

## Item 1 - Cover Page

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Date of Brochure: April 1, 2013

This Brochure provides information about the qualifications and business practices of Taplin, Canida & Habacht (“TCH”). If you have any questions about the contents of this brochure, please contact us at 305-379-2100 or [tch@tchinc.com](mailto:tch@tchinc.com). The information in this brochure has not been approved or verified by the United State Securities and Exchange Commission (“SEC”) or by any state securities authority.

TCH is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.

Additional information about TCH is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## Item 2 - Material Changes

Following is a summary of only the material changes made to this Brochure since our last annual update on March 30, 2012.

- On June 1, 2012, M&I Investment Management Corp., which owned a majority interested in TCH, merged with and into BMO Asset Management Corp. (formerly Harris Investment Management, Inc.). TCH is now a majority-owned subsidiary of BMO Asset Management Corp. Related changes were made in Item 4 and Item 10.
- A description of certain conflicts related to the participation or interests in client transactions were included in Item 11 and Item 12. In particular, disclosure that TCH may purchase securities for client accounts during an underwriting or other offering of such securities in which a broker-dealer affiliate of TCH acts as a manager, co-manager, underwriter or placement agent, if permitted by a client's investment objectives, and subject to compliance with applicable law, regulations and exemptions,
- The description of TCH's client referral practices were updated in Item 14.
- The description of TCH's custody practices were updated in Item 15.
- A description of the information collected from clients as part of our anti-money laundering program was added in Additional Information.

Pursuant to SEC rules, we will ensure that you receive a summary of any material changes to this and subsequent brochures within 120 days of the close of our business' fiscal year. We may further provide other ongoing disclosure information about material changes as necessary.

Our brochure may be requested, at any time, without charge, by contacting Tere Alvarez Canida, President, at 305-379-2100 or [tac@tchinc.com](mailto:tac@tchinc.com).

Additional information about TCH is also available via the SEC's website [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). The SEC's website also provides information about any persons affiliated with TCH who are registered, or are required to be registered, as investment adviser representatives of TCH.

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#### **Item 4 - Advisory Business**

Taplin, Canida & Habacht (TCH) is a registered investment adviser located in Miami, Florida. Founded in 1985, the firm specializes in fixed income account management. We render investment management services to retirement and pension accounts, government entities, high net worth individuals, trusts, estates, endowments and foundations. TCH also acts as sub-adviser to the Aston/TCH Fixed Income Fund, the BMO TCH Corporate Income Fund and, the BMO TCH Core Plus Bond Fund which are all registered investment companies.

All portfolios are managed on a team basis and are specifically tailored to each client's objectives within our investment framework. In particular for high net worth individuals, consideration may also be given to the client's risk tolerance, time horizon, tax status, liquidity needs, return objectives and preferences for investment vehicles. Clients may impose reasonable restrictions on the management of their accounts, including on investing in certain securities or types of securities. Clients are furnished statements on a regular basis and client communication is frequent.

A majority interest in TCH is owned by BMO Asset Management Corp., which is a wholly-owned subsidiary of BMO Financial Corp., which is in turn a wholly-owned subsidiary of Bank of Montreal ("BMO"), a publicly-held Canadian financial services company. BMO acquired TCH as part of its acquisition of Marshall & Ilsley Corporation in July 2011. The remaining interests in TCH are owned by Tere Alvarez Canida, Alan M. Habacht and William J. Canida through Canhab, Inc. TCH is one of the constituents of BMO Global Asset Management.

As of December 31, 2012, TCH managed \$7,431,260,724 in discretionary assets with 65 client accounts. TCH does not manage any non-discretionary assets.

#### **Item 5 - Fees and Compensation**

TCH's basic fee schedules for investment supervisory services, on an annual basis, are:

<u>Equity Fee Schedule</u>	<u>Fixed Income-Accounts</u>
1.00% - First \$ 5 million	0.50% - First \$10 million
0.75% - Next \$ 5 million	0.25% - All over \$10 million
0.50% - Next \$10 million	
0.25% - All over \$20 million	

Fees are negotiable depending on the particular requirements and circumstances of each account. TCH may provide advisory services for fixed or flat fees in limited situations.

Fees are payable monthly or quarterly in arrears. The specific manner in which fees are charged by TCH is established in a client's written agreement with TCH. Clients may elect to be billed directly for fees or to authorize TCH to directly debit fees from client accounts. Management fees are prorated for each contribution and withdrawal made during the applicable calendar quarter (with the exception of de minimis contributions and withdrawals made during the

applicable calendar quarter). Accounts initiated or terminated during a calendar quarter are charged a prorated fee.

TCH's sub-advisory agreement with Aston Funds provides that the investment adviser to the portfolios will pay TCH a fee with respect to the portfolios sub-advised by TCH. Specifically, the fee is calculated and payable monthly in arrears based on the average daily and net assets of each portfolio, in an amount equal to 50% of the positive difference, if any, of (a) the advisory fee payable to the investment adviser with respect to each portfolio (before reduction of the fee payable to TCH) minus (b) the sum of : (i) any investment advisory fees waived by the investment adviser pursuant to an Expense Limitation Agreement with the funds, (ii) any reimbursement of expenses by the investment adviser pursuant to an Expense Limitation Agreement with the funds, and (iii) any payments made by the investment adviser to third parties that provide distribution, shareholder services or similar services on behalf of the funds. Generally, the amounts payable to TCH range between 0.10% and 0.30%. The sub-advisory agreement with the Aston portfolios can be terminated by the sub-adviser with respect to a Fund without penalty upon sixty days' written notice to the investment adviser and the Aston Funds.

TCH's sub-advisory agreement with Marshall Funds, Inc. (d/b/a BMO Funds) provides that the investment adviser to the funds will pay TCH a fee with respect to the portfolios sub-advised by TCH. TCH receives a portion the following fee:

**BMO TCH Corporate Income Fund**

**BMO TCH Core Plus Bond Fund**

- 0.25% for the first \$500 Million
- 0.24% for the next \$200 Million
- 0.15% for the next \$100 Million
- 0.10% portion over \$800 Million

Specifically, the fee is computed daily and paid monthly in arrears based on the average daily net assets of each portfolio. Once the fee has been calculated using the above fee schedule TCH receives 40% of the gross advisory fee. The sub-advisory agreement with BMO Funds can be terminated by TCH with respect to a fund without penalty upon sixty days' written notice to the investment adviser or by BMO Funds or the investment adviser without penalty upon not more than 60 or less than 30 calendar days written notice to TCH. BMO Asset Management Corp. (BMO AM) is the investment adviser to BMO Funds. TCH is a majority-owned subsidiary of BMO AM.

TCH's fees are exclusive of brokerage commissions, transaction fees and other related costs and expenses which shall be incurred by the client. Clients may incur certain charges imposed by custodians, brokers, and other third parties such as fees charged by managers, custodian fees, transfer taxes, wire transfer and electronic fund fees and other fees and taxes on brokerage accounts and securities transactions. Mutual funds and exchange traded funds also charge internal management fees, which are disclosed in a fund's prospectus. Such charges, fees and commissions are exclusive of and in addition to TCH's fee, and TCH does not receive any portion of these commissions, fees and costs.

Clients who participate in equity trades are also charged a commission. Item 12 further describes the factors that TCH considers in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

#### **Item 6 - Performance-Based Fees**

TCH does not have any performance-based fee (fees based on a share of capital gains or capital appreciation of the assets of a client) clients. TCH is willing to consider performance-based fees.

#### **Item 7 - Types of Clients**

TCH provides investment supervisory services to retirement and pension accounts, government entities, high net worth individuals, trusts, estates, endowments and foundations. TCH also acts as sub-adviser to the Aston/TCH Fixed Income Fund, the BMO TCH Corporate Income Fund, and the BMO TCH Core Plus Bond Fund, all of which are registered investment companies.

Generally, TCH requires a minimum of \$25 million to open an account.

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

Investing in securities involves risk of loss that clients should be prepared to bear. Investment products are not FDIC insured, have no bank guarantee and may lose value. TCH makes no guarantee or representation of performance.

TCH offers customized fixed income portfolio management solutions to meet specific client objectives. Strategies include traditional core, core plus, intermediate, corporate (credit), intermediate credit and long duration credit fixed income, each of which can be structured to a particular maturity or duration target.

*Fixed Income.* Our investment process is a research-driven, relative value process driven by both quantitative tools and internally generated fundamental analysis. In this context, TCH seeks to identify U.S. dollar-denominated, relative value opportunities across the entire spectrum of the investment grade and high yield fixed income market. Our approach seeks up-market capture while mitigating down-market risk during rising interest rate cycles and emphasizes sector and security selection and yield curve positioning while maintaining overall duration within a narrow band to the benchmark index. However, sectors and yield curve decisions are emphasized on a contribution to duration basis. Risk management is built in to every stage of the process.

The investment team, which includes analysts, traders and portfolio managers, maintain ongoing discussions regarding economic trends and the outlook for capital markets. This defines a global framework, an important input to the investment process. Since no two markets are the same, we believe idea generation occurs at the cross sections of qualitative versus quantitative analysis and top down versus bottom

up processes. Accordingly, TCH utilizes research and opinions of the entire investment team to decide which sectors and portions of the yield curve offer the best opportunities. Analysts seek to identify attractive opportunities independent of third party opinions. Analyst coverage is defined on a sector basis, allowing analysts to closely follow sector trends and evaluate an entire peer group across the credit spectrum.

The focus of our fundamental analysis is to evaluate both the ability and the willingness of an entity to service and repay its debt. Analysts look at their coverage universe from both a top-down and bottom-up perspective. Considerations in the process include: sector trends, the regulatory environment, business mix, financial statement analysis, credit ratio comparisons, management team strength, ownership structure, flexibility in capital planning, sources of liquidity, and covenant and structure analysis. While conclusions are reached internally, interaction with management teams, ratings agencies, and sell-side analysts are often a valuable part of this process. Third party databases, including Bloomberg and Capital IQ, create efficiencies in examining historical data points and building models.

Additionally, TCH has internally developed a comprehensive suite of proprietary quantitative research applications that serve as the valuation component of our research effort. These include scenario, horizon, and breakeven analysis, and a robust spread analysis application. Our capabilities in analyzing security and sector spread relationships leverage a database of nearly 20,000 unique credit cusips, including investment grade, high yield, and non-U.S. issuers, with nominal spreads, option-adjusted spreads, dollar prices, and all-in yields captured on a daily basis. This allows for the monitoring and analysis of current and historical spread relationships between securities, sectors, and subsectors. Importantly, this application also allows our analysts to define custom benchmarks based on ratings, sectors and subsectors, as well as bond maturity, providing granular and highly relevant analysis of a broad data set. TCH is constantly reassessing our proprietary tools, upgrading as necessary to enhance analysis.

While our process benefits from the close integration of the investment team as described above, internal research conducted by our analysts is communicated to the portfolio management team through a defined set of deliverables used to fully substantiate views. The research team meets weekly with the Director of Research to vet research ideas and discuss sector dependencies.

Generally, security purchases and sales fall into one of three broad categories - valuation, sector rotation (strategy) or a change in outlook. Historically, our portfolio turnover has averaged approximately 35%-40%.

Diversification is important, and our portfolios have historically held between 125 and 150 individual securities.

Equity Securities. TCH examines investment opportunities in the equity market by examining company stock from a capital structure perspective. While TCH utilizes third party research for their expertise in issues specific to a company's share price, our views on a company's overall fundamental profile rely upon the research conducted by our analysts, and the manner in which TCH views the valuation relationships between a company's debt and equity securities.

## **Material Risks**

The list of risk factors below is not a complete enumeration or explanation of the risks involved in portfolios managed by TCH or the securities in those portfolios.

### ***General Risks***

Management and Strategy Risk. The ability of a portfolio to meet its investment objective is directly related to TCH's investment strategies for portfolios. The investment process used by TCH could fail to achieve client investment objective and cause investments to lose value.

Market Sector Risk. TCH's investment strategy may result in significantly over or under exposure to certain industries or market sectors, which may cause a portfolio's performance to be more or less sensitive to developments affecting those industries or sectors.

Non-Diversification/Concentration. In certain cases, client accounts may be concentrated in a small number of issuers. Accordingly, a client's portfolio may be subject to more rapid change in value than would be the case if TCH elected not to concentrate on certain issuers or maintained a wider diversification among industries, geographic areas, types of investments and issuers.

### ***Fixed Income Securities***

Interest Rate Risks. Prices of fixed income securities rise and fall in response to changes in the interest rate paid by similar securities. Generally, when interest rates rise, prices of fixed income securities fall. Interest rate changes have a greater effect on the price of fixed income securities with longer maturities.

Credit Risks. Credit risk is the possibility that an issuer or counterparty will default on a security or repurchase agreement by failing to pay interest or principal when due. If an issuer defaults, the client's portfolio holding securities of that issuer may lose money. Lower credit ratings correspond to higher credit risk. Bonds rated BBB or Baa have speculative characteristics.

Call Risks. If the fixed income securities in which a portfolio managed by TCH invests are redeemed by the issuer before maturity (or "called"), the portfolio may have to reinvest the proceeds in securities that pay a lower interest rate, which may decrease the portfolio's overall yield. This will most likely happen when interest rates are declining.



*Liquidity Risks.* Liquidity risk refers to the possibility that the client's portfolio may not be able to sell or buy a security or close out an investment contract at a favorable price or time. Consequently, the portfolio may have to accept a lower price to sell a security, sell other securities to raise cash or give up an investment opportunity, any of which could have a negative effect on the portfolio's performance. Infrequent trading of securities also may lead to an increase in their price volatility.

*Asset-Backed/Mortgage-Backed Securities Risks.* Asset-backed and mortgage-backed securities are subject to risks of prepayment. A portfolio's yield will be reduced if cash from prepaid securities is reinvested in securities with lower interest rates. The risk of prepayment also may decrease the value of mortgage-backed securities. Asset-backed securities may have a higher level of default and recovery risk than mortgage-backed securities. Both of these types of securities may decline in value because of mortgage foreclosures or defaults on the underlying obligations. Credit risk is greater for mortgage-backed securities that are subordinate to another security.

*Government Obligations Risks.* No assurance can be given that the United States government will provide financial support to United States government-sponsored agencies or instrumentalities where it is not obligated to do so by law. As a result, there is risk that these entities will default on a financial obligation.

*High Yield Securities Risks.* High yield securities tend to be more sensitive to economic conditions than are higher-rated securities and generally involve more credit risk than securities in the higher-rated categories. The risk of loss due to default by an issuer of high yield securities is significantly greater than issuers of higher-rated securities because such securities are generally unsecured and are often subordinated to other creditors. A portfolio may have difficulty disposing of certain high yield securities because there may be a thin trading market for such securities.

### ***Equity Securities***

*Equity Risk.* The value of the equity securities held by client portfolios may fall due to general market and economic conditions, perceptions regarding the industries in which the issuers of securities held by client portfolios participate, or factors relating to specific companies in which portfolios invest. The stock market has been subject to significant volatility recently which has increased the risk associated with certain equity investments. Common stock may decline in price if its issuer fails to make anticipated dividend payments because, among other reasons, the issuer of the security experiences a decline in its financial condition. In addition, while broad market measures of common stocks have historically generated higher average returns than fixed income securities, common stocks have also experienced significantly more volatility in those returns.

### ***Other - Foreign and Emerging Market Securities***

*Foreign Securities Risks.* Investing in foreign securities may involve additional risks, including currency-rate fluctuations, political and economic instability, differences in

financial reporting standards, less-strict regulation of the securities markets and possible imposition of foreign withholding taxes. Furthermore, a portfolio may incur higher costs and expenses when making foreign investments, which will affect a portfolio's total return.

*Emerging Markets Risks.* Investments in emerging markets can involve risks in addition to and greater than those generally associated with investing in more developed foreign markets, which may make emerging market securities more volatile and potentially less liquid than securities issued in more developed markets.

For shareholders or potential shareholders in the investment companies (mutual funds) portfolios managed by TCH, please refer to the prospectuses and statements of additional information of those funds for a complete description of risks associated with the mutual funds.

### **Item 9 - Disciplinary Information**

There have been no legal or disciplinary events involving TCH or any of our employees involving investments or otherwise material to a client's evaluation of our advisory business or the integrity of our management.

### **Item 10 - Other Financial Industry Activities and Affiliations**

BMO Global Asset Management is the brand name for various affiliated entities of BMO Financial Group, that provide trust, custody, securities lending, investment management, and retirement plan services. Certain of the products and services offered under the brand name BMO Global Asset Management are designed specifically for various categories of investors in a number of different countries and regions. Those products and services are only offered to such investors in those countries and regions in accordance with applicable laws and regulations. BMO Financial Group is a service mark of Bank of Montreal (BMO).

BMO Global Asset Management includes BMO Asset Management U.S., BMO Asset Management (Canada)®, BMO Trust and Custody Services and BMO Retirement Services (each a division of BMO Harris Bank, N.A.), and BMO's specialized investment boutiques: Monegy, Inc.®, Pyrford International Ltd, Lloyd George Management, and Taplin, Canida & Habacht, LLC. BMO Asset Management U.S. consists of BMO Asset Management Corp., BMO Asset Management Canada includes BMO Asset Management Inc. and Lloyd George Management consists of the subsidiaries of LGM (Bermuda) Limited. BMO Global Asset Management is part of the BMO Financial Group, a service mark of Bank of Montreal (BMO). M&I Investment Management Corp. merged into BMO Asset Management Corp. (formerly Harris Investment Management Inc.) on June 1, 2012.

When appropriate, employees of TCH may provide information, marketing materials and disclosure documents to clients or potential clients of companies that are constituents of BMO Global Asset Management in a number of different countries and regions. Alternatively, other constituents of BMO Global Asset Management may provide information, marketing materials and disclosure documents with respect to such constituents' products and services to clients or potential clients of TCH. These products or services are only offered to such investors in those countries and regions in accordance with applicable laws and regulations.

See Item 14 for additional information on client referrals and other compensation between TCH and its affiliates.

TCH clients, regardless of their advisory relationship, are under no obligation to use BMO Harris Bank, N.A., or any other BMO Financial Group affiliate as custodian of their assets. TCH does not trade with any of its affiliated broker-dealers.

BMO Asset Management Corp.(BMO AM), a subsidiary of BMO Financial Corp., which in turn is a wholly-owned subsidiary of Bank of Montreal (BMO), owns a controlling interest in TCH. BMO AM serves as investment adviser to Marshall Funds, Inc. (d/b/a BMO Funds), a series of registered investment companies. TCH does not manage private investment pools (LP's or LLC's) and it is not TCH's typical practice to solicit clients to investment in any private investment pools offered or managed by its affiliates.

Furthermore, TCH may have common management and officers with some of its affiliates, including with affiliated investment advisers. TCH relies on BMO and BMO Financial Corp. for various administrative support, including information technology, human resources, business continuity, legal, finance, enterprise risk management, and internal audit.

BMO Financial Corp., a parent company of TCH, held shares representing approximately a minority 22% equity position in Virtus Investment Partners, Inc. (Virtus) on August 31, 2012. Virtus is a publicly-traded asset management company listed on the NASDAQ stock market (VRTS). In addition, as a result of the minority investment in Virtus held by BMO Financial Corp., an executive of an investment management subsidiary of BMO Financial Group is also a member of the Virtus Board of Directors. These affiliations can create potential conflicts of interest. TCH seeks to mitigate these potential conflicts of interests through a governance committee structure and by maintaining policies and procedures, including code of ethics, custody and trading.

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

**Code of Ethics.** TCH requires persons associated with it, when making any purchase or sale of securities for their own account, to adhere to the CFA Institute Code of Ethics and Standards of Professional Conduct. Additionally, TCH has adopted a Code of Ethics and Personal Trading Policy in compliance with Investment Advisers Act Rule 204A-1. TCH requires all associated persons to adhere to the highest ethical standards; placing the client's interest before personal interest. TCH employees are not restricted from ever holding the same securities that are held in client accounts; however, they are required to conduct themselves in such a manner that transactions for TCH's clients shall have priority over any personal transactions. Personal transactions may not adversely affect the interests of TCH's clients. TCH requires employees to submit monthly reports disclosing all trading activity of the employee or any immediate family or household member. TCH requires access persons to report initial and annual holdings reports, and to pre-clear transactions in initial public offerings (IPOs) and private placements. TCH

prohibits employees and officers from making political contributions to any candidate or party for the purpose of obtaining or retaining advisory contracts with government entities. In addition, TCH has outlined the sanctions for failing to comply with its Policies and Procedures. TCH has adopted an "Insider Trading" policy in accordance with Advisers Act Section 204A, which prohibits the misuse of material nonpublic information by TCH and all of its personnel. In addition, the Code contains restrictions on using inside information to engage in any personal transactions to disclose any material nonpublic information. Any TCH officer, member, employee or other access person who fails to observe the above-described policies risks serious sanctions, including dismissal and personal liability.

**Investment in Companies with Common Directors.** From time to time, TCH may invest client assets in equity or debt securities issued by a publicly held company with an executive officer or director who serves as a director of BMO, BMO Financial Corp. or other affiliates. Such investments will occur when TCH determines that the nature of the investment (including, in the case of debt instruments, available yield, credit quality and terms when compared to other available debt instruments), is consistent with the best interests of the client. Such investments may occur in open market transactions or in transactions negotiated directly with the issuer.

**Investments in BMO Securities.** TCH generally does not purchase Bank of Montreal (BMO) securities on behalf of client accounts. However, from time to time, clients may direct BMO AM to purchase BMO securities. The client's direction must be in writing. BMO is TCH's ultimate parent company.

**Participation in Client Transactions:** TCH does not generally engage in principal or agency cross transactions or trading with affiliates. TCH would seek permission from the client prior to engaging in such transaction.

If permitted by a client's investment objectives, and subject to compliance with applicable law, regulations and exemptions, TCH may purchase securities for client accounts during an underwriting or other offering of such securities in which a broker-dealer affiliate of TCH acts as a manager, co-manager, underwriter or placement agent. Although TCH will not purchase any securities directly from its affiliate, TCH's affiliate may receive a benefit in the form of management, underwriting or other fees in connection with its participation in the offering. Typically, the "manager's account" of TCH's affiliate will not be credited with the purchase on behalf of TCH's clients.

**Affiliated Products:** TCH generally does not invest client assets in, or recommend that clients invest in, shares of mutual funds for which TCH and its affiliates provide investment management, custodial, administrative, shareholder support and other services in exchange for fees and direct or indirect benefits.

## **Item 12 - Brokerage Practices**

TCH selects brokers to clients based upon: expertise of brokers; market input; response time and accuracy; handling of orders; operational efficiency; competitive commission rates; and their financial standing. TCH believes that all of the above factors, plus the commission must be

considered. TCH reviews the placement of orders to ensure that TCH is seeking best execution, including the ability of the broker to facilitate the order and any other factors that would be unique to the trade.

Aggregation or block of client transactions is utilized to reduce overall transactions costs and is consistent with meeting our fiduciary responsibility to maximize the value of the client's portfolio. As in the case with all of our trading strategies, aggregation is utilized only when it is advantageous to the client. The allocation process for aggregated primary and secondary trades incorporates the specific guidelines and constraints of each of our clients. The allocation process must not advantage or disadvantage any of our clients. The allocation decision is determined by a myriad of factors including, but not limited to, the position size and liquidity, rating, maturity, duration, structure and appropriateness of a particular investment in the context of a portfolio view. All clients for whom an investment is appropriate are allocated in a transaction within the constraint of quantities prudently deemed to maximize liquidity.

TCH grants all of its existing and prospective clients the right to select the broker through whom trades will be executed on behalf of such clients. TCH may accept client instructions for directing the client's brokerage transactions to a particular broker-dealer. Generally clients might direct TCH to use brokers in a certain region or other subsector. TCH will work within its ability to obtain best execution given the range of brokers available. TCH will work to negotiate commissions, attempt to obtain volume discounts or aggregate directed transactions, and focus on obtaining best execution for all clients. However, directed brokerage arrangements can impair TCH's ability to effectively negotiate on the client's behalf. Additionally, directed brokerage arrangements can involve the following disadvantages: (1) limit the benefit of TCH's experience in selecting broker-dealers who are able to efficiently execute difficult trades; (2) limit the client's opportunities to obtain lower transaction costs and better price opportunities by aggregating transactions for multiple clients; and (3) potentially receiving less favorable prices in situations where a transaction for a directed brokerage client occurs after an aggregated trade for other clients.

TCH does not have any soft dollar arrangements.

TCH does not generally execute cross transactions. However, if it is in the best interest of clients, TCH may execute cross trades.

As discussed in Item 11, TCH does not generally engage in principal or agency cross transactions or trading with affiliates. TCH would seek permission from the client prior to engaging in such transaction. If permitted by a client's investment objectives, and subject to compliance with applicable law, regulations and exemptions, TCH may purchase securities for client accounts during an underwriting or other offering of such securities in which a broker-dealer affiliate of TCH acts as a manager, co-manager, underwriter or placement agent.

Although TCH will not purchase any securities directly from its affiliate, TCH's affiliate may receive a benefit in the form of management, underwriting or other fees in connection with its participation in the offering. Typically, the "manager's account" of TCH's affiliate will not be credited with the purchase on behalf of TCH's clients.

### **Item 13 - Review of Accounts**

A portfolio manager is assigned as the contact-service person for each account. Investment management accounts are managed using a team approach with all investment managers contributing to the process. From an investment perspective, all accounts are reviewed on a weekly basis at a minimum. Factors which affect financial markets are reviewed daily and if portfolio changes are appropriate, action will be taken immediately. The same is true of any factor which affects a particular security and necessitates immediate action. From a compliance perspective, accounts are reviewed at least twice monthly by the investment managers collectively in order to ensure that portfolios are invested in a manner consistent with the client's guidelines and objectives. All investment managers are familiar with all accounts in order that back-up coverage is available.

TCH provides clients with quarterly or more frequent asset statements.

### **Item 14 - Client Referrals and Other Compensation**

TCH's advisory services are marketed directly by officers and employees of TCH, its financial institution affiliates and potentially by others. From time to time, TCH compensates certain of its employees for client referrals, which may include the introduction of new clients or the retention of existing clients. It also may enter into arrangements whereby payments are made to Bank of Montreal, BMO Harris Bank N.A., or other affiliates of TCH in the BMO group of companies (collectively referred to as "TCH Affiliates") and/or their respective employees and officers, for clients referred to TCH by TCH Affiliates. TCH Affiliates may include other investment advisers registered with the SEC or with securities regulators in foreign countries, U.S. or foreign banks, U.S. or foreign broker-dealers, or other regulated entities. Referral payments are paid by TCH and do not result in any additional fee to any TCH advisory clients. Alternatively, officers and employees of TCH may introduce new clients or otherwise market products and services of one or more of the TCH Affiliates under solicitation agreements with the applicable TCH Affiliates, and such persons may receive incentive compensation related to such activities.

TCH does not currently have any solicitation arrangements with unaffiliated third parties. Should TCH enter into such an arrangement, the solicitation agreement would comply with Rule 206(4)-3 under the Investment Advisers Act of 1940. Generally, these types of agreements provide for compensation equal to a specified percentage of the fees received by the firm. No additional fees or amounts are charged to any client in addition to TCH's advisory fees as a result of any solicitation agreement. Details of the referral agreement would be fully disclosed in a written disclosure statement provided to the client prior to such client's entry into an investment advisory agreement with BMO AM.

TCH may join professional organizations for the purpose of having access to industry data and research through conferences and workshops, research papers and surveys. TCH does not seek and does not receive referrals for advisory services from these organizations, although it may be contacted by a member of such organization directly concerning its advisory services. On occasion, TCH may act as a sponsor to conferences related to its business.

## **Item 15 - Custody**

TCH client assets are typically maintained at independent custodians, which are selected and opened by each client. TCH is deemed to have custody of client assets in instances where an affiliated qualified custodian, such as BMO Harris Bank N.A., maintains custody of client accounts. TCH clients, regardless of their advisory relationship, are under no obligation to use BMO Harris Bank, N.A., or any other BMO Financial Group affiliate as custodian of their assets. Clients should receive at least quarterly statements from the broker dealer, bank or other qualified custodian that holds and maintains client's investment assets. *TCH urges you to carefully review such statements and compare such official custodial records to the account statements that we may provide to you.* Our statements may vary from custodial statements based on accounting procedures, reporting dates, or valuation methodologies of certain securities.

Two managing members of TCH act as co-trustees to two of our personal accounts. It is noted that the final rule release [Release No. IA-2968] for Rule 206(4)-2 under the Investment Advisers Act of 1940, reads, "When a supervised person of an adviser serves as the executor, conservator or trustee for an estate, conservatorship or personal trust solely because the supervised person has been appointed in these capacities as a result of family or personal relationship with the decedent, beneficiary or grantor (and not as a result of employment with the adviser), we [The Securities and Exchange Commission] would not view the adviser to have custody of the funds or securities the estate, conservatorship, or trust." Not only do these clients receive quarterly statements from TCH, but they also receive monthly statements from their respective custodians.

## **Item 16 - Investment Discretion**

TCH usually receives discretionary authority to select the identity and amount of securities to be bought or sold for an account through the client's written agreement with TCH at the outset of an advisory relationship. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment guidelines for the client's account.

When selecting securities and determining amounts, TCH observes the investment guidelines, limitations and restrictions of the clients for which it advises. For registered investment companies, TCH's authority to trade securities may also be limited by certain federal securities and tax laws that require diversification of investments and favor the holding of investments once made.

Clients may impose reasonable restrictions on the management of their accounts. Investment guidelines and restrictions must be provided to TCH in writing.

## **Item 17 - Voting Client Securities**

TCH, as a matter of policy and practice, has no authority to vote proxies on behalf of advisory clients. TCH may offer assistance as to proxy matters upon a client's request, but the client has generally either retained the proxy voting responsibility or designated the responsibility to the

custodian or other third party. In limited circumstances, TCH would consider accepting such responsibility. In such situations, proxies would be voted based on the proxy voting guidelines and recommendations of a third-party. Currently, TCH has retained Egan Jones Proxy Services (“Egan Jones”), an expert in the proxy voting and corporate governance areas, to provide proxy vote guidelines recommendations and to vote proxies in such client’s accounts.

## **Item 18 - Financial Information**

TCH does not have any financial condition that would impair its ability to meet contractual commitments to clients and has not been the subject of a bankruptcy proceeding. A balance sheet is not required to be provided because TCH does not require prepayment of more than \$1,200 in fees per client, six months or more in advance.

## **Other Information**

### **Privacy Policy:**

TCH's Privacy Notice, which includes information on options about how a client's information may be shared within BMO and its affiliates and with others, is available upon request.

### **Anti Money Laundering:**

## **IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT**

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account. When you open an account, we will ask for your name, address, date of birth, and other information that will allow us to identify you. We may also ask you to provide a copy of your driver’s license or other identifying documents. The information you provide in TCH’s form may be used to perform a credit check and verify your identity by using internal sources and third party vendors.

A corporation, partnership, trust or other legal entity may need to provide other information such as its principal place of business, local office, employer identification number, certified articles of incorporation, government-issued business license, a partnership agreement or a trust agreement. We may be required to disclose this information pursuant to applicable laws, rules or regulations, but it will otherwise be retained in confidence according to our privacy policy.