

## **Integra Funds Risk Disclosure Statement**

The risks associated with investing in an investment fund are the risks associated with the securities in which the investment fund invests. The value of these investments will change from day to day, reflecting changes in interest rates, economic conditions, and market and company news. As a result, the value of an investment fund's units may go up and down, and the value of an investment in an investment fund may be more or less when it is redeemed than when it was purchased. Integra does not guarantee that the full amount of the original investment in any of the Integra funds made by an investor will be returned. Unlike bank accounts or GICs, fund units are not covered by the Canada Deposit Insurance Corporation or any other government deposit insurer.

Some of the Integra Funds (a “Fund”, and collectively the “Funds”), whether with equity or income investment objectives, follow in whole or in part trading strategies resulting in the use of more complex transactions and instruments. A Fixed Income Fund, for example, may use derivatives such as credit default swaps, interest rates swaps, swaptions, futures or forwards to manage credit exposure, duration, volatility or yield curve positioning.

The chart below depicts the risks that the Funds may be exposed to in the standard course of implementing their investment strategies. The Funds may be subject to some but not all of these risks at certain times or may be subject to a particular risk only to a certain degree. Set out below the chart is a Risk Disclosure Appendix which provides an explanation of the various risks listed for the Fund. For more information on risks with the investment strategies, please contact us.

An investment in a Strategy(s) listed below is subject to a number of risks, which include but are not limited to:

<p><b>Acadian Core International Equity Fund</b> Active Management Risk, Convertible Securities Risk, Currency Risk, Custodial Risk, Depositary Receipts Risk, Derivatives Risk - Foreign Forward Currency Contracts, ETF Risk, ETN Risk, Hedging Transactions and Related Risks, Initial Public Offering (IPO) Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Limited Investment Program Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Quantitative Model Risk, Regulatory Uncertainty, Risks of Foreign/Emerging Markets Investing, Securities Lending Risk, Significant Withdrawal Risk, Small and Mid-Size Company Risk, Special Situations Risk, Strategy Specific Risks, Tax Risk, Value Securities Risk, Valuation Risk and Warrants Risk.</p>
<p><b>ICL Global Low Volatility Equity Fund</b> Active Management Risk, Convertible Securities Risk, Custodial Risk, Currency Risk, Depositary Receipts Risk, Derivatives Risk - Foreign Forward Currency Contracts, ETF Risk, ETN Risk, Initial Public Offering (IPO) Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Limited Investment Program Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Quantitative Model Risk, Regulatory Uncertainty, Risks of Foreign/Emerging Markets Investing, Securities Lending Risk, Significant Withdrawal Risk, Small and Mid-Size Company Risk, Special Situations Risk, Strategy Specific Risks, Tax Risk, Value Securities Risk, Valuation Risk and Warrants Risk.</p>
<p><b>ICL U.S. Low Volatility Equity Fund</b> Active Management Risk, Convertible Securities Risk, Custodial Risk, Currency Risk, Depositary Receipts Risk, Derivatives Risk - Foreign Forward Currency Contracts, ETF Risk, ETN Risk, Geographic Concentration Risk, Initial Public Offering (IPO) Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Limited Investment Program Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Quantitative Model Risk, Regulatory Uncertainty, Risks of Foreign/Emerging Markets Investing, Securities Lending Risk, Significant Withdrawal Risk, Small and Mid-Size Company Risk, Special Situations Risk, Strategy Specific Risks, Tax Risk, Value Securities Risk, Valuation Risk and Warrants Risk.</p>

**Integra Balanced Fund**

Active Management Risk, Asset Back Securities Risk, Call Risk, Canadian Equity Risk, Canadian Government Securities Risk, Cash Position Risk, Convertible Securities Risk, Credit Risk, Currency Risk, Custodial Risk, Depository Receipts Risk, Derivatives Risk - Foreign Forward Currency Contracts, ETF Risk, ETN Risk, Growth Securities Risk, Hedging Transactions and Related Risks, Inflation Protected Securities Risk, Initial Public Offering (IPO) Risk, Interest Rate Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Liquidity Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Prepayment and Extension Risk, Provincial Obligations Risk, Quantitative Model Risk, Regulatory Uncertainty, Real Estate Industry and REIT Risk, Reinvestment Risk, Risks of Foreign/Emerging Markets Investing, Risk of Investment in Other Pools, Securities Lending Risk, Significant Withdrawal Risk, Small and Mid-Size Company Risk, Special Situations Risk, Sovereign Default Risk, Strategy Specific Risks, Tax Risk, US Government Obligation Risk, Value Securities Risk, Valuation Risk, Warrants Risk and Zero Coupon Bond Risk.

**Integra Bond Fund**

Active Management Risk, Asset Back Securities Risk, Call Risk, Canadian Government Securities Risk, Cash Position Risk, Convertible Securities Risk, Credit Risk, Currency Risk, Custodial Risk, Deflation Risk, Derivatives Risk - Foreign Forward Currency Contracts, ETF Risk, Geographic Concentration Risk, Hedging Transactions and Related Risks, Inflation Protected Securities Risk, Initial Public Offering (IPO) Risk, Interest Rate Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Limited Investment Program Risk, Liquidity Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Prepayment and Extension Risk, Provincial Obligations Risk, Regulatory Uncertainty, Reinvestment Risk, Risks of Foreign/Emerging Markets Investing, Securities Lending Risk, Significant Withdrawal Risk, Sovereign Default Risk, Strategy Specific Risks, Tax Risk, US Government Obligation Risk, Valuation Risk and Zero Coupon Bond Risk.

**Integra Canadian Value Growth Fund**

Active Management Risk, Canadian Equity Risk, Convertible Securities Risk, Custodial Risk, ETF Risk, Geographic Concentration Risk, Growth Securities Risk, Initial Public Offering (IPO) Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Limited Investment Program Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Quantitative Model Risk, Regulatory Uncertainty, Real Estate Industry and REIT Risk, Securities Lending Risk, Significant Withdrawal Risk, Special Situations Risk, Strategy Specific Risks, Tax Risk, Value Securities Risk, Valuation Risk and Warrants Risk.

**Integra Diversified Fund**

Active Management Risk, Asset Back Securities Risk, Call Risk, Canadian Equity Risk, Canadian Government Securities Risk, Cash Position Risk, Convertible Securities Risk, Counterparty Risk, CDS Risk, Credit Risk, Currency Risk, Custodial Risk, Deflation Risk, Depository Receipts Risk, Derivatives Risk, Derivatives Risk - Foreign Forward Currency Contracts, Derivatives Risk - Inverse Floaters, ETF Risk, ETN Risk, Growth Securities Risk, Hedging Transactions and Related Risks, Impairment of Collateral Risk, Inflation Protected Securities Risk, Initial Public Offering (IPO) Risk, Interest Rate Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Leverage Risk, Liquidity Risk, Market Risk, Mortgage Back Securities Risk, Municipal Securities Risk, No Guarantee of Performance, Prepayment and Extension Risk, Private Issuer Risk, Provincial Obligations Risk, Quantitative Model Risk, Regulatory Uncertainty, Real Estate Industry and REIT Risk, REPO Risk, Reverse REPO Risk, Reinvestment Risk, Risks of Foreign/Emerging Markets Investing, Risk of Investment in Other Pools, Securities Lending Risk, Short Selling Risk, Significant Withdrawal Risk, Small and Mid-Size Company Risk, Special Situations Risk, Sovereign Default Risk, Strategy Specific Risks, Tax Risk, US Government Obligation Risk, Value Securities Risk, Valuation Risk, Warrants Risk and Zero Coupon Bond Risk.

**Integra Emerging Markets Equity Fund**

Active Management Risk, Convertible Securities Risk, Currency Risk, Custodial Risk, Depository Receipts Risk, Derivatives Risk - Foreign Forward Currency Contracts, ETF Risk, ETN Risk, Growth Securities Risk, Hedging Transactions and Related Risks, Initial Public Offering (IPO) Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Limited Investment Program Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Private Issuer Risk, Regulatory Uncertainty, Real Estate Industry and REIT Risk, Risks of Foreign/Emerging Markets Investing Securities Lending Risk, Significant Withdrawal Risk, Small and Mid-Size Company Risk, Small Company Risk, Special Situations Risk, Strategy Specific Risks, Tax Risk, Value Securities Risk, Valuation Risk and Warrants Risk.

**Integra Equity Fund**

Active Management Risk, Canadian Equity Risk, Cash Position Risk, Convertible Securities Risk, Currency Risk, Custodial Risk, Depository Receipts Risk, Derivatives Risk - Foreign Forward Currency Contracts, ETF Risk, ETN Risk, Growth Securities Risk, Hedging Transactions and Related Risks, Initial Public Offering (IPO) Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Limited Investment Program Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Quantitative Model Risk, Regulatory Uncertainty, Real Estate Industry and REIT Risk, Risks of Foreign/Emerging Markets Investing, Risk of Investment in Other Pools, Securities Lending Risk, Significant Withdrawal Risk, Special Situations Risk, Strategy Specific Risks, Tax Risk, Value Securities Risk, Valuation Risk and Warrants Risk.

**Integra International Equity Fund**

Active Management Risk, Convertible Securities Risk, Currency Risk, Custodial Risk, Depository Receipts Risk, Derivatives Risk - Foreign Forward Currency Contracts, ETF Risk, ETN Risk, Hedging Transactions and Related Risks, Initial Public Offering (IPO) Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Regulatory Uncertainty, Risks of Foreign/Emerging Markets Investing, Securities Lending Risk, Significant Withdrawal Risk, Special Situations Risk, Strategy Specific Risks, Tax Risk, Valuation Risk and Warrants Risk.

**ICL Global Equity Fund**

Active Management Risk, Convertible Securities Risk, Currency Risk, Custodial Risk, Depository Receipts Risk, Derivatives Risk - Foreign Forward Currency Contracts, ETF Risk, ETN Risk, Hedging Transactions and Related Risks, Initial Public Offering (IPO) Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Regulatory Uncertainty, Risks of Foreign/Emerging Markets Investing, Securities Lending Risk, Significant Withdrawal Risk, Special Situations Risk, Strategy Specific Risks, Tax Risk, Valuation Risk and Warrants Risk.

**Lincluden Short Term Investment Fund**

Active Management Risk, Canadian Government Securities Risk, Credit Risk, Custodial Risk, Interest Rate Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Limited Investment Program Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Provincial Obligations Risk, Regulatory Uncertainty, Reinvestment Risk, Securities Lending Risk, Significant Withdrawal Risk, Strategy Specific Risks, Tax Risk and Valuation Risk.

**Integra U.S. Value Growth Fund**

Active Management Risk, Convertible Securities Risk, Currency Risk, Custodial Risk, Depository Receipts Risk, Derivatives Risk - Foreign Forward Currency Contracts, ETF Risk, ETN Risk, Geographic Concentration Risk, Growth Securities Risk, Hedging Transactions and Related Risks, Initial Public Offering (IPO) Risk, Investment Strategy Risk, Issuer Risk, Large Shareholder Risk, Limited Investment Program Risk, Market Risk, Market Disruption and Geopolitical Risk, No Guarantee of Performance, Regulatory Uncertainty, Risks of Foreign/Emerging Markets Investing, Securities Lending Risk, Significant Withdrawal Risk, Small and Mid-Size Company Risk, Special Situations Risk, Strategy Specific Risks, Tax Risk, Value Securities Risk, Valuation Risk and Warrants Risk.

**RISK DISCLOSURE APPENDIX**

The following risk disclosures explain some of the risks associated with an investment in the Fund listed in the chart above. Clients should speak with their consultants or other financial advisors for more information regarding these and other risks associated with making an investment in a Fund.

**Active Management Risk**

The portfolio is actively managed and its performance therefore will reflect in part the ability of the portfolio manager(s) to select securities and to make investment decisions that are suited to achieving the portfolio's investment objective. Due to its active management, the portfolio could underperform other portfolios with similar investment objectives. In addition, if a portfolio takes both long and short positions, there is the risk that the value of the securities held long might decrease and the value of the securities sold short might increase in response to activities of an individual company or in response to general market conditions. In this case, the portfolio's potential losses could exceed those of other portfolios that hold only long stock positions.

**Asset-Backed Securities Risk**

The value of asset-backed securities may be affected by, among other things, changes in: interest rates, factors concerning the interests in and structure of the issuer or the originator of the receivables, the creditworthiness of the entities that provide any supporting letters of credit, surety bonds or other credit enhancements, or the market's assessment of the quality of underlying assets. Asset-backed securities represent interests in, or are backed by, pools of receivables such as credit card, auto, student and home equity loans. They may also be backed, in turn, by securities backed by these types of loans and others, such as mortgage loans. Asset-backed securities can have a fixed or an adjustable rate. Most asset-backed securities are subject to prepayment risk, which is the possibility that the underlying debt may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the portfolio to have to reinvest the money received in securities that have lower yields. In addition, the impact of prepayments on the value of asset-backed securities may be difficult to predict and may result in greater volatility. Rising or high interest rates tend to extend the duration of asset-backed securities, making them more volatile and more sensitive to changes in interest rates.

**Call Risk**

If an issuer calls higher-yielding debt instruments held by the Portfolio, performance could be adversely impacted.

**Canadian Equity Risk**

A portfolio that is primarily invested in Canadian equities may be more susceptible to the financial, market or economic conditions or events affecting the particular issuers, commodities, sectors or industries in which it invests than a more geographically diversified portfolio that does not. Investments that are concentrated in a particular issuer, commodity or sector will also be more susceptible to changes in price. This may result in greater fluctuations in value than would be the case for a portfolio invested in a wider variety of companies across sectors or industries. As the sectors in which the portfolio invests may increase or decrease due to the price of commodities, the price of securities of companies that rely heavily on such commodity sectors could become increasingly sensitive to downswings in the economy. The more a portfolio diversifies its investments, the more it spreads risk and potentially reduces the risks of loss and volatility.

**Canadian Government Securities Risk**

The Portfolio may invest in debt securities issued or guaranteed by certain Canadian Government agencies, instrumentalities and sponsored enterprises. Some Canadian Government securities, such as, but not limited to, Treasury bills, notes and bonds and securities issued by the Canada Housing Trust are supported by the full faith and credit of the Canadian Government; others are supported only by the credit of the issuing agency, instrumentality, or enterprise.

**Cash Position Risk**

The Portfolio may hold a significant portion of its assets in cash or cash equivalents at the Investment Manager's discretion. If the Portfolio holds a significant cash position for an extended period of time, its investment returns may be adversely affected, and the Portfolio may not achieve its investment objective. The Portfolio's cash investments may lose money.

**Convertible Securities Risk**

Convertible securities are subject to the usual risks associated with debt securities, such as interest rate risk and credit risk. Convertible securities also react to changes in the value of the common stock into which they convert, and are thus subject to market risk. As the value of a convertible security can be influenced by both interest rates and market movements, a convertible security generally is not as sensitive to interest rates as a similar debt security, and generally will not vary in value in response to other factors to the same extent as the underlying common stock. In the event of

a liquidation of the issuing company, holders of convertible securities would typically be paid before the company's common stockholders but after holders of any senior debt obligations of the company. The portfolio may be forced to convert a convertible security before it otherwise would choose to do so, which may decrease the portfolio's return.

### **Counterparty Risk**

The risk that a counterparty to a financial instrument entered into by the portfolio or held by a special purpose or structured vehicle becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, including making payments to the portfolio. The portfolio may obtain no or only limited recovery in a bankruptcy or other organizational proceeding, and any recovery may be significantly delayed. The portfolio will typically enter into financial instrument transactions with counterparties whose credit rating is investment grade, or, if unrated, determined to be of comparable quality by the investment manager.

### **Counterparty Arrangements Risk**

These arrangements support the portfolio's investment managers trading, custody and investment activities, and some of the counterparties they use may have relationships with their affiliates as well. Reliable counterparty arrangements and the ability to assess counterparty risks have become a critical part of their day-to-day operations and they endeavour to manage these risks in accordance with their fiduciary duty to clients. While they seek to manage these risks, exposure to counterparty failures, including bankruptcies and defaults, is sometimes unavoidable and can result in sudden and unanticipated shocks to their operations or investments resulting from the inability to carry out transactions or satisfy liquidity demands.

### **Credit Default Swaps Risk**

The risks specific to credit default swaps ("CDS") transactions are the following:

*Counterparty risk*, which is the risk that the counterparty of the credit default swap transaction will default on its obligations. As protection buyer, the counterparty risk materializes only when a credit event occurs and if the protection seller would not be able to pay the protection buyer the face value of the contract. As protection seller the counterparty risk materializes if the protection buyer is not able to pay the periodic fees under the contract. The counterparty risk is however mitigated by the fact that the Sub-fund will only enter into CDS transactions with highly rated financial institutions specialized in this type of transaction as approved by the Investment Manager as derivative counterparties; *Credit risk*, which is the risk carried by the protection seller that a credit event would occur in respect to the reference entity. In case of occurrence of a credit event, the capital loss for the protection seller might be substantial (and in case of the Sub-fund rise to a total loss of the Sub-fund's assets) as the protection seller would have to pay the face value of the contract to the protection buyer against being delivered by the protection buyer the obligations mentioned in the contract having a market value near to recovery rate;

*Mark-to-market risk*, which is the risk that a credit default swap investor runs by unwinding its position before the maturity of the contract. This risk is affected by the liquidity of the underlying contract. The lower the liquidity, the higher the unwinding costs; and *Settlement risk*, which is the risk of the protection buyer to deliver the underlying issues not held by him when entering into the CDS transaction.

### **Credit Risk**

Credit risk is the risk that the issuer of a fixed-income security or the counterparty to a contract may or will default or otherwise become unable or unwilling to honour a financial obligation, such as making payments. If the portfolio purchases unrated securities, or if the rating of a security is reduced after purchase, the portfolio will depend on analysis of credit risk more heavily than usual. In addition, investments in emerging markets debt obligations also are subject to increased credit risk because of the difficulties of requiring foreign entities, including issuers of sovereign debt obligations, to honour their contractual commitments, and because emerging markets governments and other issuers have historically high default rates.

### **Currency Risk**

Securities denominated in different currencies are subject to the risk that, for example, if the value of a foreign currency were to decline against the Canadian dollar, such decline would reduce the Canadian dollar value of any securities held by the denominated in that currency.

### **Custodial Risk**

There are risks involved in dealing with the custodians or brokers who hold the investments or settle the trades. It is possible that, in the event of the insolvency or bankruptcy of a custodian or broker, the Portfolio would be delayed or

prevented from recovering its assets from the custodian or broker, or its estate, and may have only a general unsecured claim against the custodian or broker for those assets. In recent insolvencies of brokers or other financial institutions, the ability of investors to sometimes recover their assets from the insolvent's estate has been delayed, limited, or prevented, often unpredictably, and there is no assurance that any assets held by the Portfolio with a custodian or broker will be readily recoverable by the Portfolio.

### **Defensive Investing Risk**

In response to market, economic, political, or other conditions, the investment manager may, but will not necessarily, depart from its principal investment strategies by temporarily investing for defensive purposes. If the Portfolio invests for defensive purposes, it may not achieve its investment objective. In addition, the defensive strategy may not work as intended.

### **Depository Receipts Risk**

American Depositary Receipts ("ADRs") are typically trust receipts issued by a U.S. bank or trust company that evidence an indirect interest in underlying securities issued by a foreign entity. Global Depositary Receipts ("GDRs"), European Depositary Receipts ("EDRs"), and other types of depository receipts are typically issued by non-U.S. banks or financial institutions and evidence an interest in underlying securities issued by either a U.S. or a non-U.S. entity. Investments in non-Canadian issuers through depository receipts generally involve risks applicable to other types of investments in non-Canadian issuers. See "Risks of Foreign/Emerging Markets Investing." Depository receipts may not necessarily be denominated in the same currency as their underlying securities, and they may be subject to the currency risk of an investment in both a depository receipt itself and the underlying security. There may not be as much publicly available information regarding the issuer of the securities underlying a depository receipt as if the underlying securities were traded directly in Canadian securities markets. Some depository receipts are sponsored by the issuers of the underlying securities, while others are not. Information regarding issuers of securities underlying unsponsored depository receipts may be even more limited than for sponsored depository receipts. It is possible that the value of a depository receipt may decline for a number of reasons which relate to the issuers or sponsors of the depository receipts, including, but not limited to, if such issuer or sponsor becomes insolvent or bankrupt. Holders of depository rights may have limited, if any, rights to take action with respect to the underlying securities or to compel the issuer of the receipts to take action.

### **Derivatives Risk**

Derivatives are financial instruments that have a value which depends upon, or is derived from, the value of something else, such as one or more underlying securities, pools of securities, options, futures, indexes or currencies. Losses involving derivative instruments may be substantial, because a relatively small price movement in the underlying security(ies), instrument, currency or index may result in a substantial loss for the portfolio. In addition to the potential for increased losses, the use of derivative instruments may lead to increased volatility within the portfolio. Derivative instruments in which the portfolio invests will typically increase the portfolio's exposure to material risks to which it is otherwise exposed, and may expose the portfolio to additional risks, including correlation risk, counterparty credit risk, hedging risk, leverage risk, and liquidity risk.

*Correlation risk* is related to hedging risk and is the risk that there may be an incomplete correlation between the hedge and the opposite position, which may result in increased or unanticipated losses.

*Counterparty credit risk* is the risk that a counterparty to the derivative instrument becomes bankrupt or otherwise fails to perform its obligations due to financial difficulties, and the portfolio may obtain no recovery of its investment or may only obtain a limited recovery, and any recovery may be delayed.

*Hedging risk* is the risk that derivative instruments used to hedge against an opposite position may offset losses, but they may also offset gains. There is no guarantee that a hedging strategy will eliminate the risk which the hedging strategy is intended to offset, which may lead to losses within the portfolio.

*Leverage risk* is the risk that losses from the derivative instrument may be greater than the amount invested in the derivative instrument.

*Liquidity risk* is the risk that the derivative instrument may be difficult or impossible to sell or terminate, which may cause the portfolio to be in a position to do something the portfolio managers would not otherwise choose, including accepting a lower price for the derivative instrument, selling other investments or foregoing another, more appealing investment opportunity. Derivative instruments which are not traded on an exchange, including, but not limited to, forward contracts, swaps and over-the-counter options, may have increased liquidity risk. Certain derivatives have the potential for unlimited losses, regardless of the size of the initial investment.

### **Derivatives Risk — Forward Foreign Currency Contracts**

The portfolio may enter into forward foreign currency contracts, which are types of derivative contracts, whereby the portfolio may buy or sell a country's currency at a specific price on a specific date, usually 30, 60, or 90 days in the future. The contract guarantees an exchange rate on a given date. These contracts, however, would not prevent the portfolio's securities from falling in value during foreign market downturns. The portfolio may enter into forward foreign currency contracts for risk management (hedging) or investment purposes. The inability of the portfolio to precisely match forward contract amounts and the value of securities involved may reduce the effectiveness of the portfolio's hedging strategy. Forward foreign currency contracts used for hedging may also limit any potential gain that might result from an increase in the value of the currency. When entering into forward foreign currency contracts for investment purposes, unanticipated changes in the currency markets could result in poorer performance for the portfolio. The portfolio may designate cash or securities in an amount equal to the value of the portfolio's forward foreign currency contracts which may limit the portfolio's investment flexibility. If the value of the securities declines, additional cash or securities will be so designated. At maturity of a forward contract, the portfolio may enter into an offsetting contract. The portfolio may engage in an offsetting transaction at maturity of a forward foreign currency contract and may incur a loss to the extent there has been movement in forward contract prices. When the portfolio converts its foreign currencies into Canadian dollars it may incur currency conversion costs due to the spread between the prices at which they are buying and selling various currencies.

### **ETF Risk**

An ETF's share price may not track its specified market index and may trade below its net asset value. ETFs generally use a "passive" investment strategy and will not attempt to take defensive positions in volatile or declining markets. An active secondary market in an ETF's shares may not develop or be maintained and may be halted or interrupted due to actions by its listing exchange, unusual market conditions or other reasons. There can be no assurance an ETF's shares will continue to be listed on an active exchange. In addition, the portfolio bears expenses and similar expenses incurred through its ownership of the ETF.

### **ETN Risk**

Like other index or security tracking instruments, ETNs are subject to the risk that the value of the index or security may decline, at times sharply and unpredictably. In addition, ETNs—which are debt instruments—are subject to risk of default by the issuer.

### **Geographic Concentration Risk**

The portfolio may be particularly susceptible to economic, political, regulatory or other events or conditions affecting companies and countries within the geographic regions in which the portfolio invests. Currency devaluations could occur in countries that have not yet experienced currency devaluation to date, or could continue to occur in countries that have already experienced such devaluations. As a result, the portfolio may be more volatile than a more geographically diversified portfolio.

### **Growth Securities Risk**

Because growth securities typically trade at a higher multiple of earnings than other types of securities, the market values of growth securities may be more sensitive to changes in current or expected earnings than the market values of other types of securities. In addition, growth securities, at times, may not perform as well as value securities or the stock market in general, and may be out of favour with investors for varying periods of time.

### **Hedging Transactions and Related Risks**

In managing the Portfolio, the investment managers may (but will not necessarily) engage in hedging transactions. The success of the Portfolio's hedging strategies will depend, in part, upon the investment managers' ability to assess correctly the degree of correlation between the performance of the instruments used in a hedging strategy and the performance of the investments being hedged. A hedging strategy may not work the way the portfolio managers expect. Since the characteristics of many securities change as markets change or time passes, the success of the hedging strategy will also be subject to the portfolio managers' ability continually to recalculate, readjust, and execute hedges in an efficient and timely manner. While the Portfolio may enter into hedging transactions to seek to reduce risk, such transactions may result in a poorer overall performance for the Portfolio than if it had not engaged in such hedging transactions and may have the effect of increasing risk. For a variety of reasons, the portfolio managers may not seek or be able to establish a perfect correlation between the hedging instruments utilized and the Portfolio holdings being hedged. Such an imperfect correlation may prevent the portfolio from achieving the intended hedge

or expose the Portfolio to risk of loss. For example, the portfolio managers may enter into a long or short index futures contract to hedge against changes in the Portfolio's benchmark index; if futures on the Portfolio's benchmark index are not available (or if the portfolio managers for another reason considers them undesirable), the portfolio managers may choose to enter into futures contracts on an index different from the benchmark index. In such a case, the performance of the futures contracts may differ substantially from that of the benchmark index and may increase any divergence of the Portfolio's returns from those of the benchmark index. There is no guarantee that any hedging strategy used by the Portfolio will be successful in hedging out the subject risks. Hedging transactions may have the effect of creating investment leverage in the Portfolio.

#### **Impairment of Collateral Risk**

The value of collateral, if any, securing a floating rate loan can decline, and may be insufficient to meet the borrower's obligations or difficult to liquidate. In addition, the portfolio's access to collateral may be limited by bankruptcy or other insolvency laws. Further, certain floating rate loans may not be fully collateralized and may decline in value.

#### **Inflation Protected Securities Risk**

Inflation-protected debt securities tend to react to change in real interest rates. Real interest rates can be described as nominal interest rates minus the expected impact of inflation. In general, the price of an inflation-protected debt security falls when real interest rates rise, and rises when real interest rates fall. Interest payments on inflation-protected debt securities will vary as the principal and/or interest is adjusted for inflation and may be more volatile than interest paid on ordinary bonds. In periods of deflation, the portfolio may have no income at all.

#### **Infrastructure Sector Risk**

Investments concentrated in infrastructure-related securities, has greater exposure to adverse economic, regulatory, political, legal and other changes affecting the issuers of such securities.

#### **Initial Public Offering (IPO) Risk**

Investments in IPOs subject the portfolio to many of the same risks as investing in companies with smaller market capitalizations. The portfolio may not be able to invest in IPOs to the extent desired, because, for example, only a small portion (if any) of the securities being offered in an IPO may be made available. The investment performance of the portfolio may be lower during periods when it is unable to invest significantly or at all in IPOs than during periods when the portfolio is able to do so. In addition, as the portfolio increases in size, the impact of IPOs on the portfolio's performance will generally decrease.

#### **Interest Rate Risk**

Interest rate risk is the risk of losses attributable to changes in interest rates. Interest rate risk is generally associated with fixed-income securities: when interest rates rise, the prices generally fall. In general, the longer the maturity or duration of a fixed-income security, the greater its sensitivity to changes in interest rates. Interest rate changes also may increase prepayments of debt obligations, which in turn would increase prepayment risk. Securities with floating interest rates can be less sensitive to interest rate changes, but may decline in value if their interest rates do not rise as much as interest rates in general. As rates on certain floating rate loans and other debt securities reset only periodically, changes in prevailing interest rates (and particularly sudden and significant changes) can be expected to cause fluctuations in the portfolio's value.

#### **Inverse Floaters**

Inverse floaters (or inverse variable or floating rate securities) are a type of derivative, long-term fixed income obligation with a variable or floating interest rate that moves in the opposite direction of short-term interest rates. As short-term interest rates go down, the holders of the inverse floaters receive more income and, as short-term interest rates go up, the holders of the inverse floaters receive less income. Variable rate securities provide for a specified periodic adjustment in the interest rate, while floating rate securities have interest rates that change whenever there is a change in a designated benchmark rate or the issuer's credit quality. While inverse floater securities tend to provide more income than similar term and credit quality fixed-rate bonds, they also exhibit greater volatility in price movement (both up and down). There is a risk that the current interest rate on variable and floating rate securities may not accurately reflect current market interest rates or adequately compensate the holder for the current creditworthiness of the issuer. Some variable or floating rate securities are structured with liquidity features and some may include market dependent liquidity features which may present greater liquidity risk.



**Investment Strategy Risk**

The portfolio manager uses the principal investment strategies and other investment strategies to seek to achieve the portfolio's investment objective. There is no assurance that the portfolio will achieve its investment objective. Investment decisions made by the portfolio manager in using these strategies may not produce the returns expected by the portfolio manager, may cause the portfolio to lose value or may cause the portfolio to underperform other portfolios with similar investment objectives.

**Issuer Risk**

An issuer may perform poorly, and therefore, the value of its securities may decline, which would negatively affect the portfolio's performance. Poor performance may be caused by poor management decisions, competitive pressures, breakthroughs in technology, reliance on suppliers, labour problems or shortages, corporate restructurings, fraudulent disclosures or other events, conditions or factors.

**Large Unitholder Risk**

To the extent a large proportion of the units of the Portfolio are held by a small number of unitholders the Portfolio is subject to the risk that these unitholders will purchase or redeem units of the Portfolio in large amounts frequently or unexpectedly. These transactions could adversely affect the ability of the portfolio to conduct its investment program. For example, they could force the Portfolio to sell portfolio securities or purchase portfolio securities unexpectedly and incur substantial transaction costs. The Portfolio may also tend to hold a larger proportion of its assets in cash in anticipation of large redemptions, and may hold large amounts in cash pending investment in securities, diluting unitholder returns. See "Significant Withdrawal Risk," below.

**Leverage Risk**

Leverage occurs when the portfolio increases its assets available for investment using borrowings, short sales, derivatives, or other instruments or techniques. Due to the fact that short sales involve borrowing securities and then selling them, the portfolio's short sales effectively leverage the portfolio's assets. The use of leverage creates certain risks for the portfolio, including the greater likelihood of higher volatility of the portfolio's return. Changes in the value of the portfolio's securities will have a disproportionate effect on the portfolio value when leverage is used. The portfolio's assets that are used as collateral to secure the short sales may decrease in value while the short positions are outstanding, which may force the portfolio to use its other assets to increase the collateral. Leverage can also create an interest expense that may lower the portfolio's overall returns. There is no guarantee that a leveraging strategy will be successful.

**Limited Investment Program Risk**

The Portfolio is not intended to be a complete investment program, but rather is intended for investment as part of a diversified investment portfolio. Investors should consult their own advisers as to the role of the Portfolio in their overall investment programs.

**Liquidity Risk**

Liquidity risk is the risk associated with a lack of marketability of securities which may make it difficult or impossible to sell the security at desirable prices in order to minimize loss. The portfolio may have to lower the selling price, sell other investments, or forego another, more appealing investment opportunity.

**Market Risk**

The market value of securities may fall or fail to rise. Market risk may affect a single issuer, sector of the economy, industry, or the market as a whole. The market value of securities, floating rate loans and currencies may fluctuate, sometimes rapidly and unpredictably. Market risk is generally greater for small and mid-sized companies, which tend to be more vulnerable than large companies to adverse developments. In addition, focus on a particular style (for example growth or value securities), may cause the portfolio to underperform other portfolios if that style falls out of favour with the market.

**Market Disruption and Geopolitical Risk**

The Portfolio is subject to the risk that geopolitical events will disrupt securities markets and adversely affect global economies and markets. War, terrorism, and related geopolitical events have led, and in the future may lead, to increased short-term market volatility and may have adverse long-term effects on Canadian and world economies and markets generally. Likewise, systemic market dislocations may be highly disruptive to economies and markets. Those

events as well as other changes in foreign and domestic economic and political conditions also could adversely affect individual issuers or related groups of issuers, securities markets, interest rates, credit ratings, inflation, investor sentiment, and other factors affecting the value of the Portfolio's investments. Continuing uncertainty as to the status of the Euro and the European Monetary Union (the "EMU") has created significant volatility in currency and financial markets generally. Any partial or complete dissolution of the EMU, or any continued uncertainty as to its status, could have significant adverse effects on currency and financial markets, and on the values of the Fund's portfolio investments.

### **Master Limited Partnership Risk**

An investment in an MLP exposes the account to the legal and tax risks associated with investing in partnerships. MLPs may have limited financial resources, their securities may be relatively illiquid, and they may be subject to more erratic price movements because of the underlying assets they hold.

### **Mortgage-Backed Securities Risk**

The value of mortgage-backed securities may be affected by, among other things, changes or perceived changes in: interest rates, factors concerning the interests in and structure of the issuer or the originator of the mortgages, the creditworthiness of the entities that provide any supporting letters of credit, surety bonds or other credit enhancements, or the market's assessment of the quality of underlying assets. Mortgage-backed securities represent interests in, or are backed by, pools of mortgages from which payments of interest and principal (net of fees paid to the issuer or guarantor of the securities) are distributed to the holders of the mortgage-backed securities. Mortgage backed securities can have a fixed or an adjustable rate.

Payment of principal and interest on some mortgage-backed securities (but not the market value of the securities themselves) may be guaranteed (i) by the full faith and credit of the Government of Canada or by the U.S. Government (in the case of securities guaranteed by Canadian Housing and Mortgage Corporation or the Government National Mortgage Association) or (ii) by its agencies, authorities, enterprises or instrumentalities (in respect of the United States in the case of securities guaranteed by the Federal National Mortgage Association (FNMA) or the Federal Home Loan Mortgage Corporation (FHLMC)), which are not insured or guaranteed by the U.S. Government (although FNMA and FHLMC may be able to access capital from the U.S. Treasury to meet their obligations under such securities). Mortgage-backed securities issued by non-governmental issuers (such as commercial banks, savings and loan institutions, private mortgage insurance companies, mortgage bankers and other secondary market issuers) may be supported by various credit enhancements, such as pool insurance, guarantees issued by governmental entities, letters of credit from a bank or senior/subordinated structures, and may entail greater risk than obligations guaranteed by the Government of Canada or by the U.S. Government, whether or not such obligations are guaranteed by the private issuer. Mortgage-backed securities are subject to prepayment risk, which is the possibility that the underlying mortgage may be refinanced or prepaid prior to maturity during periods of declining or low interest rates, causing the fund to have to reinvest the money received in securities that have lower yields. In addition, the impact of prepayments on the value of mortgage-backed securities may be difficult to predict and may result in greater volatility. Rising or high interest rates tend to extend the duration of mortgage-backed securities, making them more volatile and more sensitive to changes in interest rates.

### **Municipal Securities Risk**

Municipal securities are debt obligations generally issued to obtain funds for various public purposes, including general financing for local governments, or financing for a specific project or public facility. Municipal securities may be fully or partially backed by the taxing authority of the local government, by the credit of a private issuer, by the current or anticipated revenues from a specific project or specific assets or by domestic or foreign entities providing credit support, such as letters of credit, guarantees or insurance, and are generally classified into general obligation bonds and special revenue obligations. General obligation bonds are backed by an issuer's taxing authority and may be vulnerable to limits on a government's power or ability to raise revenue or increase taxes. They may also depend for payment on legislative appropriation and/or funding or other support from other governmental bodies.

In the U.S. revenue obligation bonds may also be issued. Revenue Obligations are payable from revenues generated by a particular project or other revenue source, and are typically subject to greater risk of default than general obligation bonds because investors can look only to the revenue generated by the project or other revenue source backing the project, rather than to the general taxing authority of the local government issuer of the obligations.

Because many municipal securities are issued to finance projects in sectors such as education, health care, transportation and utilities, conditions in those sectors can affect the overall municipal market.

Municipal securities issued in the United States pay interest that, in the opinion of the portfolio managers bond counsel, is free from U.S. federal income tax (and, in some cases, the federal alternative minimum tax). There is no assurance that the Internal Revenue Service (IRS) will agree with this opinion. In the event the IRS determines that the issuer does not comply with relevant tax requirements, interest payments from a security could become federally taxable, possibly retroactively to the date the security was issued, and the value of the security would likely fall.

#### **No Guarantee of Performance**

All investments involve risk (the amount of which may vary significantly), and investment performance can never be predicted or guaranteed, even when employing very conservative strategies such as those employed by money market mutual funds or other accounts that seek preservation of capital. The market value of client assets will fluctuate due to market conditions and other factors, such as liquidity and volatility. The assumptions associated with certain investment strategies that are derived and tested over longer periods (e.g., quantitative strategies) may not be meaningful, and such strategies may demonstrate relative weakness, during periods of unprecedented market conditions, since, by definition, those conditions may not be reflected in any historical data or research conducted to create the strategies.

#### **Preferred Security Risk**

Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure and therefore will be subject to greater credit risk than those debt instruments.

#### **Portfolio Turnover Risk**

The portfolio manager may actively and frequently trade securities in the portfolio to carry out its principal strategies. A high portfolio turnover rate increases transaction costs, which may increase the portfolio's expenses. Frequent and active trading may also cause adverse tax consequences for investors in the portfolio due to an increase in short-term capital gains.

#### **Prepayment and Extension Risk**

Prepayment and extension risk is the risk that a loan, bond or other security might be called or otherwise converted, prepaid or redeemed before maturity. This risk is primarily associated with asset-backed securities, including mortgage backed securities and floating rate loans. If a loan or security is converted, prepaid or redeemed before maturity, particularly during a time of declining interest rates or spreads, the portfolio managers may not be able to invest the proceeds in securities or loans providing as high a level of income, resulting in a reduced yield to the portfolio. Conversely, as interest rates rise or spreads widen, the likelihood of prepayment decreases. The portfolio managers may be unable to capitalize on securities with higher interest rates or wider spreads because the portfolio's investments are locked in at a lower rate for a longer period of time.

#### **Prime Broker Concentration Risk**

If a portfolio intends to use a single prime broker for its securities settlement and short sales, the prime broker may also have custody of some or all of the assets of the portfolio. The portfolio will be dependent on the prime broker's ability to locate securities for borrowing. It will also depend on the prime broker to return the portfolio's assets when required pursuant to the prime broker agreement.

#### **Private Issuer Risk**

There are risks associated with investing in private issuer securities. There is typically much less publicly available information concerning private issuers than for public issuers. The valuation of private issuer securities is also more subjective and such securities are very illiquid as there are no established markets for such securities. As a result, in order to sell this type of holding, the portfolio may need to discount the securities from recent prices or dispose of the securities over a long period of time.

#### **Provincial Obligations Risk**

The provincial market can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of provincial securities. Certain provincial governmental entities may experience extreme

financial pressures in response to financial and economic and other factors, and may be, or be perceived to be, unable to meet all of their obligations in respect of bonds issued or guaranteed by them.

### **Quantitative Model Risk**

Securities selected using quantitative methods may perform differently from the market as a whole for many reasons, including the factors used in building the quantitative analytical framework, the weights placed on each factor, and changing sources of market returns, among others. In some instances, a quantitative methodology may only have been tested using historical market data. There can be no assurance that these methodologies will enable the portfolio to achieve its objective.

### **Regulatory Uncertainty**

Recent market events are likely to result in significant regulatory reform, which could impact the way the portfolio manager operates their business or pursue client objectives. For example, from September 19 – October 3, 2008, due to market events, the US Securities and Exchange Commission took temporary emergency action to prohibit short selling in over 800 financial services companies. Similar action was taken by regulators in other countries. This short sale ban imposed temporary limitations on their ability to fully implement certain investment strategies. There is no guarantee that similar limitations or other regulatory constraints will not be imposed in the future.

### **Real Estate Industry and Real Estate Investment Trust (REIT) Risk**

A portfolio that invests in securities of companies operating in the real estate industry and REITs, the portfolio is more susceptible to risks associated with the ownership of real estate and the real estate industry in general. These risks can include fluctuations in the value of the underlying properties, defaults by borrowers or tenants, market saturation, decreases in market rates for rents, and other economic, political, or regulatory occurrences affecting the real estate industry, including REITs. REITs depend upon specialized management skills, may have limited financial resources, may have less trading volume, and may be subject to more abrupt or erratic price movements than the overall securities markets. REITs are also subject to the risk of failing to qualify for tax-free pass-through of income. Some REITs (especially mortgage REITs) are affected by risks similar to those associated with investments in debt securities including changes in interest rates and the quality of credit extended.

### **Reinvestment Risk**

Reinvestment risk is the risk that the portfolio will not be able to reinvest income or principal at the same rate it is currently earning.

### **Repurchase Obligations (“Repo”) / Dollar Rolls Risk**

Repurchase Obligations and or dollar rolls are transactions in which the portfolio sells securities to a counterparty and simultaneously agrees to purchase those or similar securities in the future at a predetermined price. Repos and dollar rolls involve the risk that the market value of the securities the portfolio is obligated to repurchase may decline below the repurchase price, or that the counterparty may default on its obligations. These transactions may also increase the portfolio’s portfolio turnover rate. If the portfolio reinvests the proceeds of the security sold, the portfolio will also be subject to the risk that the investments purchased with such proceeds will decline in value (a form of leverage risk).

### **Reverse Repurchase Obligations (“Reverse Repo”)**

A reverse repo is economically similar to a secured loan were a security received and cash is lent out. Though it is essentially a collateralized transaction where the reverse repo buyer may keep the security, and liquidate the security to recover the cash lent, the security, however, may have lost value since the outset of the transaction as the security is subject to market movements. To mitigate this risk, repos often are over-collateralized as well as being subject to daily mark-to-market margining.

### **Risks of Foreign/Emerging Markets Investing**

Foreign securities are securities of issuers based outside of Canada. An issuer is deemed to be based outside the Canada if it is organized under the laws of another country. Foreign securities are primarily denominated in foreign currencies. In addition to the risks normally associated with domestic securities of the same type, foreign securities are subject to the following risks: *Country risk* includes the risks associated with the political, social, economic, and other conditions or events occurring in the country. These conditions include lack of publicly available information, less government

oversight (including lack of accounting, auditing, and financial reporting standards), the possibility of government-imposed restrictions, and even the nationalization of assets. The liquidity of foreign investments may be more limited than Canadian investments, which means that at times it may be difficult to sell foreign securities at desirable prices. *Currency risk* results from the constantly changing exchange rate between local currency and the Canadian dollar. Whenever the portfolio holds securities valued in a foreign currency or holds the currency, changes in the exchange rate add to or subtract from the value of the investment.

*Custody risk* refers to the risks associated with the clearing and settling of trades. Holding securities with local agents and depositories also has risks. Low trading volumes and volatile prices in less developed markets make trades harder to complete and settle. Local agents are held only to the standard of care of the local market, which are less reliable than the Canadian markets. Governments or trade groups may compel local agents to hold securities in designated depositories that are not subject to independent evaluation. The less developed a country's securities market is, the greater the likelihood of problems occurring.

*Emerging markets risk* includes the dramatic pace of change (economic, social and political) in these countries as well as the other considerations listed above. These markets are in early stages of development and are extremely volatile. They can be marked by extreme inflation, devaluation of currencies, dependence on trade partners, and hostile relations with neighbouring countries.

### **Risk of Investment in Other Pools**

If the Portfolio invests in another fund, it is exposed to the risk that the underlying fund will not perform as expected. The Portfolio is exposed indirectly to all of the risks applicable to an investment in the underlying fund. The investment policies and limitations of the underlying fund may not be the same as those of the Portfolio; as a result, the Portfolio may be subject to additional or different risks, or may achieve a reduced investment return, as a result of its investment in an underlying fund. The Portfolio bears its proportionate risk of the expenses of an underlying fund pool in which it invests.

### **Securities Lending Risk**

Securities lending involves lending for a fee portfolio securities held by a Portfolio for a set period of time to willing, qualified borrowers who have posted collateral. The fund has entered into a securities lending arrangement in accordance with applicable securities legislation. In lending its securities a fund is subject to the risk that the borrower may not fulfil its obligations leaving the fund holding collateral worth less than the securities it has lent, resulting in a loss to the fund. To limit this risk a fund must hold collateral worth no less than 102% of the value of the loaned securities and the amount of collateral is adjusted daily to ensure this level is maintained.

### **Short Selling Risk**

Short selling involves selling a security the portfolio does not own in anticipation that the security's price will decline. The portfolio must borrow those securities to make delivery to the buyer. The portfolio may not always be able to borrow a security it wants to sell short. The portfolio will suffer a loss if it sells a security short and the value of the security rises rather than falls. It is possible that the portfolio's long positions will decline in value at the same time that the value of its short positions increases, thereby increasing potential losses to the portfolio. Short sales expose the portfolio to the risk that it will be required to buy the security sold short (also known as "covering" the short position) at a time when the security has appreciated in value, thus resulting in a loss to the portfolio. The portfolio may also be required to close out a short position at a time when it might not otherwise choose, for example, if the lender of the security calls it back, which may have the effect of reducing or eliminating potential gain, or cause the portfolio to realize a loss. Short positions introduce more risk to the portfolio than long positions (purchases) because the maximum sustainable loss on a security purchased (held long) is limited to the amount paid for the security plus the transaction costs, whereas there is no maximum attainable price of the shorted security. Therefore, in theory, securities sold short have unlimited risk. Additionally, a portfolio's use of short sales in effect "leverages" the portfolio, as the portfolio may use the cash proceeds from short sales to invest in additional long positions. This leverage effect potentially exposes the portfolio to greater risks due to unanticipated market movements, which may magnify losses and increase the volatility of returns. In addition, a portfolio will incur additional expenses by engaging in short sales in the form of transaction costs, and interest and dividend expenses paid to the lender of the security.

### **Significant Withdrawal Risk**

A significant withdrawal of capital from the Portfolio may affect the Portfolio and its investors adversely. For example, the Portfolio may be required to sell its more liquid portfolio investments to meet a large redemption; the Portfolio's remaining assets may be less liquid, more volatile, and more difficult to price. Integra Capital Limited may, with the

consent of the Ontario Securities Commission, has the authority to limit redemptions from the Portfolio (potentially for an extended period of time) and to determine whether to make any such redemptions in cash, in kind, or partly in cash and partly in kind. Any limitation on redemptions may be imposed in response to market factors or actual or anticipated redemption activity, which may occur suddenly or unpredictably; investors in the Portfolio may not receive prior notice of any such limitations (and may not receive notice of the imposition of any such limitation for some time after its imposition). As a result, you may not be able to redeem your investment in the Portfolio at any particular time or on the terms you might otherwise expect.

### **Small and Mid-Sized Company Risk**

Investments in small and medium sized companies often involve greater risks than investments in larger, more established companies because small and medium companies may lack the management experience, financial resources, product diversification, experience and competitive strengths of larger companies. Securities of small and medium companies may trade on the over-the-counter market or on regional securities exchanges and the frequency and volume of their trading may be substantially less and may be more volatile than is typical of larger companies.

### **Special Situations Risk**

Securities of companies that are involved in an initial public offering or a major corporate event, such as a business consolidation or restructuring, may present special risk because of the high degree of uncertainty that can be associated with such events. Securities issued in initial public offerings often are issued by companies that are in the early stages of development, have a history of little or no revenues and may operate at a loss following the offering. It is possible that there will be no active trading market for the securities after the offering, and that the market price of the securities may be subject to significant and unpredictable fluctuations. Investing in special situations may have a magnified effect on the performance of portfolios with small amounts of assets.

### **Sovereign Default Risk**

The risk that a government of a country (or an agency backed by a government) will refuse to comply with the terms of a loan agreement during economically difficult or politically volatile times can result in a leading to possible default.

### **Strategy-Specific Risks**

Clients should also consider risks associated with the investment mandate you have engaged us to implement. Each client should consider those risks in its decision to engage us and in connection with the client's overall investment program. A consultant or financial advisor engaged to evaluate a client's overall investment program can assist clients with an evaluation of risks associated with investment strategies.

### **Tax Risk**

The Portfolio may be subject to Canadian or non-Canadian income taxes, including, without limitation, non-Canadian withholding taxes. In addition, an investment in the may give rise to unrelated business taxable income. Investors should consult their tax advisors.

### **U.S. Government Obligations Risk**

U.S. Treasury obligations are backed by the "full faith and credit" of the U.S. Government and generally have negligible credit risk. Securities issued or guaranteed by federal agencies or authorities and U.S. Government-sponsored instrumentalities or enterprises may or may not be backed by the full faith and credit of the U.S. Government. For example, securities issued by the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association and the Federal Home Loan Banks are neither insured nor guaranteed by the U.S. Government. These securities may be supported by the ability to borrow from the U.S. Treasury or only by the credit of the issuing agency, authority, instrumentality or enterprise and, as a result, are subject to greater credit risk than securities issued or guaranteed by the U.S. Treasury.

### **Valuation Risk**

Integra's portfolios are valued by the CIBC Mellon Trust Company. CIBC Mellon will value the Portfolio assets periodically at market value, based on market quotations. All or a portion of the assets may be valued by (other than a interests in a securities lending collateral pool) at fair value using prices provided by a pricing service or, alternatively, a broker-dealer or other market intermediary (sometimes just one broker-dealer or other market intermediary) when other reliable pricing sources may not be available or are considered by CIBC Mellon to be unreliable. If information is available from none of those sources or CIBC Mellon considers it unreliable, Integra

Capital Limited may value the Portfolio's assets based on such other information as Integra Capital Limited considers appropriate. There can be no assurance that such valuations will accurately reflect the price the Portfolio would receive upon sale of a security, and to the extent the Portfolio sells a security at a price lower than the valuation it has been using, its net asset value will be adversely affected. There may be an increased variance between the return of a particular portfolio and the return of the applicable Index due to differences between the Index pricing source and the pricing source utilized to price the Portfolio. When the Portfolio invests in other funds it will generally value its investments in those funds based on the valuations determined by the funds, which may not be the same as if the assets of the funds had been valued using the procedures employed by the Portfolio to value its own assets.

**Value Securities Risk**

Value securities involve the risk that such securities may never reach what the portfolio managers believe is their full market value either because the market fails to recognize the stock's intrinsic worth or the portfolio managers misgauged that worth. They also may decline in price, even though in theory they are already undervalued. Because different types of stocks tend to shift in and out of favour depending on market and economic conditions, the portfolio's performance may sometimes be lower or higher than that of other types of portfolios (such as those emphasizing growth stocks).

**Warrants Risk**

With regard to investment in warrants investors should note that the gearing effect of investment in warrants and the volatility of warrant prices make the risk attached to the investment in warrants higher than in the case with investment in equities.

**Wrap Contract Risk**

As the value of the securities in a stable value strategy will fluctuate, there is the risk that investors will lose money if the portfolio cannot enter into wrap contracts covering all the assets, or if the wrap issuers cannot meet their obligations.

**Zero-Coupon Bonds Risk**

Zero-coupon bonds are bonds that do not pay interest in cash on a current basis, but instead accrue interest over the life of the bond. As a result, these securities are issued at a discount and their values may fluctuate more than the values of similar securities that pay interest periodically. Although these securities pay no interest to holders prior to maturity, interest accrued on these securities is reported as income.