

## **W.P. Stewart & Co., Ltd.**

Form ADV Part 2A – Disclosure Brochure

Dated March 30, 2012

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W.P. Stewart & Co., Ltd.

527 Madison Avenue, 20<sup>th</sup> Floor

New York, New York 10022

Phone: (212) 750-8585 or (888) 695-4092 (toll-free within United States)

[www.wpstewart.com](http://www.wpstewart.com)

This Form ADV Part 2A Disclosure Brochure provides information about the qualifications and business practices of W.P. Stewart & Co., Ltd. If you have any questions about the contents of this brochure, please contact us at (212) 750-8585 or [info@wpstewart.com](mailto:info@wpstewart.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (SEC) or by any state securities authority.

W.P. Stewart & Co., Ltd. is an SEC-registered investment adviser. This registration does not imply a certain level of skill or training.

Additional information about W.P. Stewart & Co., Ltd. is also available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 – Material Changes

Since our annual update to Form ADV Part 2A, which was dated and filed with the SEC on March 31, 2011, the only material change relates to a revised fee schedule to include specific alternative pricing for our U.S. High Growth strategy and Global Growth strategy. Following is a table showing the fee structure for these two strategies:

	Base Management Fee
<b>Standard Fixed Fee – U.S. High Growth Strategy</b>	
Up to \$2 million	1.50%
\$2 million - \$10 million	1.00%
\$10 million and Over	Variable depending on certain factors, e.g. account size, nature of relationship
<b>Standard Fixed Fee - Global or International Strategy</b>	
Up to \$2 million	1.50%
\$2 million - \$10 million	1.00%
\$10 million and Over	Variable depending on certain factors, e.g. account size, nature of relationship

Please see Item 5 – Fees and Compensation for the complete table of all fee structures offered.

### 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.....	6
Item 6 – Performance-Based Fees and Side-By-Side Management .....	9
Item 7 – Types of Clients.....	10
Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss .....	11
Item 9 – Disciplinary Information .....	14
Item 10 – Other Financial Industry Activities and Affiliations .....	15
Item 11 – Code of Ethics, Participation or Interest in Client Transactions and Personal Trading .....	16
Item 12 – Brokerage Practices .....	19
Item 13 – Review of Accounts.....	24
Item 14 – Client Referrals and Other Compensation.....	25
Item 15 – Custody.....	26
Item 16 – Investment Discretion.....	27
Item 17 – Voting Client Securities.....	28
Item 18 – Financial Information .....	29

## Item 4 – Advisory Business

W.P. Stewart & Co., Ltd. (“W.P. Stewart”), directly and through its subsidiaries and affiliates, has offered research-intensive equity investment management services to clients throughout the world since 1975. W.P. Stewart is an SEC-registered investment adviser with headquarters in New York City and additional operations or affiliates in Europe. W.P. Stewart has agreements with WPS Advisors, Inc., an affiliate, and Bowen Capital Management to provide sub-investment advisory services to certain specified accounts of W.P. Stewart. We also have agreements with Wilmington Trust Company and Breckinridge Capital Advisors, Inc. to provide sub-advisory services for fixed income investments for certain client accounts.

Shares of W.P. Stewart are publicly traded on the Pink Sheets under the symbol “WPSL.” At present, a majority ownership of the common shares of W.P. Stewart is by employees, directors, former employees, affiliates and the Arrow and Ranger Funds (as described below).

In August 2008, W.P. Stewart announced the completion of an investment in the firm by certain funds whose general partner or managing member is Arrow Advisors LLC and are managed by Arrow Capital Management LLC (the “Arrow Funds”). In July 2011, a portion of the shares held by the Arrow Funds were transferred to a fund managed by Ranger Global Advisors LLC (“Ranger”) and its affiliates. With the original investment and subsequent transfers, the Arrow and Ranger Funds are the largest group of shareholders with an aggregate ownership of approximately 40%.

W.P. Stewart provides investment advisory services to clients including high net worth, institutional investors and certain pooled investment funds. Historically, W.P. Stewart has focused on investing primarily in U.S. equity securities. While we retain our focus on U.S. equities as our “flagship” investment offering, our team of experienced analysts (including Bowen Capital Management) also applies our singular investment approach to the management of international and global equity portfolios. Our international strategy uses the same investment approach as the U.S. equity strategy but invests in European and Asian equities. Our global investment strategy takes the best investment ideas from the U.S., European and Asian universes to create a concentrated global portfolio of 25-30 stocks. W.P. Stewart also initiated a “High Growth” strategy in January 2010. This strategy provides for investment in global equities but owns primarily what we consider the highest growth companies on our universe and does so through only 9-14 holdings. W.P. Stewart additionally provides fixed income portfolio management for clients with equity accounts through third party sub-advisors, Wilmington Trust Company and Breckinridge Capital Advisors, Inc.

Within a particular strategy, the investment management team creates a universe of investable securities from which each Portfolio Manager creates a portfolio for managed accounts. Each Portfolio Manager has discretion but must adhere to certain guidelines created to guard against dispersion of clients’ performance. The overall weightings of a model portfolio of the applicable equity strategy serve as a general guideline for the portfolio of a managed account. However, clients may have specific restrictions they would like placed on their account, such as prohibiting us from purchasing securities of certain companies or limiting the amount of a particular stock.

We will observe those limitations and restrictions provided to us in writing by the client assuming the limits and restrictions are consistent with our strategy.

As of December 31, 2011, W.P. Stewart and its wholly-owned subsidiaries managed approximately \$1,382 million in assets. All of these assets are discretionary assets.

## Item 5 – Fees and Compensation

W.P. Stewart offers its clients an option of a standard fixed fee or a performance fee for standard separate accounts, information for which can be found in the table below. Our fees for a standard separate account, other than any performance fee portion, are generally payable quarterly, in advance, and are calculated based on a percentage of the total value of funds and securities held in the client's account, usually as of the final trading day of the preceding calendar quarter. The performance fee component, if any, is generally payable annually at the end of each calendar year but may be payable more frequently upon significant withdrawals from the account. The minimum account size for clients is generally \$1 million; however, we may lower this minimum threshold but may in such case impose a minimum annual advisory fee amount of \$15,000 per annum. We also may impose a higher minimum account size for a specific fee arrangement as shown in the table below. For accounts with managed assets over \$10 million, the annual fee is negotiable depending on certain factors, including but not limited to, account size, the nature of the relationship and total amount of assets managed for the client. While our fees with respect to accounts under \$10 million are generally not negotiable, we may alter our standard fixed fee or performance fee for a particular client and we maintain internal policies regarding the aggregation of different client accounts for purposes of the threshold levels based on the relationship of the clients. The standard form of Investment Advisory Agreement between W.P. Stewart and the client specifies the type of fee and the annual amount to be charged for the account.

In regards to performance fees, the client's performance will be determined based on the total account value at the beginning and end of the year, which takes into account realized and unrealized losses and gains, interest, ordinary income, and dividends received by the client. If the client's account experiences a loss in a calendar year (in the case of an absolute performance fee arrangement), W.P. Stewart will not be entitled to a performance fee with respect to such calendar year, and a carry-forward loss will be created (but not paid to the client) and future years' performance fees will need to exceed this loss before W.P. Stewart once again earns a performance fee. This is referred to as a "high water mark." A carry-forward loss will be reduced in proportion to any withdrawals from an account.

The following table also gives the fee structure that is available solely for eligible pooled investment vehicles that are sub-advised by us and are sponsored and marketed to investors (subject to applicable regulatory restrictions on the offering and sale of interests in those pooled vehicles) by third parties not affiliated with W.P. Stewart. The eligibility of pooled vehicles for this fee structure is determined based upon the size or expected size of its assets under management.

	Base Management Fee	Performance Fee
<b>Standard Fixed Fee - U.S. Strategy</b>		
Up to \$10 million (\$1 mm minimum)	1.50%	N/A
\$10 million and Over	Variable depending on certain factors, e.g. account size, nature of relationship	N/A
<b>Standard Fixed Fee - Global or International Strategy</b>		
Up to \$2 million	1.50%	N/A
\$2 million - \$10 million	1.00%	N/A
\$10 million and Over	Variable depending on certain factors, e.g. account size, nature of relationship	N/A
<b>Absolute Performance Fee (1) U.S., Global or International Strategy</b>		
\$5 million - \$10 million	0.50%	10% of account performance with high water mark
\$10 million and Over	Variable depending on certain factors, e.g. account size, nature of relationship	10% of account performance with high water mark
<b>Relative Performance Fee (1) U.S., Global or International Strategy</b>		
\$5 million - \$10 million	0.50%	20% of outperformance relative to applicable benchmark with high water mark (2)
\$10 million and Over	Variable depending on certain factors, e.g. account size, nature of relationship	20% of outperformance relative to applicable benchmark with high water mark (2)
<b>Standard Fixed Fee – U.S. High Growth Strategy</b>		
Up to \$2 million	1.50%	N/A
\$2 million - \$10 million	1.00%	N/A
\$10 million and Over	Variable depending on certain factors, e.g. account size, nature of relationship	N/A
<b>Standard Fixed Fee – Certain Pooled Investment Funds</b>		
Up to \$10 million	1.00%	N/A
\$10 million and Over	Variable depending on certain factors, e.g. account size, nature of relationship	N/A

- (1) The minimum investment required for separate managed accounts with a performance fee portion is generally \$5 million. If a withdrawal reduces the value of the account below \$5 million (or \$4 million under certain circumstances), we may elect to convert the account to a standard fixed fee. In the event of any withdrawal of assets by clients, any unrecouped loss carry-forward will be reduced in an amount proportional to a withdrawal. During the first year withdrawals may only be made on December 31st. Thereafter, withdrawals are permitted on the first day of the calendar quarter in an amount of not less than \$100,000.
- (2) The benchmark used for U.S. accounts is the S&P 500; for global accounts, the MSCI World Equity Index; and for international accounts, the MSCI EAFE Index.

As stated in the standard form of Investment Advisory Agreement, where W.P. Stewart has arrangements in place with the custodian of the account, the advisory fee will be deducted directly from the account on a quarterly basis. The client may choose to have the fee billed on a quarterly basis if they notify us and we agree on this arrangement. Whether the fee is deducted or billed, the client will receive an invoice which gives the amount of the fee, the total market value on which the fee was based and any adjustments to the fee billed, such as contributions or withdrawals made in the prior quarter. If the Investment Advisory Agreement is terminated before the end of a quarter, a prorated portion of the pre-paid quarterly fee is returned to the client based on the number of days remaining in the quarter after termination.

In addition to the fee paid to W.P. Stewart, clients will incur brokerage and other transaction costs, such as transaction fees, brokerage commissions, custodian fees, and other fees/taxes charged to brokerage accounts and securities transactions. Please see Item 12 – Brokerage Practices for additional information on our brokerage practices.

#### Fixed Income Investments

W.P. Stewart charges an advisory fee of 0.30% for fixed income investments but may charge a higher advisory fee (generally 1.0%) for providing advisory and allocation advice and services for multiple accounts which invest in fixed income investments and equity securities. See Item 10 – Other Financial Industry Activities and Affiliations for further detail.

#### Other Fee Arrangements

Some existing accounts that were established prior to the adoption of the fee arrangements described above are billed under other fee arrangements. Those fee arrangements are not currently offered to new accounts. Under the fee structures applicable to those accounts, the client pays fees for investment advisory services quarterly, in advance, based on a percentage of assets under management. The fees are calculated based on the total value of funds and securities held in the client's account, usually as of the final trading day of the preceding calendar quarter.

#### Additional Information about Performance Fees

Disclosures Regarding Performance Fees. Section 205(a)(1) of the Investment Advisers Act of 1940 (the “Advisers Act”) generally prohibits fees based on the Adviser's performance (i.e. a share of capital gains or appreciation by the client) unless the client is a “Qualified Client,” as defined in Rule 205-3(d)(i) under the Adviser's Act. A Qualified Client is:

- (i) a natural person or entity that has at least \$750,000 under management with Applicant or a net worth of \$1,500,000 (together with assets held jointly with a spouse in the case of a natural person) immediately upon entering the program, or
- (ii) a “Qualified Purchaser” as defined in Section 2(a)(51) of the Investment Company Act of 1940 (generally, an individual or family owned company with at least \$5 million in investments or an entity with at least \$25 million in investments). An investment company generally may not participate unless each equity owner satisfies the criteria for a Qualified Client.

In order to choose the performance fee option, you must meet one of these definitions.



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

W.P. Stewart provides performance-based fee arrangements as an option for separate accounts with a minimum of \$5 million in assets. A performance-based fee is an advisory fee based on a share of capital gains on or capital appreciation of the assets of a client. W.P. Stewart can potentially receive higher fees from accounts with a performance-based fee compared to accounts with a standard fixed fee; thus, there could be incentive to favor those accounts with a performance-based fee.

However, to help mitigate this potential conflict, W.P. Stewart has implemented certain policies and procedures. Within an investment strategy, all accounts are managed to follow the strategy's portfolio. Our Portfolio Managers and Analysts continually review their clients' accounts, generally on a daily basis, which includes comparing the security positions in each client's account against the weights in other client accounts managed by such Portfolio Manager and with our overall weightings. W.P. Stewart also has a trade allocation policy and procedure in place to help ensure that no advisory client is favored over any other client.

## **Item 7 – Types of Clients**

The client base for W.P. Stewart is comprised of primarily high net-worth individuals and trusts, partnerships, private corporations and other entities in which high net-worth individuals have a substantial interest, as well as pension plans, charitable organizations and other institutions.

W.P. Stewart ordinarily requires a minimum of \$1 million for new accounts, although exceptions may be made at our discretion. W.P. Stewart requires each new client to provide appropriate documentation for the particular account, including a properly executed current form of Investment Advisory Agreement.

## Item 8 – Methods of Analysis, Investment Strategies and Risk of Loss

W.P. Stewart is a high quality growth stock investment manager. We create concentrated portfolios of companies we believe have predictable and sustainable earnings growth over the long-term. The main factors in our approach are quality bias, five year perspective, valuation overlay, in-depth research and team approach, each described more fully below.

- \* Quality bias -- means companies with volume growth drivers, low cyclicalities, great management teams, conservative accounting, strong financials, substantial moats and generally industry leading market positions
- \* Five year perspective – we prepare detailed five year projections for each company we actively follow to confirm sustainability of growth
- \* Valuation overlay -- a company's relative attractiveness and portfolio weighting are a function of our five year earnings forecasts and expected P/E discounted to today
- \* In-depth research – on average, our analysts follow six or seven companies to ensure comprehensive coverage
- \* Team approach -- we attend company meetings with multiple team members to more completely understand each investment we evaluate, allowing meaningful input to security selection by a well informed, knowledgeable, diverse investment team.

We believe our approach generally provides fairly low turnover and we expect that most of our clients' profits over the years will be achieved as long-term capital gains.

Our research and valuation technique drives our investment process. We do our own research on every company we select, developing our investment research information from a variety of internal and external sources. Each of our analysts focuses on a small number of companies, on average eight, enabling them to fully investigate all aspects of the businesses they cover. We visit these companies regularly; contact managements frequently; talk to competitors, customers and suppliers; and consult with independent industry experts, forensic accountants, legal and patent specialists, as appropriate. While one analyst has the primary responsibility for each company, information is gathered by other analysts and is shared, analyzed and debated by all investment professionals.

In keeping with our long-term approach, we prepare detailed five-year projections for all investment prospects to confirm our conviction on sustainability of growth. This appraisal technique systematically examines all relevant factors, such as the quality of assets, consistency of earnings growth, ability to finance growth without high levels of debt, strength of product line and competitive position, capability of management, inflation adaptability, and many others. These five year forecasts for companies under review are refined frequently as our investment professionals conduct their ongoing research. We also follow selected companies over long periods, even when we are not investing in them.

The purpose of this appraisal technique is to evaluate the investment potential and to assess the related risks of companies under review. There are very few large publicly held businesses that have the size, quality and predictability to qualify for investment under our methodology. Accordingly, the number of U.S. companies approved as investment possibilities for our U.S. equity strategy (our “U.S. investment universe”) is limited to less than 50 businesses, which are selected based upon a consensus of our investment team. Our Global investment team considers no more than 100 companies for the Global universe at a given time. Generally, we tend to concentrate holdings in those with the greatest appreciation potential and sell off those that appear to be fully valued.

Using thorough analysis and intensive research, we select investment candidates based in part on the following criteria:

- a proven track record of consistent profit growth;
- strong financial condition;
- predictable double-digit earnings growth that we believe will continue for at least the next five years;
- accurate and reliable information that is readily available;
- successful, experienced management that is accessible to our investment team;
- strong product lines and competitive position, preferably with worldwide presence;
- relatively low levels of cyclicalities; and
- mid and large market capitalization and significant trading liquidity.

The results are compared to the general stock markets to determine the relative attractiveness of each company at a given moment. W.P. Stewart weighs economic, political and market factors in making investment decisions; this appraisal technique attempts to measure each investment candidate not only against other stocks of the same industry group, but also against a broad spectrum of investments. No method of fundamental or technical analysis, including that employed by us, has been proven to provide a guaranteed rate of return adjusted for investment risk.

Please keep in mind that investing in securities involves risk of loss that you should be prepared to bear. Market price and value of investments in growth stocks can decrease and may be more volatile than prices of equity with other strategies or in other asset classes. The price of growth stocks may be particularly volatile because these companies usually reinvest a high portion of earnings in their own businesses, and therefore may lack the dividend yield associated with value stocks that can cushion total return in a declining market. Also, because investors buy growth stocks based on their expected earnings growth, earnings disappointments often result in sharp price declines. In certain market cycles, the stocks of small- or mid-cap companies may outperform the stocks of large-cap companies. An investment in a limited number of stocks could also be more volatile than a highly diversified portfolio since the performance of each stock has a greater impact on the value of the portfolio. A concentrated portfolio may also be more susceptible than a diversified portfolio to any single economic, political or regulatory occurrence. Past performance does not guarantee future results.

We view risk as the permanent loss of capital and attempt to mitigate it primarily by maintaining the growing earnings power that supports client portfolios and by applying a disciplined valuation appraisal. Awareness and avoidance of risk is of central importance to us. Our objective is to travel the least risky path to great opportunity and to forego investment excitement any time it involves more risk than we are comfortable with. We believe our team of analysts/portfolio managers focusing on a limited number of stocks helps us do a serious, high-quality job of auditing and filtering out risk.

Our investment team focuses on company-specific risk (any interference in the company's potential that is within its control), business risk (we prefer to be in those select businesses where the environment is benign, and where there is some opportunity to define the marketplace), and portfolio risk (for example, we limit this by utilizing a sell discipline and owning a diversified U.S. portfolio of 15-20 companies and Global portfolio of 25-30 companies). W.P. Stewart believes in the lower risk/higher return school of investing and does not subscribe to the view that high risk must be taken to obtain high returns. We believe that our concentration in less cyclical businesses reduces risk relative to the broader market S&P 500 Index.

W.P. Stewart also has sub-advisory relationships with WPS Advisors, Inc., a wholly-owned subsidiary of W.P. Stewart, and Bowen Capital Management, through which we obtain research. In addition, with regard to the fixed income strategy we offer to existing equity clients, we use the services of Wilmington Trust Company and Breckinridge Capital Advisors, Inc. as sub-advisors and delegate authority to such sub-advisor.

## **Item 9 – Disciplinary Information**

W.P. Stewart is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's or prospective client's evaluation of our advisory business or the integrity of our management. We have no legal or disciplinary events to report.

## Item 10 – Other Financial Industry Activities and Affiliations

W.P. Stewart is neither registered, nor has an application pending to register, as a broker-dealer, futures commission merchant, commodity pool operator, or a commodity trading advisor. Currently, certain members of our investment team are registered representatives of Grand Distribution Services, LLC, who is the distributor for W.P. Stewart & Co. Growth Fund (“Growth Fund”), a series of the Investment Managers Series Trust, a registered investment company. The investment advisor for the Growth Fund is WPS Advisors, Inc.

W.P. Stewart has entered into Investment Advisory Services Agreements with WPS Advisors, Inc., its affiliate, and Bowen Capital Management. Under those Agreements, WPS Advisors, Inc. and Bowen Capital Management serve as sub-investment advisers with respect to certain identified accounts of W.P. Stewart. The services provided by the sub-advisers include research relating to portfolio investments and recommendations relating to investment decisions with respect to purchases and sales of securities in such accounts. W.P. Stewart, through its Investment Oversight Committee, supervises WPS Advisors, Inc.’s and Bowen Capital Management’s sub-advisory activities.

W.P. Stewart pays WPS Advisors, Inc. and Bowen Capital Management a fee in connection with their services as sub-advisers on accounts where their services are used. The fee is generally equal, in the case of most accounts, to approximately one-third of the advisory fee actually paid to W.P. Stewart by the respective client. These sub-advisory arrangements are terminable by W.P. Stewart or by the sub-adviser with 30 to 90 days’ prior written notice to the other party. If W.P. Stewart terminates an arrangement prior to the end of the quarter, the sub-adviser will be entitled to receive its investment advisory fee for the portion of the quarter that passed before termination. W.P. Stewart also pays WPS Advisors, Inc. \$100,000 per month for access to its proprietary investment research.

W.P. Stewart has agreements with Wilmington Trust Company and Breckinridge Capital Advisors, Inc., neither of whom we are affiliated with, to provide us sub-advisory services for fixed income investments for certain advisory clients of W.P. Stewart. The activities of these sub-advisors also are reviewed and supervised by W.P. Stewart’s Investment Oversight Committee. W.P. Stewart pays a quarterly fee to both Wilmington and Breckinridge that is equal to 0.05% of the value of the accounts they sub-advise. This fee is calculated and charged quarterly in advance, equal to an annual rate of 0.20%. The agreements with Wilmington and Breckinridge are terminable by either party at any time with 60 days’ prior written notice to the other party. In the event of termination prior to the end of a quarter, the sub-advisor is entitled to receive its investment advisory fee for the portion of the quarter that passed before termination.

WPS Advisors, Inc., an affiliate of W.P. Stewart, is the investment advisor to the Growth Fund in which prospective clients or investors may be solicited to invest. The Growth Fund is considered an advisory client since it pays a full investment advisory fee. Since it is considered a client, the Growth Fund is managed to follow the strategy’s portfolio as are all other client accounts within the investment strategy. Also, our trade allocation policy and aggregation of orders procedures help ensure that no advisory client, including the Growth Fund, is favored over any other client.

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

W.P. Stewart has established, maintains and enforces a Code of Ethics for all employees in accordance with Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The Code of Ethics provides guidelines of our high standards of business conduct required by all employees, which standards reflect our fiduciary obligations to act in the best interest of our clients, procedures regarding personal securities transactions and holdings by our employees and provisions for reporting any violations to the Code of Ethics. All Access Persons, as defined in the Code of Ethics, certify annually that they have and will continue to comply with the Codes of Ethics. A copy of our Code of Ethics is available to any client or prospective client upon request.

### Participation in Client Transactions

W.P. Stewart, with its affiliates, acts as investment adviser to several pooled investment funds, including the Growth Fund. W.P. Stewart offers clients investment opportunities in these pooled investment funds, which are invested in the same securities W.P. Stewart may purchase or sell on behalf of clients with separate managed accounts. These pooled investment funds are considered advisory clients since they each pay W.P. Stewart a full investment advisory fee. However this can present a conflict of interest. To help mitigate any conflict that might arise, these fund accounts are managed to follow the strategy's portfolio as are all other client accounts within the investment strategy. Also, W.P. Stewart has a trade allocation policy and procedure in place to help ensure that no advisory client is favored over any other client.

W.P. Stewart allows employees to hold shares of the Growth Fund, but to do so employees must follow certain policies and procedures that are in place to help address any risk of abusive trading activity, such as market timing and late trading. All trades of Growth Fund shares by an employee must be pre-approved by the Growth Fund's Director of Fund Administration and also must be placed through W.P. Stewart. The Director of Fund Administration has the authority to not approve an employee trade in Growth Fund shares if there is a reason to suspect non-compliance with policies and procedures. The Director of Fund Administration also maintains copies of employee Growth Fund account statements to review for any non-compliance activity.

All of W.P. Stewart's officers and employees are subject to a variety of restrictions relating to their personal securities transactions, which are set forth in a compliance manual distributed to all employees. W.P. Stewart has established policies concerning insider trading, and procedures to monitor compliance with its policies and applicable laws. These policies encompass W.P. Stewart employees and any individual in the employee's household.

An employee may not engage in any transaction involving securities of a company about which such employee possesses material non-public information. As such, employees may be prohibited from purchasing securities of (or a derivative of the securities of) any company on our restricted list for any employee account, firm account or customer account, although employees may execute documented unsolicited customer orders for such securities. If an insider account acquired any such security when they were not on our restricted list these securities may be sold,



subject to prior approval of the Chief Compliance Officer and all W.P. Stewart procedures, including prohibitions on insider trading and notification by duplicate confirmation of transactions from the custodian or broker.

Subject to all applicable procedures and requirements, employees may trade securities in the W.P. Stewart universe of stocks (the “Universe Stocks”) that are approved for purchase in our clients’ accounts. With limited exceptions, all trades of Universe Stocks by employees must be submitted to an executing broker through our trading desk. These Universe Securities must be custodied at Pershing LLC or other custodian designated by W.P. Stewart. Variances from this custodial arrangement must be approved in writing by the Chief Compliance Officer. Except in those instances where trading is clearly prohibited, employees should consult with the Chief Compliance Officer before effecting a transaction if there is any question whether the transaction could to any degree have been motivated by knowledge of non-public information. In accordance with our procedures and policy prohibiting “front-running,” limit orders on Universe Stocks are not permitted in employee accounts.

In order to enforce compliance with these trading restrictions, it is W.P. Stewart’s policy that, unless as permitted as described below, every employee who shall trade in securities for his or her own account shall conduct such transactions through accounts established and maintained with Pershing LLC. Any account held at another custodian for the purpose of trading in securities established by an employee prior to the start of his or her employment at W.P. Stewart shall be closed, provided, however, that where closing such account would cause undue hardship to such employee, or where approval of the Chief Compliance Officer has been obtained for the opening or maintaining of such an account, W.P. Stewart requires as an alternative that any trading conducted by such employee in such account be reported expeditiously to W.P. Stewart through duplicate confirmations and statements. No matter where the employees’ accounts are maintained, trading in these accounts will be reviewed by the Compliance Department to look for irregular patterns or activity that may indicate insider trading.

W.P. Stewart, including its employees and related persons, may purchase or sell securities which it may also purchase or sell on behalf of some or all of its advisory clients. It is our policy that on any given day, no employee account can receive a more favorable execution price than that received by any client account for the same security, on the same side of the transaction if such trade is executed for a client at our discretion. In order to enforce this policy, W.P. Stewart will aggregate orders for employee accounts and client account orders made at our discretion, thereby giving all such accounts an aggregate price. In circumstances where all orders cannot be filled in a day, client accounts will be given priority in filling these aggregated orders. An exception to aggregation will be made if either the employee account order or the client account trade is completed prior to the other’s submission to the trading desk and the employee account would, without aggregation, get a worse price. In that case, the two orders will not be merged so that the client will get the more favorable execution price. If the orders cannot be merged in order to give an average price where the employee account has received a more favorable price, the employee will be required to pay the difference between the execution price received by the employee and the client multiplied by the number of shares traded by the employee. Such amount will either be given to the affected clients or, if not practical, to the W.P. Stewart

Foundation, a charitable organization. A de minimus exemption will be made for an employee account in the amount of \$50.00 per account per calendar year.

An exemption to this general policy will be made with respect to any client accounts with a total value of less than \$120,000 held at Pershing LLC, as custodian. For accounts of that size, Pershing LLC cannot act as prime broker. Therefore, any trading for such accounts will need to be executed by Pershing LLC. If another broker is used to execute either client trades or employee trades for a security, such trades cannot be merged with those executed by Pershing LLC. Employees will not be penalized by this limitation. In such circumstances, it is possible that an employee could get a better price than a client who cannot trade outside Pershing due to the \$120,000 limitation.

This policy does not apply where the client, in its own discretion, requests a brokerage transaction in a security where discretion is not exercised by W.P. Stewart. A limited number of accounts that are related to officers or employees of W.P. Stewart, but that pay an investment advisory fee, are treated as client accounts, rather than employee accounts for purposes of this policy.

If an employee has an account held at a custodian other than Pershing LLC and therefore cannot submit trades through W.P. Stewart's trading desk, the above policy will be implemented in a different way. In this case, the employee's trade orders cannot be merged with client orders. Instead, if the employee realizes a better price during any day than a client's price in a transaction covered by the policy, a charge will be imposed in the amount of at least twice the amount of the benefit realized to allow W.P. Stewart to make whole any affected clients, or, if not practical, to give to the W.P. Stewart Foundation, a charitable organization. Where appropriate, W.P. Stewart may impose additional or different sanctions.

As described in the Code of Ethics, each employee who is an Access Person, as defined in the Code of Ethics, must submit a quarterly report form within 30 calendar days after the end of each calendar quarter. Each access person reports and confirms on this form any, or no, securities transactions or brokerage accounts not already provided to the Compliance Department by him/her or any member in his/her household.

## Item 12 – Brokerage Practices

Pursuant to the standard form of Investment Advisory Agreement, W.P. Stewart ordinarily has discretion and authority to manage its clients' accounts, which includes the selection of broker-dealers. We do not suggest that clients use particular brokers, rather (except as described below) we select the brokers to use in connection with clients' accounts. We may direct trades to a broker when a client specifically designates a broker or may select a broker in order to obtain research services from that broker. Such research services generally are reports, meetings and conferences regarding the marketplace, industries or companies in which W.P. Stewart contemplates investing, has invested managed funds or their competitors. All such research services are used for the benefit of all accounts managed by us. As set forth in the standard form of Investment Advisory Agreement, in cases where we direct transactions to a particular broker, due to client selection or otherwise, the commissions may be greater than the amount that would have been charged by another broker. Where we effect block trades on behalf of our advisory clients, such trades are allocated to the various client accounts at an average daily price determined by us and/or the applicable broker.

W.P. Stewart endeavors to seek the most favorable terms reasonably available for clients' transactions. In any transaction, W.P. Stewart and its brokers use reasonable diligence to ascertain the best inter-dealer market for the subject security and buy or sell in that market so that the resulting price to the customer is as favorable as possible under prevailing market conditions.

When placing orders to purchase or sell securities for clients' accounts, W.P. Stewart selects broker-dealers that it reasonably believes will provide the best prices available for the transactions at commissions that are reasonable in relation to the quality and reliability of brokerage and research services offered by the broker-dealer. In making its decision regarding the selection of broker-dealers, W.P. Stewart considers whether brokerage and research services, such as research reports, market data and other information, have been provided to W.P. Stewart to enhance its portfolio management capability.

Transactions in exchange-listed securities generally are performed on the New York Stock Exchange, the Nasdaq Stock Market ("Nasdaq") or on another national securities exchange if it is the primary exchange on which the security is traded. Transactions in other securities are executed in the over-the-counter ("OTC") market. Transactions may be executed on an alternative market, such as an electronic communications network ("ECN"). Transactions effected on Nasdaq or in the OTC market generally are executed versus other broker-dealers that are market makers in the securities; trades effected on alternative markets may be executed versus market makers, broker-dealers or other institutional investors.

An executing broker will direct all orders in OTC securities to either Nasdaq, a market maker, ECN or other market center for execution. If the order is directed to a market maker, the market maker may buy or sell versus all or part of the order as principal, or represent all or part of the order for execution on an agency or "riskless principal" basis (please see below) at the prevailing market price or better. In so doing, the market maker may charge a mark-up/mark-down or commission on the trade, which is passed on to the client. If the order is directed to an ECN, the

order may be executed versus another market maker, broker-dealer or institutional investor utilizing the system at the prevailing market price or better, similar to a trade with a market maker. The ECN may charge a user access fee for the trade paid by the broker. Any SEC or exchange fees imposed by law will be charged separately to a client's account.

A "riskless" principal transaction is the functional equivalent of an agency trade, in which the market maker, after having received our order to buy (sell) a security, buys the security from (sells the security to) another party, and then sells it to us (buys it from us), at the same price, in contemporaneous, principal transactions.

We have an obligation to conduct an independent review and evaluate the quality of execution that clients' orders have received from executing broker-dealers. We have established a Best Execution Committee to evaluate our order routing decisions and to review a detailed report, analyzing all of our trading, which is prepared for us on a quarterly basis by an independent third party. The committee is staffed with senior personnel from our portfolio management, trading, legal and compliance operations. It meets not less frequently than once a quarter. Members review the report which studies trade executions by the various executing broker-dealers to which trades are directed. Each broker's performance is compared to others capable of handling order flow in the same securities, and a decision is made whether or not to adjust order routing parameters for the coming period.

W.P. Stewart generally recommends that clients select the following custodian: Pershing LLC, which is a member of FINRA and the Securities Investor Protection Corporation (SIPC) and is a registered broker-dealer. Pershing maintains custody of clients' assets and may also effect trades in client accounts. We are not affiliated with Pershing.

W.P. Stewart has an arrangement with Pershing Advisor Solutions LLC, an affiliate of Pershing LLC, through which Pershing provides W.P. Stewart and its advisory affiliates with certain services. These services include, among others, brokerage, custodial, administrative support, recordkeeping, and related services that are intended to support intermediaries such as W.P. Stewart in conducting business and serving clients. These may also be a benefit to us since we may otherwise have to pay for such items at our own expense. Pershing charges brokerage commissions and transaction fees for effecting certain securities transactions (i.e., commissions are charged for individual equity and debt securities transactions for any client trade, and ticket charges are imposed for clients for which Pershing acts as custodian). In addition, for accounts for which it acts as custodian, Pershing charges a trade-away fee per ticket for trades effected by other brokers, which trades are cleared through Pershing. Pershing's commission rates are generally considered discounted from customary retail commission rates. However, the commission and other transaction fees charged by Pershing may be higher or lower than those charged by other custodians and broker-dealers.

#### Research and Other Soft Dollar Benefits

W.P. Stewart participates in "soft dollar" programs with a group of 10-15 broker-dealers, pursuant to which it earns commission (soft dollar) credits on agency and riskless principal transactions in exchange listed securities and over-the-counter (OTC) securities, which W.P. Stewart uses to acquire brokerage and research services from the broker-dealer. Brokers

generally charge up to 3 cents per share on transactions in U.S. securities where soft dollar programs are in place. Such fees may be significantly higher for non-U.S. securities and will vary by country of issuer or exchange on which the security is traded. All clients are included, bear the same costs, and benefit from products and services offered under the arrangement. The material terms of each soft dollar program are described below. Information regarding the terms of any soft-dollar arrangement are available upon request.

Soft dollar credits are used to acquire brokerage and research services only. W.P. Stewart does not receive other types of products or services from these or other broker-dealers using soft dollar credits. An item is considered a “brokerage” or “research” related product or service if it is used for any of the following purposes:

- To effect securities transactions or to perform functions that are incidental to brokerage, such as clearance, settlement and custody services, or required by industry self-regulatory organization rules;
- To furnish advice, orally or in writing, regarding (i) the value of securities, (ii) the availability of securities, buyers or sellers, or (iii) the advisability of investing in, buying or selling securities; or
- To furnish analyses or reports concerning issuers, industries, economic or political conditions, securities, portfolio strategy or the performance of accounts.
- To facilitate access to meetings with management teams via direct meetings or conferences.

In most situations, transactions executed by soft dollar service providers are cleared and settled by Pershing LLC or other custodian appointed by the client. The types of products or services received during the year were copies of proprietary research reports regarding companies in our universe, those that we were contemplating to add to the universe and their competitors; in-person meetings with analysts to discuss the companies and sectors the analysts covered and/or general topics concerning current economic or political conditions and trends; admission to conferences held by broker-dealers; and meetings with management of companies. At the beginning of the year our investment team prepares a research budget which includes a list of brokers to which W.P. Stewart plans to give commission business for the year, the targeted commission amounts per broker and the soft dollar service to be received from the broker in return for the commission. This budget is approved by the head of investments and submitted for review to the Chief Compliance Officer, and is also reviewed on a periodic basis to determine if adjustments need to be made. Throughout the year, the trading desk uses the budget as a guide to help determine which executing broker to use for a trade to ensure we receive the appropriate amount of soft dollar benefits from each broker to best benefit our clients.

Since we do not have to produce or pay for the research, products or services obtained, we are benefited by client brokerage commissions used to obtain soft dollars. While the receipt of brokerage and research services creates an incentive for W.P. Stewart to use soft dollar service providers instead of other broker-dealers, W.P. Stewart does not permit any soft dollar arrangement to interfere with its responsibility to ensure best execution for clients’ transactions. W.P. Stewart has selected soft dollar service providers that it feels consistently provide superior

executions for our clients' transactions. For each soft dollar arrangement entered into by us, we have determined that the commissions are appropriate in relation to the value of the brokerage and research services received from the executing broker. Moreover, we periodically evaluate the performance of each soft dollar service provider with regard to executions, commissions and services and reassess its aggregate order routing parameters in accordance with its procedures for the review of best execution.

"Step-out" trades, where we direct the executing broker to allocate, or step-out, a portion of the trade and related compensation to another broker-dealer, are not used to pay for soft-dollar obligations and are not included in the research budget. Step-out trades, however, may be made as a result of a client maintaining their account with a broker other than Pershing and the client's decision not to transfer the account to Pershing.

#### Directed Brokerage

When selecting broker-dealers for client transactions, W.P. Stewart does not consider client referrals received from them or third parties.

W.P. Stewart does not routinely recommend, request or require that a client direct us to execute transactions through a specified broker-dealer. However, in limited circumstances, we do permit clients to request directed brokerage arrangements to specified brokers. If a client requests a directed brokerage arrangement, the request must be approved by an executive officer of W.P. Stewart. Once a request is approved and documented, it is W.P. Stewart's policy to provide such client with a disclosure letter which states that the directed brokerage arrangement may affect the manner in which W.P. Stewart handles such client's account with respect to (i) aggregating such client trades with other clients and (ii) obtaining best price and execution. The client must sign and return the disclosure letter to us to acknowledge their understanding of these potential issues. Directed brokerage may prohibit us from achieving the most favorable execution for the client's transactions which may result in costing the client more money.

#### Aggregation of Orders

W.P. Stewart may exercise investment discretion to buy or sell the same security for a number of clients at the same time. In the situations described below, clients' orders are aggregated into a single, "bunched" order to give clients the benefits of efficient and cost-effective delivery of investment management services. By aggregating trades, W.P. Stewart may also obtain more favorable executions. Securities bought or sold as a result of an aggregated order generally will be allocated on a pro rata basis (based on a target percentage for each account) at an average price, unless W.P. Stewart determines that non-pro rata allocation is appropriate to ensure the fair and equitable treatment of the clients (e.g. changes in the clients' availability of cash or liquidity subsequent to a target allocation or a de minimus holding resulting from such an allocation).

In situations where clients' orders are aggregated into a single "bunched" order each client account participates at the average execution price, based on each client's participation in the transaction. If a portion of a large order is completed before a second order by a different portfolio manager is entered, the completed portion of the first order will not be averaged with



the second order. Any portion of the first order remaining open when the second order is entered, however, will be worked with the second order and the trades will be allocated at average prices. Any order for a security that is completed during a period when there is no other open order for that security will be executed individually and allocated to the client at the price of execution, regardless of whether there are other bunched orders by different portfolio managers for that security during other periods of the trading day.

By allocating on a pro-rata basis W.P. Stewart ensures that no advisory client is favored over any other; clients receive the average execution price and share transaction costs on a pro rata basis. No additional compensation or remuneration is received by W.P.Stewart in connection with “bunched” orders.

### **Item 13 – Review of Accounts**

W.P. Stewart's Portfolio Managers and Analysts continually review their clients' accounts, generally on a daily basis. This review includes comparing the security positions in each client's account against the weights in other clients accounts managed by such Portfolio Manager and with our overall weightings. In addition to their routine review, Portfolio Managers review particular accounts as individual circumstances warrant (for example, as a result of changes in the financial needs of the client, changes in securities prices, developments in portfolio companies, market fluctuations, etc.).

W.P. Stewart also has an Investment Oversight Committee which routinely reviews each Portfolio Manager's performance information, and makes sure the performance information is calculated on a uniform and consistent basis. Each review is performed to ensure that clients' investment objectives are being diligently pursued. This process appraises client accounts against investment objectives according to asset mix, security quality, diversification and performance. The Investment Oversight Committee also routinely monitors, reviews and supervises the investment management recommendations and decisions of its sub-advisers, WPS Advisors, Inc., Bowen Capital Management, Wilmington Trust Company and Breckinridge Capital Advisors, Inc.

W.P. Stewart provides clients with written quarterly reports setting forth the account's securities holdings as of the end of the quarter and summarizing the performance of the account: for the most recent calendar quarter; year-to-date; recent calendar year; annualized three and five year periods; and since the account's inception. We encourage you to compare the account statements received from your custodian with any account reports sent to you by us for the corresponding period. Clients also receive a written newsletter based on their investment strategy, no less than quarterly, which provides a review of the markets, performance information and investment outlook.



**Item 14 – Client Referrals and Other Compensation**

W.P. Stewart does not receive economic benefit, including sales awards or prizes, from non-clients in connection with providing investment advice or other advisory services to our clients.

W.P. Stewart does have written agreements with certain persons (solicitors) pursuant to which W.P. Stewart compensates them for their referral of clients who establish investment accounts with us. The solicitor receives compensation based upon a fixed percentage of the advisory fees received by W.P. Stewart from the clients referred by that solicitor. The amount of compensation the solicitor receives in connection with a standard advisory fee arrangement may be more (or less) than what the solicitor would receive if the client participated in a performance fee-based arrangement.

For separate managed accounts (as opposed to pooled vehicles), W.P. Stewart discloses these referral arrangements, including the amount of compensation to be paid to the solicitor, to each referred client, and the client provides us written acknowledgement of their understanding of this arrangement prior to establishing the account.

In certain limited circumstances where a financial services intermediary that refers clients to W.P. Stewart also performs with respect to those referred accounts certain administrative and client-liaison services that would normally be performed by W.P. Stewart, we may, at the direction of the client and the financial services intermediary, apply some or all of the compensation that would be payable to the intermediary for such referrals as a partial off-set to advisory fees payable by those clients.

Clients under these agreements follow the same fee schedule as those that establish accounts with us directly.

An affiliate of W.P. Stewart has an agreement in place with Bowen Capital Management whereby Bowen will pay our affiliate a fee for accounts referred to them. Some of these accounts may be clients of ours. We do not believe this arrangement creates a conflict of interest to our clients.

## **Item 15 – Custody**

W.P. Stewart does not hold or have authority to gain possession of clients' funds or securities except that it does have the ability to deduct advisory fees from clients' accounts. Clients will receive account statements, at least quarterly, from their custodians. Clients should carefully review these statements. W.P. Stewart provides all of its clients quarterly appraisals of their accounts. We encourage you to compare the account statements received from your custodian with any account reports sent to you by us for the corresponding period.

## **Item 16 – Investment Discretion**

W.P. Stewart ordinarily has discretionary investment authority to manage its clients' accounts. Clients grant us discretionary investment authority to manage their account by signing our standard form of Investment Advisory Agreement, which is provided to all clients prior to our assuming this authority.

Clients may have specific restrictions they would like placed on their account, such as prohibiting us from purchasing securities of certain companies or limiting the amount of a particular stock. We will observe those limitations and restrictions provided to us in writing by the client assuming the limits and restrictions are consistent with our strategy.

## Item 17 – Voting Client Securities

W.P. Stewart typically accepts authority to vote client securities. However, we will allow clients to vote the proxies for the securities in their account if the client provides written notification. W.P. Stewart has written proxy voting procedures in place which (i) describe the process W.P. Stewart uses to help it evaluate the issues presented by a proxy and also establish how the proxy will be voted; and (ii) adopt and implement procedures that are reasonably designed to insure that W.P. Stewart votes proxies in the best interests of its clients, which include how W.P. Stewart addresses material conflicts of interest between it and any of its clients.

W.P. Stewart will vote routine matters according to its written proxy voting policy and procedures. Non-routine matters will be voted on a case-by-case basis, with general principles set forth in the written proxy voting policy and procedures as guidelines. The Compliance Officer will identify any conflicts that exist between the interests of W.P. Stewart and its clients. If there is a direct or indirect interest in any issue that is the subject of a proxy to be voted for a client's account, W.P. Stewart shall (a) disclose to the client in writing the substance of its interest in the issue and shall seek from the client written direction on how such issue is to be voted and (b) if W.P. Stewart does not receive written direction from a client on how to vote on an issue on which it has a direct or indirect interest, it shall resolve the conflict by voting client securities based upon the recommendations of the issuer's management. Alternatively, W.P. Stewart may retain an independent firm that analyzes proxies and provides research and objective vote recommendations, which firm shall provide detailed analysis and voting recommendations for each proxy matter for which there is a perceived conflict.

All decisions about how to vote a proxy with respect to a client account will be made in accordance with the best investment interests of our clients, including stated investment objectives and in accordance with applicable statutory and regulatory requirements, and client agreements, and the related factors that W.P. Stewart believes appropriate and consistent with its fiduciary duties to its clients.

In order to obtain information on how W.P. Stewart voted your proxies or to request a copy of the our proxy voting policies and procedures, you may contact the Compliance Officer, Seth Pearlstein, via e-mail ([seth@wpstewart.com](mailto:seth@wpstewart.com)) or telephone at 1-888-695-4092.

## **Item 18 – Financial Information**

It is required for W.P. Stewart to provide you with certain financial information or disclosures about its financial condition. W.P. Stewart has no financial commitment that is likely to impair its ability to meet contractual and fiduciary commitments to you. Also, W.P. Stewart has not been the subject of a bankruptcy petition at any time.