

ICPP Funds Ltd.

Providing Liability Based Investment Solutions to Canadian Pension Plans.



ICPP Funds Ltd.

A wholly owned subsidiary of Robertson, Eadie & Associates Ltd.

- Founded December 2015
- Registered with OSC October 2016
 - Ultimate Designated Person – Stephen A. Eadie, FSA, FCIA
 - Chief Compliance Officer/PM – James W. Houston, CFA, CPA/CMA, C.Dir
- ICPP Accumulation Fund inception date February 2017
- ICPP Payout Fund established
- Flexible, low-cost retirement investment service provider

ICPP FUNDS Ltd.



ICPP Funds Ltd. has been established and providing actual investment services through the ICPP Accumulation Fund since February 2017. The Company was incorporated in December 2015, hired its first employee (Jim Houston) effective January 1, 2016, and worked to obtain registration with the Ontario Securities Commission in October 2016. Steve Eadie became the first CEO at incorporation and the first Ultimate Designated Person upon registration of ICPP Funds Ltd. Jim Houston is Chief Compliance Office and Portfolio Manger.

During 2016, all of the necessary forms and documents were prepared to allow ICPP Funds Ltd. to introduce the ICPP Accumulation Fund. The ICPP Accumulation Fund was settled on January 1, 2017, signed its first subscription agreement on February 15, 2017, and made its first investments on behalf of its client on February 28, 2017.

All of the necessary documents have also been prepared for the ICPP Payout Fund pending its first subscription agreement, which we expect to occur during 2018.

ICPP Funds Ltd. provides low-cost retirement investment services through the ICPP Accumulation Fund and ICPP Payout Fund. While the ICPP Accumulation Fund is designed to support long-term investments under the Ideal Canadian Pension Plan, it can also be used to support long-term investment mandates under any registered pension plan. Similarly, while the ICPP Payout Fund is specifically designed to support investments needed for the uninsured variable annuity offered under the Ideal Canadian Pension Plan, it can also be used to support any inflation-protected lifetime payout strategy's investment mandate under any registered pension plan.

Governance

- Two directors
- Business Continuity Plan
- Conflict of Interest Policies
- Investment Oversight Committee
 - Stephen A. Eadie, Chair
 - Comprised of stakeholders
 - Approve all investment mandates
 - Monitor Index and approve any changes

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ICPP Funds Ltd. has a Board of Directors comprising of Steve Eadie and Jim Houston. The Board of Directors has all the normal responsibilities of any corporate board. We have established a business continuity plan in the unlikely event that one of the two directors is no longer able to perform his duties. All necessary governance documentation has been developed and implemented, including a conflict of interest policy and a compliance manual.

In addition, an Investment Oversight Committee has been established to provide oversight for the various investment mandates and to provide support in administering the ICPP Total Index. This Investment Oversight Committee is expected to have representation of all major stakeholders in the fullness of time, one member representing the Ideal Canadian Pension Plan, one Member representing Participating Employers, one Member representing active Members, one Member representing pensioners, and one member representing ICPP Funds Ltd. At this time, Steve Eadie represents the Ideal Canadian Pension Plan and acts as chair, Jim Houston represents ICPP Funds Ltd., and John Deinum represents both Participating Employers and active Members. There are no current pensioners. Management of the ICPP Total Fund is a key objective for the Investment Oversight Committee. Keeping the ICPP Total Index up to date and relevant is a continuous process and requires regular reviews. The Investment Oversight Committee meets quarterly and may meet more often if required. The ICPP Funds Ltd. investment mandates are all rules based. This provides investment stability and mitigates many common process errors.

Mission Statement

To provide the necessary investment products and services to allow the Ideal Canadian Pension Plan to meet its goals on behalf of its beneficiaries.



ICPP Funds Ltd. is a wholly-owned subsidiary of Robertson, Eadie & Associates Ltd. This investment management corporation was established to provide the necessary investment support for the Ideal Canadian Pension Plan (ICPP) that was not available in the Canadian marketplace.

In particular, ICPP Funds Ltd. was established to create and manage the ICPP Accumulation Fund, a rules based long-term equity fund, since existing Canadian pension plan investment managers were not offering this particular solution at the price needed to allow the Ideal Canadian Pension Plan to be successful.

ICPP Funds Ltd. also provides support to Robertson, Eadie & Associates Ltd. in its role as Administrator of the Ideal Canadian Pension Plan, with emphasis on the investments used to support the Ideal Canadian Pension Plan. This includes, but is not limited to, providing support for the Investment Oversight Committee in its management of the various investment mandates and its management of the ICPP Total Index, which is used as a basis for the ICPP Accumulation Fund.

While ICPP Funds Ltd. was established to support the ICPP investments, it may provide its unique investment funds to any registered pension plan in Canada.

Investment Mandates for Retirement

- Liability Driven Accumulation, Transition, and Payout funds
- Focused/appropriate Investment Policy for each Fund
- Same Fund for everyone with same investment goals
- Flexible, low-cost service provider for all investment mandates



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The Ideal Canadian Pension Plan (ICPP) clearly distinguishes between assets that are supporting benefits that are payable later and assets that are supporting benefits that are payable now. There is an Accumulation Fund for assets supporting benefits payable later, a number of Transition Funds for assets being transitioned from the Accumulation Fund into a Payout Fund, and a number of Payout Funds to support the various targeted benefits under the ICPP when they are in “payout” mode.

Each fund has its own investment policy and its assets are managed separately from all of the other funds’ assets. The Accumulation Fund’s assets are invested differently than the Transition Fund’s assets or any of the Payout Funds’ assets. A member does not have to manage the transfer of assets between the various funds: this happens automatically based on the Member’s individual retirement targets.

Assets are held entirely in the Accumulation Fund until the member is within ten years of his anticipated first payout date. At that point the transition begins. The transition is completed when the assets are first needed to pay for the member’s targeted benefits. All a member has to do is prioritize his targeted benefits, establish his contribution rate and select his first payout date(s). All investments and transitions will then be automatic under the ICPP. Members are not asked to make investment choices. There is a single investment for all members. Members may change their contributions or targets at any time.

The investment goal is to maximize the pension plan member’s utility. We will therefore invest in the asset class that is expected to provide the best risk adjusted return for any potential benefit target. For example, the Accumulation Fund is invested in equities only given its long-term investment horizon (i.e. longer than ten years).

The liability driven investment mandates established for the ICPP may also be appropriate for adoption on behalf of other registered pension plans in Canada.

Philosophy and Beliefs

- Canadian investments support Canadian retirements
- Equities provide the best long-term returns
- Diversification promotes investment stability
- Rules based approaches provide the best predictions



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We've established ICPP Funds Ltd. to be the investment manager for the Ideal Canadian Pension Plan. ICPP Funds Ltd. has developed appropriate mandates for each Fund. For example, the ICPP Accumulation Fund mandate was established to support a true, long-term investment mandate.

We invest the Accumulation Fund using rules based active management built upon what we consider a "smart beta" strategy. The ICPP Total Index is constructed using a strategy that the investment industry would label smart beta.

What this means is that we will invest in companies chosen, weighted and rebalanced to reasonably represent what we consider to be the right factors that support long-term investment goals. For this Fund, we invest primarily in "Canadian equities" or equities with a substantial "Canadian presence". We invest in large Canadian companies that are expected to do well over the long term. We also invest in large multinational companies with a Canadian presence that are expected to do well over the long term. Our multinational investments provide global market exposure to our Canadian investors.

Our investments involve 60 to 80 individual companies. We rebalance our investments quarterly so that our exposure to each company remains at our stated goals. This will cause us to routinely sell some investments that have increased in value and buy some investments that have decreased in value. We buy low and sell high.

We choose two leading companies that we believe have the highest potential long-term investment return from each category defined by us. We actively monitor the third best company in a category. We select the top two companies in each category and confirm them at least once a year. We expect most of the companies on our investment list to remain on the list from year to year, but we have the discipline to review our lists on an ongoing basis.

Our investment manager may elect to invest in only the best company in a pair. If the second best company in a category becomes the best, our manager may transition our investment to that company over time. For some pairs our manager elects to invest in both leading companies.

Philosophy and Beliefs

- Fixed-income investments provide short-term risk control
- Transition to target payout fund(s) is automatic
- Professional managers provide prudent judgement
- Low trading volume controls investment expense

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Our transition funds consist of investments in the Accumulation Fund and the Targeted Fund to support the Member's elected target benefit.

The Funds supporting payout strategies have investment mandates that are specific to that strategy. For example, the Payout Fund supporting the uninsured variable annuity that is used for the CPP Double-Up benefit has an investment mandate that invests 50% in the Accumulation Fund and 50% in the iShares XBB ETF. This means the investments are 50% in equities and 50% in the universe of Canadian bonds. This is appropriate for a payout strategy that pays benefits for a Member's lifetime that need to increase with inflation.

Each of the other target benefits have their own dedicated transition and payout fund.

The rules based approach applied to the investment mandates allow our professional managers to provide prudent judgment, while the algorithmic aspect of the approach provides better predictions and ensures that personal manager bias is controlled.

The low trading volumes and lower research requirements expected from this approach result in material reductions in investment expense.

ICPP Investment Oversight Committee

- Monitors 40 pairs of leading publicly-listed companies
- Monitors 40 replacement companies, one for each pair
- Annual review of all companies being monitored
- Immediate review of any monitored company that is subject to a material corporate action
- Maintains Statement of Investment Policy and Procedures for ICPP
- Maintains Investment Policy Statement for each Fund
- Monitors Fund performance

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An important part of the Investment Oversight Committee's mandate is to support the ICPP Total Index. This is very important for the ICPP Accumulation Fund, since the portfolio manager for the ICPP Accumulation Fund may only invest in companies that make up the ICPP Total Index. It is also very important for the ICPP Payout Fund, since approximately 50% of the assets for this fund are invested in the ICPP Accumulation Fund.

Oversight includes monitoring all 40 pairs of leading companies that make up the ICPP Total Index and all 40 potential replacement companies, one for each pair. Monitoring requires that the committee be satisfied that all companies continue to be leaders in an industry that have sustainable long-term outlooks. Companies can change their missions, companies can merge, companies can falter, industries can falter, new industries can emerge; all of this must be monitored and action must be taken to keep the ICPP Total Index up to date and relevant. While the ICPP Total Index membership is expected to be stable, it is also expected to evolve over time.

For example, in 2017 Potash and Agrium merged and a replacement was needed. American Express was determined to have lost its leadership and was removed from the Index while Mastercard was promoted into the Index. In 2016, Yum Brands sold its China division and no longer represented the industry it was chosen to represent in the Index. By the end of 2017, other mergers had opened up two places in the Index which were filled with a new pair of companies that both have a significant Artificial Intelligence focus in their business. All required action from the Investment Oversight Committee.

Corporate actions will continue, industries will evolve and the Investment Oversight Committee's role will remain critical for the maintenance of the ICPP Total Index.

The Investment Oversight Committee also monitors Fund performance against established benchmarks to ensure that the ICPP Funds continue to meet their stated objectives. If better investment solutions emerge, they will be considered to support the Ideal Canadian Pension Plan.

ICPP Total Index

- ICPP Total Index comprised of up to 80 companies
 - Split evenly between Canadian (TSX listed) and Foreign Multinational (US listed)
- Businesses selected using objective long-term factors
- Index companies are well-established industry leaders
 - Companies are paired to represent a diverse range in industry groups
 - Companies with consistent earnings and self-sustaining businesses

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The ICPP Total Index was created to provide an independent measure of long-term investment success for the Ideal Canadian Pension Plan's long-term investment mandate.

Our research indicated that an Index would have sufficient diversification if 20 companies were held in the Index. Of course, the 20 companies would have to be sufficiently diverse. It would not be appropriate to build a general market Index that included only financial companies. From a practical standpoint, we also recognized that it is very difficult to define more than 20 industries or even economic ideas in Canada that are sufficiently represented by Canadian companies liquid enough to meet our needs. The Canadian portion of the Index was therefore set to 20 industries.

Our research also indicated that pairing each Index company with another company dramatically reduced short-term volatility. While this is not a primary goal for our long-term investment mandate, it does provide some residual benefits in helping to stabilize year-to-year retirement planning for the Members while at work, and year-to-year benefit increases for the uninsured variable annuity once retired.

We also wanted to reflect the entire Canadian economy in the ICPP Total Index and recognized that there are many industries in Canada that are dominated by large multinational companies, most of whom are traded on large stock exchanges located in the US in US dollars. We therefore decided to supplement the Canadian portion of our Index with a completion portion that would use 20 different industry groups that are underrepresented by Canadian companies but that are available in the US. Again, the industry groups would be represented by pairs of companies.

We therefore end up with 80 total companies and two sub-indices: the ICPP Canadian Index and the ICPP Completion Index. Our research indicates that the ICPP Canadian Index has provided much better returns than the S&P/TSX Total Return Index based on back testing from 2002. The ICPP Completion Index provided better returns than the S&P500 Total Return Index, but not by as much and not as consistently.

We researched whether the Completion portion of the Index should be hedged in \$Can against the \$US. We determined that the overall returns were actually more volatile with the hedge and decided to avoid the expense of using the hedge for our purposes. Over the long term, we expect currency hedging to add nothing to the expected return of the Index.

ICPP Total Index

- Rebalancing quarterly based on rules to maintain diversification and approximate equal weighting
- No currency hedging, leverage or derivatives
- External Benchmark
 - 50/50 (S&P/TSX TR Composite/S&P 500 C\$)



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Our research indicated that quarterly rebalancing of the companies in our Index produced the best results.

The Index does not use derivatives or any hedging strategies.

We adopted an external benchmark equal to 50% of the S&P/TSX Total Return Index plus 50% of the Canadian dollar S&P500 Total Return Index determined monthly for the ICPP Total Index.

ICPP Total Index is Smart-Beta

- “Smart” refers to the use of an alternative methodology rather than following an index’s size-based (market cap) allocations. A smart-beta investment strategy is designed to add value by strategically **choosing, weighting and rebalancing** the companies built into an index based on objective factors.
- The objective factors used to design the ICPP Total Index are related to expected long-term outcomes.
 - Sustainable businesses
 - Industry or industry-group leader
 - Large capitalization and liquid
 - Strong stakeholder focused management

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The ICPP Total Index was created using our own proprietary research. This research was conducted over a number of years ending in 2012. We have managed the Index on a go forward basis since then. We established starting points for the Index by running the Index from January 1, 2010 using historical results at that stage. This allowed us to have an Index that reflected sufficient, but recent, market activity to form a reasonable starting point. In essence, we wanted to know which companies had exceeded the Index in recent years and which had lagged so that our quarterly rebalancing would be meaningful from the start. This approach also allowed us to have hypothetical historical results in the initial years the Index was managed.

All of the ICPP Total Index results that we have reported on our Fund Facts since January 1, 2018 are based on the management of the ICPP Total Index on a go forward basis.

In recent year’s there have been many articles written about “smart-beta” investment strategies that are designed to add value by strategically choosing, weighting and rebalancing the companies built into the Index based on objective factors. Smart-beta describes our process to establish and manage the ICPP Total Index well. While we did not set out to create a “smart-beta” Index, it turns out we did.

What makes the ICPP Index different than other smart-beta indices are that the objective factors used to design the Index focus on the Canadian economy and on the long term.

ICPP Total Index – “Choosing”

- 20 Canadian Pairs of companies and 20 Completion Pairs of multinational companies traded in US
 - 20 elements are enough to provide diversification
 - We focus on diversifying “long-term” outcomes
- Market leaders in industries with a sustainable long-term outlook are chosen
 - All Index companies must have sufficient liquidity
- Market leaders in industries with a positive long-term outlook are chosen as potential replacements for each pair

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We choose 20 pairs of Canadian companies traded on the S&P/TSX that are market leaders in their industry and that represent 20 diverse ideas and industries that are expected to be sustainable long term.

We also choose 20 pairs of large multinational companies traded in \$US on major US stock exchanges that complement the Canadian companies already chosen. These companies all have a major presence in the world markets and in Canada. They are market leaders in their industries. Active industries in Canada that are not well represented are included (e.g. health care) and industries already well represented by Canadian companies are not duplicated (e.g. banks).

All the represented industries are expected to be sustainable over the long term. Some industries are explicitly avoided because of long-term sustainability (e.g. tobacco).

Replacement companies for each pair of companies are also identified and monitored.

The ICPP Accumulation Fund portfolio manager conducts ongoing research for all 120 companies.

ICPP Total Index – “Weighting”

- Equal weighting is the goal
- Impossible to be sure of the long-term prospects for one investment over another
- Process allows equal weighting to drift subject to mandatory rebalancing



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The companies in the ICPP Total Index are expected to be equally weighted because we cannot be sure which companies will be superior investments over the long term.

The market value of an Index company is not allowed to remain more than 40% above the market value of the average Index holding over a quarter end. Mandatory selling is triggered at that stage.

ICPP Total Index – “Rebalancing”

- Any company that is 40% or more than the average holding at a quarter end is sold back to 20% over the average
 - Available funds are used to purchase 20% of the average holding for the lowest valued company at the end of the quarter until all available funds are spent
- All companies are reviewed and validated or replaced at least once a year to ensure continued sustainability
- All companies are reviewed at point of any material corporate action
 - New Index Pairs added as a result of mergers or removals



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Our research indicates that rebalancing to an equal weight periodically is not optimal. Rebalancing causes sales of companies that drift to far from the average at the end of each quarter, but not back to the average just towards the average (i.e. any company 40% or more above the average is sold back to 20% above the average). All purchasing is conducted in reverse order of holdings (we buy shares of the company with the lowest market value in the Index first). Purchasing of any one company is limited to 20% of the average holding.

We also rebalance by reviewing all companies on an ongoing basis, with mandatory validation once a year. Any company that fails to remain a market leader in a sustainable industry or industry group is replaced.

All companies are reviewed immediately whenever a material corporate action takes place. They may be replaced as a result of the corporate action. They may also disappear as a result of the corporate action

ICPP Accumulation Fund – Rules

- Fund must hold only ICPP Total Index companies
 - Minimum 40 holdings, one from each pair
 - Portfolio expected to hold most companies in the Index (65 to 75 typically)
- All Index companies and potential replacements assessed
 - Research focus on governance, fundamentals and valuation

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The ICPP Total Index is the basis for our ICPP Accumulation Fund. In fact, the ICPP Accumulation Fund could mimic the ICPP Total Index over the short or medium term and we would be quite happy with the expected investment results because our back-testing indicated that a fund invested to mimic the ICPP Total Index would provide acceptable investment results for a pension fund. In addition, we have managed the ICPP Total Index on a go forward basis since 2012.

We therefore established a rules based active management approach for the ICPP Accumulation Fund.

The first rule is simple. The ICPP Accumulation Fund manager may only invest in companies that are included in the ICPP Total Index. New companies, and industries, are added to the ICPP Total Index through the work of the Investment Oversight Committee with input from the portfolio manager. Companies that no longer qualify for the ICPP Total Index are removed using the same process.

The second rule requires the portfolio manager to hold a regular position in at least one company in each pair defined in the ICPP Total Index. This ensures that there will always be sufficient diversification in the ICPP Accumulation Fund.

The third rule is the portfolio manager must rebalance at each quarter end using the rules established for the fund.

The result is a fund that typically holds more than 65 companies at any point in time, but less than 75, although the portfolio manager could hold all 80 companies listed in the ICPP Total Index.

The portfolio manager focuses on researching the 80 companies in the ICPP Total Index looking for short-term advantage. The portfolio manager also researches the 40 replacement companies identified by the Investment Oversight Committee. This research focuses on the governance, fundamentals and valuations of each company.

ICPP Accumulation Fund – Rules

- Long term buy and hold strategy
 - Large Cap companies, industry group leaders
- Quarterly rebalancing
 - Reduce individual holding weight above 3.5% to 3.0%
 - No purchase of any holding currently above 2.5%
 - Completely invested except for transactional accounts
- Low turnover

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The rules and processes adopted for the ICPP Accumulation Fund result in a long-term buy and hold strategy. The investments are in large capitalized companies that are held as part of the portfolio over the long term. Trading is generally minimal and completed by the manager, typically after quarter end rebalancing has been analyzed.

The fourth rule requires the portfolio manager sell a portion of any company that represents more than 3.5% of the total market value of the ICPP Accumulation Fund at a quarter end to the point where the company is below 3.0% of the market value of the Fund.

The fifth rule prohibits the portfolio manager from adding to any company that already represents more than 2.5% of the total market value of the fund at the previous quarter end.

The portfolio manager's job is to ensure that the defined process guidelines are achieved. The portfolio manager is also expected to ensure that the companies and industries that make up the ICPP Total Index continue to meet the Fund's viable expectations with respect to long-term sustainability. The process has been confirmed through hypothetical modelling and back testing using actual data to 2002 and by actual implementation and performance for the ICPP Accumulation Fund since February 2017.

The portfolio manager is expected to provide incremental improvements over the ICPP Total Index investment results using strategies used by managers employing short-term analyses. We set out to establish a fund that follows the ICPP Total Index relatively closely but that adds value from time to time through active management. The active/passive nature of the investment process removes many traditional portfolio biases such as failing to sell outperformers and buy underperformers as part of the regular process. It avoids timing the market tendencies and irrational devotion to particular companies.

The use of the ICPP Total Index as a foundation removes a significant focus of many investment firms who constantly look around the world for the next best investment idea. Instead the portfolio manager is asked to oversee and monitor well-funded, large capitalization companies that make a difference in the Canadian economy and will add to a Canadian's retirement portfolio. No need to look overseas; we are here in our time zone researching companies subject to full disclosure and regulations. These companies are well followed in the Canada and well understood by the portfolio manager and members of the Investment Oversight Committee.

ICPP Accumulation Fund – Investment Process

Portfolio Manager provided monthly:

- ICPP Total Index allocations
- Analysis of actual ICPP Accumulation fund allocations compared to ICPP Total Index matching allocations
- Historical price change statistics for all ICPP Total Index companies (by Pair)
- Fund and Index Statistics, including statistics for ICPP Canadian Index and ICPP Completion Index (Multinational \$US)



In practice, the portfolio manager reviews the ICPP Total Index allocations for the Fund at the end of each month (i.e. the number of shares that should be held in each company to mimic the ICPP Total Index). The portfolio manager also completes an analysis of the actual ICPP Accumulation Fund allocations as compared to the ICPP Total Index allocations to identify which companies are over and underweight the Index.

The portfolio manager also reviews the historical price share movements for each company, noting large discrepancies between pair members which may trigger additional research.

Finally the portfolio manager reviews the performance of the Canadian and Completion portions of the Fund separately to ensure there are no impending currency issues.

ICPP Accumulation Fund – “Choosing”

Portfolio Manager:

- Uses typical active equity management research to monitor all ICPP Total Index and replacement companies
- Discretion to adopt overweight or underweight holdings in any ICPP Index Company
- Must hold at least one company from each ICPP Total Index Pair



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Choosing as it relates to the ICPP Accumulation Fund isn't just about being completely out of one company and doubling the holding of the other company in the pair. Favouring one company over the other in a pair may require a slow transition from one to the other. The portfolio manager knows whether the fund is over or underweight a particular company as compared to the ICPP Total Index and establishes short and medium-term goals for any changes to the relative holdings. The ICPP Total Index is well diversified across all industry groups with leading companies that have the ability to invest, grow and adapt to deliver sustainable returns to shareholders over the long term.

Cash flows will also provide opportunity to rebalance from time to time through dividend cash flows and new contributions made to the Fund.

The portfolio manager's independent research is completed through direct access to company filings, presentations and conference calls. In addition, the portfolio manager uses information available on two investment bank research websites and objective research provided through a subscription from Morningside.

As a result of the portfolio manager's work, the ICPP Accumulation Fund decided to not hold Cameco in 2016 because of overhanging tax issues for the company. Beginning in early 2018, the tax issues had resolved somewhat and Cameco has begun to be added back to the portfolio.

The portfolio manager has also knowingly taken an overweight position in Amazon in recent years.

ICPP Accumulation Fund – “Weighting”

Portfolio Manager:

- Generally long-term buy and hold
- Normally holds investments in each ICPP Total Index company that are close to the ICPP Total Index weightings
- Uses tactical short-term decision making to diverge from ICPP Total Index weightings



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The portfolio manager begins by considering a portfolio for the ICPP Accumulation Fund that mimics the weightings found in the ICPP Total Index. The portfolio manager does not constantly adjust the portfolio to maintain this balance, but does correct any material unintended differences that may emerge from time to time. Trading costs matter.

The portfolio manager then knowingly overweights and underweights certain companies in the ICPP Accumulation Fund based on the portfolio managers research. The portfolio manager also manages transitions from the current position to a target position within the portfolio. It is not always automatic that a company’s entire position is traded immediately.

For example, Honda Motor company was dealing with lawsuits that related to airbag deployment when we received a large contribution. The portfolio manager did not take a full position in Honda at that time but has purchased Honda incrementally recently as this issue has subsided. Honda is an important component of the ICPP Total Index as it provides international exposure to the growing industry of producing safe autonomous automobiles.

ICPP Accumulation Fund – “Rebalancing”

Portfolio Manager:

- Sells any company above 3.5% of the portfolio back to 3.0% of the portfolio at each quarter end
- Any new ICPP Total Index company must be added over a period not to exceed five quarters
- Any company removed from the ICPP Total Index must be removed from the ICPP Accumulation Fund
- Quarterly or more often if cash flow needs are sufficient
- Must remain fully invested except for transactional cash

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The rebalancing process is well defined for the portfolio manager. The weightings held in the rebalanced ICPP Total Index are used as a preliminary step at each quarter end. Any additions or deletions from the ICPP Total Index are dealt with immediately based on the Fund rules. The portfolio manager uses regular cash flows to rebalance the portfolio regularly.

Any company that makes up more than 3.5% of the market value of the Fund at a quarter end is immediately sold back to no more than 3.0% of the market value.

This ensures that a process to produce the expected ICPP Total Index return will be achieved with incremental improvements.

ICPP Accumulation Fund – Trailing Returns



* Disclosures at end

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Since the beginning of 2016, active portfolio management of the ICPP Accumulation Fund has provided added value as compared to the ICPP Total Index and the benchmark which is set equal to 50% of the S&P/TSX Composite Total Return Index plus 50% of the S&P500 Total Return Index in Canadian dollars through security selection, valuation and corporate events.

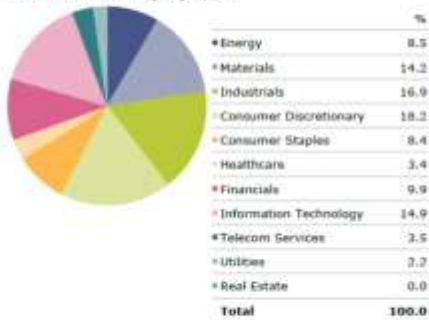
The Fund has benefitted from takeover activity such as the Dow and Dupont merger and the Agrium and Potash merger. Replacements for the merged companies were available from the designated replacements being monitored by the portfolio manager. New replacement companies were designated by the Investment Oversight Committee with input from the portfolio manager. The portfolio is always fully invested subject to transactional cash amounts.

The returns produced are more than adequate for any long-term retirement investment mandate in Canada.

ICPP Accumulation Fund

Sector Allocation

Portfolio Date: 12/31/2017



Risk Statistics

Time Period: 1/1/2013 to 12/31/2017

	Fund Benchmark	
Up Period Percent	75.0	71.7
Down Period Percent	25.0	28.3
Best Quarter	12.3	10.7
Worst Quarter	-3.2	-3.7
Up Capture Ratio	111.0	100.0
Down Capture Ratio	74.6	100.0



* Disclosures at end

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Sector weightings are a product of the construction of the ICPP Total Index and the ICPP Accumulation Fund investment process. There is no minimum or maximum coverage for any sector, but the rules established result in industry diversification.

This well-diversified portfolio mitigates downside risk by not allowing any one idea to detract materially from overall performance as evidenced by the down capture ratio. There is less risk of a material holding of a "torpedo stock" in the ICPP Accumulation Fund through the rules based investment process. The long-term objective process adopted enhances the up capture ratio as well as mitigating the down capture ratio.

ICPP Payout Fund

- We invest in the Canadian marketplace to support a Canadian worker's retirement needs
- Equity returns are the best that can be achieved over the long term
- Equity market returns will meet our clients' goals over the long term
- We must diversify to achieve long-term success
- Fixed income investments help control our clients' short-term risks



ICPP Payout Fund

50% ICPP Accumulation Fund and 50% iShares XBB Canadian Universe Bond ETF

Rebalanced quarterly

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The ICPP Payout Fund was specifically designed to meet the needs of the uninsured variable annuity to be used as one payout strategy in the Ideal Canadian Pension Plan. The investment mandate adopted for this purpose must be used by any investor. The ICPP Payout Fund invests 50% in the ICPP Accumulation Fund and 50% in the iShares XBB Canadian Bond Universe exchange traded fund. The portfolio is rebalanced quarterly.

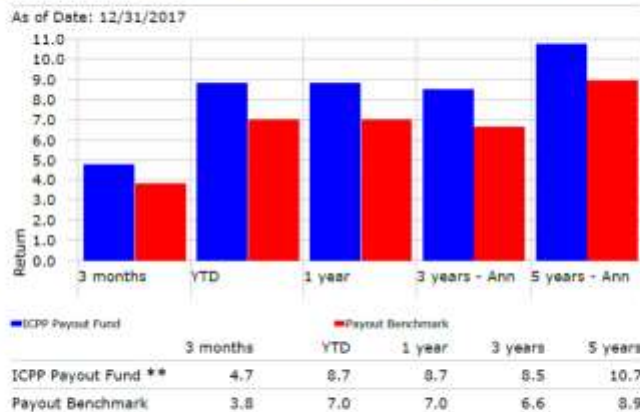
The 50% weighting was determined based on expected cash flow needs for this payout portfolio. The payout portfolio provides lifetime benefits to the plan members that are increased over the long term for inflation. Half of the needs are expected to be short term, within the next ten years. The other half are expected to be long term, beyond ten years.

The ICPP Accumulation Fund was selected because it is designed to provide sustainable long-term investment returns at a low cost.

The XBB etf was selected because it provides a universe of Canadian bond exposure at a low cost.

The portfolio manager is only required to rebalance this portfolio each quarter end and to manage cash flow needs. The ICPP Payout Fund is expected to have a very low turnover. The work required is therefore minimal, allowing ICPP Funds Ltd. to offer this fund at substantially reduced fees.

ICPP Payout Fund – Trailing Returns



** Disclosures at end

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The ICPP Payout Fund returns are completely based on a set of rules and the performances of the ICPP Accumulation Fund and the XBB etf. As a result, hypothetical historical returns for the ICPP Payout Fund that are based on valid ICPP Accumulation Fund and XBB etf returns are also valid.

The better returns for this period are substantially the result of the returns produced by the ICPP Accumulation Fund.

ICPP Payout Fund

Sector Allocation

Portfolio Date: 12/31/2017



Risk Statistics

Time Period: 1/1/2013 to 12/31/2017

	Fund	Benchmark
Up Period Percent	78.3	75.0
Down Period Percent	21.7	25.0
Best Quarter	6.4	5.5
Worst Quarter	-1.6	-1.8
Up Capture Ratio	108.7	100.0
Down Capture Ratio	78.9	100.0

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** Disclosures at end

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The ICPP Payout Fund has the same sector coverage as the ICPP Accumulation Fund for its equity component. The up capture and down capture ratios remain strong as expected under this rules based mandate.

ICPP Funds Ltd. – Example Balanced Fund

- Based on specific client mandate
- For example, if mandate is 60% equity and 40% fixed income, we can accommodate

Sample Balanced Fund

20% ICPP Accumulation Fund and 80% ICPP Payout Fund

Rebalanced annually



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We are often asked if the ICPP investment mandates could be adapted to meet the specific investment needs of another pension plan. Certainly the ICPP Accumulation Fund could be adopted to meet the long-term investment needs of any pension plan. The ICPP payout Fund could be used to meet the needs of a payout portfolio that intends to provide lifetime benefits that will increase for inflation over the long term. Either fund could be adopted directly to meet these liability driven needs.

Many pension plan administrators adopt investment mandates that allow an investment manager discretion under a set asset mix policy and defined asset ranges. For example, many pension plans adopt an asset mix policy similar to 60% equity and 40% fixed income.

If we were asked to recommend an approach using ICPP Funds Ltd. services to meet a mandate that required 60% equity exposure and 40% fixed income exposure, we would recommend that the plan administrator use a portfolio made up of 20% ICPP Accumulation Fund units and 80% ICPP Payout Fund units. We would rebalance this portfolio once a year. This effectively provides 60% equity exposure (20% Accumulation plus 40% Payout) and 40% fixed income exposure (40% Payout).

We would provide this service with no additional charges. We would collect our normal ICPP Accumulation Fund and ICPP Payout Fund fees.

Balanced Fund (60/40) Example – Trailing Returns



*** Disclosures at end

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The sample fund returns are completely based on a set of rules and the performances of the ICPP Accumulation Fund and the XBB etf. As a result, hypothetical historical returns for this sample fund that are based on valid ICPP Accumulation Fund and XBB etf returns are also valid.

The better returns for this period are substantially the result of the returns produced by the ICPP Accumulation Fund.

Balanced Fund (60/40) Example

Sector Allocation

Portfolio Date: 12/31/2017



	%
*Energy	8.5
*Materials	14.2
*Industrials	16.9
*Consumer Discretionary	18.2
*Consumer Staples	8.4
*Healthcare	3.4
*Financials	9.9
*Information Technology	14.9
*Telecom Services	3.5
*Utilities	2.2
*Real Estate	0.0
Total	100.0

Risk Statistics

Time Period: 1/1/2013 to 12/31/2017

	Fund Benchmark	
Up Period Percent	76.7	75.0
Down Period Percent	23.3	25.0
Best Quarter	7.6	6.5
Worst Quarter	-1.9	-2.2
Up Capture Ratio	108.9	100.0
Down Capture Ratio	75.2	100.0

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*** Disclosures at end

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The sample fund has the same sector coverage as the ICPP Accumulation Fund for its equity component. The up capture and down capture ratios remain strong as expected under this rules based mandate.

Disclosures

**"500-TSX" refers to a blended benchmark equal to 50% S&P/TSX Composite Total Return Index and 50% S&P 500 Total Return Index in Canadian dollars. This benchmark is used to provide reference to widely known and followed benchmarks for the ICPP Accumulation Fund.

***Benchmark returns are equal to 50% FTSE TMX Canada Universe Bond Index, 25% S&P/TSX Composite Total Return Index and 25% S&P 500 Total Return Index in Canadian dollars. This benchmark is used to provide reference to widely known and followed benchmarks for the ICPP Payout Fund.

****Benchmark returns are equal to 40% FTSE TMX Canada Universe Bond Index, 30% S&P/TSX Composite Total Return Index and 30% S&P 500 Total Return Index in Canadian dollars. This benchmark is used to provide reference to widely known and followed benchmarks for the ICPP Balanced Fund.

Rates of return for the fund are calculated on back-tested data for periods prior to the inception date and are equal to the ICPP Total Index for periods prior to January 1, 2010 for the Accumulation Fund. Back-tested performance data is based on a model and is hypothetical performance data, it does not depict actual performance returns for Funds and it has been calculated with the benefit of hindsight.

The ICPP Total Index is intended as a benchmark for funds with a long term investment horizon dedicated to registered pension plans registered in Canada. This material is for information purposes only and does not constitute an offering memorandum or an offer or solicitation in any jurisdiction in which an offer or solicitation is not authorized.

The indicated rates of return are historical annual compounded total returns, including changes in unit value and reinvestment of all distributions. Investments in the Fund are not guaranteed, their values change frequently and past performance may not be repeated. Investment losses do and may occur, and investors could lose some or all of their investment in the Fund.

The information herein does not consider the investment objectives, financial situation or particular needs of any prospective investor. Prospective investors should consult their appropriate advisers prior to investing.

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Ideal Canadian Pension Plan: Learn More

We invite you to visit <http://www.idealcanadianpensionplan.ca/> to learn more about the ICPP.

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