

# Pacifica Partners Inc. & Pacifica Partners Capital Management Inc.



This Brochure provides information about the qualifications and business practices of Pacifica Partners Capital Management Inc. ("PPCM") and the parent company Pacifica Partners Inc. ("PPI"), collectively, the "Registrants", the "Firm", or "Pacifica Partners".

If you have any questions about the content of this Brochure, please contact us at Telephone: 1-877-576-8908 or [compliance@pacificapartners.com](mailto:compliance@pacificapartners.com).

The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about PPCM and PPI is also available on the SEC's website at:

[www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov)

Firm Brochure ("Brochure")

(SEC Form ADV Part 2A)

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## Item 2      Material Changes

Pacific Partners Capital Management Inc. (“PPCM”) and Pacifica Partners Inc. (“PPI”) filed the last annual update to the Brochure on March 21, 2018. The Registrants continue to conduct their business activities and provide investment advisory services in substantially the same manner as described in the last update to the Brochure. The foregoing is only a list of changes since the last update that are and may be considered material. It does not identify every change to the Brochure since the last update. In addition, there have been minor word enhancements and clarifications throughout the brochure.

Item 4 was updated to reflect the fact that PPI is now registered as a Portfolio Manager with the Nova Scotia Securities Commission.

Additional information regarding the types of products and services the Registrants receive from custodians and broker-dealers was added to Item 12.

The language in Item 14 was updated with respect to client referrals and the use of third-party solicitors by the Registrants.

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## Item 4      Advisory Business

### 1.      Firm Overview

Pacifica Partners Inc. (“PPI”) was incorporated in British Columbia, Canada on May 2008 and Pacifica Partners Capital Management Inc. (“PPCM”) was incorporated in Washington state on February 2012. Both investment advisors (the “Registrants”) are registered with the Securities and Exchange Commission under the Investment Advisers Act of 1940 (“Advisers Act”) and share personnel and office space at their principal place of business, located in Surrey, British Columbia, Canada. Registration as an investment adviser, or any reference to the Firm being “registered”, does not imply a certain level of skill or training.

PPCM is a wholly owned subsidiary of PPI, which in turn is indirectly owned by the Registrants’ principals, Amandeep Bhangu, Ajbinder Sull and Naveen Gopal, through their ownership in Cipher Pacific Holdings Ltd., Sull Pacific Holdings Ltd., and Arnasi Investments Ltd., respectively.

PPI is also registered as a Portfolio Manager with each of the following Canadian Securities Commissions: Alberta, British Columbia, Manitoba, Ontario, Prince Edward Island, New Brunswick, Nova Scotia, Quebec, Saskatchewan, and Newfoundland & Labrador. In addition, PPI is registered as an Investment Fund Manager in British Columbia, Ontario and Quebec. The principal regulator of PPI in Canada is the British Columbia Securities Commission.

The Registrants’ activities with respect to non-U.S. clients may differ from those described generally herein and the Registrants may provide additional or different services to non-U.S. clients. Furthermore, any discussion of activities with respect to non-U.S. clients is intended solely to provide recipients a more complete understanding of the Registrants’ business, including potential conflicts of interest. This Brochure is not: a) an offer or agreement to provide advisory services to any person, b) an offer to sell interests (or a solicitation of an offer to purchase interests) in any investment fund, or c) a complete discussion of the features, risks or conflicts associated with any investment fund or any other product or service offered by the Registrants.

### 2.      Investment Advisory Services

The Registrants provide investment advisory services to high net worth individuals, other individuals, corporations, businesses, and on a sub-advisory basis. PPI also serves as manager of a Canadian pooled investment vehicle. Assets domiciled in Canada are managed by PPI while U.S. domiciled assets are managed by PPCM.

Investment decisions are based on a client’s Investment Policy Statement (“IPS”).

PPCM or PPI will first gauge each client's investment objectives and risk tolerance to determine the suitability and appropriateness of the investments purchased, sold, or held in a client's portfolio. The assessment of the client's risk and return-objective is achieved through the completion of a confidential personal questionnaire, which provides information on the client's personal financial situation, investment objectives, and risk tolerance. The Firm and the client will then finalize a mutually agreed upon IPS. The client's assets will be invested in accordance with the guidelines defined in the IPS, which will also indicate the eligible investments to be used to achieve the portfolio's investment mandate.

Eligible investments commonly include the following: stocks listed on major stock exchanges in Canada and the United States (equities), fixed income investments (bonds), no load mutual funds, exchange traded funds, preferred shares, income trusts, real estate investment trusts (REITs), and limited partnerships. The Registrants may allocate client assets among other investment opportunities in response to clients' requests or cases where it is determined that it would be in the interest of the clients.

In addition to the IPS, each client will formally agree to engage either PPCM or PPI through an Investment Management Agreement ("IMA"). The IMA includes information on the client's identity and personal and financial situation. The client has the responsibility to keep the Firm updated on an ongoing basis with respect to any of the information contained in the IMA, including any significant changes to their personal or financial situation that could impact the appropriateness of the client's IPS.

Clients may add restrictions to their portfolios or security selections as recommended by PPCM or PPI. These restrictions may include but are not limited to, ethical considerations, ecological considerations, governance considerations, etc.

### Discretionary Investment Management Service

In most cases, the Registrants manage clients' accounts on a discretionary basis, whereby PPCM or PPI will have authority to manage a client's portfolio and purchase and sell securities without obtaining approval before effecting each trade. (See Item 16 for further discussion concerning the company's discretionary authorization.)

### Non-Discretionary (Advisory) Investment Management Service

On a more limited basis, the Registrants provide a non-discretionary, or advisory, investment management service where a client's portfolio is monitored on a day to day basis but buy and sell actions are only executed after receiving authorization by the client for each specific trade. The term "non- discretionary" refers to the fact that investment decisions are NOT made at the discretion of the Firm and instead may be comprised of recommendations that the client or the advisor initiates with respect to the

allocation of the client's investable assets.

The client is free to accept or reject any recommendations from the Firm, which will endeavor to execute trade requests on a best efforts basis. Similarly, the client may choose to disregard the suggested parameters established in their IPS when effecting advisory trades. The Registrants' recommendations are based upon their professional judgement. No guarantee can be made with respect to any of their recommendations.

#### Financial Consulting Services (Canada)

To the extent requested by a client in Canada, PPI may provide financial planning and/or consulting services (including investment and noninvestment related matters, such as cross border planning, estate planning, succession planning, legacy planning etc.) on a stand-alone separate fee basis. Please see Item 5 for more information.

Prior to receiving planning or consulting services from PPI, clients are generally required to enter into a Financial Planning and Consulting Agreement ("FPCA"). The FPCA sets forth the terms and conditions of the engagement (including termination), describes the scope of the services to be provided, and specifies the portion of the fee due from the client prior to PPI commencing services. It remains the client's responsibility to promptly notify PPI if there is ever any change in his/her/its financial situation or investment objectives for the purpose of reviewing/evaluating/revising PPI's previous recommendations and/or services.

If requested by the client, PPI may recommend the services of other professionals for implementation purposes. The client is under no obligation to engage the services of any such recommended professional. Moreover, the client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from the Registrant. If the client engages any such recommended professional, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged third party professional.

### 3. Assets under management

As of December 31, 2018, PPI had \$104,507,326 USD in discretionary assets under management and \$4,448,796 USD in non-discretionary assets under management.

As of December 31, 2018, PPCM had \$35,795,085 USD in discretionary assets under management and \$5,692,875 USD in non-discretionary assets under management.

## Item 5. Fees and Compensation

### 1. Fees for Investment Management Services:

The specific manner in which fees are charged by the Registrants is established in a client's written agreement with the Firm. Investment advisory fees, including any subsequent changes, are disclosed in the client's IMA. Additional information regarding the advisory fees charged by PPCM or PPI can be found in the Firm's Statement of Policies, Terms and Disclosures. The Registrants calculate investment management fees monthly based on a pre-determined percentage applied to the client's assets under management and then divided by 12. The fees are billed to client accounts in arrears on a quarterly basis in the months of January, April, July, and October. The account custodian will debit the applicable client account in the amount of the firm's fee for such account.

The fee schedules for discretionary and non-discretionary investment management services are listed below.

The Standard Fee schedule for US domiciled assets managed by PPCM is as follows:

<b>Assets Under Management (AUM) *</b>	<b>Annual Fee (%)</b>
First \$1,000,000 <b>USD</b>	1.25%
Next \$1,000,000 <b>USD</b>	1.00%
Next \$3,000,000 <b>USD</b>	0.85%
Any amount over \$5MM <b>USD</b>	0.50%

Standard Fee schedule for US residents with Canadian domiciled assets managed by PPI is as follows:

<b>Assets Under Management (AUM) *</b>	<b>Annual Fee (%)</b>
First \$1,000,000 <b>CAD</b>	1.25%
Next \$1,000,000 <b>CAD</b>	1.00%
Next \$3,000,000 <b>CAD</b>	0.85%
Any amount over \$5MM <b>CAD</b>	0.50%

Standard Fee schedule for Canadian residents with Canadian domiciled assets managed by PPI is as follows:

<b>Assets Under Management (AUM) *</b>	<b>Annual Fee (%)</b>
First \$500,000 <b>CAD</b>	1.50%
Next \$500,000 <b>CAD</b>	1.25%
Any amount over \$1MM <b>CAD</b>	1.00%



Fees can vary based on scope, complexity or unique circumstances. When applying the preceding fee schedules, AUM is calculated per custodian. Therefore, if a client has assets domiciled in Canada and assets domiciled in the US, the AUM in each jurisdiction are totaled independently of one another and the appropriate fee schedule is applied.

PPI receives a management fee of 1.25% per annum for managing a pooled fund made available to certain of its advisory clients. Depending on the class of units held, the management fee is either deducted as an expense of the fund or charged externally directly to the investor by PPI. Fund investors also bear a portion of the fund's audit, accounting, administration (other than advertising and promotional expenses), legal, and custody fees and expenses.

Registrants' 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, third party investment and other third parties such as fees charged by managers, custodial fees, deferred sales charges, odd-lot differentials, 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 Registrants' fees, and Registrants shall not receive any portion of these commissions, fees, and costs.

## 2. Fees for Financial Consulting Services:

As mentioned in Item 4, PPI may provide financial planning or consulting services to clients. PPI's planning and consulting fees are negotiable, but generally range from \$1,000 USD to \$8,000 USD, at an hourly rate basis starting at \$325 USD, depending upon the level and scope of the service(s) required and the professional(s) rendering the service(s). Fees for these services are charged in arrears.

Item 12 further describes the factors that the Registrants consider in selecting or recommending broker-dealers for client transactions and determining the reasonableness of their compensation (e.g., commissions).

## 3. Fees for Sub-Advisory Services:

In cases where PPCM or PPI provide investment advisory services to a client on a sub-advisory basis, PPCM or PPI will receive a portion of the advisory fee charged to the client by the investment advisor on the account.

## Item 6 Performance-Based Fees and Side-by-Side Management

Not applicable.

## Item 7 Types of Clients

PPI provides portfolio management services to individuals, high net worth individuals, trust programs, corporations and a pooled investment vehicle. PPCM provides portfolio management services to individuals and high net worth individuals. Within this context, the Registrants have also has developed a significant knowledge base and practice in the area of expatriate and cross border financial management.

The Registrants do not impose any minimum requirements for our clients.

## Item 8 Method of Analysis, Investment Strategies and Risk of Loss

### 1. Method of Analysis

The Registrants utilize the following methods of security analysis: charting, qualitative analysis, quantitative analysis, technical analysis, and cyclical analysis.

- Charting analysis is a form of technical analysis in which charts of market and security activity are reviewed in an attempt to identify continuation in trend and inflection points signaling a change in trend.
- Qualitative analysis involves examining management decisions, competitive advantages and threats, structural changes to an operating environment, or news of potential merger-acquisition targets, or other factors that are not readily subject to measurement.
- Technical analysis involves the short, medium, and long term analysis of past market data; primarily price and volume.
- Cyclical analysis involves the analysis of business cycles to find favorable conditions for buying and/or selling a security.

Quantitative analysis deals with quantifiable factors as distinguished from qualitative considerations such as the character of management or the state of employee morale. Examples of quantitative analysis includes examining cash flow relative to various comparable peer groups, book value relative to

historic book value, the trend of capital efficiency measures, etc.

## 2. Investment Strategies

Our investment strategy is to remain style agnostic, yet overtime we maintain a bias toward a value style of investing. We believe that any single style of investing can come under duress for prolonged periods of time due to the dynamic nature of markets. As a result, disciplined strategic and tactical shifts are sometimes required. We believe that it is important to adapt investment strategies to respond to current market conditions.

Our approach involves blending our value bias with momentum, growth based strategies with the goal of capital protection, and consistency of investment returns throughout volatile markets.

In order to apply our strategy, we use a multiple methodology approach to security analysis blending together the approaches identified in Section “1. Method of Analysis” to form the basis for decisions.

We also employ a tactical asset allocation strategy, which rather than focusing primarily on security selection, attempts to identify an appropriate ratio of equity, fixed income, and cash equivalence securities. The objective of tactical asset allocation is to invest more heavily in markets, asset classes, sectors, or industries which we believe are valued below their intrinsic value. Simultaneously, the objective also attempts to avoid markets, asset classes, sectors, or industries which we believe are trading above their intrinsic value. The ultimate goal is to manage portfolios by avoiding capital impairment, or losses, while capturing most of the potential market upside, or gains.

The risk in this strategy is that the client’s portfolio may not participate in sharp increases in the value of certain market segments, likewise, the portfolio may not be able to avoid sharp losses despite engaging in efforts to do so.

Our strategy includes purchasing securities with the intent of holding the security for a period of less than a year.

## 3. Risk of Loss

All investment strategies have certain risks that are borne by the investor. Our investment framework defines risk as the medium-term to long-term impairment of capital. Below are certain specific risks that our investors face. As it is not possible to identify all of the risks associated with investing, this section discusses certain material risks of our investment activities.

- **Interest-rate Risk:** Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bond holdings

become comparatively less attractive, causing their market values to decline.

- **Market Risk:** The price of a security may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of a security's particular underlying circumstances. For example, political, economic and social conditions may trigger market events.
- **Inflation Risk:** When any type of inflation is present, a dollar today will not buy as much as a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk:** Overseas investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **Reinvestment Risk:** This is the risk that future proceeds from investments may have to be reinvested at a potentially lower rate of return (i.e. interest rate). This primarily relates to fixed income securities.
- **Business Risk:** These risks are associated with a particular industry or a particular company within an industry. For example, a pharmaceutical company often undertakes a lengthy process or research and development and regulatory approvals, before they can generate a profit. They carry a higher risk of profitability than an electric company, which generally generates its income from a steady stream of customers who buy electricity no matter what the economic environment is like.
- **Liquidity Risk:** Liquidity is the ability to readily convert an investment into cash. Generally, assets are more liquid if many traders are interested in a standardized product. For example, Treasury Bills are highly liquid, while real estate properties are not.
- **Financial Risk:** Excessive borrowing to finance a business' operations increases the risk of profitability, because the company must meet the terms of its obligations in good times and bad. During periods of financial stress, the inability to meet loan obligations may result in bankruptcy and/or a declining market value. The above risks are not meant to represent all risks associated with investing, and investments typically carry the potential for a loss of your total investment. Please discuss the risks associated with investing with your IAR to ensure you are comfortable with the level of risks in your portfolio.

The above risks are not meant to represent all risks associated with investing, and investments typically carry the potential for a loss of your total investment. Please discuss the risks associated with investing with your investment advisory representative to ensure you are comfortable with the level of risks in your portfolio.

#### 4. Types of Securities

The Registrants primarily allocate client investment assets among various individual equity and fixed income securities and mutual funds and/or exchange traded funds ("ETFs"), in accordance with the client's designated investment objective(s) as stated in the client's Investment Policy Statement.

#### 5. Security Related Risks

Any one security may fall in value losing all of its value with no possibility of recovery. The Registrants attempt to mitigate this risk by diversifying portfolio holdings across multiple securities.

### Item 9 Disciplinary Information

Neither the Registrants nor its employees have ever been the subject of any disciplinary actions, investigations or complaints.

### Item 10 Other Financial Industry Activities and Affiliations

PPI, the parent company of PPCM, is registered as a Portfolio Manager with certain Canadian regulators. The Portfolio Manager license permits the firm to provide discretionary portfolio management services to residents and citizens of Canada. Furthermore, PPI is also registered as an Investment Fund Manager in British Columbia, Ontario and Quebec because it acts as the manager to a pooled investment fund.

#### 1. Managing Potential Conflicts

The Registrants' principal business is providing investment and financial advice. Our only form of compensation is from investment advisory fees paid to the Firm by clients. The Registrants do not receive or accept financial inducements from mutual

fund companies, external advisors, custodians, broker-dealers (e.g. soft dollar arrangements), or any other related service provider. In addition, there are currently no referral arrangements between the Registrants and any other registered investment advisor wherein an individual is an officer or employee of PPI or PPCM and is also an officer or employee of another firm. While we may refer clients to other professionals, we receive no compensation and do not believe that any of these referrals creates a material conflict of interest.

The Registrants' equivalent investment registration in both Canada and the US requires it to act as a fiduciary for its clients in each jurisdiction. We believe that no conflict of interest arises between the Registrants' Canadian & US operations, including PPI's management of a pooled investment fund, available only to certain existing clients of PPI who are either Canadian residents or have Canadian retirement plans. Certain related persons of the Registrants hold units in the fund, equal to less than 5% of the outstanding units.

## Item 11 Code of Ethics

PPCM and PPI share the same Code of Ethics. This Code of Ethics includes the CFA Institute's Code of Ethics and Standards of Professional Conduct, as well as procedural rules and regulations specific to our firm's operations.

At our firm we believe that we owe clients the highest level of trust and fair dealing. As part of our fiduciary duty, we place the interests of our clients ahead of the interests of the Firm and our personnel.

### 1. Code of Ethics

The Registrants maintain an investment policy relative to personal securities transactions. This investment policy is part of the Registrants' overall Code of Ethics, which serves to establish a standard of business conduct for Registrants' employees that is based upon fundamental principles of openness, integrity, honesty and trust.

In accordance with Section 204A of the Investment Advisers Act of 1940, the Registrants also maintain and enforce written policies reasonably designed to prevent the misuse of material non-public information by the Firm or any person associated with the Firm. A copy of the Registrants' Code of Ethics is available to any client or prospective client upon request.

### 2. Interest in Client Transactions

Neither the Registrants nor any employees recommend, buy, or sell for client accounts, securities in which the Registrants or any employees have a material financial interest

in the securities.

### 3. Investment in Securities Recommended to Clients and Personal Trading Policies

The Registrants and/or its employees may buy or sell securities that are also recommended to clients. This practice may create a situation where the Registrants and/or employees are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation creates a potential conflict of interest. In order to mitigate this risk, our policies require pre-clearance of personal transactions, and restrict trading in close proximity to client trading activity by 24 hours or the next trading day.

The Registrants have a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of the Registrants' employees. The Registrants' personal securities transaction policy requires that employees of the Registrants must provide the Chief Compliance Officer or his/her designee with monthly statements of transactions and/or quarterly transaction reports.

Additionally, each employee must provide the Chief Compliance Officer or his/her designee with a written report of the employee's current securities holdings initially and annually thereafter.

## Item 12 Brokerage Transactions

The Registrants do not currently have any soft dollar relationships or referral arrangements with any brokerage firm and do not allow clients to direct the Firm to execute transactions through a specific broker-dealer, i.e. "directed brokerage".

The Registrants select custodial/brokerage relationships from a list of vendors. Our recommendation is solely based on operational capabilities, brokerage capabilities and costs, as well as overall execution and cost of custodial and trading services.

### A. Selection Criteria

For the purposes of selecting brokers for the purchase or sale of securities in client accounts, the Registrants seek to obtain the best execution price net of transaction costs, while receiving prompt execution of orders, and accurate settlement of securities.

In doing so, the Registrants will consider a number of factors, including, without limitation, the overall direct net economic result to the client (including commissions, which may not be the lowest available but which ordinarily will not be higher than the generally prevailing competitive range), the financial strength and stability of the broker,

the efficiency with which the transaction is effected, the ability to execute the transaction at all where a large block is involved, and the availability of the broker to stand ready to execute possibly difficult transactions. The Registrants will weigh the amount of the broker's compensation against the other criteria it considers in selecting the broker to execute client securities transactions to determine whether the broker's compensation is reasonable in light of those other factors.

In certain instances, the Registrants may trade accounts held with the client's custodian using other broker-dealers. In this instance, the custodian may charge the client trade- away fees, however, the Registrants believe that such fees are outweighed by the benefits the client receive from trading the securities with other brokers.

## B. Research and other soft dollar benefits

Although not a primary factor when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, the Registrants may take into consideration the investment research services that are available from a broker-dealer when determining whether to execute through that broker-dealer. The Registrants, however, do not engage in any soft dollar arrangements with broker-dealers.

Research products and services provided to our firm by our custodians may include research reports on recommendations or other information about, particular companies or industries; economic surveys, data and analyses; financial publications; portfolio evaluation services; financial database software and services; computerized news and pricing services; quotation equipment for use in running software used in investment decision-making; and other products or services that provide lawful and appropriate assistance by the custodians to our firm in the performance of our investment decision-making responsibilities. The Registrants are NOT obligated to pay for such services either directly or indirectly with increased trade volume. Our decision on whether to trade with a particular broker-dealer or custodian is based primarily on cost to the client, followed by the quality and timeliness of trade execution and settlement, and finally on additional broker-dealer services that could benefit our clients.

## C. Aggregation

Where the Registrants are able to do so, they will purchase or sell the same securities for several clients at approximately the same time in their attempt to obtain "best execution", to negotiate more favorable commission rates, or to allocate equitably among the Firm's clients. This batching of trades permits the trading of aggregate blocks of securities composed of assets from multiple clients' accounts so long as transaction costs are shared equitably on a pro-rated basis between all accounts



included in any such block. We believe that block trading allows the Registrants to execute equity trades in a more advantageous method, allocate trades to client accounts in a more equitable manner, and potentially reduce overall commission charges to clients.

### Item 13      Review of Accounts

Each of Registrants' client accounts will be reviewed by the Firm's investment management committee on a periodic basis. Portfolio managers review all accounts frequently. Additional reviews of a client's account(s) will be triggered if PPCM or PPI learn of a change in the client's investment objectives or financial situation.

Accounts are supervised continuously and reviewed quarterly, at a minimum, by the Chief Compliance Officer and/or his Alternate. There is no minimum number of accounts assigned for the reviewer. The review process contains each of the following elements:

- A. assess client's goals and objectives;
- B. evaluate the strategy which has been employed;
- C. monitor the portfolio; and
- D. address the need to rebalance.

Clients will receive written reports and confirmations of all transactions from the custodian of their account on a monthly basis. Each client can choose to have access to their custodial account online. The Registrants will also issue a quarterly report for their clients receiving these services that is issued as an accommodation only. Clients should compare the account statements they receive from the Firm with those that they receive from the broker-dealer/custodian of their assets.

### Item 14      Client Referrals and Other Compensation

The Registrants may use the services of various solicitors to refer clients. In such cases, the Registrants will maintain a solicitation agreement with the solicitor and every solicited client will receive a "Solicitation Disclosure Document" that clearly discloses the solicitation arrangement between the Registrants and the solicitor. Typically, the solicitor will be paid a portion of the advisory fees charged by the Registrants for referring these clients. At no time will the solicitation arrangement result in any additional charge to the client.

### Item 15      Custody

Clients' assets are maintained with qualified custodians that are independent of and separate from the Registrants. With respect to separately managed accounts, the qualified custodians are authorized by clients to deduct and direct payment of Registrants' advisory fees directly from the clients' custodial accounts. Such clients receive account statements directly from their respective custodians 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 PPCM or PPI, it will be based on the information provided to the Firm from the custodian of the client's account. Clients are urged 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.

Additionally, certain clients of PPCM have signed, and may sign in the future, a Standing Letter of Authorization (SLOA) that gives the Firm the authority to transfer funds to a third-party (including from one spouse to another) as directed by the client in the SLOA. As a result, the Firm will also be deemed to have custody in these cases. Normally, the Firm would be required to engage an independent accountant to conduct a surprise audit of the client accounts for which we are deemed to have custody. However, the rules governing SLOAs exempt us from the surprise audit requirement if certain conditions are met by the Firm and the respective custodian. With respect to the SLOAs currently in place, the Firm and the custodian do meet all conditions and therefore no surprise audit is required. The Firm will ensure that these conditions continue to be met in the future.

PPI serves as manager of a pooled investment fund in which certain existing advisory clients of PPI, who are residents of the United States, are invested through their Canadian retirement plans. Since this fund is domiciled in Canada and PPI's principal place of business is also in Canada, clients should note that this offshore fund is regulated in Canada and not subject to the custody rule of the Advisers Act.

## Item 16 Investment Discretion

Generally, clients retain PPI and PPCM on a discretionary basis to provide continuous investment advice pursuant to an investment management agreement that describes the services to be provided. Consistent with the client's investment objectives, PPI or PPCM typically will have full investment decision making authority over the type of investments and brokerage for the client's account. In addition to the IMA, the Firm's Statement of Policies, Terms and Disclosures and the agreement between the client and the custodian/broker-dealer for the account grant this discretionary authority to the Firm. The client's written agreement with the custodian also grants a limited power of attorney to the Firm to effect transactions in the client's custodial account. When selecting securities and determining amounts, the Registrants seek to follow the investment policies and limitations of the clients.

The Registrants generally have the authority to select broker-dealers, as described in Item 12 – Brokerage Practices.

## Item 17 Voting Client Securities

The Registrants have adopted proxy voting policies and procedures designed to address how PPI and PPCM will vote proxies and how they will prevent conflicts of interest from influencing proxy voting decisions it makes on behalf of clients. These policies and procedures also help ensure that such decisions are made in accordance with the Registrants' fiduciary obligation to act in the best interests of its clients.

The Registrants 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 the Registrants 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 the case of any material conflicts of interest that may arise between the interests of the Registrants or its supervised persons and those of its clients when voting proxies, the Registrants' CCO may engage an independent third-party, including outside counsel, to determine how the proxy should be voted, or may establish other barriers between the persons involved in the conflict and the persons responsible for making the voting decision.

Clients do not have the ability to direct how we vote proxies, but clients can obtain information on how their proxies were voted by contacting us. The Registrants' proxy voting policies and procedures are available to any client, prospective client, and investor upon request.

## Item 18 Financial Information

Not applicable.