

DORCHESTER INVESTMENT MANAGEMENT

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**PERSONALIZED
PORTFOLIO
MANAGEMENT**

**BUILDING WEALTH
FOR OUR CLIENTS
FOR OVER 85
YEARS**

This brochure provides information about the qualifications and business practices of Dorchester Investment Management. DORCHESTER is a registered investment adviser. Registration of an Investment Adviser does not imply any level of skill or training. The oral and written communications of an Adviser provide you with information about which you determine to hire or retain an Adviser. If you have any questions about the contents of this brochure, please contact us. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority. Additional information about DORCHESTER is also available on the SEC's website at www.adviserinfo.seec.gov.

March 2015

2. MATERIAL CHANGES

No material changes in 2014.

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 (December). We may further provide other ongoing disclosure information about material changes as necessary.

We will further provide you with a new Brochure, as necessary, based on changes or new information, at any time, without charge.

Currently, our Brochure may be requested by contacting Isabella H. Wehrli, Partner at 514-861-5841 or by e-mail isabelle.wehrli@dorchesterinvest.com.

Additional information about DORCHESTER is also available via the SEC's web site
www.adviserinfo.sec.gov

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4. ADVISORY BUSINESS

History, Principal Owners, Assets under Management

DORCHESTER's history begins in 1928 with the founding of Hodgson Robertson & Company in Montreal. That firm operated continuously as an independent investment adviser until 1986 when it merged with another well-established Montreal investment firm to become a new general partnership, DORCHESTER INVESTMENT MANAGEMENT.

Although our roots are in Montreal, we have expanded our client base across North America and overseas. DORCHESTER is registered with l'Autorité des marchés financiers du Québec, the Alberta Securities Commission, the Ontario Securities Commission, the British Columbia Securities Commission, the Manitoba Securities Commission, the New Brunswick Securities Commission, the Nova Scotia Securities Commission, and the Securities and Exchange Commission in the United States.

Throughout our history, DORCHESTER has remained an independent investment advisor. Our firm does not act as a broker, custodian, issuer or underwriter of securities. This independence enables us to take a completely objective approach to investment opportunities so that all portfolios are professionally managed according to the objectives of our clients.

DORCHESTER is wholly-owned and operated managed by five partners:

Robert Bard, CFA
A. Bruce Gill, MBA
Brian T. Howard
David V. Sheridan
Isabella H. Wehrli, MBA

The partners take a hands-on approach to all facets of the firm and oversee all primary investment research, quantitative and technical analysis, and the screening of sell-side research while ensuring all client needs are addressed in a timely and courteous fashion. Our market value of assets under management as of December 31, 2014 is approximately \$825 million Canadian dollars (or approximately \$710 million US dollars).

Tailored Investment Advice

At DORCHESTER, we believe that first rate personal service should always encompass elements of understanding, objectivity and availability.

- **Understanding**
Understanding investment objectives and client requirements is perhaps the most obvious component of personal service within the investment counselling business. We recognize that each client has different investment objectives and requirements based on their own personal attitudes and preferences towards risk, liquidity, tax issues, and performance expectations. We take the time to listen and to understand these personal goals and requirements before developing an appropriate investment policy. Clients,



at any time, may impose restrictions on investing in certain securities or types of securities.

- **Objectivity**

As an independent investment adviser, DORCHESTER has built its reputation on providing unbiased advice and objectively translating the understanding of personal goals and requirements into a customized portfolio management strategy.

- **Availability**

DORCHESTER's partners and portfolio managers take pride in making the decision makers available directly to our clients. Whether it's a quick phone call or a scheduled quarterly meeting, we are always prepared to review objectives and share our views.

5. Fees & Compensation

Investment Management Fees

The specific manner in which fees are charged by DORCHESTER is stated in the client's written Investment Management Agreement. Fees are negotiable and will differ amongst clients based on a number of factors, including, but not limited to portfolio size, amount of assets held in client or related accounts, and investment policy. Fees are billed quarterly in arrears, based on the market value of assets under management. Clients may elect to be billed directly for fees or can authorize DORCHESTER to directly debit fees from their account. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

DORCHESTER'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 or brokers such as wire transfer fee and other fees and taxes on brokerage accounts and securities transactions. Mutual funds (that may have been transferred in and maintained within the portfolio) and exchange traded funds also charge internal management fees, which are disclosed in the respective fund's prospectus. Such charges, fees, and commissions are exclusive of and in addition to DORCHESTER's investment management fees. DORCHESTER does not accept typical mutual fund remuneration such as sales charges (whether front load or DSCs) or trailer fees.

Custodian Fees

Depending on the client's custodian and its services, a custody fee might be charged by the custodian. DORCHESTER does not hold cash or securities on behalf of its clients. Securities and cash are held at a custodial agent, usually a major trust company, bank or broker. DORCHESTER does not receive any part of the custodian fees.



Brokerage & Transaction Costs

In the course of managing portfolios, DORCHESTER will place orders to buy and sell securities with investment dealers involving brokerage costs or commissions to the client. In deciding where to place these orders, DORCHESTER will take into consideration the cost to the client of executing the trade and the broker's ability to execute the trade in a timely manner at the best price. DORCHESTER is not affiliated with any investment dealer/broker and all transactions are conducted at arm's length. Commissions associated with block transactions are allocated on a pro-rata basis to all block participants.

6. PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

DORCHESTER does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

7. TYPES OF CLIENTS

DORCHESTER provides discretionary portfolio management services to high net worth individuals (personal, registered or corporate accounts), Estates, Trusts and non-profit organizations.

8. METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

DORCHESTER's client portfolios are an appropriate mix of cash, fixed income, and equities. DORCHESTER manages portfolios in accordance with the client's investment objectives and risk tolerance outlined in the Investment Management Agreement. Clients understand that investing in securities involves risk of loss that they should be prepared to bear. It is the client's responsibility to promptly instruct DORCHESTER in writing of any changes or modifications in the client's investment objectives or any material changes in the client's circumstances that might affect the manner in which the account should be managed.

In managing our clients' portfolios, we adhere to basic principles in a disciplined way.

These basic principles are:

- **Diversification** - No matter how attractive the prospects are for a given company, a given industry, or a given country, it is difficult to know for sure to what extent the positive outlook is already reflected in current prices. Also, unforeseen negative surprises can and do occur. We believe in a broad degree of diversification and do not believe in placing big bets on a particular outcome.
- **Value** - It sounds perhaps obvious to say that buying securities when they are cheap will produce better long-term results than buying securities when they are expensive. However, securities are cheap only when there are obvious concerns, whereas, securities are rarely cheap when there are no clouds in the sky. As a result, buying



securities when they are undervalued and, conversely, not jumping on the bandwagon, takes no small amount of patience and discipline.

- **Quality** - The vast majority of our portfolios are comprised of larger capitalization, high quality securities. This is true in the equity component and also on the fixed-income side where we do not believe in lowering our quality standards in order to reach for some additional yield. We will, from time to time, take a smaller position in unique opportunities that present themselves that are more junior or speculative in nature where the risk/reward ratio appears especially attractive.
- **Simplicity** - We believe in structuring portfolios and buying securities that are understandable to us, and, equally importantly, understandable to and appropriate for our clients. Consequently, while leverage and sophisticated hedging techniques may have their place in the management of hedge funds and large institutional portfolios, we do not view most of these strategies as being appropriate for our clients.

Equity & Fixed Income Strategy

Equity Strategy

At DORCHESTER, we believe sound fundamental analysis and careful security selection are essential to achieving consistent above average results within North American equity markets.

Through constant screening and analysis, we endeavor to build diversified portfolios of quality, large and mid-cap companies run by capable and motivated management. Our ongoing research effort includes regular communication with senior analysts from the investment community and in house meetings with company management.

Portfolios are continually monitored at DORCHESTER and we tend to take a long term view, but should a company unadvisedly change strategy or fail to meet our expectations, our sell discipline prompts swift action.

Fixed Income Strategy

The fixed income section of our portfolios is created with security of principal and income as primary considerations. High quality bonds provide diversification, reduce volatility, and generate income. To maximize total return without taking unnecessary risks we invest in high-quality short to intermediate term bonds. We have chosen to invest in high quality bond issues, as we often see that sacrificing credit quality does not adequately compensate investors for the excess risk taken. Our bond holdings are predominantly very marketable and provide flexibility for shifts in policy.

Our individually managed accounts allow us to tailor each account to our client's specific goals and objectives. One of the more important aspects to our management style is our sensitivity to tax issues. Insight into our clients' tax status is the basis of the understanding needed to make appropriate fixed income investments and maximize the total portfolio's return. Where appropriate, we do make use of value-added income vehicles such as convertible bonds and preferred shares.



The firm adds value in fixed income portfolio management in a number of ways. First, we consider key macroeconomic and political issues, money flows, currency markets, inflation trends and the factors driving Central Bank policy to assist in drawing conclusions about duration and bond term. Second, we monitor credit spreads across industries, sectors and issuers and control the weights invested in Federal, Provincial, and Corporate debt to take advantage of appropriate yield pick-up complemented by switch opportunities between comparable credits that improve yield. Third, the fixed income market yield curve structures are analyzed in order to identify overdone sentiment swings or variances that provide trading opportunities or assist with improving the timing of buy and sell decisions. It is also worth noting that we have access to wholesale pricing when we buy and sell on behalf of our clients and over time the elimination of unnecessary retail spreads clearly enhances returns.

Finally, our equity research and the understanding of the general health of the economy, the relative strength of various sectors and the financial soundness of the specific issuer clearly assist in adding value.

Notwithstanding the experience and care that DORCHESTER brings to the investment process, it is the nature of the investment business that portfolios will fluctuate in value. DORCHESTER shall discharge its duties in good faith in what it deems to be in its clients' best interest and shall exercise the degree of care, diligence, and skill that a reasonably prudent person acting in a like capacity and familiar with such matters would exercise in similar circumstances, but client portfolios are exposed to market risk and other risks, and may experience losses.

While DORCHESTER seeks to manage accounts so that risks are appropriate to the strategy, any investment includes the risk of loss and there can be no guarantee that a particular level of return will be achieved. Clients and other investors should understand that they could lose some or all of their investment and should be prepared to bear the risk of such potential losses. Those risks include:

- Market Risk. No assurance can be given that Dorchester's trading strategies will be profitable or will not incur losses. Securities prices are volatile and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. The market value of the instruments in a portfolio may go up or down in response to the prospects of individual companies, particular sectors or governments and/or general economic conditions throughout the world due to increasingly interconnected global economies and financial markets.



- Equity Securities Risk. Equity securities are subject to changes in value and their values may be more volatile than other asset classes. The value of equity securities varies in response to many factors. These factors include, without limitation, factors specific to an issuer and the industry in which the issuer securities are subject to stock risk. Historically, global stock markets have experienced periods of substantial price volatility and may do so again in the future.
- Fixed Income Securities Risk. Debt issuers and other counterparties of fixed income securities or instruments may default on their obligation to pay interest, repay principal or make a margin payment, or default on any other obligation. Additionally, the credit quality of securities or instruments may deteriorate (e.g., be downgraded by ratings agencies), which may impair a security's or instruments liquidity and decrease its value. Additionally, when interest rates increase, fixed income securities or instruments will generally decline in value.
- Illiquidity Risk. Canadian clients may hold a portion of their total assets in nonpublic, restricted or illiquid securities which do not have an active secondary market and are not priced with market quotes.

9. DISCIPLINARY INFORMATION

Registered investment advisers are required to disclose all material facts regarding any legal or disciplinary events that would be material to the evaluation of DORCHESTER or the integrity of DORCHESTER's management. There are no legal or disciplinary measures at DORCHESTER that are material to clients or prospective clients.

10. OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

DORCHESTER is an independent investment adviser. The firm does not act as a broker or custodian and has no ownership connection with any other financial institution. This independence enables us to take a completely objective approach to investment opportunities so that all portfolios are professionally managed according to the objectives of the clients.

11. CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

DORCHESTER, its principals, and its employees are bound by the firm's written Code of Ethics and Business Conduct and its Compliance Manual which is filed with and reviewed by the Autorité des marchés financiers, DORCHESTER's principal regulator in Quebec, Canada. All principals and employees must acknowledge, on an annual basis, that they have read, understood, and are adhering to the terms and conditions of both documents. Aspects of these documents which are of particular relevance to clients are the following:

DORCHESTER will not invest in the securities of any company in which one of the Partnership's principals or employees is an officer or director unless this fact is disclosed to its clients and their prior written consent to the investment is obtained.



It is understood that DORCHESTER acts as investment manager on behalf of a variety of clients with different investment objectives and that action taken with respect to one or more of its clients may differ from actions taken with respect to the accounts of other clients. The Code of Ethics is designed to assure that the personal securities transactions, activities and interests of the principals and employees of DORCHESTER will not interfere with (i) making decisions in the best interest of advisory clients and (ii) implementing such decisions while, at the same time, allowing employees to invest for their own accounts. Principals and employees of DORCHESTER and members of their families may from time to time, buy, hold, or sell securities in their own accounts which are also being bought, held, or sold in client accounts. However, principals and employees may not participate in partially filled IPOs. Employee trading is continually monitored under the Code of Ethics, and to reasonably prevent conflicts of interest between DORCHESTER and its clients. All trading activity in the accounts of DORCHESTER's principals, employees, or members of their immediate families must be pre-approved by the firm's Compliance Officer to ensure that the interest of the firm's clients is in no way being compromised.

In the context of having different investment objectives and individual circumstances, clients shall receive fair and reasonable treatment in the placing and allocation of orders, including initial public offerings (IPOs), and in all other aspects of the management of their accounts. When orders for more than one account are entered as a block transaction and executed at the same price, each client will be given the same execution price and the brokerage commission will be allocated pro-rata. When orders entered as a block trade are executed at varying prices, DORCHESTER will ensure that a weighted average execution price is calculated. In the case of a particularly illiquid security or heavily oversubscribed IPO where an allocation cannot be made on a board lot basis, a pool of clients for whom the purchase or sale of the security was contemplated will be created and a random selection will be made to ensure that every client, large or small, over time, receives equitable treatment in filling orders.

It is DORCHESTER's policy not to trade for its own account.

DORCHESTER's clients or prospective clients may request a copy of the firm's Code of Ethics by contacting the Compliance Officer.

12. BROKERAGE PRACTICES

In the course of managing portfolios, DORCHESTER will place orders to buy and sell securities with investment dealers involving brokerage costs or commissions to the client. In deciding where to place these orders, DORCHESTER will take into consideration the cost to the client of executing the trade and the dealer's ability to execute the trade in a timely manner at the best price. In addition, DORCHESTER may ask certain dealers from time to time to set aside part of the commission on transactions to pay for research services which DORCHESTER believe may aid in the investment decision making for client portfolios. In such cases, the commission involved may be higher than the cost of execution only. In weighting the relative importance of these factors, DORCHESTER will be guided by what it deems to be in the best long-term interest of its clients. DORCHESTER is not affiliated with any investment dealer and all transactions are



conducted at arm's length. Commissions associated with block transactions are allocated on a pro-rata basis to all block participants.

DORCHESTER does not direct client transactions to particular broker-dealers in return for client referrals.

If the client's safekeeping agent is a broker, transactions are, at the client's request, directed to the broker and the client is aware that DORCHESTER may not be able to achieve the most favourable execution and that the client may pay higher commission because the trade cannot be blocked to reduce transactions costs.

13. REVIEW OF ACCOUNTS

On a regular and ongoing basis, DORCHESTER reviews transactions in client accounts.

Communication

Regular communication between the client and the portfolio manager is essential for fulfilling expectations and for building trusted long term relationships. The partners and portfolio managers at DORCHESTER are directly accessible to the clients and meetings to address individual needs occur as often as required.

Reporting

DORCHESTER clients receive regular statements (monthly or at least quarterly) showing all security positions, cost and market values, expected annual income, portfolio yield, as well as asset mix and foreign content percentages. Individual equity holdings and weightings are categorized by industry group. Clients also receive our Economic and Market Commentary on a quarterly basis.

14. CLIENT REFERRALS AND OTHER COMPENSATION

DORCHESTER does not compensate any person who is not a supervised person for referrals of clients who are U.S. residents. With respect to clients who are resident in Canada, prior to investment with us, clients are informed in writing of the details of any referral arrangement and provide written confirmation.

15. CUSTODY

DORCHESTER does not hold cash or securities on behalf of its clients. Securities and cash are held at a custodial agent, usually a major trust company, bank or broker. Clients generally receive monthly statements from the custodian that holds and maintains client's investment assets. DORCHESTER recommends that clients carefully review such statements and compare the official custodial records to the account statements that is provided by DORCHESTER. DORCHESTER's statements may vary from custodial statements based on accounting procedures, reporting dates, exchange rates or valuation methodologies of certain securities.



16. INVESTMENT DISCRETION

All clients sign an Investment Management Agreement whereby they grant DORCHESTER the discretionary authority to manage their investment portfolio(s). In this regard, DORCHESTER is authorized to place orders to buy and sell securities and to take any other action deemed fitting for the proper management and administration of the account.

DORCHESTER will manage the Portfolio in accordance with the client's investment objectives and risk tolerance outlined in the Investment Management Agreement. It shall be the client's sole responsibility to promptly advise DORCHESTER in writing of any changes or modifications in the client's investment objectives or any material changes in the client's circumstances that might affect the manner in which the account should be managed.

17. VOTING CLIENT SECURITIES

Clients' rights as shareholders fall under the Securities Regulation Policy and DORCHESTER reserves the right to vote proxies on a roll-up (i.e. block) basis on behalf of its clients as required on routine matters and extraordinary shareholder meetings. The principals at DORCHESTER will decide on the course of action on a case-by-case basis by following a policy that it deems to be in the best interest of its clients. At the time of opening the account with DORCHESTER and the custodian, clients have a choice to either accept or reject the receiving of shareholder information and proxies. At any time in their relationship with DORCHESTER, upon written request to the Chief Compliance Officer, clients may obtain information about how their securities were voted.

18. FINANCIAL INFORMATION

As registered investment advisor, DORCHESTER is required in this section to provide certain financial information or disclosures about its financial condition. DORCHESTER has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.
