

**Item 1: Cover Page**  
**Form ADV, Part 2A Firm Brochure**  
**April 2019**

CARDINAL | POINT

**666 Burrard Street, Suite 500  
Vancouver, BC Canada V6C 3P6  
Toll Free: (866) 213-2036  
Office: (604) 630-8701**

**1243 Islington Ave., Suite 903  
Toronto, ON Canada M8X 1Y9  
Toll Free: 1-866-213-2036  
Office: (416) 849-4842**

**[www.CardinalPointWealth.com](http://www.CardinalPointWealth.com)**  
**[www.CardinalPoint-Capital.com](http://www.CardinalPoint-Capital.com)**

**Contact Person:**  
**James Sheldon**  
**Chief Compliance Officer**

This brochure provides information about the qualifications and business practices of Cardinal Point Capital Management, Inc. If you have any questions about the contents of this brochure, please contact us toll free at (866) 213-2036 or (604) 630-8701. 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 Cardinal Point Capital Management, Inc. also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). Registration as an investment adviser, or any reference to the firm being "registered", does not imply a certain level of skill or training.

## **Item 2: Material Changes**

Cardinal Point Capital Management, Inc. is required to advise you of any material changes to the Firm Brochure (“Brochure”) from our last annual update.

Since our last annual amendment filing, the following changes have been made:

- Matthew Carvalho is now a 2% owner of our firm.
- We have updated our fee schedule. Please see Item 5.

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## Item 4: Advisory Business

### **The Firm & Its Owners**

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Cardinal Point Capital Management Inc ("Cardinal Point") was formed in November 2002 and is owned by Cardinal Point Wealth Management Inc., Jeffrey Sheldon, John McCord, Jr., Terry Ritchie, Steve Samuel and Matthew Carvalho. Cardinal Point was initially registered as an investment adviser with the United States Securities and Exchange Commission in May 2006.

Cardinal Point is also registered as a Portfolio Manager with each of the following Canadian Securities Commissions: British Columbia Securities Commission, Alberta Securities Commission, Manitoba Securities Commission, Nova Scotia Securities Commission, Ontario Securities Commission, New Brunswick Securities Commission, Saskatchewan Financial Services Commission and the Quebec Financial Markets Authority.

### **The Firm's Services**

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As discussed below in this Disclosure Brochure, Cardinal Point offers comprehensive portfolio management services, non-discretionary investment advice and financial planning and consulting services.

#### **Comprehensive Portfolio Management:**

Our Comprehensive Portfolio Management service encompasses asset management as well as providing general financial planning and consulting to our clients. It is designed to assist clients in meeting their financial goals through the use of financial investments. We conduct at least one, but sometimes more than one meeting (in person if possible, otherwise via telephone conference) with clients in order to understand their current financial situation, existing resources, financial goals, and tolerance for risk. Based on what we learn, we propose an investment approach to the client. We may propose an investment portfolio, consisting of exchange traded funds, mutual funds, individual stocks or bonds, or other securities. Upon the client's agreement to the proposed investment plan, we work with the client to establish or transfer investment accounts so that we can manage the client's portfolio. Once the relevant accounts are under our management, we review such accounts on a regular basis. We may periodically rebalance or adjust client accounts under our management. If the client experiences any significant changes to his/her financial or personal circumstances, the client must notify us so that we can consider such information in managing the client's investments.

Financial planning and consultation services are included in our Comprehensive Portfolio Management service. Generally, our Canada, U.S. and cross-border financial planning and consulting services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

#### **Non-Discretionary Investment Advice**

Cardinal Point's non-discretionary investment advice is comprised of recommending that the client allocate all or a portion of their investable assets among various individual mutual funds, exchange traded funds, individual equity and/or fixed income securities, in accordance with the client's designated investment objective(s) and a corresponding selected asset allocation as determined by

the client and Cardinal Point. Under this service model, the firm is only authorized to effect transactions for the client's portfolio with prior authorization from the client and the client is free at all times to accept or reject any recommendation from Cardinal Point. In fact, the client has the sole authority with regard to the implementation, acceptance or rejection of any recommendation or advice received from Cardinal Point under this service model.

### **Financial Planning & Consulting**

We provide a variety of financial planning and consulting services to individuals, families and other clients regarding the management of their financial resources based upon an analysis of the client's current situation, goals, and objectives. Generally, our Canada, U.S. and cross-border financial planning services will involve preparing a financial plan or rendering a financial consultation for clients based on the client's financial goals and objectives. This planning or consulting may encompass one or more of the following areas: Investment Planning, Retirement Planning, Estate Planning, Charitable Planning, Education Planning, Corporate and Personal Tax Planning, Real Estate Analysis, Mortgage/Debt Analysis, Insurance Analysis, Lines of Credit Evaluation, Business and Personal Financial Planning.

Our written financial plans or financial consultations rendered to clients usually include general recommendations for a course of activity or specific actions to be taken by the clients. For example, recommendations may be made that the clients begin or revise investment programs, create or revise wills or trusts, obtain or revise insurance coverage, commence or alter retirement savings, or establish education or charitable giving programs. It should also be noted that we refer clients to an accountant, attorney or other specialist, as necessary for non-advisory related services. For written financial planning engagements, we provide our clients with a written summary of their financial situation, observations, and recommendations. For financial consulting engagements, we usually do not provide our clients with a written summary of our observations and recommendations as the process is less formal than our planning service. Plans or consultations are typically completed within six (6) months of the client signing a contract with us, assuming that all the information and documents we request from the client are provided to us promptly. Implementation of the recommendations will be at the discretion of the client.

### **Miscellaneous Information About the Firm's Services**

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In connection with the provision of Cardinal Point's services, (1) Cardinal Point tailors its advisory services to the client's individual needs, (2) clients may (but typically do not) impose reasonable restrictions on Cardinal Point's services, which may include restrictions on investing in certain securities or types of securities, (3) Cardinal Point is authorized to rely on any and all information that is provided to Cardinal Point by the client or any of the client's other professionals (such as the client's attorney or accountant), and shall not be required to independently verify any such information, and (4) each client is responsible to promptly notify Cardinal Point if there is ever any change in their financial situation or investment objectives so that Cardinal Point is positioned to review, evaluate and possibly revise its previous recommendations and/or services.

### **The Firm's Assets Under Management**

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As of September 30 2018, Cardinal Point has \$219,327,861 discretionary and \$13,400,427 non-discretionary investment management assets under management.

## Item 5: Fees & Compensation

### The Firm's Fees & Compensation for Services

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Cardinal Point's compensation differs based upon the services that it provides to a client.

#### Comprehensive Portfolio Management & Non-Discretionary Investment Advice

On an annualized basis, fees for Comprehensive Portfolio Management and Non-Discretionary Investment Advice are based upon a percentage of assets under management as determined by the maximum fee schedule below:

Assets Under Management	Annualized Fee
\$0 to \$1,000,000	1.25%
\$1,000,001 to \$2,000,000	0.85%
\$2,000,001 to \$5,000,000	0.70%
\$5,000,001 to \$10,000,000	0.50%
\$10,000,001 to \$15,000,000	0.40%
\$15,000,001 to \$20,000,000	0.30%
\$20,000,001 to \$25,000,000	0.20%
\$25,000,001+	0.10%

The minimum annual fee will be \$12,500 if a comprehensive financial plan is to be included. Our firm's fees are billed on a pro-rata annualized basis quarterly in arrears and will be based on the daily average value of your account. Adjustments will be made for deposits and withdrawals during the quarter. The account custodian will debit the applicable client account for the amount of the firm's fee for such account. Clients who have managed assets at Cardinal Point Wealth Management, LLC (CPWM) will be charged on the aggregate total of assets under management with both firms.

All fees and account minimums are generally not negotiable. However, the firm in its sole discretion may reduce its account minimum or the fee that it charges clients.

Cardinal Point's fees for comprehensive portfolio management services and non-discretionary investment advice will be deducted from the client's account by the client's account custodian. Fees for financial consulting services are paid directly.

With respect to Cardinal Point's comprehensive portfolio management services and non-discretionary investment advice, the client will also incur charges imposed directly by the custodian of the client's account, transaction charges imposed by the broker-dealer executing securities transactions for the client's account, and fees and expenses imposed directly by mutual funds held in or for the client's account. For further discussion concerning Cardinal Point's brokerage practices, please see Item 12 of this Disclosure Brochure. All fees paid to Cardinal Point for its services are separate and distinct from the fees and expenses charged directly by the client's custodian, the broker-dealer, and mutual funds. The fees and expenses imposed by mutual funds are described in each fund's prospectus, and will generally include a management fee, other fund expenses. The client should review both the fees charged by the funds and the fees charged by Cardinal Point to fully understand the total amount of fees to be paid by the client and to thereby evaluate the advisory services being provided. We do not sell securities for a commission.

If you wish to terminate our services, you need to contact us in writing and state that you wish to cancel the advisory agreement. Upon receipt of your letter of termination, we will proceed to close out your account and charge you a pro-rata advisory fee(s) for services rendered up to the point of termination.

## **Financial Planning & Consulting:**

We charge on an hourly or flat fee basis for financial planning and consulting services. The total estimated fee, as well as the ultimate fee that we charge you, is based on the scope and complexity of our engagement with you. Our hourly fees are \$350. Flat fees generally range from \$12,500 to \$30,000. We require a retainer of 50% of the ultimate financial planning or consulting fee with the remainder of the fee directly billed to you and due to us within 30 days of your financial plan being delivered or consultation rendered to you. In all cases, we will not require a retainer exceeding \$1,200 when services cannot be rendered within six (6) months.

## **Item 6: Performance-Based Fees & Side-By-Side Management**

Cardinal Point does not charge performance-based fees.

## **Item 7: Types of Clients**

### **The Firm's Clients**

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The firm's client base is comprised of individuals, high net worth individuals, corporations and other business entities, and trusts, estates or charitable organizations.

### **Requirements for Opening or Maintaining an Account**

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#### **Account Minimum**

We require a minimum account balance of \$1,000,000 for our Comprehensive Portfolio Management services and non-discretionary Investment Advice clients. Generally, this minimum account balance requirement is not negotiable and would be required throughout the course of the client's relationship with our firm. We also have a minimum fee of \$12,500 for Financial Planning and Consulting client engagements. These account requirements may be waived at any time at our firm's discretion.

#### **Portfolio Management Agreement**

Each client will be required to sign a Portfolio Management Agreement that sets forth the terms and conditions of their relationship with Cardinal Point. In the case of Financial Consulting Services, Cardinal Point requires each client to sign a separate engagement agreement outlining the services, fees and costs.

## **Item 8: Methods of Analysis, Investment Strategies & Risk of Loss**

Our investment advice is based on a long-term investment approach that incorporate globally diversified, asset allocation strategies. When formulating our investment advice and/or managing client assets, we ensure the investment strategies are appropriate to the needs of the client and consistent with the client's investment objectives and goals, risk tolerance, and time horizons, among other considerations

### **Methods of Analysis**

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Security analysis methods may include analyzing the economic characteristics of sectors and asset classes as well as some fundamental and technical analysis. The main sources of information include financial publications, research materials provided by other investment institutions,

corporate rating services, annual reports, prospectuses, and company press releases.

**Fundamental Analysis:** We attempt to measure the intrinsic value of a security by looking at economic and financial factors (including the overall economy, industry conditions, and the financial condition and management of the company itself) to determine if the security is underpriced (indicating it may be a good time to buy) or overpriced (indicating it may be time to sell). Fundamental analysis does not attempt to anticipate market movements. This presents a potential risk, as the price of a security can move up or down along with the overall market regardless of the economic and financial factors considered in evaluating the stock.

**Technical Analysis:** We analyze past market movements and apply that analysis to the present in an attempt to recognize recurring patterns of investor behavior and potentially predict future price movement. Technical analysis does not consider the underlying financial condition of a company. This presents a risk in that a poorly-managed or financially unsound company may underperform regardless of market movement.

**Mutual Fund and/or Exchange Traded Fund ("ETF") Analysis:** Analysis of the experience and track record of the manager of the mutual fund or ETF in an attempt to determine if that manager has demonstrated an ability to invest over a period of time and in different economic conditions. The underlying assets in a mutual fund or ETF are also reviewed in an attempt to determine if there is significant overlap in the underlying investments held in another fund(s) in the Client's portfolio. The funds or ETFs are monitored in an attempt to determine if they are continuing to follow their stated investment strategy. A risk of mutual fund and/or ETF analysis is that, as in all securities investments, past performance does not guarantee future results. A manager who has been successful may not be able to replicate that success in the future. In addition, as our firm does not control the underlying investments in a fund or ETF, managers of different funds held by the Client may purchase the same security, increasing the risk to the Client if that security were to fall in value. There is also a risk that a manager may deviate from the stated investment mandate or strategy of the fund or ETF, which could make the holding(s) less suitable for the Client's portfolio.

### **Investment Strategies & Asset Classes**

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There are several types of asset allocation strategies based on investment goals, risk tolerance, time frames and diversification. We subscribe to the form of asset allocation called the Core-Satellite Asset Allocation. Core-Satellite allocation strategies generally contain a 'core' strategic element making up the most significant portion of the portfolio, while applying a tactical 'satellite' strategy that makes up a smaller part of the portfolio. In this way, core-satellite allocation strategies are a hybrid of the strategic and tactical allocation strategies.

- **Core - Strategic Asset Allocation:** The primary goal of a strategic asset allocation is to create an asset mix that seeks to provide the optimal balance between expected risk and return for a long-term investment horizon. Generally speaking, strategic asset allocation strategies are agnostic to economic environments, i.e., they do not change their allocation postures relative to changing market or economic conditions. Investments used within the Core include cost-effective and tax efficient index funds and exchange-traded funds. Core investments are designed to deliver asset class returns available from the markets. This investment style does not actively pick specific outperforming stocks or bonds but instead follow the principals of Modern Portfolio Theory (MPT).
- **Satellite - Tactical Asset Allocation:** Tactical asset allocation is a strategy in which an investor takes a more active approach that tries to position a portfolio into those assets, asset classes and/or sectors, or that show the most potential for perceived gains. While an



original asset mix is formulated much like strategic and dynamic portfolio, tactical strategies are often traded more actively and are free to move entirely in and out of their core asset classes.

**Asset Allocation:** The implementation of an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investor's risk tolerance, goals and investment time frame. Asset allocation is based on the principle that different assets perform differently in different market and economic conditions. A fundamental justification for asset allocation is the notion that different asset classes offer returns that are not perfectly correlated, hence diversification reduces the overall risk in terms of the variability of returns for a given level of expected return. Although risk is reduced as long as correlations are not perfect, it is typically forecast (wholly or in part) based on statistical relationships (like correlation and variance) that existed over some past period. Expectations for return are often derived in the same way.

An asset class is a group of economic resources sharing similar characteristics, such as riskiness and return. There are many types of assets that may or may not be included in an asset allocation strategy. The "traditional" asset classes are stocks (value, dividend, growth, or sector-specific [or a "blend" of any two or more of the preceding]; large-cap versus mid-cap, small-cap or micro-cap; domestic, foreign [developed], emerging or frontier markets), bonds (fixed income securities more generally: investment-grade or junk [high-yield]; government or corporate; short-term, intermediate, long-term; domestic, foreign, emerging markets), and cash or cash equivalents. Allocation among these three provides a starting point. Usually included are hybrid instruments such as convertible bonds and preferred stocks, counting as a mixture of bonds and stocks. Other alternative assets that may be considered include: commodities: precious metals, nonferrous metals, agriculture, energy, others.; Commercial or residential real estate (also REITs).

**Modern Portfolio Theory ("MPT"):** A mathematical framework for assembling a portfolio of assets such that the expected return is maximized for a given level of risk, defined as variance. Its key insight is that an asset's risk and return should not be assessed by itself, but by how it contributes to a portfolio's overall risk and return. MPT assumes that investors are risk averse, meaning that given two portfolios that offer the same expected return, investors will prefer the less risky one. Thus, an investor will take on increased risk only if compensated by higher expected returns. Conversely, an investor who wants higher expected returns must accept more risk. The exact trade-off will be the same for all investors, but different investors will evaluate the trade-off differently based on individual risk aversion characteristics. The implication is that a rational investor will not invest in a portfolio if a second portfolio exists with a more favorable risk-expected return profile – i.e., if for that level of risk an alternative portfolio exists that has better expected returns.

*Long-Term Purchases:* When utilizing this strategy, we purchase securities with the idea of holding them for a relatively long time (typically held for at least a year). A risk in a long-term purchase strategy is that by holding the security for this length of time, we may not take advantages of short-term gains that could be profitable to a client. Moreover, if our predictions are incorrect, a security may decline sharply in value before we make the decision to sell.

There are a variety of investment vehicles we employ in client portfolios including:

**Exchange Traded Funds ("ETFs"):** An ETF is a type of Investment Company (usually, an open-end fund or unit investment trust) whose primary objective is to achieve the same return as a particular market index. The vast majority of ETFs are designed to track an index, so their performance is close to that of an index mutual fund, but they are not exact duplicates. A tracking error, or the

difference between the returns of a fund and the returns of the index, can arise due to differences in composition, management fees, expenses, and handling of dividends. ETFs benefit from continuous pricing; they can be bought and sold on a stock exchange throughout the trading day. Because ETFs trade like stocks, you can place orders just like with individual stocks - such as limit orders, good-until-canceled orders, stop loss orders etc. They can also be sold short. Traditional mutual funds are bought and redeemed based on their net asset values ("NAV") at the end of the day. ETFs are bought and sold at the market prices on the exchanges, which resemble the underlying NAV but are independent of it. However, arbitrageurs will ensure that ETF prices are kept very close to the NAV of the underlying securities. Although an investor can buy as few as one share of an ETF, most buy in board lots. Anything bought in less than a board lot will increase the cost to the investor. Anyone can buy any ETF no matter where in the world it trades. This provides a benefit over mutual funds, which generally can only be bought in the country in which they are registered.

One of the main features of ETFs are their low annual fees, especially when compared to traditional mutual funds. The passive nature of index investing, reduced marketing, and distribution and accounting expenses all contribute to the lower fees. However, individual investors must pay a brokerage commission to purchase and sell ETF shares; for those investors who trade frequently, this can significantly increase the cost of investing in ETFs. That said, with the advent of low-cost brokerage fees, small or frequent purchases of ETFs are becoming more cost efficient.

**Mutual Funds:** A mutual fund is a company that pools money from many investors and invests the money in a variety of differing security types based the objectives of the fund. The portfolio of the fund consists of the combined holdings it owns. Each share represents an investor's proportionate ownership of the fund's holdings and the income those holdings generate. The price that investors pay for mutual fund shares is the fund's per share net asset value ("NAV") plus any shareholder fees that the fund imposes at the time of purchase (such as sales loads). Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing of those trades. With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which is calculated daily after market close.

The benefits of investing through mutual funds include: (a) Mutual funds are professionally managed by an investment adviser who researches, selects, and monitors the performance of the securities purchased by the fund; (b) Mutual funds typically have the benefit of diversification, which is an investing strategy that generally sums up as "Don't put all your eggs in one basket." Spreading investments across a wide range of companies and industry sectors can help lower the risk if a company or sector fails. Some investors find it easier to achieve diversification through ownership of mutual funds rather than through ownership of individual stocks or bonds.; (c) Some mutual funds accommodate investors who do not have a lot of money to invest by setting relatively low dollar amounts for initial purchases, subsequent monthly purchases, or both.; and (d) At any time, mutual fund investors can readily redeem their shares at the current NAV, less any fees and charges assessed on redemption.

Mutual funds also have features that some investors might view as disadvantages: (a) Investors must pay annual fees, and other expenses regardless of how the fund performs. Depending on the timing of their investment, investors may also have to pay taxes on any capital gains distribution they receive. This includes instances where the fund went on to perform poorly after purchasing shares.; (b) Investors typically cannot ascertain the exact make-up of a fund's portfolio at any given time, nor can they directly influence which securities the fund manager buys and sells or the timing

of those trades; and (c) With an individual stock, investors can obtain real-time (or close to real-time) pricing information with relative ease by checking financial websites or by calling a broker or your investment adviser. Investors can also monitor how a stock's price changes from hour to hour—or even second to second. By contrast, with a mutual fund, the price at which an investor purchases or redeems shares will typically depend on the fund's NAV, which the fund might not calculate until many hours after the investor placed the order. In general, mutual funds must calculate their NAV at least once every business day, typically after the major U.S. exchanges close. When investors buy and hold an individual stock or bond, the investor must pay income tax each year on the dividends or interest the investor receives. However, the investor will not have to pay any capital gains tax until the investor actually sells and makes a profit. Mutual funds are different. When an investor buys and holds mutual fund shares, the investor will owe income tax on any ordinary dividends in the year the investor receives or reinvests them. Moreover, in addition to owing taxes on any personal capital gains when the investor sells shares, the investor may have to pay taxes each year on the fund's capital gains. That is because the law requires mutual funds to distribute capital gains to shareholders if they sell securities for a profit, and cannot use losses to offset these gains.

**Fixed Income Securities:** Fixed income is a type of investing or budgeting style for which real return rates or periodic income is received at regular intervals and at reasonably predictable levels. Fixed-income investors are typically retired individuals who rely on their investments to provide a regular, stable income stream. This demographic tends to invest heavily in fixed-income investments because of the reliable returns they offer. Fixed-income investors who live on set amounts of periodically paid income face the risk of inflation eroding their spending power.

Some examples of fixed-income investments include treasuries, money market instruments, corporate bonds, asset-backed securities, municipal bonds and international bonds. The primary risk associated with fixed-income investments is the borrower defaulting on his payment. Other considerations include exchange rate risk for international bonds and interest rate risk for longer-dated securities. The most common type of fixed-income security is a bond. Bonds are issued by federal governments, local municipalities and major corporations. Fixed-income securities are recommended for investors seeking a diverse portfolio; however, the percentage of the portfolio dedicated to fixed income depends on your own personal investment style. There is also an opportunity to diversify the fixed-income component of a portfolio. Riskier fixed-income products, such as junk bonds and longer-dated products, should comprise a lower percentage of your overall portfolio.

The interest payment on fixed-income securities is considered regular income and is determined based on the creditworthiness of the borrower and current market rates. In general, bonds and fixed-income securities with longer-dated maturities pay a higher rate, also referred to as the coupon rate, because they are considered riskier. The longer the security is on the market, the more time it has to lose its value and/or default. At the end of the bond term, or at bond maturity, the borrower returns the amount borrowed, also referred to as the principal or par value.

Certain additional risk factors relating to debt securities include: (a) When interest rates are declining, investors have to reinvest their interest income and any return of principal, whether scheduled or unscheduled, at lower prevailing rates; (b) Inflation causes tomorrow's dollar to be worth less than today's; in other words, it reduces the purchasing power of a bond investor's future interest payments and principal, collectively known as "cash flows." Inflation also leads to higher interest rates, which in turn leads to lower bond prices; (c) Debt securities may be sensitive to economic changes, political and corporate developments, and interest rate changes. Investors can also expect periods of economic change and uncertainty, which can result in increased volatility of market prices and yields of certain debt securities. For example, prices of these securities can be

affected by financial contracts held by the issuer or third parties (such as derivatives) relating to the security or other assets or indices. (d) Debt securities may contain redemption or call provisions entitling their issuers to redeem them at a specified price on a date prior to maturity. If an issuer exercises these provisions in a lower interest rate market, the account would have to replace the security with a lower yielding security, resulting in decreased income to investors. Usually, a bond is called at or close to par value. This subjects investors that paid a premium for their bond risk of lost principal. In reality, prices of callable bonds are unlikely to move much above the call price if lower interest rates make the bond likely to be called.; (e) If the issuer of a debt security defaults on its obligations to pay interest or principal or is the subject of bankruptcy proceedings, the account may incur losses or expenses in seeking recovery of amounts owed to it; (f) There may be little trading in the secondary market for particular debt securities, which may affect adversely the account's ability to value accurately or dispose of such debt securities. Adverse publicity and investor perceptions, whether or not based on fundamental analysis, may decrease the value and/or liquidity of debt securities.

Our firm attempts to reduce the risks described above through diversification of the client's portfolio and by credit analysis of each issuer, as well as by monitoring broad economic trends and corporate and legislative developments, but there can be no assurance that our firm will be successful in doing so. Credit ratings for debt securities provided by rating agencies reflect an evaluation of the safety of principal and interest payments, not market value risk. The rating of an issuer is a rating agency's view of past and future potential developments related to the issuer and may not necessarily reflect actual outcomes. There can be a lag between the time of developments relating to an issuer and the time a rating is assigned and updated.

We generally invest client's cash balances in money market funds, FDIC Insured Certificates of Deposit, high-grade commercial paper and/or government backed debt instruments. Ultimately, we try to achieve the highest return on our client's cash balances through relatively low-risk conservative investments. In most cases, at least a partial cash balance will be maintained in a money market account so that our firm may debit advisory fees for our services related to comprehensive portfolio management service.

## **Risk of Loss**

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Investing in securities involves risk of loss that clients should be prepared to bear. While the stock market may increase and your account(s) could enjoy a gain, it is also possible that the stock market may decrease and your account(s) could suffer a loss. It is important that you understand the risks associated with investing in the stock market, are appropriately diversified in your investments, and ask us any questions you may have. Additional risks associated with the Methods of Analysis, Investment Strategies and Asset Classes listed above include:

**Capital Risk:** Capital risk is one of the most basic, fundamental risks of investing; it is the risk that you may lose 100% of your money. All investments carry some form of risk and the loss of capital is generally a risk for any investment instrument.

**Company Risk:** When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.

**Credit Risk:** Credit risk can be a factor in situations where an investment's performance relies on a borrower's repayment of borrowed funds. With credit risk, an investor can experience a loss or unfavorable performance if a borrower does not repay the borrowed funds as expected or required. Investment holdings that involve forms of indebtedness (i.e. borrowed funds) are subject to credit risk.

**Currency Risk:** Fluctuations in the value of the currency in which your investment is denominated may affect the value of your investment and thus, your investment may be worth more or less in the future. All currency is subject to swings in valuation and thus, regardless of the currency denomination of any particular investment you own, currency risk is a realistic risk measure. That said, currency risk is generally a much larger factor for investment instruments denominated in currencies other than the most widely used currencies (U.S. dollar, British pound, German mark, Euro, Japanese Yen, French Franc, etc.).

**Economic Risk:** The prevailing economic environment is important to the health of all businesses. Some companies, however, are more sensitive to changes in the domestic or global economy than others. These types of companies are often referred to as cyclical businesses. Countries in which a large portion of businesses are in cyclical industries are thus also very economically sensitive and carry a higher amount of economic risk. If an investment is issued by a party located in a country that experiences wide swings from an economic standpoint or in situations where certain elements of an investment instrument are hinged on dealings in such countries, the investment instrument will generally be subject to a higher level of economic risk.

**Equity (Stock) Market Risk:** Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.

**ETF & Mutual Fund Risk:** When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. Clients will also incur brokerage costs when purchasing ETFs.

**Financial Risk:** Financial risk is represented by internal disruptions within an investment or the issuer of an investment that can lead to unfavorable performance of the investment. Examples of financial risk can be found in cases like Enron or many of the dot com companies that were caught up in a period of extraordinary market valuations that were not based on solid financial footings of the companies.

**Fixed Income Securities Risk:** Typically, the values of fixed-income securities change inversely with prevailing interest rates. Therefore, a fundamental risk of fixed-income securities is interest rate risk, which is the risk that their value will generally decline as prevailing interest rates rise, which may cause your account value to likewise decrease, and vice versa. How specific fixed income securities may react to changes in interest rates will depend on the specific characteristics of each security. Fixed-income securities are also subject to credit risk, prepayment risk, valuation risk, and liquidity risk. Credit risk is the chance that a bond issuer will fail to pay interest and principal in a timely manner, or that negative perceptions of the issuer's ability to make such payments will cause the price of a bond to decline.

**Inflation Risk:** Inflation risk involves the concern that in the future, your investment or proceeds from your investment will not be worth what they are today. Throughout time, the prices of resources and end-user products generally increase and thus, the same general goods and products today will likely be more expensive in the future. The longer an investment is held, the greater the chance that the proceeds from that investment will be worth less in the future than what they are today. Said another way, a dollar tomorrow will likely get you less than what it can today.

**Interest Rate Risk:** Certain investments involve the payment of a fixed or variable rate of interest to the investment holder. Once an investor has acquired or has acquired the rights to an investment that pays a particular rate (fixed or variable) of interest, changes in overall interest rates in the market will affect the value of the interest-paying investment(s) they hold. In general, changes in prevailing interest rates in the market will have an inverse relationship to the value of existing, interest paying investments. In other words, as interest rates move up, the value of an instrument paying a particular rate (fixed or variable) of interest will go down. The reverse is generally true as well.

**Legal/Regulatory Risk:** Certain investments or the issuers of investments may be affected by changes in state or federal laws or in the prevailing regulatory framework under which the investment instrument or its issuer is regulated. Changes in the regulatory environment or tax laws can affect the performance of certain investments or issuers of those investments and thus, can have a negative impact on the overall performance of such investments.

**Liquidity Risk:** Certain assets may not be readily converted into cash or may have a very limited market in which they trade. Thus, you may experience the risk that your investment or assets within your investment may not be able to be liquidated quickly, thus, extending the period of time by which you may receive the proceeds from your investment. Liquidity risk can also result in unfavorable pricing when exiting (i.e. not being able to quickly get out of an investment before the price drops significantly) a particular investment and therefore, can have a negative impact on investment returns.

**Long-Term Purchase Risk:** Our firm may buy securities for your account and hold them for a relatively long time (more than a year) in anticipation that the security's value will appreciate over a long horizon. The risk of this strategy is that our firm could miss out on potential short-term gains that could have been profitable to your account, or it's possible that the security's value may decline sharply before our firm make a decision to sell.

**Market Risk:** The value of your portfolio may decrease if the value of an individual company or multiple companies in the portfolio decreases or if our belief about a company's intrinsic worth is incorrect. Further, regardless of how well individual companies perform, the value of your portfolio could also decrease if there are deteriorating economic or market conditions. It is important to understand that the value of your investment may fall, sometimes sharply, in response to changes in the market, and you could lose money. Investment risks include price risk as may be observed by a drop in a security's price due to company specific events (e.g. earnings disappointment or downgrade in the rating of a bond) or general market risk (e.g. such as a "bear" market when stock values fall in general). For fixed-income securities, a period of rising interest rates could erode the value of a bond since bond values generally fall as bond yields go up. Past performance is not a guarantee of future returns.

**Market Timing Risk:** Market timing can include high risk of loss since it looks at an aggregate market versus a specific security. Timing risk explains the potential for missing out on beneficial movements in price due to an error in timing. This could cause harm to the value of an investor's portfolio because of purchasing too high or selling too low.

## **Item 9: Disciplinary Information**

There are no legal or disciplinary events that are material to the evaluation of Cardinal Point's advisory business or the integrity of our management.

## **Item 10: Other Financial Industry Activities**

### **Portfolio Manager Registration**

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The firm is also registered as a Portfolio Manager with each of the British Columbia Securities Commission, Alberta Securities Commission, the Manitoba Securities Commission, the Nova Scotia Securities Commission, the Ontario Securities Commission and the Quebec Financial Markets Authority. The "Portfolio Manager" license permits the firm to provide portfolio management services to residents and citizens of Canada.

### **Related Investment Adviser**

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James Sheldon is an owner of Cardinal Point Wealth Management Inc. ("CPWM Inc."), a Canadian-based financial planning consulting firm and Cardinal Point Wealth Management, LLC ("CPWM"), an SEC registered investment adviser. Jeffrey Sheldon, is also an owner of CPWM Inc. and CPWM and Chief Compliance Officer of CPWM. Additionally, John McCord, Jr and Terry Ritchie are owners of CPWM. This presents a conflict of interest to clients, as Messrs. Sheldon, Mr. McCord, Jr and Mr. Ritchie spend time away from providing advisory services to participate in this activity. Our firm has examined this potential conflict of interest and has determined that the representative's outside business activity does not deter from the quality of their management services. Further, this conflict is mitigated by fully disclosing this to clients and clients are under full discretion to choose an alternate investment adviser representative to manage their assets.

Representatives of our firm are also investment adviser representatives with CPWM. As such, they may have an incentive to recommend CPWM as an alternative investment adviser. This creates a conflict of interest in that these recommendations are based on a relationship with CPWM. We have determined in good faith that CPWM's services are reputable and such recommendations will be based on the client's needs. Clients are under no obligation to use the services offered by CPWM.

Our firm maintains a relationship with Gedeon Law & CPA (DBA "Cardinal Point Tax"), a separate accounting firm. The accounting firm may provide income tax preparation or accounting services. These services are independent of our financial planning and investment advisory services and are governed under a separate engagement agreement. Clients are under no obligation to utilize these services.

Neither our firm nor any of its management persons is registered or have an application pending to be registered with a broker-dealer.

Neither our firm nor any of its management persons is a commodity broker/futures commission merchant, a commodity pool operator, commodity trading advisor or an associated person for the foregoing entities or has an application for registration pending.

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

Cardinal Point has adopted a Code of Ethics, which serves to establish a standard of business conduct for all of the firm's personnel that is based upon fundamental principles of openness, integrity, honesty and trust. Cardinal Point strives to act at all times in its client's best interest and seeks to avoid impermissible conflicts of interest. It is the purpose of Cardinal Point's Code of Ethics to emphasize and implement these fundamental principles within its operations. Cardinal Point subscribes to the Chartered Financial Analyst Institute's Code of Ethics.

We recognize that the personal investment transactions of members and employees of our firm demand the application of a high Code of Ethics and require that all such transactions be carried out in a way that does not endanger the interest of any client. At the same time, we believe that if investment goals are similar for clients and for members and employees of our firm, it is logical and even desirable that there be common ownership of some securities.

Therefore, in order to prevent conflicts of interest, we have in place a set of procedures (including a pre-clearing procedure) with respect to transactions effected by our members, officers and employees for their personal accounts<sup>1</sup>. In order to monitor compliance with our personal trading policy, we have a quarterly securities transaction reporting system for all of our associates.

Furthermore, our firm has established a Code of Ethics which applies to all of our associated persons. An investment adviser is considered a fiduciary. As a fiduciary, it is an investment adviser's responsibility to provide fair and full disclosure of all material facts and to act solely in the best interest of each of our clients at all times. We have a fiduciary duty to all clients. Our fiduciary duty is considered the core underlying principle for our Code of Ethics which also includes Insider Trading and Personal Securities Transactions Policies and Procedures. We require all of our supervised persons to conduct business with the highest level of ethical standards and to comply with all federal and state securities laws at all times. Upon employment or affiliation and at least annually thereafter, all supervised persons will sign an acknowledgement that they have read, understand, and agree to comply with our Code of Ethics. Our firm and supervised persons must conduct business in an honest, ethical, and fair manner and avoid all circumstances that might negatively affect or appear to affect our duty of complete loyalty to all clients. This disclosure is provided to give all clients a summary of our Code of Ethics. However, if a client or a potential client wishes to review our Code of Ethics in its entirety, a copy will be provided promptly upon request.

Related persons of our firm may buy or sell securities and other investments that are also recommended to clients. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics.

Related persons of our firm may buy or sell securities for themselves at or about the same time they buy or sell the same securities for client accounts. In order to minimize this conflict of interest, our related persons will place client interests ahead of their own interests and adhere to our firm's Code of Ethics. Further, our related persons will refrain from buying or selling the same securities within 24 hours of buying or selling for our clients. If related persons' accounts are included in a block trade, our related persons will always trade personal accounts last.

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<sup>1</sup> For purposes of the policy, our associate's personal account generally includes any account (a) in the name of our associate, his/her spouse, his/her minor children or other dependents residing in the same household, (b) for which our associate is a trustee or executor, or (c) which our associate controls, including our client accounts which our associate controls and/or a member of his/her household has a direct or indirect beneficial interest in.



## Item 12: Brokerage Practices

We seek to recommend a custodian/broker-dealer that will hold your assets and execute transactions on terms that are overall most advantageous when compared to other available providers and their services. In seeking best execution, the determinative factor is not the lowest possible cost, but whether the transaction represents the best qualitative execution, taking into consideration the full range of a broker-dealer's services, including the value of research provided, execution capability, commission rates, and responsiveness. Accordingly, although we will seek competitive rates, to the benefit of all clients, we may not necessarily obtain the lowest possible commission rates for specific client account transactions.

We consider a wide range of factors in selecting or recommending broker-dealers, including, among others, these:

- combination of transaction execution services along with asset custody services (generally without a separate fee for custody)
- capability to execute, clear and settle trades (buy and sell securities for your account)
- capability to facilitate transfers and payments to and from accounts (wire transfers, check requests, bill payment, etc.)
- breadth of investment products made available (stocks, bonds, mutual funds, exchange traded funds (ETFs), etc.)
- availability of investment research and tools that assist us in making investment decisions
- quality of services
- reputation, financial strength and stability of the provider
- their prior service to us and our other clients

Our firm has an arrangement with Fidelity Brokerage Services LLC (U.S.), Fidelity Clearing Canada (Canada), National Bank Independent Network (Canada), collectively known as our "Custodians". Our Custodians are independent and unaffiliated from our firm. Under the arrangement with our Custodians, we receive non-soft dollar services which include, among others, brokerage, custodial, administrative support, record keeping and related services that are intended to support our firm in conducting business and in serving the best interests of our clients but that may benefit our firm.

We may receive economic benefits through our Custodians that are typically not available to our Custodians' retail investors. These benefits include the following products and services (provided without cost or at a discount): receipt of duplicate client statements and confirmations; research related products and tools; consulting services; access to a trading desk serving Advisor participants; access to block trading (which provides the ability to aggregate securities transactions for execution and then allocate the appropriate shares to Client accounts); the ability to have advisory fees deducted directly from client accounts; access to an electronic communications network for client order entry and account information; access to mutual funds with no transaction fees and to certain institutional money managers; and discounts on compliance, marketing, research, technology, and practice management products or services provided to our firm by third party vendors. Some of the products and services made available by our Custodians may benefit our firm but may not benefit the client's accounts. These products or services may assist our firm in managing and administering client accounts, including accounts not maintained at our Custodians. Other services made available by our Custodians are intended to help our firm manage and further develop our business enterprise. The benefits received by our firm or its personnel do not depend on the amount of brokerage transactions directed to our Custodians. As part of our fiduciary duties to clients, we endeavor at all times to put the interests of our clients first. Clients should be aware, however, that the receipt of economic benefits by our firm or its related persons in and of itself creates a potential conflict of interest and may indirectly influence our firm's choice of our Custodians for custody and brokerage services.

As a result of receiving the services discussed, we may have an incentive to continue to use or expand the use of our Custodian's services. There is no direct link between our firm's relationship with our Custodians and the investment advice we give to our clients.

Our clients may pay a commission to our Custodians that are higher or lower than other qualified broker-dealers might charge to effect the same transaction. We have determined in good faith that the commission is reasonable in relation to the value of the brokerage and research services received. We do not receive soft dollar for these commissions.

We do not receive soft dollar benefits although the non-soft dollar investment research products and services that may be obtained by our firm will generally be used to service all of our clients.

We do not acquire client brokerage commissions (or markups or markdowns).

We do not receive have any soft dollar relationships and do not direct client transactions to a particular broker-dealer in return for soft dollar benefits.

### **Aggregation**

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Where Cardinal Point is able, Cardinal Point will purchase or sell the same securities for several clients at approximately the same time in its attempt to obtain "best execution", to negotiate more favorable commission rates, or to allocate equitably among Cardinal Point's clients. This blocking of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients' accounts so long as transaction costs are shared equally and on a pro-rated basis between all accounts included in any such block. Block trading allows Cardinal Point to execute equity trades in a timelier, equitable manner and seeks to reduce overall commission charges to clients. As referenced in the section of this Disclosure Brochure that discusses directed brokerage, in the event that a client directs Cardinal Point to use a particular broker-dealer, Cardinal Point may not be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Cardinal Point.

## **Item 13: Review of Accounts**

### **Comprehensive Portfolio Management & Non-Discretionary Investment Advice**

We review accounts on at least a quarterly basis for our clients subscribing to our Comprehensive Portfolio Management and Non-Discretionary Investment Advice services. The nature of these reviews is to learn whether clients' accounts are in line with their investment objectives, appropriately positioned based on market conditions, and investment policies, if applicable. We do not provide written reports to clients, unless asked to do so. Verbal reports to clients take place on at least an annual basis when we meet with clients who subscribe to our Comprehensive Portfolio Management and Third Party Money Management services.

James Sheldon, Owner and Chief Compliance Officer, and Jeffrey Sheldon, Owner, conducts reviews of all client accounts. We may review client accounts more frequently than described above. Among the factors which may trigger an off-cycle review are major market or economic events, the client's life events, requests by the client, etc.

### **Financial Consulting Services**

These accounts are not subject to review or reporting.

## Item 14: Client Referrals & Other Compensation

We receive an economic benefit from our Custodians in the form of the support products and services it makes available to us and other independent investment advisors that have their clients maintain accounts at Fidelity Brokerage Services LLC (U.S.), Fidelity Clearing Canada (Canada), National Bank Independent Network Inc. (Canada). These products and services, how they benefit us, and the related conflicts of interest are described above (*see Item 12 –Brokerage Practices*). The availability to us of our custodian's products and services is not based on us giving particular investment advice, such as buying particular securities for our clients.

Cardinal Point does not pay referral fees (non-commission based) to independent solicitors (non-registered representatives) for the referral of their clients to our firm in accordance with Rule 206 (4)-3 of the Investment Advisers Act of 1940.

## Item 15: Custody

Our firm does not have custody of client funds or securities. The client's assets are maintained with a qualified custodian that is independent of and separate from Cardinal Point. The qualified custodian is authorized by the client to deduct and direct payment of Cardinal Point's advisory fee directly from the client's custodial account. Each client will receive account statements directly from the broker on at least a quarterly basis. Each client should carefully review those statements. In the event that a client also receives an account statement from Cardinal Point, it will be based on the information provided to Cardinal Point from the custodian of the client's account. Each client is urged to compare the account statement they receive from the qualified custodian with the account statement they receive from Cardinal Point, and to rely solely on the account statement received from the qualified custodian. Clients are encouraged to raise any questions with us about the custody, safety or security of their assets and our custodial recommendations.

The SEC issued a no-action letter ("Letter") with respect to the Rule 206(4)-2 ("Custody Rule") under the Investment Advisers Act of 1940 ("Advisers Act"). The letter provided guidance on the Custody Rule as well as clarified that an adviser who has the power to disburse client funds to a third party under a standing letter of instruction ("SLOA") is deemed to have custody. As such, our firm has adopted the following safeguards:

- The client provides an instruction to the qualified custodian, in writing, that includes the client's signature, the third party's name, and either the third party's address or the third party's account number at a custodian to which the transfer should be directed.
- The client authorizes the investment adviser, in writing, either on the qualified custodian's form or separately, to direct transfers to the third party either on a specified schedule or from time to time.
- The client's qualified custodian performs appropriate verification of the instruction, such as a signature review or other method to verify the client's authorization, and provides a transfer of funds notice to the client promptly after each transfer.
- The client has the ability to terminate or change the instruction to the client's qualified custodian.
- The investment adviser has no authority or ability to designate or change the identity of the third party, the address, or any other information about the third party contained in the client's instruction.
- The investment adviser maintains records showing that the third party is not a related party of the investment adviser or located at the same address as the investment adviser.

- The client's qualified custodian sends the client, in writing, an initial notice confirming the instruction and an annual notice reconfirming the instruction.

## **Item 16: Investment Discretion**

Cardinal Point's portfolio management services will be provided on a discretionary basis. Cardinal Point may also provide non-discretionary investment advice. Where Cardinal Point has discretionary management authority, Cardinal Point will be authorized to determine the securities to be bought or sold for the client's account(s), the amount of securities to be brought or sold, and the broker or dealer to be used to execute client securities transactions. Each client may (but typically do not) request reasonable limitations on Cardinal Point's discretionary authority, which the firm will consider on a case-by-case basis.

The Portfolio Management Agreement, and the agreement between the client and the custodian/broker-dealer for the account, grant discretionary authority to Cardinal Point. The client's written agreement with the custodian also grants a limited power of attorney to Cardinal Point to effect transactions in the client's custodial account.

## **Item 17: Voting Client Securities**

Unless a client directs otherwise, Cardinal Point shall be responsible for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted, and for making all elections relative to any mergers, acquisitions, tender offers, bankruptcy proceedings or other type events pertaining to the client's assets. All proxy material and corporate actions shall be sent to Cardinal Point to decide the appropriate voting strategy based upon specific guidelines. With respect to most issues, and absent mitigating circumstances and/or conflicts of interest, the firm generally votes proxies consistent with the recommendation of the senior management of the issuer.

In addition, a client may direct how the firm votes in a particular situation. Nonetheless, if a conflict arises, the firm will review and seek to resolve it in the best interests of the client.

A client may request a written copy of Cardinal Point's policies and procedures relating to proxy voting or information relating to how Cardinal Point voted any client's specific securities, by contacting James Sheldon in writing at Cardinal Point Capital Management, Inc., 666 Burrard Street, Suite 500 Vancouver, BC V6C 3P6.

## **Item 18: Financial Information**

Cardinal Point is not required to provide financial information in this Brochure because:

- We do not require the prepayment of more than \$1,200 in fees and six or more months in advance.
- We do not take custody of client funds or securities.
- We do not have a financial condition or commitment that impairs our ability to meet contractual and fiduciary obligations to clients.

Cardinal Point has never been the subject of a bankruptcy proceeding.