

March 28, 2019

Madam, Sir,

In accordance with *Regulation 81-107 respecting Independent Review Committee for Investment Funds* (the "Regulation"), the Independent Review Committee ("IRC") of the investment funds (collectively, the "Funds") managed by the manager Professionals' Financial – Mutual Funds Inc. (the "Manager") makes recommendations or gives its approval concerning certain conflicts of interest which may arise between the Funds and the Manager.

The members of the IRC have the requisite expertise and competencies to adequately perform their role and to suitably deal with all aspects of the conflicts of interest that are referred to them. The members supplement this expertise by keeping up to date on all matters related to their mandate.

The securities authorities have entrusted the IRC with the mandate of examining possible conflict of interest matters in respect of investment funds identified and referred to the IRC by the Manager, and to give its approval or make its recommendation concerning these matters, according to the type of conflict of interest. The IRC seeks primarily to determine whether the course of action proposed by the Manager achieves a fair and reasonable result for the investment fund concerned and, ultimately, its unitholders.

As required by the Regulation, the IRC has reviewed and assessed the adequacy, effectiveness and respect of the Manager's policies and procedures on conflict of interest matters in respect of the Funds, and has also done a self-evaluation of its effectiveness and of the independence and compensation of its members.

The IRC is pleased to present to you its annual report for the year ended December 31, 2018, which includes the above-mentioned assessments, and to continue to carry out its mandate, which consists in effectively protecting your interests, in collaboration with the Manager of the Funds.

Chair of the Independent Review Committee



**Serge Rémillard, FCPA, FCMA, MBA**

## COMPOSITION OF THE IRC

As of the date of this report, the IRC is composed of the following members:

### **Mr. Rémillard, FCPA, FCMA, MBA**

Among his achievements, from 1989 to 2000, Mr. Rémillard was Senior Vice-President of Administration and Finance for the Caisse de dépôt et placement du Québec. Subsequently, he was President of Advisory Service for Raymond Chabot Grant Thornton Quebec. Since 2007, he has been a Business Consultant and Corporate Director. A member of the IRC since 2011, Mr. Rémillard was appointed Chairman of the IRC in March 2015. Mr. Rémillard is fully dedicated to this IRC and does not serve any other IRC.

### **Mr. Jean-François Bernier, LL.B**

Having a lawyer background, Mr. Bernier is Senior Vice-President and Managing Director of the brokerage firm Interactive Brokers. He was also Director of Capital Markets for the Quebec Securities Commission (now the Autorité des marchés financiers). Mr. Bernier was appointed to the IRC on September 13, 2017 for a three (3) year term and sits on the IRC of the NBI Funds.

### **Ms. Renée Piette, CPA CA, ASC**

Ms. Piette is as a Business Consultant and Corporate Director. She has over 30 years of experience in compliance, ethics and auditing for the Canadian financial market especially in Quebec. Among her achievements, she was Chief Compliance in various National Bank subsidiaries. Since 2010, she is also a member of the Board of Directors of the Quebec Bar, as a public representative appointed by the Office des professions du Québec. Ms. Piette was appointed member of the IRC on October 29, 2015 for a term of three (3) years. At the end of its initial mandate, it was renewed for an additional term of three (3) years. She does not serves on any other IRC.

## INDEPENDENT STATUS

The regulatory authorities recognize the special situation where investment fund units are placed only with defined groups of investors, and recognize independent status when the interests of the representatives of these groups and those of the investors coincide.

## OWNERSHIP OF SECURITIES

### **a) Funds**

At December 31, 2018, the percentage of each class of units of the Funds covered in this report which was beneficially owned, directly or indirectly, in aggregate, by all the members of the IRC did not exceed 5% of the securities of any of the Funds.

### **b) Manager**

At December 31, 2018, no member of the IRC beneficially owned, directly or indirectly, individually or in aggregate, a class or series of voting or equity securities of Professionals' Financial – Mutual Funds Inc.

**c) Service providers**

At December 31, 2018, no member of the IRC beneficially owned, directly or indirectly, a class or series of voting or equity securities of a person that provides services to the Funds or to the Manager in connection with the activities of the Funds.

**COMPENSATION AND INDEMNITIES PAID TO MEMBERS OF THE IRC**

December 31, 2018, the aggregate compensation paid to the members of the IRC has for the year ended amounted to \$37,800. This amount includes the annual compensation of the Committee members, as well as the fees for each meeting they attended. The IRC's compensation policy is aligned with the compensation policy of the Board of directors of the Manager. This amount was allocated among the Funds in a manner that the Manager deems fair and reasonable in respect of the Funds.

The IRC considered the following criteria in determining the fairness of its compensation:

- / the total number of funds supervised;
- / the size of the funds supervised;
- / the time required for the meetings;
- / the responsibilities of the members of the IRC;
- / the best practices in the industry; and
- / the best interest of the Funds.

The IRC did not make any change to the procedure or criteria established by the Manager to set the compensation and expenses of the members of the IRC.

Neither the Funds nor the Manager paid any indemnity to the IRC or its members during the period.

**CONFLICT OF INTEREST MATTERS**

The Manager has policies and procedures for dealing with each of the conflict of interest. The Manager must also reports regularly to the IRC. During the reporting period, the IRC is not aware of any instance in which the Manager acted in a conflict of interest matter without meeting the conditions imposed by the IRC. A change has been made to the procedure titled, "Remaining position at the dissolution of a fund".

In particular, the Manager received a positive recommendation from the IRC regarding the policies listed below, after complying with the required procedures, namely:

- / Use of brokerage commissions
- / Remaining position at the dissolution of a fund.

## **STANDING INSTRUCTION**

The IRC note that the Manager has not used any instructions. In addition, no new standing instructions have been issued by the IRC during the past year.

## **MANAGER'S STANDING INSTRUCTION REPORT**

In accordance with the Regulation, the Manager provided the IRC with a written report describing its recourse to standing instructions during the period.

Also, in accordance with the Regulation and with its charter, the IRC examined the relevance and effectiveness of the Manager's written policies and procedures on standing instructions, as well as their relevance and effectiveness, and was satisfied therewith.

## **APPROVALS AND RECOMMENDATIONS**

During the period January 1 to December 31, 2018, the IRC was not aware of any case where the Manager of the Funds acted in respect of a conflict of interest matter reported to the IRC for which the IRC did not give its approval or make a favourable recommendation. Furthermore, no condition was imposed by the IRC on its recommendations made to the Manager during the period.

## **FUNDS COVERED BY THIS REPORT**

FDP **Balanced** Portfolio, Series A  
FDP **Balanced Growth** Portfolio, Series A  
FDP **Balanced Income** Portfolio, Series A  
FDP **Canadian Bond** Portfolio, Series A  
FDP **Cash Management** Portfolio, Series A  
FDP **Global Fixed Income** Portfolio, Series A  
FDP **Canadian Equity** Portfolio, Series A  
FDP **Canadian Dividend Equity** Portfolio, Series A  
FDP **Global Equity** Portfolio, Series A  
FDP **US Equity** Portfolio, Series A  
FDP **Emerging Markets Equity** Portfolio, Series A