SEAMARK FIXED INCOME MANDATE

SEAMARK's investment philosophy recognizes that Fixed Income investments represent an important foundation for investors. Accordingly, SEAMARK manages fixed income assignments in a prudent manner, emphasizing **safety of principal** and **reliability of income**. SEAMARK focuses on investing in issues of superior **credit quality** and **liquidity**, while managing **duration** within a conservative range to enhance returns through moderate capital gains under appropriate market conditions.

To be eligible for purchase, fixed income securities must pass three hurdles:

- Unless another minimum rating is agreed to with the client, the security must be rated BBB (low) or better by Dominion Bond Rating Service (or the equivalent by another recognized debt rating agency).
- The company must pass SEAMARK's internal standards for credit-worthiness where, upon independent review, the fixed income team is satisfied that the possibility for default by the company is effectively zero over the time horizon of the investment.
- The characteristics of the particular issue are carefully reviewed to ensure the issue offers attractive protection and rate of return attributes and will be sufficiently liquid to allow the subsequent sale of the security at a reasonable price, should this prove necessary.

Portfolio construction strategy is determined by SEAMARK's fixed income professionals, working together as a team. Based on an assessment of relevant economic data, including macro-economic data and bond market conditions, the team forecasts where each area of the yield curve will be in three months and twelve months time.

From these **expected yield curves**, the team is able to assess the potential rewards and potential risks from being invested in each area of the yield curve. This in turn determines, for each of SEAMARK's fixed income portfolios:

- The **preferred structure** of the fixed income portfolio (bullet, barbell, laddered, etc.) based on the relative attractiveness of each area of the yield curve.
- The **average term-to-maturity** and modified duration, which is maintained within a conservative range differing by no more than 2.0 years from the modified duration of the SC Universe Bond Index.
- The **relative weighting** of corporate, provincial, and federal bonds.