



Information Circular

BARRAGE CAPITAL AND THE BARRAGE FUND

As provisioned under *National Instrument 31-103 respecting registration requirements, exemptions and ongoing registrant obligations* (“NI 31-103”) of the Securities Act, every registered firm must deliver to a client all information that a reasonable investor would consider important about the client’s relationship with the registrant.

Barrage Capital

The firm Barrage Capital Inc. (“Barrage”) is duly registered with the Autorité des marchés financiers in Quebec and with the Ontario, Alberta and British-Columbia Securities Commissions.

Barrage offers its asset management services through the Barrage Fund (the “Fund”).

Firm Registrations

Registration category	Activities covered under this category
Investment Fund Manager	Barrage created the Fund and manages its operations.
Portfolio Manager	Barrage makes investment decisions on securities held by the Fund.
Exempt Market Dealer	Barrage acts as an exempt market dealer when a client subscribes to units of the Fund that is under an exemption from the prospectus requirement.

Barrage Partners and Employees

Barrage was founded by four partners that share a common vision of investing. They fulfil their professional duties on a full-time basis at the firm. They are registered with the regulatory authorities under the following categories:

Individual Registrations

	Mathieu Beaudry, CFA	Maxime Lauzière, CFA	Rémy Morel, CIM	Patrick Thénière, CIM
Shareholder	✓	✓	✓	✓
Director	✓	✓	✓	✓
Advising Representative (Portfolio Manager)	✓	✓	✓	✓

Patrick Thénière is the Ultimate Designated Person and Catherine Meinrath is the Chief Compliance Officer.

All employees who participate in distribution activities are registered as Dealing Representatives for an Exempt Market Dealer.

The Barrage Fund

The Barrage Fund was created as an open-end trust under a Trust Act on January 11, 2013. The Fund is governed by the laws in the Province of Quebec.

Objective

The Fund's objective is long-term capital growth and a return after fees above the S&P/TSX and S&P 500 benchmark indices.

Investment philosophy

The managers apply an investment philosophy known as "Value Investing" which consists in buying the shares of quality companies when their price is undervalued.

The methodology is based on the idea that a significant difference may exist between the value of a company and its trading price and this difference, with the passage of time, tends to disappear. The idea is not to know exactly why such a difference exists but to profit from it. Since the price of a company is readily available, the difficulty lies rather in estimating its value.

The value of a company is primarily derived from the value of its assets and their ability to generate profits. A company's profit history on its own cannot ensure future profitability. By considering several other factors the managers can achieve a reasonable degree of certainty about the future of the company. Among the factors that they look at are the economics of the business, the competitive position of the company and the integrity and competence of its management.

After estimating the value of a company, the managers buy shares only if the price is significantly lower than their estimate. The difference between the price paid and the estimated value is the "Margin of safety". The margin of safety provides a double benefit to the portfolio: it reduces the risk of permanent capital loss while considerably increasing potential returns.

The decision to sell a company's shares is decided by one or more of the following factors:

- The share's market price has reached its intrinsic value or the catalyst event needed to realize its estimated value has occurred. This means that the investment potential has thus reached its maturity.
- The intrinsic value of the enterprise has declined (the competitive advantage of the company has eroded, management made decisions against the best interest of stockholders) or the intrinsic value estimate was wrong.
- A better opportunity has presented itself.

Strategy

Invest with conviction in great businesses managed by outstanding managers when they are available at a discount to intrinsic value.



Investment Policy

The Fund's investment policy is designed to allow the managers to maximize their flexibility.

The Fund does not set limits on a region, a sector or a company's market capitalization. However, considering the managers' knowledge, their experience and the market's opportunities, the portfolio is usually built in the following way:

Portfolio structure

Region	Sectors	Market Capitalization
Mostly North America	All sectors	Mostly large and mid-cap stocks

The Fund generally holds eight to fifteen securities with a minimum of six at any particular time. At the time of purchase, one security cannot represent more than 40% of the Fund and the three largest positions cannot represent more than 60% of the Fund.

The Fund largely owns the common stocks of public companies. However, it is possible that in certain times, the managers may feel that the market does not offer investment opportunities that meet their selection criteria. When this occurs, rather than compromise on the quality of the investments, the managers may prefer to keep the capital in liquid and riskless assets until acceptable investment opportunities return.

Minimum, maximum and target weight of securities

Securities	Minimum as a percentage of the Fund's assets	Maximum as a percentage of the Fund's assets	Target weight
Cash or cash equivalents	0%	100%	5%
Bonds, debentures and preferred stocks	0%	100%	0%
Common stocks and unit trusts	0%	100%	95%
Options, warrants, subscription rights and futures contracts	0%	5%	0%
Short selling	0%	10%	0%
SWAP, CDS and other derivatives	0%	0%	0%

Forward contracts can be used in a currency hedging program and their nominal value can reach up to 100% of the Fund's market value if the managers deem it appropriate.

Short selling, options and futures contracts are allowed in the Trust Agreement as long as they respect the requirements for investments of registered accounts in Canada, as defined in section 204 of the *Income Tax Act* (Canada) and in article 4900 of the *Income Tax Regulation*. Currently, Barrage Capital does not engage in short selling because it does not have a prime broker and Barrage Capital does not trade any derivative instrument because it does not have the required registration.

The managers do not trade on margin, and do not borrow or hold a line of credit related to the management of the Fund.

Fund's Partners

Barrage engages third parties whose expertise is widely recognized to help with the Fund's administration and auditing. The independence between those partners and Barrage helps eliminate all forms of conflicts of interests, thus protecting the interests of unitholders.

CIBC MELLON

1 York Street
Suite 500
Toronto, Ontario, M5J 0B6

Trustee	Protection role for the unitholders
Custodian	Safe keeper of the assets of the Fund
Administrator	Fund accounting and administration (unitholders' recordkeeping, statements and tax statements)

CIBC Mellon acts as the sole custodian of client's assets in accounts opened in their name. Barrage Capital never has access to the assets of its clients. The risks associated with this type of holding are limited and clients benefit from the custody of their assets with a renowned Canadian custodian.



600, Maisonneuve Boulevard West
Suite 1500
Montreal, Quebec, H3A 0A3

Auditor	Ensures that the Fund's accounting is in accordance with generally accepted accounting principles (under IFRS) and issues an opinion to this effect to readers.
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Performance and Benchmark Indices

The net asset value (NAV) of the units is calculated by CIBC Mellon on the last business day of every month. The unit's NAV is determined by the net assets held by the Fund divided by the number of outstanding units.

Changes in the units' NAV constitute the performance of the Fund. It is important to note that past performance does not guarantee future performance.

The managers compare the performance of the Fund to the following equity market indices (with dividends and in Canadian dollars):

- **SGP/TSX**: a broad Canadian equity index
- **SGP 500**: a US equity index representing 500 large capitalization companies

The managers chose those indices because the majority of the Fund's investments are concentrated in Canada and in the United States, and it is where Canadians naturally allocate their investments.

Account Opening at Barrage Capital

Barrage offers the possibility of opening the following types of accounts at CIBC Mellon:

Account types

Registered accounts	Non-registered accounts
✓ Tax-Free Savings Account (TFSA)	✓ Non-registered account
✓ Registered Retirement Savings Plan (RRSP)	
✓ Locked-In Retirement Account (LIRA)	
✓ Registered Retirement Income Fund (RRIF)	
✓ Life income fund (LIF)	

Barrage has fixed the minimum investment at \$100,000. The amount can be allocated in different accounts (with a minimum of \$10,000 per account).

Know your client and the Fund's suitability

When opening an account, Barrage must take reasonable measures to know the client well. Barrage must validate their identity and determine if they are an insider with regards to a reporting issuer or to any issuer whose shares are traded in the market. When in doubt, Barrage must conduct a due diligence on the client's reputation.

In the case of a client who is a legal entity, Barrage must determine the nature of its activities and the identity of the individuals that exercise control over the entity.

Barrage is under the obligation to validate the suitability of the Fund before issuing a buy recommendation. To this end, Barrage must determine the needs and investment objectives of the client, their financial situation, and their risk tolerance to ensure they are able to provide them with an appropriate recommendation.

The Fund is for investors who:

- ➔ **Wish to invest for the long term**
- ➔ **Want a growth product in their portfolio**
- ➔ **Are looking for a Value Investing strategy**
- ➔ **Can bear the stock market's ups and downs**

To validate the suitability of the Fund, Barrage gathers in writing for each client at the opening of the account the following information: their age, their family situation, their employment, their income, their net assets, their broad investment knowledge, their risk tolerance level, their investment objectives, their investment horizon and the planned use of the account. The client must disclose all information that could affect the suitability of the Fund, for example health problems or a unique fiscal situation.

Barrage also performs the required verification as per the Proceeds of Crime (Money Laundering) and Terrorist Financing Act.

The information gathered is updated on a continuous basis. Clients must inform Barrage of any change that might affect the suitability of the Fund to their situation.

Subscription and Redemption

Subscription and redemption of the units are executed on the valuation date, the last business day of every month, at the NAV price.

The subscription must be requested at noon at the latest on the valuation date or else the subscription will be done at the next valuation date.

The redemption is processed the second valuation date after the request is received (30-60 days). For example, a redemption request received in October will be processed the last business day of November.

It is possible to subscribe to units of the Barrage Fund in Canadian or US dollars.

For Barrage's direct clients

The initial subscription follows the account opening and is done with an electronic fund transfer from the client's bank account or by a transfer from a registered account at another institution (T2033 form).

Any subsequent subscriptions, for a minimum of \$5,000, are done with a subscription form accompanied, when needed, by a T2033 form.

Barrage also offers the possibility of establishing an automatic monthly subscription program. The amount of the planned subscription is debited from a bank account by CIBC Mellon.

A redemption is requested by filling out the appropriate form. CIBC Mellon transfers the amount electronically to the unitholder's bank account or issues a cheque.

For clients with a financial advisor from another financial institution

A subscription agreement must be signed by the client for their first purchase with a financial advisor. A subscription form must be filled out for each transaction. The Fund codes are BRG100 (CAD) and BRG150 (USD).

A first subscription must represent a minimum acquisition cost of \$50,000 and subsequent subscriptions must be at least \$5,000.

Fees

Management fees

The Fund management fees are comprised of two parts:

- **Base fee:** 1% of the Fund's net asset value per year
- **Incentive fee:** 20% of performance in excess of a threshold of 5% per year

The 5% threshold is the annual return –before base fees– after which incentive fees are applied. This minimum return is cumulative when it is not achieved. For example, if the return of the Fund is 0% for a given year, the threshold will be 10.25% the following year (5% compounded over two years).

In addition to the above, incentive fees are subject to a "high water mark" rule. This rule does not allow incentive fees to be levied if the unit value is lower than it was when incentive fees were last applied. For example, if the unit goes from \$150 to \$140, it will have to move back to a minimum of \$150 before other incentive fees can be charged.

Clients do not need to pay management fees themselves as they are debited directly from the Fund (each quarter for basis fees, each year for incentive fee). Fees are accrued monthly and deducted from the NAV.

Management fees are subject to federal and provincial sales taxes. The table below presents management fees under different performance scenarios:

Management fee calculations

Fund Return	Base Fee	Incentive Fee (Return - Threshold) x 20%	Total management fees
-5.0%	1.0%	0.0%	1.0%
5.0%	1.0%	0.0%	1.0%
8.0%	1.0%	0.6%	1.6%
12.0%	1.0%	1.4%	2.4%
16.0%	1.0%	2.2%	3.2%

Other fees

Transaction fees on securities held in the Fund are paid by the Fund itself and represent an approximate expense of 0.1% of the Fund's assets on a yearly basis.

The fees paid to third party partners for the trust, custodial and administration services, as well as those of the annual Fund auditing, are borne by Barrage.

There are no fees for the subscription or redemption of units of the Fund, nor are there fees for opening or closing an account. Fees may be charged by the relinquishing financial institution for a transfer.

Distributions

Realized capital gains and dividends received from securities held in the portfolio during the year, net of management fees, are distributed to unit holders on December 31 of each year.

The distribution has a tax impact for unitholders with units of the Fund in non-registered accounts. Tax forms are sent at the beginning of the year by CIBC Mellon for tax purposes.

When there is a distribution, the NAV is reduced by the same amount. This will reduce the capital gain in the future when units are sold.

Annual distributions are reinvested in additional units of the Fund unless indicated otherwise or requested in writing 30 days before the end of the year.

An estimate of the amount of the distribution is communicated to unitholders prior to the end of the year.

When the distribution is reinvested, the following changes occur:

- The value of the units is reduced by the amount of the distribution;
- Units are bought with the distribution amount;
- Market value of the account stays the same;
- Book value increases by the amount of the distribution.

Prospectus Exemption

Units of the Fund are issued under *Registration 45-106 respecting Prospectus Exemptions* of the *Securities Act*. Thus, the Fund is distributed without a prospectus and is not subject to applicable rules for investment mutual funds.

There are different types of prospectus exemptions. Barrage has chosen to distribute the Fund under the accredited investor exemption. This means units of the Fund can only be subscribed to by people who fit the definition of an accredited investor.

There are many categories of accredited investors. Barrage uses the following two:

- A person acting on behalf of a fully managed account managed by that person, if that person is registered or authorized to carry on business as an adviser or the equivalent under the securities legislation of a jurisdiction of Canada or a foreign jurisdiction;
- A person with a certain level of assets or income.

Barrage clients sign a fully managed account agreement. This agreement confirms the fully managed account mandate of their portfolio, for its growth portion. Barrage then acts as an accredited investor for the unit's subscription.

Similarly, financial advisors authorized to distribute the Fund can do so if they have a fully managed account mandate from their client or if the client is qualified under the asset or income criteria.

Content and Frequency of Reporting

The table below summarizes the information sent to Barrage clients.

Client reporting

Information	Method and Frequency	Content
Subscription and redemption confirmation issued by CIBC Mellon	In the days following the transaction, by mail	Transaction details
Account statement issued by CIBC Mellon	Monthly, by mail	Units' NAV, number of units held, book and market value of each account and historical transactions for the month
Management report from Barrage	January and July, by email	Letter describing the investment philosophy, the economic and financial landscape, securities held in the portfolio, the performance of the Fund and any other relevant information.
Fund's financial statements prepared by CIBC Mellon	March 30 and August 30 at the latest, by email	Financial statements audited by KPMG as of December 31 and financial statements (not audited) as of June 30, with securities held in the portfolio
Annual meeting	During spring in Montreal and Quebec City	Portfolio review and questions period

Internet site	Live updates	Units' NAV, realized gain, Fund and benchmark performance
Other information	Selective, by email	Invitations, updates, notices
Investment Performance Report (client for 12 months)	By mail, in January	Opening market value, deposits, withdrawals and returns on 1,3 5, 10 years and since the opening
Report on charges and other compensation	By mail, in January	Total amount of fees charged (commissions)
Tax slips prepared by CIBC Mellon	See below	See below

Types of Risks

This is an overview of the different types of risks Barrage's clients must consider before making an investment decision.

Volatility

The volatility is defined by the variation magnitude of a security's price. Since the Fund mostly holds stocks, clients should expect the units' value to vary considerably in the short-term. An individual with short-term capital needs should not invest in the Fund.

Concentration

The Fund holds a limited number of securities, which could lead to one single stock having a large impact on the portfolio.

Interest rates

Interest rate volatility could have a material impact on financial markets, including equity markets. This could affect the Fund units' value.

Exchange rate

When investments are made in foreign currency, the variation of the exchange rate between that currency and the Canadian dollar will have a direct impact on the Fund units' value.

Decrease in an enterprise value

The dwindling of an enterprise value held in the portfolio may be caused by unpredictable events like fraud, natural catastrophes, cyber attacks, etc.

Analysis error

The managers could make errors when estimating an enterprise value.

Risk to a client of using borrowed money to finance a purchase of a security

The managers believe no client should borrow to invest in the Fund.

Other Information

Tax residency

Barrage only accepts clients that are Canadian tax resident (and are not also United States citizen). Clients must self-certify their status when opening an account.

Taxation

Unitholders should expect the following tax implications, depending on the type of account in which the units are held:

Non-registered accounts

- **Annual distribution:** capital gain, dividends or interests (T3 slip and Releve 16 in Quebec, sent by CIBC Mellon by the end of March);
- **Disposition of the units:** capital gain or lost (T5008 sent by CIBC Mellon by the end of February);
- **Transfer of units to a registered account:** generate a disposition of the units.

TFSA

- No tax impact

RRSP

- Annual contribution to RRSP account: deduction for tax purpose - see notice of assessment for deduction limits (Contribution slips sent by CIBC Mellon in January for the past year and March for the first 60 days);
- Withdrawal of a RRSP: taxable income, withholding tax applied at the rate in effect at the time of withdrawal (T4RRSP and Releve 2 in Quebec sent by CIBC Mellon by the end of February).

RRIF

- **Withdrawal of a RRIF:** taxable income, withholding tax applied at the rate in effect at the time of withdrawal (T4RIF and Releve 2 in Quebec sent by CIBC Mellon by the end of February).

Barrage encourages its clients to consult a specialist, such as an accountant, to obtain specific legal or tax advice.

Fair allocation of investment opportunities

Barrage could accept managing segregated accounts that would entail portfolio management that is separate from the Fund.

Under NI 31-103, a fairness policy of investment opportunities between clients must be established when allocating investment opportunities among clients. For the moment, since Barrage only manages the Fund and does not have segregated accounts, a fairness policy is not necessary.

Conflicts of interests

Under NI 31-103, a registered firm must take reasonable steps to identify existing material conflicts of interest, and material conflicts of interest that the registered firm in its reasonable opinion would expect to arise between the firm, including each individual acting on the firm's behalf, and a client. If a conflict of interest situation presents itself, Barrage would have to disclose its existence to all parties involved.

A yearly review –or when a significant change justifies it– is conducted to identify conflicts of interests. When a conflict of interest is identified, Barrage must disclose it to all parties involved.

To this day, because of the structure of its operations and the fact that the majority of employees are also owners, clients' interests are aligned with Barrage's.

Withholding taxes

The Fund is subject to withholding taxes on dividends received from foreign companies at the prescribed rate of the foreign company's home country even though the units are held in a registered account.

Voting rights

Voting rights conferred by the securities held in the Fund are exercised in the best interest of unitholders.

Client referral arrangements

When a client is brought in from a third party as referral, Barrage will pay a commission to the third party. The client is advised of the terms of the referral arrangement in a declaration letter that they sign.

Resolving Disputes

A client who feels that they have been wronged or harmed can submit a written complaint to Barrage. This complaint will be treated according to Barrage's internal policy of examining complaints and resolving disputes.

If this process does not lead to a satisfying solution, a client who is a Quebec resident can ask Barrage to transfer their complaint to Le Service du traitement des plaintes et de l'assistance de l'Autorité des marchés financiers (Montreal region: 514 395-0337/ Quebec region: 418 525-0337/ toll free: 1 877 525-0337).

A client who is a resident of a province other than Quebec can submit their complaint to the Ombudsman for Banking Services and Investments (Toronto region: 416 287-2877/ toll free: 1 888 451-4519).

These two organizations offer an independent dispute-resolution service.

Barrage Contacts



4398 Saint-Laurent Boulevard, Suite 304
Montreal, Quebec, H2W 1Z5

Telephone: 514 903-7243 / 1 844 903-7243
Fax: 514 439-7806

info@barragecapital.com

www.barragecapital.com