invest in quality companies selling at attractive valuations.

Significant features of our approach include:

- Investing in equity or corporate bonds of companies in global markets;
- Investing in equities or corporate bonds believed to offer attractive long-term rates of return;
- Emphasis on the long-term and focus on the selection of individual common stocks or corporate bonds using a bottom-up approach utilizing thorough primary (internal) research;
- Companies selected for investment must meet standards regarding historical financial performance, financial position, quality of management, and offer growth potential in terms of sales, earnings and share price;
- A sell discipline that focuses on two major criteria: (i) an adverse change in fundamentals, i.e. the company no longer meets our quality criteria, and (ii) a stock price that rises to a level that we believe exceeds the company's intrinsic value.

In searching for investments, we analyze stocks using the following criteria:

- Leadership position in share of market and technology;
- History of above average profitability as measured by operating margins and return on common equity;
- Strong financial position;
- The opportunity for growth via new products, markets, and/or market share;
- Management, including its consistency, experience, record (especially in the allocation of capital), reputation, corporate governance practices and commitment to the business.

Important valuation and quality metrics we consider include:

- Normalized price earnings multiple
- Price to book value per share ratio
- Dividend yield
- Financial leverage ratio
- Projected return on common equity

We address portfolio risk through diversification guidelines regarding sector, and individual company weightings. Our sector guidelines establish a maximum exposure to any one industry (30%). Our individual company guidelines set a maximum exposure to any single company (10%).

Investment decisions are made by each portfolio manager (PM) in consultation with the Chief Investment Officer (CIO) or in his absence, another PM. Two people must agree on an investment decision prior to its execution.

All of Fairbank's PMs are generalists who do not have specific industry or geographic focuses for research or investing. We invest in public equities globally, corporate bonds and short-term money market instruments (GICs) to facilitate our mandate. From time to time, we may own derivative instruments including warrants or instalment receipts, particularly if they have been paid out by a company whose common shares are owned by us.

As part of Fairbank's due diligence process, we often speak directly to the management teams of companies that we own (or are considering owning), attend annual general meetings and listen to conference calls or read transcripts of them (although not universally). As well, our PMs and analysts will attend group meetings with presentations made by management teams of companies that we own or are interested in. These meetings are primarily hosted by Jones Trading, one of the brokerage firms that we use to execute trades.

Risk of Loss

All investments in securities include a risk of loss of principal (invested amount).

- **No Assurance of Investment Return.** Fairbank cannot provide assurance that it will be able to choose, make, and realize anticipated or targeted returns in any investment opportunity. Fairbank uses extensive research, forecasting analyses and modeling for the purpose of identifying in advance and mitigating any potential performance risks; however, returns can be unpredictable and ultimately there can be no assurance that the our investments will be able to generate returns or that the returns will be commensurate with the risks of investing.
- **General Equities Securities Risk:** Investing in an equity security entails the risk of negative events impacting the issuer such as the actual or perceived impairment of the issuer's financial condition or adverse changes in the general condition of the relevant stock market sector or the stock market as a whole, that could cause the value of the client's position in that security to decline. Equity securities are considered to be more risky than debt obligations, as debt holders receive priority over equity holders in the event of an issuer's liquidation. Furthermore, there are more uncertainties surrounding equity securities with regards to cash flows to an equity holder (i.e. dividends) as opposed to debt holders (i.e. interest payments and return of principal). Equity markets will fluctuate with changes in actual and expected financial conditions of the general economy, market sectors and individual companies.
- **Uncertainty of Financial Projections.** Fairbank may make an investment based on the issuer's financial projections and various projections of our investment team. Projected operating results will invariably be influenced by management judgments. In all cases, projections are only estimates of future results that are based upon

assumptions made at the time that the projections are developed. There can be no assurance that the projected results will be obtained, and actual results may vary significantly from projections. General economic conditions, which are not predictable, can have a material adverse impact on the reliability of such projections and the performance of any investment in such securities.

- **Foreign Market Risk:** Investments in non-US equity securities may be subject to risks not normally associated with US equity investing. Such risks may include: a less stringent regulatory environment, less rigorous financial reporting requirements, potential government intervention, expropriation, high rates of withholding tax and additional economic and political factors particular to the countries of investment. Additionally, the equity markets of certain foreign countries may be subject to lower trading volume and higher fluctuations in price movements.
- **Foreign Currency Risk:** Depreciation of foreign currencies in which client holdings are denominated relative to the US dollar will negatively affect the US dollar value of those holdings.
- **Emerging Market Risk:** The risks described in the Foreign Market and Foreign Currency Risk sections are normally magnified for investments in emerging markets even if they may offer greater potential of returns in the long run. Such risks may include: greater market volatility, lower trading volume, political and economic instability, unfavorable legal structures relating to foreign investments, risk of hyperinflation or severe unemployment and currency devaluation. One or more of these risks could negatively impact returns or result in higher trading fees for client investments in emerging markets. Fairbank has very limited exposure to emerging markets currently with minimal allocation to companies in Hong Kong, Singapore, South Korea and Brazil. We use the same investment approach for emerging market opportunities that we use for those in developed markets.
- **Geographic Risk:** Client investments may be made in countries or regions that have experienced natural disasters such as earthquakes and drought and may be more economically sensitive to environmental events than developed markets. The occurrence of such events in these countries or regions could negatively impact the performance of client holdings there.
- **Depository Receipt Risk:** Client investments in non-US issuers may be in the form of American Depositary Receipts (ADRs), which are instruments issued or sponsored in the US by banks or brokerages and traded in the US securities markets. ADRs represent an interest in a specified number of shares of a foreign issuer. Fees and expenses related to holding these securities along with fluctuations in foreign exchange rates and tax treaties could cause an ADR to be of lesser value than its underlying foreign security or that the ADR's issuer changes its terms or terminates the ADR altogether.

- **Securities Lending:** A client account that engages in securities lending could suffer losses if a borrower of its securities defaulted on its obligation to return those securities or from losses in the value of collateral investment programs. Fairbank does not engage in securities lending at this time.
- **Inflation / Interest Rate Risk:** with respect to fixed income investments, changes in interest rates are expected to impact the market prices of bonds. Assuming the bonds are held until maturity, their yield to maturity (total rate of return) would not be expected to be impacted. However, if the bonds are called for early redemption which may negatively impact the total rate of return.

Item 9 - Disciplinary Information

Neither Fairbank nor its professional staff have ever been subject to or are currently involved with any business litigation, securities or tax law violation investigations or proceedings, regulatory or legal proceedings or government investigations. No legal or disciplinary events that are material to a client's or prospective client's evaluation of Fairbank's advisory business or the integrity of its management have occurred.

Item 10 – Other Financial Industry Activities and Affiliations

Fairbank is an independent advisory firm and is not affiliated or registered (or has an application pending) as a securities broker-dealer, a futures commission merchant, commodity pool operator or commodity trading adviser. In addition, none of our professional staff are representatives of a broker-dealer or any other regulated securities entities.

Neither Fairbank nor its professional staff has a relationship or arrangement that is material to its advisory business or its clients with a related person of the type listed below:

- Broker-dealer
- Investment company
- Other investment adviser
- Financial planning firm
- Commodity pool operator, commodity trading adviser or futures commission merchant
- Banking or thrift institution
- Accounting firm
- Law firm
- Insurance company or agency
- Pension consultant
- Real estate broker or dealer
- Entity that creates or packages limited partnerships

Fairbank does not receive compensation directly or indirectly from any of the foregoing types of advisors for selecting or recommending them to its clients.

Item 11 – Code of Ethics

As required by regulation, we have adopted procedures that govern a number of potential conflicts of interest we have when providing our advisory services. These procedures are designed to ensure we meet our fiduciary obligation to clients and to promote a culture of compliance within our firm.

Code of Ethics

Fairbank has developed a *Standards of Professional Conduct Policies and Procedures Manual*, which includes a code of ethics (collectively, the “Code of Ethics”) to ensure its professional staff will comply with applicable securities laws and regulations when engaged to provide private markets advisory services to clients. The Code of Ethics was developed based on various Canadian and U.S. securities laws and regulations governing the use of confidential information and personal securities transactions. The Code of Ethics sets forth procedures and restrictions regarding personal trading and related activities of Fairbank’s professional staff that are designed to detect and prevent conflicts of interests between Fairbank and its clients.

A copy of Fairbank’s Code of Ethics will be provided to clients or prospective clients upon request. A summary of certain provisions of this Code of Ethics follows.

Standard of Care

Fairbank will exercise due diligence, reasonable care and skill that a person of ordinary prudence would exercise in dealing with the property of another person and shall use all relevant knowledge and skill that Fairbank possesses or, by reason of its business or calling, ought to possess.

Fairbank agrees to comply with the Investment Mandate of each client and such laws as are applicable to Fairbank respecting its obligations hereunder. The Investment Mandates for Fairbank clients tend to be long-term with the objectives of protecting and growing capital (in that order). From time to time, a client will request a higher than normal emphasis on current income or restrict the ownership of companies to a certain geography or provide a list of companies they are restricted from holding due to their occupation. Although the mandate for each client will be unique, the process we use to construct their portfolio will be similar. In the description of our process to clients, we note that we do not believe in smooth progress. The portfolios we construct are designed to cope with investment risk and uncertainty, not to eliminate it. Progress will be lumpy. It is important to remember that historically, publicly listed businesses have suffered widespread, general falls in market prices in approximately one calendar year in three. Indeed, dramatic declines of over 30% have occurred at some point in most decades. We do not believe that the portfolio can avoid such characteristic downturns in business and stock market cycles, but it will seek to survive them without undue distress.

Confidentiality

Fairbank will maintain the strictest confidence with respect to the financial affairs of each client and each client's assets, in accordance with applicable Canadian and United States privacy legislation.

Conflict of Interest/Fairness Policy

Fairbank will not enter into any transaction on behalf of any client in circumstances where Fairbank has a direct or indirect conflict of interest unless Fairbank has provided complete disclosure of its interest in the transaction to the affected client.

Fairbank or its agents perform investment services for many clients, and as such, Fairbank may give advice or take action on behalf of some clients which may differ from advice given to or action taken on behalf of other clients.

To ensure fairness in the allocation of opportunities among its clients, Fairbank will use its best efforts to do the following:

- where orders are entered simultaneously for execution at the same price, fills are allocated on a pro rata basis;
- in the case of a new securities issue, where the allotment received is insufficient to meet the full requirements of all accounts on whose behalf orders have been placed, allocation is made on a pro rata basis. However, if such prorating would result in an inappropriately small position for a particular client, the allotment would be reallocated to another account. Depending upon the number of new issues, over a period of time, Fairbank will make its best efforts to ensure that these prorating and reallocation policies result in fair treatment of all clients;
- in the case of trades which are bunched or blocked, both securities and commissions payable will be allocated among participating clients on a pro rata basis. However, if the prorating of securities would result in an inappropriately small position for a particular client, the allotment would be re-allocated to another account. Depending upon the number of trades which are bunched or blocked, over a period of time, Fairbank will make its best efforts to ensure that these prorating and reallocation policies result in fair treatment of all clients;
- in the case of a new securities issue, or in the case of trades which are bunched or blocked, clients will participate only to the extent that their respective investment mandates permit.

Our Code of Ethics is comprehensive and applies to all principals and employees. The Code of Ethics is distributed to each employee and reviewed annually. We supplement the Code of Ethics with bi-annual training and on-going monitoring of employee activity.

Our Code of Ethics and associated policies and procedures includes the following:

- Requirements to:
 - Protect the confidentiality of client information;
 - Comply with all applicable laws, rules and regulations;
 - Abide by the CFA Institute Asset Manager Code;
 - Report any violation or potential violation of the Code or applicable laws to the Chief Compliance Officer
- Prohibitions on insider trading (if we are in possession of material, non-public information);
- Restrictions on the giving or receipt of gifts and gratuities;
- Pre-approval of personal trading of restricted securities which are securities held by FIML or are under consideration as holdings;
- Reporting of all personal securities transactions; and
- On an annual basis, we require all principals and employees to re-certify their understanding and compliance with our Code and to identify any account which they have a beneficial ownership (they “own” the account or have “authority” over the account).

Our Code of Ethics does not prohibit personal trading by principals or employees. As employees of a professional investment advisor, we may follow our own advice and purchase or sell the same or similar securities traded in client accounts. This practice may give rise to conflicts of interest because it creates the opportunity to act on information regarding client trades in a manner that would favor the interests of principal or employee over those of the client. The Code addresses these potential conflicts of interest by requiring principals and employees to obtain pre-approval for any such transactions with the Chief Compliance Officer. In addition, reports of personal securities transactions by principals and employees are subject to periodic review for compliance with the Code.

Conflicts of Interest

Fairbank performs investment advisory services for various accounts other than any individual’s account(s). The services of Fairbank are not exclusive, and, subject to the following, nothing in a client agreement prevents Fairbank from providing similar services to other Fairbank clients (whether or not their investment objectives and policies are similar to those of any individual account(s)) or from engaging in other activities. Fairbank may give advice and take action concerning its other clients, which may be the same as, or different from the advice given, or the timing and nature of action taken, concerning a particular account. Fairbank will not be obligated to purchase or sell for a particular client’s account(s) any security or other property which Fairbank purchases or sells for any other client accounts if, in the sole discretion of Fairbank, such transaction appears unsuitable, impractical or for any reason undesirable for such account(s).

Allocation of Investment Opportunities

Fairbank has a responsibility to ensure that all client accounts are provided equal opportunity to participate in investment opportunities. When an investment opportunity is identified, Fairbank will confirm whether such opportunity qualifies under the particular client's account mandates and determine the position for each qualifying client account. The position is determined based on the client's Investment Mandate, total assets, available liquidity and any other factors Fairbank deems relevant to the client. Subscriptions or orders for multiple client accounts are grouped and submitted together.

Each client account is allocated its pro rata share based on its relative position size and the same blended price of each fill wherever practicable. Partial fills are allocated equitably on a pro-rata basis based on relative position size across all applicable client accounts, except on the rare occasion that minimum transaction charges will make this uneconomic for the client (i.e., transaction expenses are too high compared with the value of the transaction). Brokers are asked to hold uneconomic partial fills until such time as the transaction becomes large enough to be allocated fairly amongst all applicable accounts in a cost-effective manner. Each client account receives its pro rata amount, rounded to a board lot. This process is repeated until the entire position is purchased. If the broker is not able to hold the partial fill until it is economical for all accounts, then fills are allocated to those accounts for which it is economic. This applies equally to orders for initial public offerings that are only partially filled.

We do not consider client referrals from a broker-dealer or a third party in selecting or recommending a particular broker-dealer.

You may request a complete copy of our Code of Ethics (entitled Standards of Professional Conduct – Policies and Procedures Manual) by contacting us at the address, telephone or email on the cover page of this Brochure; attn.: Chief Compliance Officer.

Item 12 – Brokerage Practices

The securities and funds of Fairbank's segregated client accounts will be held by National Bank Independent Network or other "Custodian", as applicable, pursuant to an agreement or agreements which the client enters into with the Custodian. The Custodian will provide certain services to the client including: (i) establishing and servicing the account(s); (ii) acting as custodian for the assets in the account(s); (iii) providing certain administrative services in connection with the account(s); and (iv) executing trades for the account(s). Under Fairbank's agreement with the Custodian, we (Fairbank) are responsible for providing the Custodian with all instructions related to securities transactions to be executed for the account(s), ensuring such transactions are suitable for the account and for complying with all applicable "know your client" and "know your product" obligations. The arrangement with the Custodian is intended to enhance the protection of client assets since the Custodian is a qualified custodian that is functionally independent from us. Although we will monitor the services performed by the Custodian, in the event of the bankruptcy or insolvency of the Custodian, there is no certainty that the client will not incur losses due to the assets being unavailable for a period of time, the ultimate receipt of less than full recovery of the assets, or both. The assets in our client's account(s) will be held by the Custodian in Toronto, Canada. We do not hold or have access to the assets in client account(s).

General Considerations – selecting/recommending brokers for Client transactions and commission charges:

Fairbank is authorized to select the brokers and dealers to be used for execution of client transactions. When doing so, it seeks to achieve the best execution for those transactions, which generally means the most favorable cost or net proceeds reasonably obtainable under the circumstances.

In evaluating whether it believes a broker-dealer, whether full service or execution only (or as appropriate, an electronic communications network or other alternative trading system), can provide best execution for a client transaction, Fairbank will take into account a range of considerations, which may include: past experience, execution capability; commission rate, responsiveness; financial responsibility; trading experience, reputation and integrity; facilities, equipment, technology and infrastructure; opportunities for price improvement; the speed and likelihood of successful execution; advice on improving order and execution efficiency; reliability in executing trades; recordkeeping and reporting; order timing and size; the nature of the security being traded; historical and anticipated liquidity, trading volume and price volatility for the security being traded; current market conditions; market depth; recent order flow; capacity to handle unusual trading volume; access to underwritten offerings and secondary markets; willingness to accommodate special needs as directed brokerage requests; swift resolution of trade errors and fairness in resolving disputes; confidentiality and discretion; availability of accurate information affecting choices as to the most favourable market centre for execution and of technology aids to process such information; knowledge of the other side of a trade, quality and cost of services available from alternative broker-dealers; and market

makers and market centres, and the cost and difficulty associated with achieving an execution in a particular market centre.

Fairbank does not currently permit clients to direct brokerage (ie. instruct us to execute trades through specific trading firms).

Soft Dollars

Fairbank does not have any soft dollar arrangements with broker-dealers.

Item 13 – Review of Accounts

Fairbank utilizes a team approach to portfolio management. Our portfolio management team is presently comprised of three portfolio managers, one associate portfolio manager and one senior research analyst. Each of these individuals collectively participates in and contributes to the management of all the portfolios we manage for our clients. We have assigned lead portfolio managers for certain groups of clients as they are the primary relationship managers for their respective clients. Portfolios are reviewed by these managers on an ongoing basis as part of the day-to-day management of our clients' assets.

Portfolio performance is reviewed on a monthly basis and measured against market index benchmarks (e.g. S&P/TSX, S&P500, MSCI EAFE) or on a quarterly, annual and moving three-and five-year basis. The monthly focus of the reviews is for consistency among the accounts under management with similar investment objectives and constraints, while the performance emphasis lies on the longer-term results.

The custodian is the official record keeper for all client accounts. For all our clients, "Statements of Account" are produced by the custodian and sent to all clients monthly. The Statements of Accounts include a statement of holdings, market value and transactions for the month. Segregated portfolio clients have direct access to their custodian records.

Fairbank provides a "Semi-Annual Portfolio Review Report" to all clients. The report reviews the client portfolio or fund performance, absolute returns and versus short term benchmarks, investment strategy and market highlights, asset allocation, best and worst performers, corporate actions, transactions and largest exposures.

Item 14 – Client Referrals and Other Compensation

Fairbank does not compensate persons (i.e., individual or entities) for the referral of advisory clients to the Firm.

Fairbank does not receive any economic benefits from any non-clients for providing investment advice or other advisory services to Fairbank's clients.

Item 15 – Custody

Segregated client portfolios for our US clients will be held at National Bank Independent Network (“NBIN”) in Toronto, which will act as our “qualified custodian”. Clients will receive account records and statements directly from NBIN. The only custodial arrangement we will have with client assets is through the pre-authorization arrangements (discussed above in Item 5) that will instruct the custodian to deduct our advisory fees directly from client accounts. Otherwise, NBIN will perform all custodial functions in connection with our client portfolios.

We maintain our own internal investment system records to facilitate the management of our accounts. These internal records may differ from the records maintained by the custodian. Differences occur primarily due to currency conversion rates and assumptions of the timing of receipt of investment income (dividend and interest payments). The custodial records serve as the official account records for the portfolios. We perform a detailed monthly reconciliation of our internal records to the official custodial records, however, our clients are encouraged to carefully compare the account statements they receive from the custodian with those received from Fairbank.

Item 16 – Investment Discretion

Fairbank acts as an advisor to clients under fully discretionary investment management agreements. The agreements are standard and permit us to buy and sell securities at our discretion without first obtaining a client's prior consent. However, the agreements specify an Investment Mandate specific to each client and may include guideline restrictions that are mutually agreed to. Examples of such restrictions include a minimum required amount of investment income to be regularly paid to the client, geographic restrictions for holdings and/or restrictions of holdings as deemed by a client's employer. Also, Fairbank does not have actual possession or control of the securities with the custodian and does not have legal ownership or access to such securities.

Item 17 – Voting Client Securities (i.e., Proxy Voting)

Fairbank only has the authority to vote proxies for our segregated portfolios if our client specifically directs us to do so and sends us the proxy materials received from the custodian in a timely fashion. Otherwise, Fairbank's clients will do their own voting.

Clients that do not give Fairbank the authority to vote proxies on their behalf should receive proxy solicitations directly from the issuer or their custodian or transfer agent. Clients may contact Fairbank directly if they have a specific question regarding a solicitation.

The United States Securities and Exchange Commission has established guidelines relating to proxy voting that Fairbank follows. In general, Fairbank will support resolutions that in our judgement will maximize returns for our clients over the long-term. We support the adoption of high standards of corporate governance and ethics by the companies in which we invest.

As part of our investment research process, Fairbank personnel review annual reports and proxy statements to determine how to vote.

Fairbank believes that given our size and position in the investment adviser marketplace, a potential conflict of interest for Fairbank is unlikely to arise in connection with our opportunity to vote client securities in our own interest. Nevertheless, we will diligently assess whether any conflicts may arise in the course of our proxy voting (in which case such conflict will be promptly disclosed to the applicable client) and will continue to ensure that such votes are made in the best interests of our clients and their investment profile.

Fairbank maintains records of how it votes proxies, which are available to our clients upon request.

Clients that do not give Fairbank proxy voting authority will receive proxies and other solicitations relating to their accounts directly from their custodians and may contact Fairbank with questions about any particular solicitation.

Item 18 – Financial Information

Fairbank is not aware of any financial condition that could impair Fairbank's ability to meet its contractual or fiduciary obligations to its clients. Fairbank has not been the subject of a bankruptcy proceeding since its inception.

Item 19 – Requirements for State-Registered Advisors

Not applicable