

# Conflicts of interest disclosure, Canada



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## Table of Contents

A.	Background .....	1
B.	Identifying and Addressing Material Conflicts of Interest .....	2
C.	Disclosure of Material Conflicts of Interest .....	3
1)	Conflicts related to our financial interests and the financial interests of our affiliates.....	3
2)	Related Issuer or Connected Issuer of SLC Management .....	4
3)	Proprietary Products .....	4
4)	Investments In Issuers That Are Clients .....	4
5)	Cross Trades Involving SMAs.....	4
6)	Allocation of Investment Opportunities .....	5
7)	Best Execution.....	5
8)	Pricing and Valuation .....	6
9)	Trade Error Correction .....	6
10)	Net Asset Value (NAV) Errors .....	6
11)	Expense Allocation .....	7
12)	Internal Compensation Arrangements and Incentives.....	7
13)	Referral Arrangements .....	7
14)	Outside Activities.....	8
15)	Common Representatives .....	8
16)	Personal Trading. ....	9
17)	Gifts and Entertainment.....	9
18)	Conflicts Related to Investment Consultants.....	9
D.	Disclosure of material conflicts of interest specific to our Funds and Related party transactions .....	10
	Participations with SLA .....	12
	Co-investment or Co-owned Assets .....	12
	Related Service Providers .....	13

### A. Background

The SLC Management group of institutional investment management companies includes Sun Life Capital

Management (Canada) Inc. (SLC Management). SLC Management is a subsidiary of Sun Life Financial Inc. (Sun Life). SLC Management was established to provide asset management products and services to institutional third parties through funds that invest in various asset classes (Funds), and separately managed accounts (SMAs) that may include liability-driven investment strategies (LDIs). SLC Management provides these products and services to pension plans and other institutional investors.

SLC Management's principal regulator is the Ontario Securities Commission (OSC). SLC Management is registered as a Portfolio Manager (PM), Investment Fund Manager (IFM), and Exempt Market Dealer (EMD) in all provinces and territories in Canada. SLC Management is also registered as a Commodity Trading Manager (CTM) in Ontario.

Canadian securities laws require SLC Management to make certain disclosures to clients regarding conflicts of interest.

## **B. Identifying and Addressing Material Conflicts of Interest**

A "conflict of interest" generally may arise where:

- the interests of different parties, such as the interests of a client and those of SLC Management or any of its employees, are inconsistent or divergent;
- SLC Management may be influenced to put its interests ahead of a client's interests; or
- monetary or non-monetary benefits or disadvantages to SLC Management may compromise the trust that a reasonable client has in SLC Management.

Generally, a conflict of interest is considered material if the conflict may be reasonably expected to influence either a client's decisions or SLC Management or its representatives' recommendations or decisions in the circumstances.

Canadian securities laws require SLC Management to:

- identify existing and reasonably foreseeable material conflicts of interest between a client and SLC Management or any individual acting on SLC Management's behalf,
- address all material conflicts of interest in the best interests of the client,
- avoid material conflicts of interest that cannot be otherwise addressed in the best interests of the client, and
- provide affected clients with disclosure of material conflicts of interest at account opening or in a timely manner if they are identified later.

We encourage all of our clients to read the disclosure below to understand the nature and extent of potential material conflicts of interest, and any potential impact and risks to you.

## C. Disclosure of Material Conflicts of Interest

- 1) *Conflicts related to our financial interests and the financial interests of our affiliates* SLC Management and its affiliates, at times, have financial interests in, or relationships with, companies whose securities or related instruments SLC Management holds, purchases or sells in its client accounts. Certain of these interests and relationships are material to SLC Management or to the Sun Life enterprise. At any time, these interests and relationships could be inconsistent, or in potential or actual conflict, with positions held or actions taken by SLC Management on behalf of its client accounts.

For example:

- Our affiliates hold public and private debt and equity securities of a large number of issuers. We invest in some of the same issuers for our client accounts, but at different or overlapping levels in the capital structure. For example, a client or affiliate may invest in senior debt obligations of an issuer and another client or affiliate may invest in equity or junior debt obligations of the same issuer (either as subordinated debt or as a last out lender in a unitranche financing). A client or affiliate may also provide equity or debt financing for bids that are competing for the same transaction. As a result, the interests of certain of our clients (such as debt holders) may at times be in conflict with the interest of other clients or affiliates (such as equity holders or other debt holders), particularly in circumstances where the underlying issuer is facing financial distress or in the case of competing bids. Our involvement at different or overlapping levels in the capital structure has the potential to raise the following conflicts: (i) determining appropriate investment terms, (ii) inhibiting the exchange of information among fellow creditors, (iii) prohibiting clients from exercising voting or other rights, (iv) increasing the likelihood of claims by other creditors, (v) determining whether payment obligations and covenants should be enforced, modified, or waived, or whether debt should be refinanced, (vi) deciding what action to pursue in troubled or distressed situations, including whether or not to pursue or initiate a restructuring or liquidation (inside or outside of bankruptcy), and the terms of any work-out or restructuring.
- We (or an affiliated advisor) enter into agreements with offshore clients to sell them assets off an affiliate's balance sheet. As a result, we (or our affiliated advisor) allocate additional assets to our affiliate anticipating that they will be sold to offshore clients. If the offshore clients decline to purchase an asset offered by our affiliate, then our affiliate will continue to hold the asset, meaning that our affiliate received a higher allocation of that asset than it otherwise would have had it not anticipated potentially selling it to offshore clients.

The financial interests described above may create the perception that SLC Management will act in the best interests of the SLC Management group and not in our clients' best interests, or that SLC Management will act in the best interests of one client over another client.

In general, conflicts related to the financial interests described above are addressed by application of our policies and procedures (many of which are described below) and that we make investment decisions for

each client independently considering the best interests of such client.

- 2) ***Related Issuer or Connected Issuer of SLC Management*** SLC Management may participate in the distribution of securities of a related or connected issuer to clients (as an EMD) or provide advice on investing in those securities (as a PM).

An issuer of securities is “related” to SLC Management if, through the ownership of, or direction or control over, voting securities, SLC Management exercises a controlling influence over that issuer, or that issuer exercises a controlling influence over SLC Management, or the same third party exercises a controlling influence over SLC Management and the issuer. For example, if SLC Management is a parent of a general partner of a Fund, the Fund would be a related issuer of SLC Management.

The relationships described above may create the perception that SLC management will act in the best interests of the SLC Management group and not in our clients’ best interests.

SLC Management ensures that disclosure about its related or connected issuers is provided in the offering documents of the Funds as well as, as applicable, in the disclosure that it gives new managed account clients and EMD investors.

SLC Management does not invest, on its own behalf or on the behalf of clients, in securities of Sun Life Financial Inc.

- 3) ***Proprietary Products*** Through its EMD registration, SLC Management only offers proprietary products (its own and those of its affiliates) to clients. This limits the availability of investment products to clients.

SLC Management endeavours to mitigate the risk of such limited product offerings by clearly documenting how its proprietary products fit within its business model and strategy, clearly outlining that its Funds are only available to institutional investors and by providing clear disclosure to clients.

- 4) ***Investments In Issuers That Are Clients*** SLC Management may, from to time, invest in the securities of one or more clients for the account of other clients or cause the Funds to invest in securities of issuers that are also clients of SLC Management. This may create the appearance that SLC Management is favoring securities of issuers that are its clients over securities of issuers that are not its clients.

SLC Management will only invest in the securities of one or more clients for the account of other clients or cause the Funds to invest in securities of issuers that are its clients if such investment is consistent with the investment objective and strategies of the SMA client or the Funds and is in the best interests of the SMA client or Funds with a view to dealing fairly, honestly and in good faith with the SMA clients or the Funds.

- 5) ***Cross Trades Involving SMAs*** On occasion, SLC Management may cause one client to purchase securities from or sell securities to another client advised by SLC Management (referred to as a cross-trade). Cross trades create potential conflicts as there may be an incentive for SLC

Management to ascribe a value to the securities at an amount that is greater than their actual value (especially in the context of illiquid securities) or favor one client over another client.

To address the potential conflicts and comply with Canadian securities laws, SLC Management has adopted policies and procedures which include: i) obtaining each SMA client's consent of the cross trade, and ii) periodic review and approval of each cross-trade to ensure it is executed at a fair price and in each client's best interest.

In addition, SLC Management has obtained exemptive relief from the OSC to permit certain Funds to engage in cross trade transactions (see below).

- 6) ***Allocation of Investment Opportunities*** There are certain asset classes where supply is limited, which may lead to conflicts regarding how SLC management should allocate these securities amongst client portfolios.

To address this potential conflict of interest, SLC Management has adopted a Fairness Policy and Trade Aggregation and Allocation of Orders policies and procedures that are intended to ensure that all client accounts are treated fairly and equitably over time. Pursuant to these policies, it is not permissible to allocate or re-allocate an order to enhance the performance of one account over another. It is also not permissible to favour any account over another. We conduct periodic reviews to ensure that allocation decisions are compliant with our policies and procedures.

The allocation of investment opportunities between accounts is managed in a manner that seeks to achieve a fair and equitable result, with consideration given to factors such as the account's relative size, its investment objective, its portfolio composition and the capacities of all accounts as outlined in SLC Management's policies.

- 7) ***Best Execution.*** Unless otherwise directed by a client in writing, all decisions as to the purchase and sale of securities for an account managed by SLC Management and all decisions as to the execution of portfolio transactions, including the selection of execution venues, the broker-dealer and the negotiation, where applicable, of commissions or spreads, will be made by SLC Management.

SLC Management uses third party dealers to execute trades on behalf of the Funds and managed accounts, but SLC Management also may have other relationships with them. It is possible that SLC Management may be biased in its selection of broker-dealers based on these relationships, or by certain incentives offered by some broker-dealers. This may result in the commissions paid by SLC Management's clients, including the Funds, being somewhat higher than those that might be charged by different dealers.

In selecting broker-dealers to effect portfolio transactions for the Funds or managed accounts, SLC Management has a fiduciary duty to seek to obtain best execution (that is, the most advantageous execution terms reasonably available under the circumstances, which may not necessarily be the lowest price). In selecting broker-dealers, SLC Management assesses each broker-dealer's order execution capabilities

(which involves a number of factors, including execution price, speed of execution, certainty of execution, and overall cost of the transaction) and research products and services. SLC Management uses the same criteria in selecting all of its broker-dealers, regardless of whether SLC Management has other relationships with them.

SLC Management maintains a list of approved broker-dealers that meet its requirements for execution. SLC Management performs periodic evaluations of order execution capabilities and products and services received from the approved broker-dealers and will update the list, as appropriate. SLC Management may select a broker-dealer from this list of approved broker-dealers, who may charge a commission or spreads in excess of that charged by other broker-dealers, if SLC Management determines in good faith that the commission is reasonable.

- 8) **Pricing and Valuation** SLC Management is responsible for the valuation and reconciliation of Fund and client portfolios to ensure the accuracy of the reporting of Fund or account values to investors and clients; the assessment of fees for the Funds and client accounts; and the calculation of Fund and account performance. SLC Management has retained a third-party service provider to value portfolio securities on its behalf, subject to oversight of SLC Management. For certain private assets, SLC Management conducts valuation internally.

There is a potential conflict of interest associated with portfolio valuation, as the valuation of client accounts and Funds' portfolios generally influences both the amount of fees that SLC Management may receive (where fees are based on a percentage of the assets under management) and the performance of the portfolio.

SLC Management has established policies and procedures designed to ensure a reasonable valuation framework and consistent approach to determining the fair value of each asset held in a client account or Fund portfolio.

- 9) **Trade Error Correction** A trade error is an inadvertent error in the placement, execution or settlement of a transaction. A trade error is not an intentional or reckless act of misconduct, or an error of judgment. The potential impact and risk of this conflict is that SLC Management may be motivated to pass the cost of an error to the client or to a Fund, rather than have the cost absorbed by SLC Management.

SLC Management makes reasonable efforts to keep trade errors to a minimum and ensure fairness to the Funds and accounts it manages with respect to protection from errors made within their account. When a trade error occurs, a client will keep any resulting gain or SLC Management will reimburse the client for any material loss. Where more than one transaction is involved in an error, the gain will be determined net of any associated loss. Although errors or issues are an inevitable by-product of the operational process, SLC Management strives to establish controls and processes that are designed to reduce the possibility of their occurrence.

- 10) **Net Asset Value (NAV) Errors**

From time to time, errors may occur in calculating the NAV of the Funds. SLC Management may be motivated to determine that the error is not material and not correct the error, which could result in a loss to the client.

SLC Management has adopted policies to ensure that the correction of any NAV errors is handled in a fair and consistent manner, in consideration of the best interests of the Funds and their investors, and that any potential conflict of interest associated with the correction of a NAV error is effectively managed. When a material NAV error occurs, a client will keep any resulting gain or SLC Management will reimburse the client for any material loss.

### **11) Expense Allocation**

The charging and allocation of expenses among the Funds creates a potential conflict of interest because SLC Management could inappropriately charge expenses to benefit itself over the Funds or one fund over another.

SLC Management manages this conflict by ensuring that each Funds' Offering Memorandum clearly discloses the nature of the expenses charged to the Funds, and by establishing and following policies and procedures to ensure that expenses are charged and allocated among the Funds fairly and in accordance with the documentation establishing each fund.

**12) Internal Compensation Arrangements and Incentives** Certain internal compensation arrangements could have the potential to impact SLC Management's recommendation for clients to purchase certain products. For example, sales or revenue targets, performance of client accounts, financial performance of the fund (e.g., net income), and new assets/capital brought in at the firm level. SLC Management has put in place appropriate policies and procedures that address this conflict. More specifically, SLC Management employees' compensation is structured in a way that ensures that specific employees are not directly compensated for a particular sale. More specifically, internal compensation arrangements do not differ by specific product or service sold or by account or client type. There are also policies and procedures in place to ensure that employees understand and follow appropriate sales and marketing activities that are in line with local and jurisdictional guidelines (e.g., Gifts and Entertainment guidelines).

### **13) Referral Arrangements**

SLC Management may engage in certain referral arrangements between it and affiliated entities to provide its clients with access to additional products. The potential impact of SLC Management entering into a referral arrangement is that the advisor may be incentivized to recommend that a client use an affiliate to receive the referral fee when the referral is not in the client's best interests.

To mitigate the potential conflict, before making a referral, SLC Management will take reasonable steps to ensure that the referral is reasonable to meet the client's needs and investment objectives. Moreover, all referral arrangements will be designed in such a manner as not to result in additional fees to the client and will be clearly disclosed before or at the time the referred services are provided. The compensation for such referrals is consistent with SLC Management's internal compensation structures.

**14) Outside Activities** At times, certain of our employees or officers (SLC Management's representatives) may participate in activities outside of their employment with SLC Management, such as serving on a board of directors, participating in community events or pursuing personal outside business interests, whether paid or unpaid. A potential conflict can arise from a representative of SLC Management engaging in such activities as a result of compensation received, the time commitment required, or the position held by the representative in respect of these outside activities. The potential conflict is that these outside activities may call into question the representative's ability to carry out their responsibilities to a client or Fund or properly service the client or Fund; there may be confusion which entity(ies) the representative is acting for when providing services to the client or Fund and/or if the outside activity places the representative in a position of power or influence over the client, Fund or its investors.

An additional conflict may arise when a representative obtains material non-public information about an issuer as a result of their outside activity as this could restrict SLC Management from trading the securities of certain issuers in client or Fund portfolios.

SLC Management addresses these conflicts by requiring all representatives to disclose any proposed outside activities to us prior to engaging in such activities. Representatives are prohibited from engaging in any outside activity, including acting as a director, without SLC Management's prior approval. SLC Management will only approve an outside activity if the activity will not interfere with the proper discharge of the individual's duties to SLC Management, its clients and the Funds. SLC Management is also required to report certain of these outside activities to securities regulators.

**15) Common Representatives** SLC Management and its affiliates may have common directors, officers, employees and agents, including representation by common legal and tax advisers (Common Representatives). In addition, certain registered individuals within SLC Management may also be registered with other related registered firms. As a result, these Common Representatives will have obligations or allegiances to other Sun Life entities (outside activities) that may conflict with their duties to a Fund or SMA. This may create the perception that the Common Representatives will act in the best interests of a member of the SLC Management group and not in the best interests of our clients or the Funds.

Under Canadian securities law, we are required to inform our clients: (a) if a registered individual of SLC Management is also a registered individual of another registered firm; and (b) of the policies and procedures adopted by SLC Management to minimize the potential for conflicts of interest that may result from the dual registration.

Although the resolution of conflicts of interest will depend on the nature of the conflict and the facts and circumstances of the situation, SLC Management will resolve all such conflicts in the best interests of clients and the Funds and by exercising its judgment in good faith. As described above under Outside activities, SLC Management has established policies and procedures to address this conflict. For example, SLC Management does not compensate Common Representatives in a way that might cause them to prefer one Sun Life entity over another.

In addition, although SLC Management is under common ownership with other members of the Sun Lifegroup and may from time to time have directors and officers in common with these other entities, SLC

Management is a separate and distinct corporate entity. Any relationships that a SLC Management director or officer might have with another Sun Life group entity do not raise material conflicts as none of these individuals are in a position to personally influence clients of SLC Management to invest in any of the investment products of the SLC Management group.

**16) Personal Trading.** Employees who are involved in the investment decision making process for SMAs or Funds or who have access to trade information may have conflicting personal interests regarding investments that they (or persons connected with them) hold. Employees could become aware of material non-public information and could use that information for their own benefit rather than for the benefit of SLC Management or its clients.

SLC Management has a Code of Ethics and Personal Trading policies and procedures, which set out certain expected standards of conduct for our employees. These policies and procedures include restrictions on personal trading, which are designed to avoid trades that violate securities laws (such as insider trading) or create a conflict of interest between the employee and SLC Management's clients or Funds.

**17) Gifts and Entertainment** It is common in building and maintaining business relationships that there may be exchanges of courtesy such as meals, gifts and entertainment. However, conflicts may arise when these courtesies compromise, or appear to compromise, SLC Management's ability to make fair and objective business decisions.

To manage this perceived conflict of interest, SLC Management has adopted a Code of Ethics, which prohibits its representatives from accepting gifts or entertainment beyond what SLC Management considers consistent with reasonable business practice and applicable laws. SLC Management sets maximum thresholds for permitted gifts and entertainment to address the perception that gifts or entertainment will influence decision-making.

**18) Conflicts Related to Investment Consultants** SLC Management maintains a number of relationships with external investment consultants, which may lead to SLC Management obtaining clients through such relationships. A potential conflict may arise when there are competing interests between a consultant and a client, or if a client decides to no longer use a particular consultant.

Many of our clients and prospective clients retain investment consultants (including discretionary investment management and outsourced chief investment officer or "OCIO" providers) to advise them on the selection and review of investment managers (including with respect to the selection of investment funds). We have dealings with these investment consultants in their roles as discretionary managers or non-discretionary advisers to their clients. We also have independent business relationships with investment consultants.

- We provide investment consultants with information about accounts that we manage for their clients (and similarly, we provide information about funds in which such clients are invested), in each case pursuant to authorization from the applicable client. We also provide information regarding our investment strategies to investment consultants, who use that information in

connection with searches that they conduct for their clients. We often respond to requests for proposals in connection with those searches.

Other interactions we may have with investment consultants include the following:

- from time to time, we invite investment consultants to events or other entertainment hosted by us;
- we may purchase software applications, market data, access to databases, technology services and other products or services from certain investment consultants; and
- we subscribe to forums, news updates and conferences organized by investment consultants.

SLC Management will provide a client with information about its relationship with a client's investment consultant upon request. In general, we rely on the investment consultant to make the appropriate disclosure to its clients of any conflict that the investment consultant believes to exist due to its business relationship with us.

#### **D. Disclosure of material conflicts of interest specific to our Funds and Related party transactions**

##### *Transactions with Sun Life Assurance Company of Canada (SLA)*

SLC Management may cause certain Funds to purchase assets from Sun Life Assurance Company of Canada (SLA), an affiliate of SLC Management. This creates a potential conflict as there may be an incentive for SLC Management to cause the Fund to pay SLA an amount for the assets that is greater than their actual value.

SLC Management obtained exemptive relief permitting it to engage in such transactions on behalf of certain Funds with SLA, subject to certain conditions, including those that are intended to address potential conflicts, including the requirement to obtain independent valuation of the assets and referring the transactions to the Independent Review Committee (IRC) of the applicable Fund for approval on the basis that they would achieve a fair and reasonable result for each Fund.

##### *Cross-Trade Between Funds and In Specie Transactions*

On occasion, SLC Management may determine that it is in the best interest of a Fund to permit *in specie* transactions for subscriptions and redemptions (a "In Specie Transaction"), or to purchase or sell securities to or from another Fund or similar future pooled investment vehicle or investment fund advised by SLC Management (a "Cross-Trade Transaction"). However, certain transactions are prohibited under National Instrument 31-103 *Registration Requirements, Exemptions and Ongoing Registrant Obligations* ("NI 31-103") unless an exemptive relief order is obtained, including transactions involving the purchase or sale of portfolio securities from or to a responsible person (as that term is defined in NI 31-103), an associate of a responsible person, or an investment fund for which a responsible person acts as an adviser.

As such, SLC Management has obtained exemptive relief decisions from provincial securities regulators to

permit the Funds to engage in: (a) In Specie Transactions (“In-Specie Relief”); and (b) Cross-Trade Transactions (the “Cross-Trade Relief”) of private fixed income securities and mortgages, including where the private fixed income securities and mortgages were originally acquired pursuant to the Principal and In-Specie Trading Relief, or originated by a Fund that is not an investment fund (through SLC Management or an affiliate acting on behalf of the Fund), such that the initial Cross-Trade Transaction after such origination is a principal trade.

SLC Management may rely on the In-Specie Relief, provided that certain conditions are met, including obtaining prior written consent from the client whose assets are involved in the In-Specie Transaction. SLC Management has established written policies and procedures to provide a framework for effecting such In-Specie Transactions in compliance with the conditions of the In-Specie Relief.

SLC Management may rely on the Cross-Trade Relief, provided that certain conditions are met, including referring the Cross-Trade Transaction for approval to the IRC of the Funds that has been established. The Manager is relying on the Cross-Trade Relief to effect Cross-Trade Transactions for applicable funds and has established written policies and procedures to provide a framework for effecting such transactions in compliance with the conditions of the Cross-Trade Relief. Such conditions include:

- securities of each Fund are sold pursuant to available exemptions from the prospectus requirements only to Permitted Investors (i.e., “permitted clients”, other than managed accounts, unless the managed account client is otherwise a permitted client, or “accredited investors” who are either: executive officers and directors of the Manager or its affiliates, or their permitted assigns; or, employees or consultants of the Manager or its affiliates that are directly involved in the provision of management, distribution or portfolio advisory services to the Funds, or their permitted assigns);
- the Cross-Trade Transaction is consistent with the investment objectives of each Fund involved in the trade;
- the Cross-Trade Transaction is effected in accordance with Section 6.1(2) of National Instrument 81-107 Independent Review Committee of Investment Funds (“NI 81-107”), other than where the Cross-Trade Transaction involves mortgages or private fixed income securities since the requirements that (i) the bid and ask price of the security are readily available, (ii) the trade is effected at the “current market price of the security” (as defined in NI-81-107), and (iii) the Fund is an investment fund, may not be met;
- where the Cross-Trade Transaction involves a mortgage, (i) the transaction is executed at a price determined in accordance with section III(2.4) of National Policy Statement 29 Mutual Funds Investing in Mortgages (“NP 29”) and (ii) the mortgages are valued in accordance with section III(2.5) of NP 29, in each case as determined by a reputable valuation firm that is independent of the Manager and its affiliates that the Manager has determined to have sufficient expertise in valuing mortgages;
- where the Cross-Trade Transaction involves private fixed income securities, (i) the transaction is executed at a price that is the fair value of the securities, and (ii) the private fixed income securities

held by the Funds are independently valued on a monthly basis, in each case as determined by a reputable valuation firm that is independent of the Manager and its affiliates that the Manager has determined to have sufficient expertise in valuing private fixed income securities;

- the Cross-Trade transaction has been referred to and approved by the Funds' IRC;
- each Fund prepares financial statements on an annual basis, in accordance with Canadian generally accepted accounting principles applicable to publicly accountable enterprises, which are audited by a qualified public accounting firm in accordance with Canadian generally acceptable auditing standards; and
- the Funds retain written records of each Cross-Trade Transaction, which include details of the securities received or delivered by each Fund and the value assigned to such securities, for a period of at least five years after the end of the financial year in which the Cross-Trade Transaction was effected.

**Participations with SLA** Each Fund may purchase certain private fixed income assets (or commercial mortgages) from SLA through participations. Participations represent a contractual arrangement where the Fund bears the economic and beneficial interest of an investment but is not the registered lender. As a result, under a participation, SLA has all the rights and obligations as lender under the loan agreement. SLA collects all payments under the loan and remits to the Fund its pro-rata share of the payments. Given that this is a related party transaction, the Fund's interests may conflict with the interests of the non-related investors in the Fund.

To address this conflict, SLC Management only allows a Fund to enter participations with SLA if the IRC approves such participation and, in the case of the Short Private Fixed Income ("PFI") Fund, if Unitholders have approved the Fund's ability to invest in participations generally.

#### **Co-investment or Co-owned Assets**

SLC Management may cause a Fund to invest in investments on a co-investment or co-ownership basis with SLA, SLA's clients, and SLC Management's other clients. These co-investment or co-owning arrangements can put the Fund's interests at conflict with the interests of other investors in the Fund who are not taking part in such co-investment or co-ownership arrangements.

To address this conflict, SLC Management, as the manager of the Funds, has established Investment Guidelines and Trade Aggregation and Allocation of Orders policies and procedures to ensure that investment opportunities are distributed fairly amongst all investors. SLC Management also manages every individual investor's portfolio in adherence with its customized investment guidelines to ensure that the investment opportunities allocated meet the investor's objectives. In addition, the fundamental terms for each underlying investment are standard across all investors, further reducing the possibility of the interests of investors being at conflict with each other.

A potential conflict of interest may arise if SLC Management distributes multiple products, manufactured by SLC Management or any of its affiliates, in order to generate additional revenue. This may result in SLC

Management offering or selling products that do not fully address client's needs or meet their objectives as some products may be more profitable to sell than others.

SLC Management has put in place an Approved Product List process for any affiliate funds that are eligible for distribution. Creating this List involves a thorough review and summary of the key features of the affiliate fund(s) with management, followed by a formal recommendation for addition to the Approved Product List. The recommendation is approved by senior management. SLC Management's representatives will also attend, or have access to, "know-your-product (KYP)" education sessions for each approved fund to ensure that they have thorough knowledge of the product offerings.

**Related Service Providers** Certain service providers to the Funds or SLC Management in respect of the Funds may be affiliates of SLC Management. Due to the relationship between SLC Management and its affiliates (common ownership), SLC Management may be incentivized to engage related service providers as opposed to third party service providers for the Funds.

All business conducted by SLC Management with affiliates is on market terms and conditions. SLC Management conducts due diligence and ongoing monitoring of related service providers in the same way as it does with unrelated service providers.