

**HNW Management Inc.  
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**This brochure provides information about the qualifications and business practices of HNW Management Inc. If you have any questions about the contents of this brochure, please contact us at 416-483-1938 or [HNWmgt@gmail.com](mailto:HNWmgt@gmail.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.**

**Additional information about HNW Management Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

An SEC registration does not imply a certain level of skill or training.

*Item 2            Material Changes*

This is not an annual update. There is no material change to report.

*Item 3            Table of Contents*

Item 1	Cover Page .....	1
Item 2	Material Changes .....	2
Item 3	Table of Contents .....	3
Item 4	Advisory Business .....	4
Item 5	Fees and Compensation .....	5
Item 6	Performance-Based Fees and Side-By-Side Management .....	5
Item 7	Types of Clients .....	6
Item 8	Methods of Analysis, Investment Strategies and Risk of Loss.....	6
Item 9	Disciplinary Information.....	7
Item 10	Other Financial Industry Activities and Affiliations .....	8
Item 11	Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	8
Item 12	Brokerage Practices .....	8
Item 13	Review of Accounts .....	10
Item 14	Client Referrals and Other Compensation .....	10
Item 15	Custody .....	10
Item 16	Investment Discretion .....	10
Item 17	Voting Client Securities .....	11
Item 18	Financial Information.....	11

- A. HNW Management Inc. manages diversified portfolios primarily invested in the equities. These consist of a broad range of companies operating in many parts of the world and mostly listed on stock exchanges. These exchanges are located in foreign countries like Austria, Canada, and China, and also in the USA.

Although HNW Management was only incorporated during 2010, it is the successor to Wirth Associates Inc. and HNW Investments Inc. which were incorporated in 1991 and 1994 respectively and carried out these same activities for nearly 20 years under the same senior management.

HNW is wholly owned by Alfred G. Wirth, its founder and Chief Investment Officer. He has spent his professional life managing large investment portfolios for both corporate and private clients. He has served as Chief Investment Officer of Sun Life, Crown Life, United Funds, and Wirth Associates. Over many years he has produced very favourable returns and built up a substantial body of knowledge with valuable connections. With a small professional team, he continues to manage global portfolios, as President of HNW.

- B. HNW Management Inc. manages portfolios belonging to qualified purchasers (as defined in section 2(a)(51)(A) of the Investment Company Act of 1940) with the objective of producing long-term growth. It does so by choosing securities and directing their purchase and sale on behalf of such portfolios.

Securities for the portfolios are chosen after careful fundamental analysis based on information obtained from banks and brokers, direct company contacts, government and industry associations, memberships, and subscriptions.

Using this analysis, HNW estimates the intrinsic long-term value of each potential investment. When this intrinsic value is substantially higher than the current market price of the security, it is added to the portfolios. Sell price targets are established at the time shares are bought.

Current popularity and real underlying investment values are often inversely related. Great bull markets tend to start during periods of extreme pessimism. On the other hand, major bear markets are born in times of business euphoria. Therefore HNW uses a “contrarian value” investment philosophy. This strategy has proven itself by producing high long-term returns from investing in promising companies suffering only near-term problems.

HNW does not provide other services such as financial planning and it does not engage in market timing. Nor are there short-sales, only long positions are used. Most securities are held for years so that the typical portfolio turnover ratio would fall into the range of 20 to 35% per year.

- C. HNW does not change its process for different clients since only global portfolios aimed at long-term growth are accepted for management. Clients may not impose restrictions beyond the guidelines and limits outlined in the management agreement.
- D. HNW does not participate in wrap fee programs.
- E. Only portfolios with the objective of long-term growth, although these portfolios may have an income-bias at a client's request. There are no exceptions and HNW only accepts portfolios for management on a fully discretionary basis.

Assets under management amounted to \$56.2 million at Sept. 30, 2010. All of these were managed on a fully discretionary basis, invested on a global basis, and had the objective of long-term growth.

*Item 5 Fees and Compensation*

- A. HNW's only compensation consists of our management fee which is identical for all clients.

It is billed in arrears, at the rate of 0.1% per month, which represents a fee of 1.2% per annum.

When the value of any portfolio exceeds \$10million, the management fee is reduced by 90% on that portion of the assets. However the annual management fee for any portfolio may never fall below 0.67% of its value.

- B. Following the end of each month, an invoice for the management fee is submitted, the custodian deducts this fee from the portfolio and mails a check to HNW.

- C. HNW does not hold any of client's assets. All portfolios are held in custody externally in each client's own name at TD Waterhouse Private Client Services. This is a subsidiary of one of Canada's largest chartered banks. The fees for this service, which includes safe-keeping of the assets, receipt and delivery of securities following all transactions, the collection and crediting of all dividends and interest as of due date, and providing monthly reports, is only 0.08% per year, under a special agreement with HNW.

Clients will incur brokerage and other transaction costs. See Item 12 for additional brokerage details.

- D. HNW's management fee is billed in arrears, following the end of every calendar month.
- E. Neither HNW nor its employees accept compensation for the sale of securities or other investment products, including asset-based sales charges or service fees from the sale of mutual funds.

*Item 6 Performance-Based Fees and Side-By-Side Management*

HNW does not charge Performance-Based Fees and management fees are identical for all clients, so no conflicts in favoring one client or portfolio over another, can arise.

HNW's staff portfolios are invested in the same securities, at the same time, at the same prices, as those of clients. After a careful check for possible conflicts by the Compliance Officer, such orders are entered using the same brokers at the same commissions as for all orders. On completion, transactions are allocated at the average price achieved, pro-rata to all portfolios. However, if any advantage might be derived from an early fill, external portfolios receive priority.

*Item 7            Types of Clients*

HNW Management Inc. seeks only qualified (as defined in section 2(a)(51)(A) of the Investment Company Act of 1940) individual clients, their personal holding companies, their trusts or their deferred retirement plans. HNW does not solicit corporate pension plans.

The minimum size for a new client is \$2million of investible assets.

*Item 8            Methods of Analysis, Investment Strategies and Risk of Loss*

- A. HNW uses careful financial analysis to estimate the intrinsic long-term value of each prospective investment based on that company's business, assets, present financial strength, and earnings potential.

This analysis is produced in-house and is proprietary and applied equally to all portfolios. The underlying data is acquired from a variety of outside sources including association memberships; commercial banks; company and industry reports; government agencies; stockbrokers; subscriptions; and extensive travel to visit corporations.

Using this analysis, HNW estimates the intrinsic long-term value of each potential investment. When this intrinsic value is substantially higher than the current market price of the security, it is added to the portfolios. Sell price targets are established at the time shares are bought.

Current popularity and real underlying investment values are often inversely related. Great bull markets tend to start during periods of extreme pessimism. On the other hand, major bear markets are born in times of business euphoria. Therefore HNW uses a "contrarian value" investment philosophy. This strategy has proven itself by producing high long-term returns from investing in promising companies usually suffering only near-term problems.

Even leading companies often experience wide fluctuations in the price of their shares although their intrinsic value has not substantially changed. When we find significantly undervalued companies, we invest in them. This is often the time when other investors have been selling them and have depressed the share prices substantially below their underlying value. This happens because most investors over-react to current events in an effort to avoid short-term uncertainty.

At other times, investors pay inflated prices for the comfort of going with the current fashion. Such market exuberance enables us to sell many of our securities when their prices have risen very substantially and have now come to exceed their intrinsic value. Very large price increases tend to occur because everything now looks positive and the average investor has become enamored with the company. Typically this happens two to four years after HNW's initial purchase.

To avoid being caught-up in the emotion of the market place, HNW sets specific buy and sell targets before a security is bought. These targets are determined by analyzing the factors bearing on the underlying value of the security. No one can foretell the exact bottom or top and therefore the price of any security may decline, sometimes very substantially, after purchase. However, most such price

declines represent a temporary paper loss which often offers a good opportunity to buy more of a company which we believe has temporary current problems but excellent prospects for long-term earnings growth. Such purchases increase the potential gain over the longer term.

To take advantage of these fluctuations, HNW usually maintains a small buying reserve in each portfolio, and normally avoids buying the total targeted position at one time.

We re-examine our analyses. If prices drop significantly, we recheck the data and our assumptions carefully. New factors, which permanently impair a company's intrinsic value, can arise. If we believe that this has happened, we sell that security below cost, if necessary.

Because of this patient, longer term approach, once a portfolio has been established, transactions are infrequent. The resulting low turnover rates also minimize transaction costs such as commissions and taxes on realized gains.

Despite the procedures we have set up to mitigate risk, investing in securities involves risk of loss that clients should be prepared to bear.

- B. HNW diversifies in many ways to try to reduce short term portfolio volatility and to minimize long term risk: We never "bet the farm"! All portfolios contain many different industries (the usual exposure is under 20% of a portfolio in any one industry), are spread geographically (usually less than 30% of the growth investments operate in any one country), and time of purchase (not all securities are bought at the same time). In addition, the exposure to any individual company is limited (1% to 3% of a portfolio at time of purchase). This diversification usually reduces portfolio variability as well as the risk of large losses from unpredictable future events such as cataclysmic obsolescence, fraud, natural disasters, rampant disease, terrorist acts, or war.

The intention is to hold investments for 2 to 4 years which avoids frequent trading and its attendant transaction and tax costs.

- C. HNW Management Inc. concentrates on the following types of investments:
- a. Mostly equities & convertible debentures of promising companies
  - b. Some non-convertible bonds rated "A" or higher by a public agency
  - c. Cash or money market instruments issued by top-rated companies

The primary focus is on publicly listed marketable securities to preserve freedom for on-going active management. However, occasionally some private securities are also bought when they appear to offer exceptional growth prospects because of lower prices. Such unmarketable investments are limited to a maximum of 15% of a portfolio at time of purchase, but are usually much lower.

## *Item 9            Disciplinary Information*

Neither HNW Management Inc. nor its employees are subject to any legal or disciplinary action.

*Item 10      Other Financial Industry Activities and Affiliations*

HNW Management Inc. does not engage in other financial activities, nor does it have any other financial affiliations.

*Item 11      Code of Ethics, Participation or Interest in Client Transactions and Personal Trading*

- A. HNW staff are members of such organizations as the CFA Institute, The Austrian Society for Investment Analysis and Capital Management, The New York Society of Security Analysts and the Toronto CFA Society. HNW adheres to the ethical codes of each of these and all staff execute annual undertakings to that effect.
- B. HNW Management Inc. does not purchase or sell securities in which it, or a related person, controls.
- C. All client and staff portfolios invest in the same securities, as outlined above. Since orders are executed concurrently at the same prices and costs, there are no apparent conflicts.
- D. All client and staff portfolios invest in the same securities, as outlined above. Since orders are executed concurrently at the same prices and costs, there are no apparent conflicts.

*Item 12      Brokerage Practices*

- A. We choose brokers based on the efficiency of their execution, their cost, and the usefulness of data they provide. This may be produced by them internally or purchased for us from third parties in exchange for “commission dollars”. We minimize transaction costs by avoiding brokers with high minimum charges, by combining trades for quantity discounts, or by placing them “on line” through discount brokers. HNW is known as paying low commissions.

1. Research and Other Soft Dollar Benefits

As stated above, some of the data for our analyses come from stock-brokers. They provide such data on the understanding that they will be compensated with some commission business over time. Therefore HNW directs transactions for which it pays commissions to reward:

- Some large brokers for work their own staffs produce in-house and
- Also places trades with some smaller brokers who do not have internal expertise but provide information from external third-party sources. This consists primarily of supplying HNW with the Thomson-Reuters Knowledge Base. Placing orders thus allows us to use commissions to obtain this service, instead of paying cash.

All of our research, whatever the data source, is proprietary and is applied equally to all portfolios under management.

We believe that we avoid a conflict of interest from this use of commissions because:

- Transactions have to be executed by a member of the relevant stock exchange, this is only one factor in choosing the particular members of such exchanges.



- HNW's own portfolios pay the same commissions to the same brokers as clients do
  - Brokers are still chosen for the efficiency of their execution
  - We negotiate the lowest commissions possible and never “pay up” for soft-dollar services
- a. When we use client brokerage commissions (or markups or markdowns) to obtain research or other products or services, we receive a benefit because we do not have to produce or pay for the research, products or services.
  - b. We may have an incentive to select or recommend a broker-dealer based on our interest in receiving the research or other products or services, rather than on our clients' interest in receiving most favorable execution. As noted above, we negotiate the lowest commissions possible and never “pay up” for soft-dollar services.
  - c. We never “pay up” for soft-dollar services
  - d. We use soft dollar benefits to service all of our clients' accounts. We do not seek to allocate soft dollar benefits to client accounts proportionately to the soft dollar credits the accounts generate.
  - e. Within the last fiscal year, we have used soft dollars to pay for Thomson-Reuters Knowledge Base.

## 2. Brokerage for Client Referrals

HNW has never compensated any brokers for client referrals—indeed, since HNW is known as paying low commissions, such referrals are highly unlikely.

## 3. Directed Brokerage

HNW does not permit directed commissions to brokers.

- B. All orders are combined to achieve quantity discounts and to assure identical average costs for all portfolios. Most transactions are executed over several days and on completion are allocated at the same average price to each portfolio. However, some discount brokers can not afford to carry trades for several days and therefore require daily settlement, which may be before an order is complete. Such “dailies” are also allocated pro-rata, but subject to minimum size to maintain the benefits of aggregating orders and to avoid portfolio fragmentation.

*Item 13      Review of Accounts*

- A. All portfolios are reviewed within HNW by the Chief Investment Officer on a monthly cycle. In addition, they are reviewed by other staff (as well as the CIO) when new purchase candidates are identified or when other events (eg. a take-over offer) may require a change of policy.
- B. Portfolios are also reviewed with clients, by telephone or in person, on a mutually agreeable basis. Such reviews are minuted to avoid misunderstandings.
- C. Clients receive written statements listing all transactions and containing a detailed portfolio valuation from the custodian every month.

In addition, HNW provides a written report discussing markets, policy, and listing all holdings, after the end of each calendar quarter.

*Item 14      Client Referrals and Other Compensation*

HNW does not have any marketing staff but depends wholly on word-of-mouth referrals. Historically all of these have come from existing clients who have not been compensated for these referrals. There is no intention to change this policy.

*Item 15      Custody*

HNW does not hold any portfolio assets. All clients' securities are held in the client's own name in accounts at TD Waterhouse Private Client Group who provides monthly account statements. All clients also receive a quarterly portfolio report from HNW which they are encouraged to compare with TD's monthly statements.

*Item 16      Investment Discretion*

HNW only accepts portfolios for management on a fully discretionary basis, subject to broad limitations and guidelines set out in the management agreement signed by all new clients.

*Item 17            Voting Client Securities*

HNW undertakes to vote on all matters concerning securities held unless a client elects to cast such votes himself. To date, no client has ever done so. HNW staff read all proxy statements received, to determine how they should be voted to try to best increase value. Voting usually takes place on line. Since HNW staff own the same securities and therefore also have a personal interest to maximize their value, we perceive no possible conflict of interest.

HNW retains the voting record and all Clients may ask how we voted their securities on any issue. Clients are sent all corporate reports and proxy statements by the custodian unless they expressly opt out. Nearly all clients do decline their receipt.

*Item 18            Financial Information*

HNW does not hold any client's assets, it does not require any prepayment of fees, nor does it provide wrap programs.

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This brochure supplement provides information about [name of *supervised person*] that supplements the [name of advisory firm] brochure. You should have received a copy of that brochure. Please contact [service center or name and/or title of your contact *person*] if you did not receive [name of advisory firm]'s brochure or if you have any questions about the contents of this supplement.

Additional information about [name of *supervised person*] is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

*Item 2 Educational Background and Business Experience*

**Wei Wang**

Date of birth: November 4, 1980

**WORK BACKGROUND:**

Senior Investment Analyst & Director, HNW Management Inc. (to present)

Senior Investment Analyst, Wirth Associates Inc. (2008 to 2009)

Business Analyst, Sony BMG Music Canada Inc. (2006)

**EDUCATION:**

MBA, McMaster University 2007

CSC (Canadian Securities Course) 2007

BA (Hon. Economics), McMaster University 2005

*Item 3 Disciplinary Information*

The individual is not subject to any legal or disciplinary action.

*Item 4 Other Business Activities*

There are none of significance.

*Item 5 Additional Compensation*

None

*Item 6 Supervision*

All client communications as well as buy and sell orders are approved by the Chief Investment Officer, Alfred G. Wirth.

Alfred G. Wirth  
President, Chief Investment Officer  
416-483-1938