



LAMBTON MUTUAL
INSURANCE COMPANY

Lambton Mutual Insurance Company

INVESTMENT MANDATE STATEMENT

TO

1832 Asset Management

FOR

Investment Management Services

Approved: February 26, 2016
Amended: August 16, 2017
Amended: October 19, 2018
Amended: August 23, 2019
Amended: October 16, 2020

Amended: _____

Changes 2021

**Page 13 – Fund
expenses for Equity
Income Strategy
changed from 0.09% to
0.08%.**

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INVESTMENT MANDATE STATEMENT

1. Overview

This Investment Mandate applies to a portion of the assets of Lambton Mutual Insurance Company (“Lambton Mutual”) where responsibility for day-to-day investment management has been delegated to 1832 Asset Management (the “Investment Manager” or “1832”). It contains the investment objectives, investment guidelines and monitoring procedures. This Investment Mandate Statement replaces all previous Investment Mandate Statements.

2. Corporate Profile

Lambton Mutual is a Canadian, policyholder-owned, mutual insurance company.

Lambton Mutual is in the business of providing property and casualty insurance to its owning members. Its goal is to provide these coverages on an “at cost” basis. Lambton Mutual must, however, also accumulate sufficient reserves to meet the liquidity requirements of the Financial Services Regulatory Authority of Ontario.

The liabilities of Lambton Mutual include both short-term and very long-term potential claims, derived from the variety of property and casualty risks that it insures. Excess of loss and catastrophe reinsurance coverages have been purchased.

3. Conflict of Interest

Advisors retained for investment reasons are fiduciaries. As such, individuals associated with Lambton Mutual will adhere to the Company's Conflict of Interest guidelines.

A conflict of interest, whether actual or perceived, is defined, for the purposes of this Statement, as any event in which any of the foregoing persons may benefit from knowledge of, participation in, or by virtue of, an investment decision or by the holding of Portfolio assets.

None of the foregoing persons should knowingly place themselves in a conflict of interest situation with the Portfolio assets. However, should such an event arise, unavoidably or inadvertently, the party in the actual or perceived conflict shall immediately disclose the conflict to the President of Lambton Mutual, who will in turn disclose it to the Board of Directors.

4. Regulatory Framework

Lambton Mutual is licensed only in the Province of Ontario, and, as such, is governed by the provisions of the Insurance Act of Ontario. Lambton Mutual is a taxable entity.

5. Investment Objectives

The objectives for this investment Portfolio are:

- Preserve capital
- Provide capital for growth
- Provide a competitive rate of return
- Maintain a low volatility portfolio
- Maximize returns (within the context of the above points).

The assets will be invested in Pooled or segregated mandates. The selected mandates will be detailed in the attached Appendices.

6. Investment Policy Guidelines

This Mandate is governed by the Investment Policy Statement, attached. It is also governed by the selected mandates investment policy document (including Offering Memorandum), attached, if applicable.

7. Service and Reporting

The Investment Manager will provide quarterly reporting and present to the Investment Committee and Management at least annually. The Investment Manager should be available for quarterly meetings as necessary.

If there is a violation of this Investment Mandate Statement, the Investment Manager will advise the President of Lambton Mutual and Bonnycastle Investment Consulting Solutions (“Bonnycastle Consulting”) of the violation and a timeframe for correction. The Investment Manager may also be required to present at the Investment Committee meeting in the quarter following the occurrence to discuss the situation, including what steps have been taken to make sure the violation does not occur in the future.

The Investment Manager’s Quarterly Report will include, but is not limited to the following:

1. Account statement
2. Portfolio Holdings by country, asset class and sector
3. Organizational Changes
 - a. Discuss changes at the Money Manager's firm
 - b. Corporate changes
 - c. Personnel changes (related to this portfolio)
 - d. Philosophy changes
 - e. Investment Process changes
4. Performance
 - a. Evaluate historical performance versus the Performance Objectives section of this document
5. Outlook
 - a. Outline the outlook for this mandate for the upcoming quarter and over the next 12 months
6. Alignment
 - a. Explain how the portfolio is aligned to take advantage of the Outlook
7. Risk
 - a. Discuss the potential risks to the Portfolio
 - b. Outline the controls that are in place to mitigate these risks
8. Asset Mix –the current mix and an indication of future mix
9. Portfolio trades (purchases/sales) and reasons for the trades
10. Confirmation that the portfolio is in compliance with the Investment Policy Statement and Investment Mandate Statement.

This report is expected to be received within fifteen (15) days of quarter-end.

Comprehensive Account Statements are to be provided on a monthly basis. Preliminary statements are to be provided within 5 business days of month end. Account Statements are required to include an up-to-date investment valuation report, showing the cost of the securities, their current market value and their estimated annual income, as well as investment activity and disbursements. Draft month-end reports showing investment transactions and valuations would be appreciated as soon as they are available.

8. Termination

The Investment Manager may be terminated for the following reasons in accordance with the terms of the Investment Management Agreement:

- Continual poor performance – If the performance is below the majority of the Performance Objectives for two consecutive quarters, then the Investment Manager is required to explain the reason for the underperformance, how it will be improved and the expected timeframe for improvement. If the underperformance continues for an additional two quarters, then Lambton Mutual will have to decide to continue or terminate the relationship.

- Continual violations of the Investment Policy Statement or Investment Mandate Statement – If the violations continue for two consecutive quarters without expectation of the issue being resolved, then the Investment Manager will be terminated.
- If Lambton Mutual decides, for any number of reasons, which may include servicing, fees, investment outlook, etc., to replace the Investment Manager, Notice of Termination will be provided in writing.

9. Mandatory Review

There is a mandatory review of the Investment Mandate Statement once a year. As part of the review, the Investment Manager will provide suggested changes to this Statement that would assist in improving returns. The Investment Manager will provide Lambton Mutual with signed acknowledgement of their understanding and adherence to the Mandate as outlined in this document.

Agreement to adhere to this Investment Mandate Statement

On behalf of 1832 Asset Management

Signature

Title

Date

On behalf of Lambton Mutual Insurance Company

Signature

Signature

Title

Title

Date

Date

Appendix A

1832 Short and Mid-Term Corporate Bond Fund

1. Objective

The assets will be invested in the 1832 Short and Mid-Term Corporate Bond Pooled Fund with the primary investment objective of providing a stable monthly income stream.

2. Performance Objectives

The Investment Portfolio, after fees (net of fees) will be measured against the following:

1. To exceed Inflation as measured by the total Consumer Price Index, by 0.25%, on a year over year basis.
2. To exceed the FTSE Canada All Corporate Bond Index (or comparable) over a rolling four-year annualized rate of return timeframe.
3. To exceed the minimum of the fourth quartile (95th percentile) of Canadian Fixed Income Investment Managers in the Global Manager Research Database, over a rolling four-year timeframe

The Investment Portfolio should meet two of the three Performance Objectives each quarter.

In the event the investment portfolio does not meet with the Performance Objectives for two consecutive quarters, the Investment Manager will be required to provide additional information regarding missing the Objectives and how they plan to address meeting them going forward. In addition, the mandate will be put 'on watch'. If Lambton Mutual accepts the explanation and plan, then the Investment Manager will be given two additional quarters to rectify the situation. If the situation continues for the two quarters, Lambton Mutual will then decide to retain or terminate the services of the Investment Manager. If Lambton Mutual does not accept the explanation and plan, the Investment Manager may then be terminated without notice. 'On watch' status is removed upon the investment portfolio meeting its Performance Objectives and/or a Board motion.

3. Permitted Investments

The Pooled Fund's Permitted Investments are outlined in the Fund's Investment Policy, a copy of which is attached. Any items outside of this policy are to be highlighted and reported in the next quarterly report.

The Fund will typically hold:

Fixed Income Investments

- Primarily Investment Grade Corporate Bonds
- Small percentage of Government Bonds

- Primarily Canadian bonds
- Cash, treasury bills, short term notes, Investment Savings Accounts or other money market securities issued or guaranteed by governments, governments agencies, or corporations.
- Term or demand deposits or similar instruments issued or unconditionally guaranteed by trust companies, banks, or other deposit-taking institutions

Equity Investments

- Preferred shares with a minimum rating of P3

4. Asset Allocation

The Fund's asset mix is based on the following limits at market value.

	Minimum	Maximum
Cash and Short-Term Investments	0%	10%
Domestic Bonds	80%	100%
Foreign Bonds	0%	10%
Preferred Shares	0%	5%

5. Diversification Requirements

The Pooled Fund's Diversification Requirements are outlined in the Fund's Investment Policy.

6. Fees

The investment management fees are: 0.20%. In addition, there are expenses charged to the fund of currently 0.10%.

The assets are custodied with Scotiatrust.

The fees as described above cover investment management services, client reporting, administration and security custodial services. Transaction costs are not included in these fees, but are expected to be provided at institutional rates for all trades.

The fees (and initial investment minimums) reflect the preferred status as a Bonnycastle Consulting client. 1832's standard fee is 0.40% based on minimum assets of \$5 million.

7. Reasons for Hiring

- The short/mid-term corporate bond focus of the mandate
- The diversification of the mandate (5% maximum per corporate issuer)
- Above median performance
- Low volatility
- The breadth of the firm's product line that offers future investment options

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Appendix B

1832 Dynamic Global Infrastructure

1. Objective

The assets will be invested in the Dynamic Global Infrastructure Fund (I class -for Institutional assets) with the primary investment objective of providing a low volatility global equity return including quarterly income.

2. Performance Objectives

The Investment Portfolio, after fees (net of fees) will be measured against the following:

1. To exceed Inflation as measured by the total Consumer Price Index, by 1.00% on a year over year basis.
2. To exceed the MSCI World Stock Index (or comparable) over a rolling two-year annualized rate of return timeframe.
3. To exceed the minimum of the third quartile (75th percentile) of Global Equity Investment Managers in the Global Manager Research Database, over a rolling two-year timeframe

The rolling performance time periods will be adjusted over time as appropriate to a rolling 4-year time frame.

The Investment Portfolio should meet two of the three Performance Objectives each quarter.

In the event the investment portfolio does not meet with the Performance Objectives for two consecutive quarters, the Investment Manager will be required to provide additional information regarding missing the Objectives and how they plan to address meeting them going forward. In addition, the mandate will be put 'on watch'. If Lambton Mutual accepts the explanation and plan, then the Investment Manager will be given two additional quarters to rectify the situation. If the situation continues for the two quarters, Lambton Mutual will then decide to retain or terminate the services of the Investment Manager. If Lambton Mutual does not accept the explanation and plan, the Investment Manager may then be terminated without notice. 'On watch' status is removed upon the investment portfolio meeting its Performance Objectives and/or a Board motion.

3. Permitted Investments

The Pooled Fund's Permitted Investments are outlined in the Fund's Investment Policy, a copy of which is attached. Any items outside of this policy are to be highlighted and reported in the next quarterly report.

The Fund will typically hold common stocks of Canadian, US and International companies. It will hold primarily large-capitalization Industrial sector companies that own infrastructure assets directly.

4. Country Allocation

The Fund's Country Allocation is based on the following ranges at market value.

	Typical Allocation (within +/- 5-10%)
North America	50%
Europe	10-20%
United Kingdom	5-15%
Oceania (Australia & New Zealand)	5-15%

5. Diversification Requirements

The Pooled Fund's Diversification Requirements are outlined in the Fund's Investment Policy.

6. Fees

The investment management fees are: 0.55%. In addition, there are expenses charged to the fund of currently 0.15%.

The assets are custodied with Scotiatrust.

The fees as described above cover investment management services, client reporting, administration and security custodial services. Transaction costs are not included in these fees, but are expected to be provided at institutional rates for all trades.

The fees (and initial investment minimums) reflect the preferred status as a Bonnycastle Consulting client. 1832's standard fee is 0.70% based on minimum assets of \$5 million.

7. Reasons for Hiring

- The global equity focus of the mandate
- The active currency hedging of the mandate with 50-90% of the portfolio hedged.
- Above median performance
- Lower volatility
- The breadth of the firm's product line that offers future investment options

Appendix C

1832 Equity Income Strategy Pooled Fund

1. Objective

The assets will be invested in the 1832 Equity Income Strategy Pooled Fund ('Pooled Fund') with the primary investment objective of providing a stable monthly income stream and long-term growth.

2. Performance Objectives

The Investment Portfolio, after fees (net of fees) will be measured against the following:

1. To exceed Inflation as measured by the total Consumer Price Index, by 1%, on a year over year basis.
2. To exceed the S&P/TSX Total Return Index (or comparable) over a rolling one-year annualized rate of return timeframe.
3. To exceed the dividend yield of the S&P/TSX Total Return Index (or comparable) on an annualized basis.
4. To exceed the median of Canadian Equity Investment Managers in the Global Manager Research Database, over a rolling one-year timeframe.

The rolling performance time periods will be adjusted over time as appropriate to a rolling 4-year time frame.

The Investment Portfolio should meet two of the four Performance Objectives each quarter.

In the event the investment portfolio does not meet with the Performance Objectives for two consecutive quarters, the Investment Manager will be required to provide additional information regarding missing the Objectives and how they plan to address meeting them going forward. In addition, the mandate will be put 'on watch'. If Lambton Mutual accepts the explanation and plan, then the Investment Manager will be given two additional quarters to rectify the situation. If the situation continues for the two quarters, Lambton Mutual will then decide to retain or terminate the services of the Investment Manager. If Lambton Mutual does not accept the explanation and plan, the Investment Manager may then be terminated without notice. 'On watch' status is removed upon the investment portfolio meeting its Performance Objectives and/or a Board motion.

3. Permitted Investments

The Pooled Fund's Permitted Investments are outlined in the Pooled Fund's Investment Policy, a copy of which is attached. Any items outside of this policy are to be highlighted and reported in the next quarterly report.

The Fund will typically hold common shares of Canadian and foreign companies, Real Estate Investment Trusts and cash.

4. Asset Allocation

The Pooled Fund asset mix is based on the following limits at market value.

	Minimum	Maximum
Cash and Short-Term Investments	0%	20%
Domestic Equities	80%	100%
Foreign Equities	0%	25%

5. Diversification Requirements

The Pooled Fund's Diversification Requirements are outlined in the Pooled Fund's Investment Policy.

6. Fees

The investment management fees are:

Assets	Fee
First \$10 million	0.60%
Next \$50 million	0.50%

In addition, there are fund expenses. These are currently **0.08%** on assets.

The assets are custodied with Scotiatrust. Their fee for this service is included in the expenses.

The fees as described above cover investment management services, client reporting, administration (audit, compliance, legal) and security custodial services. Transaction costs are not included in these fees, but are expected to be provided at institutional rates for all trades.

The fees (and initial investment minimums) reflect the preferred status as a Bonnycastle Consulting client. 1832's standard annual fees start at 0.75% for the first \$10 million.

7. Reasons for Hiring

- The equity income investment strategy
- Above median performance
- Low volatility
- Generates a yield higher than the TSX index
- The breadth of the firm's product line that offers future investment options

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Appendix D

1832 ADSB Corporate Tiered Investment Savings Account

1. Objective

The assets will be invested in the 1832 ADSB Corporate Tiered Investment Savings Account with the investment objective of providing capital protection and a stable monthly income stream.

2. Fees

The investment management fees are: 0.00%

The assets are custodied with Scotiabank. 1832 Asset Management covers their fees for this service.

3. Reasons for Hiring

- Typically high yield
- Liquidity
- The breadth of the firm's product line that offers future investment options