

## **Nature of Fund**

Private pooled investment trust

## **Qualifying Investors**

Current clients of QV Investors under existing management agreements

## **Custodian/Auditor/Counsel**

1. RBC Dexia, Custodian
2. KPMG, Auditor
3. Osler, Hoskin & Harcourt LLP, Counsel

## **Investment Objective**

The QV Canadian Small Cap Fund seeks to earn a rate of return 50% in excess of the average long-term return on equity achieved by Canadian companies (10%)

## **Investor Profile**

The QV Canadian Small Cap Fund is suitable for investors having a tolerance for volatility and a long-term investment horizon.

## **Investment Strategy**

The QV Canadian Small Cap Fund will invest in companies with proven financial records, competent and preferably invested management teams, competitive products and services and equity financed balance sheets. It will invest primarily in companies with the prospect of growth and secondarily with a record of paying dividends.

## **Investment Guidelines**

### *Cash Reserves*

- |                      |  |
|----------------------|--|
| 1. Credit quality:   | Canada Treasury Bills or Corporate Notes of R-1 rating (DBRS)  |
| 2. Issuer:           | Maximum 40% in Corporate Notes   |
| 3. Term to maturity: | Less than one year   |
| 4. Commitment:       | 3 to 5% in normal conditions, to a maximum of 10%; 20% given an Investment Committee review and approval |

### *Equity Investments*

Holdings must meet the following market and capitalization criteria:

- |                          |  |
|--------------------------|--|
| 1. Market:               | Equities, convertible debentures and convertible preferred shares traded on a major stock exchange |
| 2. Private Issuers:      | Excluded   |
| 3. Number of holdings:   | Minimum of 25 holdings and a maximum of 40 holdings  |
| 4. Minimum cap size:     | \$100.0 million  |
| 5. Maximum cap size:     | Two times the upper end of the BMO Small Cap Index   |
| 6. Accounting standards: | Companies reporting in an acceptable accounting standard   |
| 7. Industry commitment:  | Limit of 25% in any one GICS sector  |
| 8. Individual weights:   | Minimum at 1% and maximum at 6% of the total equity portfolio                                      |
| 9. Single holdings:      | Less than 15.0% of the market capitalization of any one company                                    |

### **Policy Table**

<b>Policy</b>	<b>Minimum</b>	<b>Maximum</b>
Cash/T-bills <sup>^</sup>	0%	20%
Canadian Small Cap	80%	100%

<sup>^</sup> See Cash Reserves: Commitment section

### **Benchmark**

BMO Small Cap Unweighted Index, Total Return

The BMO Small Cap Index is comprised of Canadian companies and income trusts. The upper capitalization limit for companies included in the index is at 0.1% of the total capitalization of the S&P/TSX Composite Index. As at the 2006 year-end, this was approximately \$1.5 billion. The BMOSCI includes the 400 largest companies below this level.

### **Portfolio Managers**

Joe Jugovic and Ian Cooke manage the QV Canadian Small Cap Fund, subject to the oversight of the QV Investors Investment Committee

### **Management Fees**

Private Client Fees - 100 bps based on weekly valuations paid out monthly  
 Royal Trust Fees - Approximately 25 – 35 bps  
 Institutional Fees - Negotiable

### **Guideline Update Schedule**

January 10, 2007, DD  
 August 30, 2007, LFP  
 March 28, 2008, DD