



NatWealth Management (USA) Inc.

Form ADV, Part 2A

Brochure

Wealth Management Services

December 10, 2024

NatWealth Management (USA) Inc.

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This brochure provides information about the qualifications and business practices of NatWealth Management (USA) Inc. If you have any questions about the contents of this brochure, please contact us at (833) 946-1589. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

Additional information about NatWealth Management (USA) Inc. is also available on the SEC's website at: www.adviserinfo.sec.gov or <https://adviserinfo.sec.gov/firm/summary/310098>

ITEM 2: MATERIAL CHANGES

There have been no material changes to this Brochure since the most recent filing on January 30, 2024 for NatWealth Management (USA) Inc. in respect of Wealth Management Services.

ITEM 3: TABLE OF CONTENTS

| | |
|--|----|
| ITEM 1 - COVER PAGE | 1 |
| ITEM 2 - MATERIAL CHANGES | 2 |
| ITEM 4 - ADVISORY BUSINESS | 4 |
| ITEM 5 – FEES AND COMPENSATION | 6 |
| ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT | 8 |
| ITEM 7 – TYPES OF CLIENTS | 8 |
| ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS | 9 |
| ITEM 9 – DISCIPLINARY INFORMATION | 12 |
| ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS..... | 12 |
| ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING | 15 |
| ITEM 12 – BROKERAGE PRACTICES | 16 |
| ITEM 13 – REVIEW OF ACCOUNTS | 17 |
| ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION..... | 17 |
| ITEM 15 – CUSTODY..... | 18 |
| ITEM 16 – INVESTMENT DISCRETION | 18 |
| ITEM 17 – VOTING CLIENT SECURITIES | 18 |
| ITEM 18 – FINANCIAL INFORMATION..... | 18 |

ITEM 4: ADVISORY BUSINESS

Introduction

This Brochure describes the services that NatWealth Management (USA) Inc. (“NatWealth”, the “Firm”, “we” or “us”) makes available to advisory clients of the Firm in respect of its Wealth Management Services (“clients” or “you”). NatWealth is an investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”) and was founded in July 2020. NatWealth provides comprehensive wealth management services to high net-worth and ultra-high net worth clients located in the U.S. or to Canadian residents with accounts located in the U.S.

NatWealth is an indirect, wholly owned subsidiary of National Bank of Canada (“NBC”), a federally regulated bank in Canada. Founded in 1859, NBC offers financial services to individuals, businesses, institutional clients and governments across Canada and internationally, and is traded on the Toronto Stock Exchange (TSX:NA).

As of November 27, 2024, NatWealth had \$93,795,138 in assets under management on a discretionary basis.

This Brochure is regarding NatWealth’s Wealth Management Services; for information regarding NatWealth’s Institutional Client Research Services (an impersonal advisory service), please see the Institutional Client Research Services Brochure.

Advisory Services

NatWealth provides discretionary investment advisory services to its clients. We develop for each client a personalized investment strategy that is intended to reflect your investment objectives, time horizon, risk tolerance, investment knowledge, and overall financial situation. Our investment advisors will work with you to define these key inputs, and to develop an investment strategy that can incorporate a wide variety of investment products, including, but not limited to, U.S. and Canadian: equity securities, including American Depositary Receipts, investment grade bonds, structured products, as well as pooled investment vehicles such as mutual funds, exchange traded funds (“ETFs”), closed-end funds, unit investment trusts, real estate investment trusts, and alternative investments such as hedge funds and private equity funds, among others. We may also trade options. Mutual funds or other funds used in your account may be manufactured or managed by National Bank Investments or other affiliates of NatWealth; NatWealth has a conflict of interest in selecting, offering, and/or recommending such funds because NatWealth affiliates will receive compensation or benefits. With limited exceptions such as mutual fund portfolio holdings and certain strategies that consist solely of ETFs and/or mutual funds, you have the ability to restrict securities of specific issuers or types of issuers as investments for your account.

Client assets are custodied by Pershing LLC (“Pershing” or the “Custodian”), an SEC-registered broker-dealer, a member of the U.S. Financial Industry Regulatory Authority (“FINRA”) and a “qualified custodian” not affiliated with NatWealth. NatWealth will not maintain custody of your funds and/or securities.

Cash balances of U.S. dollars in your account will be swept into an available sweep option selected by you or by your Investment Advisor. Some Investment Advisors are also Portfolio Managers according to Canadian regulations. Each Investment Advisor without this qualification is teamed with a separate NatWealth internal Portfolio Manager or will offer products discretionarily managed by external Portfolio Managers. The term “IA” from here forward refers only to Investment Advisors or Portfolio Managers who are employees of NatWealth and exclude any external Portfolio Managers.

Your IA may invest in Canadian securities which would require converting US currency into Canadian, unless the account already holds such. Pershing will affect the foreign currency exchange using its exchange rate, with any spread benefitting Pershing and not NatWealth.

Through execution of a separate margin agreement with Pershing, eligible clients will have the ability to borrow cash against the value of certain assets held within their account (the “Pershing Margin Program”). You should carefully review the terms and conditions of the Pershing Margin Program as described in the Pershing Margin Agreement. Margin costs and expenses are separate client charges and are not part of the overall Client Fee (as defined below in Item 5). If your IA recommends that you participate in the Pershing Margin Program, this creates a conflict with you because purchasing securities on margin will increase the assets in your account and thus the fee you pay NatWealth, with your IA receiving a portion of this fee.

The services offered by NatWealth may not be suitable for all your wealth, and NatWealth does not represent that its services are based on or meant to replace a comprehensive evaluation of any client’s entire financial life considering all of your financial circumstances, needs and objectives. Our advice and recommendations are specific to assets we manage in your account, as described in the investment management agreement you enter into with us (the “Client Agreement”).

BNY Mellon Target Risk Portfolios offered through BNY Mellon Advisors, Inc.

NatWealth has the possibility, through BNY Mellon Advisors, Inc. (“BNYMA”) to offer the BNY Mellon Target Risk Portfolios to NatWealth’s clients.

BNYMA is a registered investment adviser with the SEC. BNYMA provides, among other things, managed account services.

BNY Mellon Target Risk Portfolios (“Target Risk Portfolios”) is a discretionary, multi-discipline mutual fund and ETF wrap account product contained in a single portfolio. Target Risk Portfolios offers different diversified, discretionary investment portfolios. Some models are more conservative, with the majority of the model allocated to fixed income and the balance to equities; other models are more aggressive, with an allocation focused on equities.

For the Target Risk Portfolios, BNYMA, serving as the Portfolio Manager, determines, on a discretionary basis, the asset allocation strategy and selects investment vehicles for each investment style in the portfolio. Securities purchased, sold and held in a Target Risk Portfolios account may consist of open and closed-end mutual funds, exchange-traded funds and other types of securities, as determined by BNYMA, in its sole discretion. The securities used in a Target Risk Portfolios account are subject to change at BNYMA’s sole discretion. NatWealth does not select investment vehicles in the Target Risk Portfolios accounts.

More information regarding BNYMA and Target Risk Portfolios accounts is available in BNYMA’s Form ADV – Part 2A “Brochure”.

Although NatWealth does not determine the asset allocation strategy and does not select the investment vehicles for a Target Risk Portfolios account, NatWealth still makes the determination, with the client, if a Target Risk Portfolios account is appropriate for the client, and which model, in particular, is suitable for the client considering, among other things, the investment objectives, risk tolerance and personal financial situation of the client.

The fees charged by NatWealth to clients with respect to a Target Risk Portfolios account are different than the fees charged for an investment account in which NatWealth determines the asset allocation strategy and selects the investment vehicles. The fees charged by NatWealth are indicated in Item 5 below.

ITEM 5 – FEES AND COMPENSATION

Client Fees

Client accounts are charged a fee for NatWealth services (the “Client Fee”), calculated as an annual percentage of assets under management (“AUM”) in the account in accordance with the terms of the Client Agreement. The Client Fee follows the tiered fee grids below and is negotiable with the client’s IA. The fact that IAs may negotiate fees means that clients with the same amount of assets under management will most likely be paying different fees. Fee negotiations may include a lower tier rate, a different blended rate or a fixed rate regardless of the amount of assets in the account.

“Households” may be established, aggregating accounts to reach a higher tier with a lower applicable fee rate. Households are defined as individuals sharing a parent-child or lineage relationship, including brothers and sisters and other entities owned or controlled by any of the family members (such as joint assets, holding companies, corporations and trusts). NatWealth does not maintain a minimum fee per account.

Two (2) different fee grids may be used depending on the services the client chooses:

- The first fee grid is used when NatWealth manages and selects the investment vehicles in the client’s account (“NatWealth Fee Grid”), and
- The second fee grid is used when the Target Risk Portfolios is selected (“NatWealth / Target Risk Portfolios Fee Grid”).

NatWealth Fee Grid - applicable when NatWealth manages and selects the investment vehicles in the client’s account.

| Assets | Annual Fee |
|----------------------------------|-------------------|
| from \$0 to \$250,000 | 1.70% |
| from \$250,001 to \$500,000 | 1.15% |
| from \$500,001 to \$1,000,000 | 1.05% |
| from \$1,000,001 to \$2,000,000 | 0.95% |
| from \$2,000,001 to \$10,000,000 | 0.85% |
| on assets over \$10,000,001 | Negotiable |

The Client Fee payable for the period will be prorated according to the number of days during which the account was managed by NatWealth. For each period, as the client will have authorized, NatWealth will instruct Pershing to deduct the Client Fee from the cash balance in the account. A portion of the account assets may be liquidated to cover the Client Fee at any time. Liquidation may affect the relative balance of the account, and also may have tax consequences and/or may cause the account to be assessed transaction charges. Please consult with your tax advisor before entering into the Client Agreement to understand how such liquidation may result in tax consequences in your specific circumstance.

Calculation example for the NatWealth Fee Grid: a \$300,000 account (all billable assets) would pay 1.70% x \$250,000 (\$4250) plus 1.15% x \$50,000 (\$575) for a total annual fee of \$4825 (or a blended rate of 1.61%).

Billing monthly in arrears: The Client Fee is payable monthly in arrears (at 1/12th of the fee rate above) and is calculated daily based on the market value of the assets in the account, including securities purchased on margin and cash equivalent (but excluding cash balances not invested in any financial instrument and automatic sweeps), if any.

NatWealth / Target Risk Portfolios Fee Grid - applicable when a Target Risk Portfolios account is selected. This grid shows the fees to be paid to NatWealth only. BNYMA charges additional fees which are disclosed in the BNYMA documents provided to clients selecting this service. The fee charged by BNYMA is in addition to the fee the client pays to NatWealth.

| Assets | NatWealth Annual Fee |
|-------------------|----------------------|
| from \$0.0000 | 1.30% |
| from \$250,000 | 1.30% |
| from \$500,000 | 0.80% |
| from \$1,000,000 | 0.75% |
| from \$2,000,000 | 0.70% |
| from \$3,000,000 | 0.60% |
| from \$5,000,000 | 0.60% |
| from \$10,000,000 | 0.60% |

At inception, fees are billed in advance from the date the account is opened through the end of that calendar quarter. Thereafter, fees are billed in advance for the next calendar quarter based on the value of the assets at the end of the prior calendar quarter. Our Custodian debits your account for the fees and remits such fees to the appropriate party. BNYMA does not make fee adjustments for deposits or withdrawals made during a calendar quarter.

A portion of the account assets may be liquidated to cover the fee to be charged for the account. Liquidation may affect the relative balance of the account, and also may have tax consequences and/or may cause the account to be assessed transaction charges. Please consult with your tax advisor before entering into the Client Agreement or the BNYMA Agreement to understand how such liquidation may result in tax consequences in your specific circumstance.

Other Fees and Expenses

The Client Fee (i.e. the fees charged for NatWealth services) covers only NatWealth's investment advice and services. This fee does not include brokerage commissions charged by Pershing and other fees charged by Pershing (e.g., margin fees, account transfer fees, wire transfer fees) or other fees charged by other service providers such as BNYMA. Please consult the Pershing account documentation and BNYMA account documentation and BNYMA's Form ADV Part 2A for information about the fees they charge for the services they provide. The Client Fee does not cover certain other fees and charges such as any fees imposed by the SEC, and fees resulting from any special requests you may have, such as the purchase of, or exchange into, Canadian currency.

The Client Fee also does not include the internal management, operating or distribution fees or expenses imposed or incurred by a mutual fund, money market fund, ETF, or other pooled investment vehicle held in the account. If the account's assets are invested in any mutual funds, money market funds, ETFs, or pooled investment vehicles, in addition to the Client Fee, the account will incur the internal management and operating fees and expenses, which will include 12b-1 fees (if such fees are imposed), mutual fund management fees, any early termination fees (which include fees on whole or partial liquidations of a client's assets in the investment vehicles) and other fees and expenses that may be assessed by the investment vehicle's sponsor, custodian, transfer agent, adviser, shareholder service provider or other service provider. These expenses may include administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Further information regarding charges and fees assessed may be found in the appropriate prospectus and/or annual report applicable to the corresponding investment vehicle.

Mutual funds or other funds selected for an account may be manufactured or managed by National Bank Investments or other affiliates of NatWealth. NatWealth will be incented for an account to invest in such affiliated funds, as its affiliate will receive the management fee and any other fees paid by the account with respect to such fund. Currently, NatWealth does not allow investment products manufactured by National Bank Investments or other affiliates of NatWealth to be included in the client's account when NatWealth acts as the portfolio manager to such account.

ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT

NatWealth does not charge performance-based fees. NatWealth's fees are calculated as described above in Item 5.

Allocation of investment opportunities among accounts is managed on the basis of the suitability of the investment for each account. All securities (equities, ETFs, etc.) transactions are allocated on a pro rata basis, if necessary, at an average price after transaction costs, subject to practical constraints (e.g., transaction costs, odd lots). Fixed income transactions are allocated on a pro rata basis using risk exposures unless there are differences in the client's mandate (e.g., risk profile or constraints) or there are practical considerations (e.g., size limitations or transaction costs). Initial public offerings, private placements and/or "hot issues" are allocated in the same manner as any other trades, taking into consideration the foregoing factors and required qualifications or limitations. Asset allocations are reviewed on a periodic basis by NatWealth.

ITEM 7 – TYPES OF CLIENTS

NatWealth provides investment advisory services to various types of retail clients, including high net worth and ultra-high net worth individuals, their families, family offices and entities including trusts and estates, and its investment advisory services will include retirement accounts for such clients. The minimum account size to obtain our advisory services is \$250,000. Minimum account size requirements may be negotiable, depending on the client household, relationship, and type and size of the account.

NatWealth also serves Canadian residents who have registered or tax-advantaged accounts in the U.S. These clients benefit from the same level of service as the U.S. resident clients. The provisions of the Investment Advisers Act of 1940, pursuant to which NatWealth is registered, do not apply to NatWealth's advisory services provided to Canadian clients. NatWealth and its IAs are not subject to full Canadian regulatory requirements otherwise applicable under the Canadian legislation.

ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

Methods of Analysis and Investment Strategies

NatWealth uses various market, research, portfolio modelling and other tools and information to determine the investment advice provided to you. Your IA determines investments and asset class allocations based upon the client's investor profile, risk tolerance, time horizon, financial information, liquidity needs, and other various suitability factors, and the client's restrictions and guidelines may affect the composition of the portfolio. As such, the investment strategies and advice will vary depending upon each client's specific financial situation.

It is important to note that no methodology, investment style, or investment strategy is guaranteed to be successful or profitable or can guarantee a client against loss.

Risk Factors

The investment risks described below represent some but not all of the risks associated with various types of investments and investment strategies. You should carefully evaluate all applicable risks with any investment or investment strategy and realize that investing in securities involves risk of loss that you should be prepared to bear.

Investment Strategies and Risk of Loss

Certain investment strategies that NatWealth may use in managing the account have specific risks, including those associated with investments in common stock, fixed income securities, ETFs, mutual funds, and alternative investments. You should consult with your IA for more details regarding the specific risks associated with the investments in your account.

For example, investing in securities and other assets involves a potential risk of loss due to various market, economic, political, regulatory, business, currency, climate, pandemic and other risks. NatWealth does not guarantee the future performance of any client account, investment decision or strategy. Future results may vary substantially from past performance and no investment strategy can guarantee profit or protection from loss. Returns on investments can be volatile and an investor may lose all or a portion of their investment. Clients that utilize margin are subject to additional risks, including greater risk of loss and incurrence of margin interest debt. Margin and securities-based lending is not suitable for all investors. If the market value of the securities in a margin account declines, the owner may be required to deposit more money or securities in order to maintain the line of credit. If the owner is unable to do so, Pershing may sell all or a portion of the pledged assets without prior notice.

Risks Relating to Equity and Fixed Income Securities

Equity and equity-related investments are volatile and will increase or decrease in value based upon issuer, economic, market and other factors. Small capitalization stocks generally involve higher risks in some respects than do investments in stocks of larger companies and may be more volatile. The securities of some foreign issuers also involve a high degree of risk because of, among other factors, the lack of public information with respect to such issuers, less governmental regulation of stock exchanges and issuers of securities traded on such exchanges and the absence of uniform accounting, auditing and financial reporting standards, and the markets on which such securities are traded may be less liquid, which may make the disposition of securities more difficult. The domicile of such issuers and currency fluctuations may also be factors in the assessment of financial

risk to the investor. Emerging markets can be subject to greater social, economic, regulatory, and political uncertainties and can be extremely volatile.

Investments in fixed income securities are subject to interest rate, credit, liquidity, prepayment, and extension risks, any of which may adversely impact the price of the security and result in a loss. Interest rates may go up resulting in a decrease in the value of fixed income securities. Duration is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates. The longer the maturity and duration, the more the bond will be exposed to interest rate risk. Generally, securities with longer maturities carry greater interest rate risk. A historically low interest rate environment increases the risk associated with rising interest rates. Credit risk is the risk that an issuer may not make timely payments of principal and interest. There is a risk that an issuer may “call”, or repay, its high yielding bonds before their maturity dates. Fixed income securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. Limited trading opportunities for certain fixed income securities may make it more difficult to sell or buy a security at a favorable price or time. The municipal market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

There may be a lack of liquidity in certain ETFs which can lead to a large difference between the bid-ask prices (increasing the cost when buying or selling shares of the ETF). A lack of liquidity also may cause an ETF to trade at a large premium or discount to its net asset value. Additionally, an ETF may suspend issuing new shares and this may result in an adverse difference between the ETF’s publicly available share price and the actual value of its underlying investment holdings. At times when underlying holdings are traded less frequently, or not at all, an ETF’s returns also may diverge from the benchmark it is designed to track.

Most U.S. ETFs, like all U.S. mutual funds, are registered investment companies under the U.S. Investment Company Act of 1940. However, ETFs that invest exclusively in physical assets, such as gold, are not registered investment companies. These ETFs will not have the protections associated with ownership of shares in a registered investment company. For example, these ETFs are not subject to the prohibition on registered investment companies dealing with affiliates, do not have an independent board of trustees, and are not subject to requirements with respect to, among other things, diversification and the prohibition on the suspension of redemptions.

Risk Relating to Alternative Investments

Alternative investments, such as hedge funds, structured products and private equity/venture capital funds, are speculative and involve a high degree of risk. There is no secondary market for alternative investments and there may be significant restrictions or limitations on withdrawing from or transferring these types of investments. Private equity/venture capital funds generally require an investor to make and fund a commitment over several years. Alternative investments generally have high fees (including both management and performance-based fees) and expenses that offset returns. Alternative investments are generally subject to less regulation than publicly traded investments. Neither NatWealth nor Pershing will be able to independently value investments held by alternative investment fund managers. As a result, NatWealth will generally rely on the values reported to it by alternative investment fund managers.

Alternative investments may include specific risks associated with limited liquidity, the use of leverage, arbitrage, short sales, options, futures and derivative instruments. There can be no assurances that a manager’s strategy (hedged or otherwise) will be successful or that a manager will employ such strategies with respect to all or any portion of a portfolio. You should recognize that alternative investments may bear asset-based fees

and expenses at the manager-level, and indirectly, fees, expenses and performance-based compensation. Performance-based compensation may create an incentive for managers that receive performance-based compensation to make investments that are riskier and more speculative than would be the case if this special allocation were not made. Because the individual managers make trading decisions independently of each other, it is possible that they may hold substantial positions in the same security or group of securities at the same time. This possible lack of diversification would subject the client's investments to more potential volatility than would be the case if the client's assets were more widely diversified.

Risk Relating to REITs

Certain strategies offer real estate-related investment disciplines, which typically invest in common stocks of U.S. corporations. Almost all such investments will be treated for tax purposes as investments in real estate investment trusts ("REITs"). Although it is unlikely that such investments will cause a tax-exempt investor to recognize "unrelated business taxable income" ("UBTI"), no assurances can be made that no UBTI will be recognized. If any investment causes a tax-exempt investor to recognize UBTI, and that tax-exempt investor is a charitable remainder trust, all of the income of the charitable remainder trust would be subject to federal income tax for the tax year in which the UBTI was recognized. Therefore, charitable remainder trusts should consult with a tax advisor before investing in real estate investment disciplines.

Risks Relating to Money Market Funds

Any investor could lose money in money market funds. Although money market funds classified as government funds (i.e., money market funds that invest 99.5% of total assets in cash and/or securities backed by the U.S. government) and retail funds (i.e., money market funds open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee they will do so. The price of other money market funds will fluctuate and when you sell shares, they may be worth more or less than originally paid. Money market funds may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, and, if applicable, check writing or ATM debits.

Moreover, in some circumstances, money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings are liquidated and distributed to the fund's shareholders. This liquidation process could take up to one month or more. During that time, these funds would not be available to you to support purchases, withdrawals and, if applicable, check writing or ATM debits from your account.

Risks Relating to Differing Classes of Securities

Different classes of securities have different rights as creditor if the issuer files for bankruptcy or reorganization. For example, bondholders' rights generally are more favorable than shareholders' rights in a bankruptcy or reorganization.

Tax and Legal Considerations

The client is responsible for all tax liabilities and tax-return filing obligations arising from the transactions in your account or any other investment advice offered by us. Changes in your investment strategy may result in sales of securities which may subject you to additional income tax obligations. Consult your independent tax or legal advisor with respect to the services described in this Brochure. NatWealth and its affiliates do not provide tax, legal, accounting, estate or actuary advice and this Brochure or any other document received from NatWealth

and its affiliates in connection with any such services that NatWealth makes available to its advisory clients should not be construed as providing such advice.

Cybersecurity Risks

NatWealth must rely in part on digital and network technologies (collectively, “networks”) to conduct its investment advisory business. Such networks, including those of service providers, are susceptible to cyber-attacks that could potentially seek unauthorized access to digital systems for purposes such as misappropriating sensitive information, corrupting data or causing operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. Cyber-attacks against, or security breakdowns, of us or our service providers, if applicable, may adversely impact us and our clients, potentially resulting in, among other things, financial losses; our inability to transact business on behalf of our clients; reputational damage; and/or additional costs. NatWealth may incur additional costs related to cybersecurity risk management and remediation. In addition, cybersecurity risks may also impact issuers of securities in which we invest on behalf of our clients, which may cause our clients’ investment in such issuers to lose value.

This list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in connection with NatWealth’s management of any client’s account. In addition, you should be aware that as your investment portfolio develops and changes over time, your account may be subject to additional and different risks.

ITEM 9 – DISCIPLINARY INFORMATION

NatWealth and its personnel have not been involved in any legal or disciplinary events within the past 10 years deemed material to a client’s evaluation of NatWealth or its personnel.

ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

Other Financial Industry Activities and Affiliations

As indicated above, NatWealth is an indirect, wholly owned subsidiary of National Bank of Canada (“NBC”). NBC and its subsidiaries operate diversified financial services businesses, providing an array of services to a broad range of clients. As a result, there exist certain conflicts of interest with respect to companies or other issuers whose securities could be included in your account.

In short, notwithstanding such conflicts of interest or potential conflicts of interest, client account assets may be invested in securities of issuers related, connected, or affiliated with NatWealth, as described below. Further, NatWealth provides advice to other clients, including advice that may be different (whether in nature, timing or otherwise) from the advice given to you or to others. Similar investment programs to those offered to NatWealth’s clients will be offered to certain Canadian residents by the same IA. Because the programs offered to certain Canadian residents will use a different executing broker-dealer, costs and performance of the Canadian and U.S. programs are likely to vary.

NatWealth personnel often have defined roles with NatWealth affiliates. Personnel with affiliates will also provide operational and administrative support to NatWealth and the affiliates.

NatWealth's affiliate, National Bank of Canada Financial Inc. ("NBCFI"), is a U.S.-registered broker-dealer. However, NBCFI will not execute trades for any NatWealth accounts or otherwise provide transactional or other type of services with respect to NatWealth accounts.

Account Assets May Be Invested in Securities of an Issuer Related to NatWealth

As described above, if you consent, your account assets may be invested in securities of a related or connected issuer to NatWealth. Before we exercise discretionary authority to buy or sell securities of a related or connected issuer, we will disclose our relationship with the issuer to you.

A company or person is a "related issuer" if:

- The person or company is an influential security holder of NatWealth.
- NatWealth is an influential security holder of the person or company.
- NatWealth, and the person or company, are related issuer of the same third-party securities.

A company or person is a "connected issuer" if the issuer has a relationship with us that may lead a reasonable prospective purchaser to question whether we are independent from the issuer. This includes the issuer's relationship with us, with one of our related issuers or with our directors, officers or partners or those of one of our related issuers.

The following are our related or connected issuers:

- **National Bank of Canada:** National Bank of Canada is a bank incorporated under the Bank Act (Canada) and is a reporting issuer that holds indirectly 100% of the voting and equity shares of NatWealth.
- **Canadian Credit Card Trust II:** This trust is a trust whose administrator is National Bank of Canada and whose securities are publicly distributed.
- **NBI ETFs:** National Bank Investments Inc. ("NBI"), a wholly-owned subsidiary of National Bank of Canada, is the investment fund manager of the NBI ETFs. National Bank Trust Inc. is the portfolio manager of the NBI ETFs. National Bank Financial Inc. acts as designated broker and broker of the NBI ETFs.
- **NBI Funds:** National Bank Investments Inc., a wholly-owned subsidiary of National Bank of Canada, is the investment fund manager of all NBI Funds (including, without limitation, the Meritage Portfolios and NBI Private Portfolios, as listed in the NBI Funds prospectus updated annually). National Bank Trust Inc., acts as portfolio manager of multiple NBI Funds.

Related dealers and advisors

Because of our affiliation with National Bank of Canada and its subsidiaries, we have put policies in place to deal with any material conflict of interest.

National Bank Financial Inc., our Canadian affiliate, is registered as an investment dealer and an indirect wholly owned subsidiary of National Bank of Canada. National Bank of Canada is also an important

shareholder of many dealers and advisors, meaning it directly or indirectly holds more than 20% of any class or series of voting securities.

- National Bank Savings and Investments Inc.
- National Bank Investments Inc.
- National Bank Financial inc.
- National Bank of Canada Financial Inc.
- NBC Financial Markets Asia Limited - in Hong Kong only
- NBC Global Finance Limited - in Ireland
- Natcan Trust Company
- National Bank Trust Inc.

We are therefore related to these dealers and advisors. Although there may be overlaps among the directors and officers of these companies, all of them operate as separate legal entities.

Other Conflicts of Interest

Other potential or actual conflicts of interest may arise. For example, another type of conflict of interest that may exist relates to the advice an IA can provide. If an IA recommends rolling over your beneficial interest in a 401 (k) plan to an IRA managed by us, this creates a conflict of interest since NatWealth would collect a fee for this account and the IA will receive a portion of this fee. There are other implications associated with establishing a rollover IRA, including that less expensive mutual fund shares made available as investment options in a 401(k) plan may no longer be available to the IRA account. Another example of conflict of interest is if an IA recommends transferring to NatWealth an existing IRA you have with another firm, this creates a conflict of interest since NatWealth would collect a fee for this account and the IA will receive a portion of this fee.

We will continue to take the necessary steps to identify and respond to such situations fairly and reasonably, and update our policies as required. Any material conflicts of interest that cannot be avoided will be disclosed as they arise.

Use of Participating Affiliate

In order to provide investment advisory services, we have entered into service arrangements with our Canadian affiliate, National Bank Financial Inc., that allow us to utilize its facilities, services and other investment management capabilities, including personnel such as Investment Advisors, in rendering advice to our clients. All NatWealth IAs are also registered representatives of National Bank Financial Inc. NatWealth and National Bank Financial Inc. are subsidiaries of National Bank of Canada.

National Bank Financial Inc. is a Canadian corporation that is registered as an investment dealer with the Canadian securities regulatory authorities in each of the provinces and territories in Canada and is a member of the Canadian Investment Regulatory Organization. In addition to providing investment dealer services, National Bank Financial Inc. provides discretionary and non-discretionary investment management and supervisory services to retail and institutional clients in Canada. However, National Bank Financial Inc. **is not** registered as an investment adviser in the United States.

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

NatWealth's Code of Ethics (the "Code") for its advisory business applies to NatWealth's employees and directors and to NBF's employees, who are involved in NatWealth's business or engaged in offering or providing investment advisory products and/or services (collectively, the "Employees"). All Employees must pledge themselves to the Code as a condition of employment. The purpose of the Code is to prohibit Employees from engaging in securities transactions or activities that involve a material conflict of interest, possible diversion of a corporate opportunity, or the appearance of impropriety. Employees must always place the interests of the Firm's clients above their own and must never use knowledge of client transactions acquired in the course of their work to their own advantage or to the advantage of their friends or family. Supervisors are required to use reasonable supervision to detect and prevent any violations of the Code by the individuals and departments that they supervise.

We have developed the Code, a compliance manual and internal policies. Among other things, these documents state that our Employees must never put their own interests ahead of their responsibilities toward clients or NatWealth. These documents also reinforce the fact that any material conflict of interest must be addressed in a manner that is fair, equitable, transparent and consistent with clients' best interests.

Here are some highlights from these documents:

- Confidential information: Our Employees are prohibited from using confidential information gained in the course of their duties for their personal benefit or for the benefit of a third party. This includes information related to clients, transactions or client accounts. Our Employees may not exploit any situation to obtain an advantage of any kind.
- Gifts, entertainment and compensation: Employees are prohibited from accepting gifts, entertainment or compensation that could influence the decisions they make in the course of performing their duties.
- Other business activities: Employees are prohibited from engaging in activities that could interfere or conflict with their duties. We will not permit any Employee to engage in business activities outside the scope of their duties without first ensuring that these activities do not compromise our clients' interests or harm our own reputation or that of the industry. We would also consider an Employee to be in a potential conflict of interest if they were designated as a beneficiary of a client's estate or otherwise inherited from a client's estate.
- Client best interests: The interests of clients must always be given priority over those of NatWealth and its Employees. When we receive two orders for the same security at the same or better price, we always execute the client's order before the personal order of the client's IA. This also means that the IA has an obligation to choose the best investment for a given client, even if it is an investment that directly competes with our offerings. No IA is authorized to make recommendations solely for the purpose of generating revenue or promoting in-house investments if such recommendations are not in the client's best interest.

- Referrals: On occasion, third parties may refer clients to us for our products and services. We or our IAs may also refer clients to third parties. When these referrals involve a commission, we will notify the referred client about the commission and share any other relevant information. This allows the client to make an informed decision about the referral and to consider any potential conflicts of interest. With respect to referrals between us and our affiliates, NatWealth does not pay to, nor receive from any of its affiliates, any referral fees with respect to client referrals. Please see Item 14 below.
- Allocation of securities: We apply a policy to control the division of securities among our clients when there are not enough securities to meet the demand. This policy is intended to ensure fair distribution of securities.
- Private placements and personal investments: Employees who wish to participate in a private placement, as a buyer or promoter, must first obtain an authorization and go through a verification procedure to avoid or supervise any material conflicts of interest. Our Employees' personal investments are also subject to our policies and supervision.
- Owning the same securities: When we perform discretionary management services for our clients, the securities making up the portfolios under management may also be held by some of our Employees, officers or directors, or may come from our related or connected issuers. Our discretionary management services must comply with the applicable legislation and regulations.
- Proxy voting: Clients appoint NatWealth as their agent (except for securities in Target Risk Portfolios accounts in which case BNYMA exercises this discretion) to vote proxies for securities in the client's account, although NatWealth will not advise or take action on the Client's behalf regarding other corporate actions, such as class actions or bankruptcies. Any conflicts of interest with respect to proxy voting will be disclosed to the client. NatWealth has delegated voting such securities to Broadridge Investor Communication Solutions, Inc. ("Broadridge"). Under these circumstances Broadridge will vote in accordance with the specific policy selected by NatWealth, currently the Glass Lewis policy which is based on Glass Lewis' own research. Please see Item 17 below

A copy of the Code will be provided to any client or prospective client upon request.

ITEM 12 – BROKERAGE PRACTICES

Broker-Dealer Selection Process

Pershing serves as the executing and clearing broker-dealer for our clients' accounts unless clients select a different custodian or executing broker-dealer. In seeking to ensure that clients receive best execution, we perform a regular review of the execution services provided by Pershing, including speed of order execution and the overall cost of each transaction.

Research and Other Soft Dollar Benefits

NatWealth does not intend to pay for research and brokerage services with commission dollars generated by account transactions. Such dollars are referred to as "soft dollars."

Brokerage for Client Referrals

NatWealth will not make formal or informal commitments to any broker or dealer to compensate that broker or dealer through brokerage transactions for client referrals.

Trade Aggregation

It may be appropriate for more than one client account to trade in the same securities at the same time. When applicable, NatWealth will assemble “block” transactions on behalf of its separately managed accounts in order to seek best overall execution and possibly negotiate more favorable pricing and commission rates. Accounts with similar investment objectives will participate in a block order entered at the average share price for a security on any given day and transaction costs are shared pro rata based on participation. NatWealth will ensure that all accounts are treated fairly and equitably over time in accordance with its fiduciary duties.

ITEM 13 – REVIEW OF ACCOUNTS

Frequency and Nature of Review of Client Accounts

The Firm regularly monitors client portfolios and conducts periodic account reviews with its clients at least annually to ensure consistency with the client’s strategy and performance objectives. Reviews may also be conducted when requested by the client. The frequency and extent of the reviews vary by client and are driven generally by client circumstances, changes to a client’s financial situation, and assets and investments currently held or proposed to be held. Other factors that may trigger a review include extraordinary events, changes in the tax law, or major investment developments.

Content and Frequency of Account Reports to Clients

Pershing will provide our clients with monthly statements itemizing all transactions in cash and securities and all deposits and withdrawals of principal and income during the preceding calendar month, and a listing of all securities held in custody in the account. These statements also show the deduction of the Client Fee. Pershing will also send quarterly statements listing securities in custody held in the account. You are urged to carefully review the account statements you receive from Pershing.

ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION

NatWealth and its affiliates may refer clients to each other according to the needs of each client, provided that the client has granted the required consent to share information related to the referral. If one member of the NBC group does not offer services that a client requests, that member may refer the client to a member of the group that does. An example of a common referral is when NBF refers a client to us to open an investment advisory account. Likewise, we may refer a client to our affiliates for various services as described above. With respect to referrals between us and our affiliates, NatWealth does not pay to, nor receive from any of its affiliates, any referral fees with respect to client referrals. NatWealth allows the establishment of relationships with other entities, other than affiliates, that will refer U.S. or Canadian based clients to NatWealth for a fee. The investment advisory fee the referred client pays NatWealth will be shared with the referring entity.

ITEM 15 – CUSTODY

NatWealth does not maintain custody of client funds and/or securities. Pershing will have custody of our clients' account's funds and securities, although NatWealth may be deemed to have custody to the extent you authorize us to deduct the Client Fee directly from your account or to instruct Pershing to disburse or transfer funds or securities from your account to a third party.

ITEM 16 – INVESTMENT DISCRETION

Except for Target Risk Portfolios accounts invested through BNYMA, NatWealth will exercise investment discretion for its client accounts, as clients grant NatWealth investment discretion through the Client Agreement. This means that NatWealth has the authority to determine, without obtaining a client's specific consent, the securities to be bought or sold, and the timing and the amount of securities to be bought or sold.

NatWealth is therefore authorized to make the following determinations in accordance with an account's objectives and restrictions without obtaining prior client consent:

- which securities or instruments to buy or sell;
- the amount of securities or instruments to buy or sell;
- the timing of purchases or sales.

With limited exceptions, such as mutual fund portfolio holdings and certain strategies that consist solely of ETFs and/or mutual funds, clients may impose reasonable restrictions on the account's management, including prohibiting the purchase of particular securities or types of securities for the account.

ITEM 17 – VOTING CLIENT SECURITIES

Clients (other than those who have selected a Target Risk Portfolios account with BNYMA, in which case BNYMA exercises this discretion) appoint NatWealth as their agent to vote proxies for securities in the client's account, and to make any decision on events affecting the securities with respect to which the holders of the securities enjoy a voting right, with the exception that NatWealth will not advise or take action on the Client's behalf regarding corporate actions, such as class actions or bankruptcies.

Pursuant to this authority, NatWealth has delegated voting on such issues to Broadridge Investor Communication Solutions, Inc. ("Broadridge"). Under these circumstances Broadridge will vote in accordance with the specific policy selected by NatWealth, currently the Glass Lewis policy which is based on Glass Lewis own research. In the rare situation where a custodian does not have a relationship with Broadridge, we may use a different proxy voting vendor, or the Firm can vote proxies itself in the best interest of the clients.

Upon request, the Firm will promptly provide clients with information on how proxies of securities held in their accounts were voted.

ITEM 18 – FINANCIAL INFORMATION

NatWealth does not require or solicit prepayment of more than \$1,200 in investment advisory fees, six months or more in advance.

NatWealth is not aware of any financial conditions that would reasonably likely impair its ability to meet its contractual commitments to its clients.