

# Cardinal Capital Management, Inc.

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ADV Part 2A, Brochure

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**This Brochure provides information about the qualifications and business practices of Cardinal Capital Management, Inc. (“Cardinal Capital”). If you have any questions about the contents of this Brochure, please contact us at (919) 532-7500 or [wandrews@cardinalcapitalmanagment.com](mailto:wandrews@cardinalcapitalmanagment.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 Cardinal Capital Management, Inc. also is available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**References herein to Cardinal Capital Management, Inc. as a “registered investment adviser” or any reference to being “registered” does not imply a certain level of skill or training.**

## **Item 2           Material Changes**

There have been no material changes made to this Brochure since the March 10, 2023 annual update filing.

Cardinal Capital's Chief Compliance Officer, J. Wesley Andrews, remains available to address any questions that a client or prospective client has about this Brochure including the disclosure additions and enhancements.

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

- A. Cardinal Capital is a corporation formed on January 2, 1992, in the state of North Carolina. Cardinal Capital became registered as an Investment Adviser Firm in January 1992. Cardinal Capital is principally owned by Glenn C. Andrews, who serves as Cardinal Capital's President and Chief Investment Officer.
- B. As discussed below, Cardinal Capital provides its clients (currently: individuals, high net worth individuals, trusts, estates, charitable organizations, insurance companies, and corporations or other business entities) with investment advisory services and investment related consulting services. Cardinal Capital does not hold itself out as providing financial planning or related consulting services.

#### **INVESTMENT ADVISORY SERVICES**

Cardinal Capital provides discretionary and/or non-discretionary investment advisory services on a fee-only basis. Cardinal Capital's annual investment advisory fee is based upon a percentage (%) of the market value of the assets placed under Cardinal Capital's management. Before engaging Cardinal Capital to provide investment advisory services, clients are required to enter into an Investment Advisory Agreement with Cardinal Capital setting forth the terms and conditions of the engagement (including termination), describing the scope of the services to be provided, and the fee that is due from the client.

Cardinal Capital provides investment advisory services specific to the needs of each client. Before providing investment advisory services, an investment adviser representative will ascertain each client's investment objectives. Thereafter, Cardinal Capital will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. Once allocated, Cardinal Capital provides ongoing monitoring and review of account performance and asset allocation as compared to client investment objectives, and may periodically rebalance and execute transactions for the account based upon such reviews.

#### **MISCELLANEOUS**

**Limitations of Financial Planning and Non-Investment Consulting/Implementation Services.** Although Cardinal Capital does not hold itself out as providing financial planning, estate planning or accounting services, to the extent specifically requested by the client, Cardinal Capital may provide limited consultation services to its investment management clients on investment and non-investment related matters, such as estate planning, tax planning, insurance, etc. Cardinal Capital shall not receive any separate or additional fee for any such consultation services.

Neither Cardinal Capital nor its investment adviser representatives assist clients with the implementation of any financial plan, unless they have agreed to do so in writing. Cardinal Capital does not monitor a client's financial plan, and it is the client's responsibility to revisit the financial plan with Cardinal Capital, if desired.

Cardinal Capital does not serve as a law firm, accounting firm, or insurance agency, and no portion of its services should be construed as legal, accounting, or insurance

implementation services. Accordingly, Cardinal Capital does not prepare estate planning documents, tax returns, or sell commissioned insurance products.

To the extent requested by a client, Cardinal Capital may recommend the services of other professionals for certain non-investment implementation purposes (i.e., attorneys, accountants, insurance agents, etc.). The client is under no obligation to engage those services. The client retains absolute discretion over all such implementation decisions and is free to accept or reject any recommendation from Cardinal Capital and/or its representatives.

If the client engages any recommended unaffiliated professional on a separate and individual basis, and a dispute arises thereafter relative to such engagement, the client agrees to seek recourse exclusively from and against the engaged professional. At all times, the engaged licensed professional(s) (i.e., attorney, accountant, insurance agent, etc.), and not Cardinal Capital, shall be responsible for the quality and competency of the services provided

**Non-Discretionary Service Limitations.** Clients that determine to engage Cardinal Capital on a non-discretionary investment advisory basis must be willing to accept that Cardinal Capital cannot effect any account transactions without obtaining prior consent to such transactions from the client. Therefore, in the event that Cardinal Capital would like to make a transaction for a client's account (including in the event of an individual holding or general market correction), and the client is unavailable, Cardinal Capital will be unable to effect the account transactions (as it would for its discretionary clients) without first obtaining the client's consent.

**Retirement Rollovers-Potential for Conflict of Interest:** A client or prospective client leaving an employer typically has four options regarding an existing retirement plan (and may engage in a combination of these options): (i) leave the money in the former employer's plan, if permitted, (ii) roll over the assets to the new employer's plan, if one is available and rollovers are permitted, (iii) roll over to an Individual Retirement Account ("IRA"), or (iv) cash out the account value (which could, depending upon the client's age, result in adverse tax consequences). If Cardinal Capital recommends that a client roll over their retirement plan assets into an account to be managed by Cardinal Capital, such a recommendation creates a conflict of interest if Cardinal Capital will earn new (or increase its current) compensation as a result of the rollover. If Cardinal Capital provides a recommendation as to whether a client should engage in a rollover or not, Cardinal Capital is acting as a fiduciary within the meaning of Title I of the Employee Retirement Income Security Act and/or the Internal Revenue Code, as applicable, which are laws governing retirement accounts. No client is under any obligation to roll over retirement plan assets to an account managed by Cardinal Capital, whether it is from an employer's plan or an existing IRA.

**Use of Exchange Traded Funds:** Many exchange traded funds are available directly to the public. A prospective client can obtain many of the funds that may be used by Cardinal Capital independent of engaging Cardinal Capital as an investment advisor. However, if a prospective client determines to do so, he/she will not receive Cardinal Capital's initial and ongoing investment advisory services.

In addition to Cardinal Capital's investment advisory fee described below, and transaction and/or custodial fees discussed below, clients will also incur, relative to all

exchange traded fund purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

**Portfolio Activity.** Cardinal Capital has a fiduciary duty to provide services consistent with the client's best interest. As part of its investment advisory services, Cardinal Capital will review client portfolios on an ongoing basis to determine if any changes are necessary based upon various factors, including but not limited to investment performance, financial circumstances, and changes in the client's investment objectives. Based upon these and other factors, there may be extended periods of time when Cardinal Capital determines that changes to a client's portfolio are neither necessary nor prudent. Clients nonetheless remain subject to the fees described in Item 5 below during periods of account inactivity.

**Cash Positions.** Cardinal Capital continues to treat cash as an asset class. As such, unless determined to the contrary by Cardinal Capital, all cash positions (money markets, etc.) shall continue to be included as part of assets under management for purposes of calculating Cardinal Capital's advisory fee. At any specific point in time, depending upon perceived or anticipated market conditions/events (there being no guarantee that such anticipated market conditions/events will occur), Cardinal Capital may maintain cash positions for defensive purposes. In addition, while assets are maintained in cash, such amounts could miss market advances. Depending upon current yields, at any point in time, Cardinal Capital's advisory fee could exceed the interest paid by the client's money market fund.

**Cash Sweep Accounts.** Certain account custodians can require that cash proceeds from account transactions or new deposits, be swept to and/or initially maintained in a specific custodian designated sweep account. The yield on the sweep account will generally be lower than those available for other money market accounts. When this occurs, to help mitigate the corresponding yield dispersion Cardinal Capital shall (usually within 30 days thereafter) generally (with exceptions) purchase a higher yielding money market fund (or other type security) available on the custodian's platform, unless Cardinal Capital reasonably anticipates that it will utilize the cash proceeds during the subsequent 30-day period to purchase additional investments for the client's account. Exceptions and/or modifications can and will occur with respect to all or a portion of the cash balances for various reasons, including, but not limited to the amount of dispersion between the sweep account and a money market fund, the size of the cash balance, an indication from the client of an imminent need for such cash, or the client has a demonstrated history of writing checks from the account.

The above does not apply to the cash component maintained within a Cardinal Capital actively managed investment strategy (the cash balances for which shall generally remain in the custodian designated cash sweep account), an indication from the client of a need for access to such cash, assets allocated to an unaffiliated investment manager and cash balances maintained for fee billing purposes.

The client shall remain exclusively responsible for yield dispersion/cash balance decisions and corresponding transactions for cash balances maintained in any Cardinal Capital unmanaged accounts.

**Client Obligations.** In performing its services, Cardinal Capital shall not be required to verify any information received from the client or from the client's other professionals,

and is expressly authorized to rely thereon. Moreover, each client is advised that it remains their responsibility to promptly notify Cardinal Capital if there is ever any change in their financial situation or investment objectives for the purpose of reviewing, evaluating, or revising Cardinal Capital's previous recommendations and/or services.

**Cybersecurity Risk.** The information technology systems and networks that Cardinal Capital and its third-party service providers use to provide services to Cardinal Capital's clients employ various controls, which are designed to prevent cybersecurity incidents stemming from intentional or unintentional actions that could cause significant interruptions in Cardinal Capital's operations and result in the unauthorized acquisition or use of clients' confidential or non-public personal information. Clients and Cardinal Capital are nonetheless subject to the risk of cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damage to respond to regulatory obligations, other costs associated with corrective measures, and loss from damage or interruption to systems. Although Cardinal Capital has established procedures to reduce the risk of cybersecurity incidents, there is no guarantee that these efforts will always be successful, especially considering that Cardinal Capital does not directly control the cybersecurity measures and policies employed by third-party service providers. Clients could incur similar adverse consequences resulting from cybersecurity incidents that more directly affect issuers of securities in which those clients invest, broker-dealers, qualified custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions.

**Disclosure Statement.** A copy of Cardinal Capital's written Brochure as set forth on Part 2 of Form ADV and a Client Relationship Summary as set forth on Form CRS shall be provided to each client prior to, or contemporaneously with, the execution of the Investment Advisory Agreement.

- C. Cardinal Capital provides investment advisory services tailored to the specific needs of each client. Before providing investment management services, an investment adviser representative will ascertain each client's investment objectives. Thereafter, Cardinal Capital will allocate and/or recommend that the client allocate investment assets consistent with the designated investment objectives. The client may, at any time, impose reasonable restrictions, in writing, on Cardinal Capital's services.
- D. Cardinal Capital does not offer a wrap-fee program for its investment advisory services
- E. As of March 22, 2024, Cardinal Capital had \$785,131,336 in assets under management on a discretionary basis and \$20,011,095 in assets under management on a non-discretionary basis.

## **Item 5            Fees and Compensation**

A.

### **INVESTMENT ADVISORY SERVICES**

Cardinal Capital's annual investment advisory fee is negotiable, but shall generally be based upon a percentage (%) of the market value and type of assets placed under Cardinal Capital's management as follows:

**Assets under Management/Annual Fee**

	Bonds	Domestic Large Cap Equity	Non-Domestic Equity and Small Cap
First \$2,000,000	0.50%	1.00%	1.50%
Next \$3,000,000	0.40%	0.80%	1.20%
Over \$5,000,000	Negotiable	Negotiable	Negotiable

- \* Clients are subject to a minimum annual fee of \$2,500 for investment advisory services.

**Conflict of Interest:** Although Cardinal Capital will allocate client assets consistent with the client's designated investment objective(s), the fact that Cardinal Capital earns a higher fee for management of securities other than fixed income, as referenced in the above fee schedule, is a conflict of interest because Cardinal Capital has an incentive to allocate client assets to those types of securities from which it will earn a higher investment advisory fee.

In addition, Cardinal Capital's investment advisory fee may be negotiable at Cardinal Capital's discretion, depending upon objective and subjective factors including but not limited to: the amount of assets to be managed; portfolio composition; the scope and complexity of the engagement; the anticipated number of meetings and servicing needs; related accounts; future earning capacity; anticipated future additional assets; the professional(s) rendering the service(s); prior relationships with Cardinal Capital and/or its representatives, and negotiations with the client. As a result of these factors, similarly situated clients could pay different fees, the services to be provided by Cardinal Capital to any particular client could be available from other advisers at lower fees, and certain clients may have fees different than those specifically set forth above.

- B. Clients may elect to have Cardinal Capital's advisory fees deducted from their custodial account. Both Cardinal Capital's Investment Advisory Agreement and the custodial/clearing agreement may authorize the custodian to debit the account for the amount of Cardinal Capital's investment advisory fee and to directly remit that management fee to Cardinal Capital in compliance with regulatory procedures. In the limited event that Cardinal Capital bills the client directly, payment is due upon receipt of Cardinal Capital's invoice.

Cardinal Capital shall deduct fees and/or bill clients quarterly in arrears, based upon the value of the assets, including any accrued interest and accrued dividends, on the last business day of the previous quarter. Billing adjustments are made on a prorate basis for all inflows and outflows during the billing period.

- C. As discussed below, unless the client directs otherwise or an individual client's circumstances require, Cardinal Capital shall generally recommend that Charles Schwab ("Schwab") serve as the broker-dealer/custodian for client investment management assets. Broker-dealers such as Schwab charge brokerage commissions, transaction, and/or other type fees for effecting certain types of securities transactions (i.e., including transaction fees for certain mutual funds, and mark-ups and mark-downs charged for fixed income transactions, etc.). The types of securities for which transaction fees, commissions, and/or other type fees (as well as the amount of those fees) shall differ

depending upon the broker-dealer/custodian. While certain custodians, including *Schwab*, generally (with the potential exception for large orders) do not currently charge fees on individual equity transactions (including ETFs), others do.

There can be no assurance that Schwab will not change their transaction fee pricing in the future.

Schwab may also assess fees to clients who elect to receive trade confirmations and account statements by regular mail rather than electronically.

In addition to Cardinal Capital's investment management fee, brokerage commissions and/or transaction fees, clients will also incur, relative to all mutual fund and exchange traded fund ("ETF") purchases, charges imposed at the fund level (e.g., management fees and other fund expenses).

When beneficial to the client, individual fixed income transactions may be effected through broker-dealers other than the account custodian (generally, Schwab), in which event, the client generally will incur both the fee (commission, mark-up/mark-down) charged by the executing broker-dealer and a separate "tradeaway" and/or prime broker fee charged by the account custodian (generally, Schwab). The fees charged by the applicable broker-dealer/custodian, and the charges imposed at the fund level, are in addition to Cardinal Capital's investment advisory fees referenced in this Item 5.

- D. The Investment Advisory Agreement between Cardinal Capital and the client will continue in effect until terminated by either party by written notice in accordance with the terms of the Investment Advisory Agreement. Upon termination, Cardinal Capital shall debit the account for the pro-rated portion of the unpaid advisory fee based upon the number of days that services were provided during the billing quarter.
- E. Neither Cardinal Capital, nor its representatives, accepts compensation from the sale of securities or other investment products.

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

Neither Cardinal Capital, nor any supervised person of Cardinal Capital, accepts performance-based fees.

## **Item 7            Types of Clients**

Cardinal Capital's clients currently include: individuals, high net worth individuals, trusts, estates, charitable organizations, insurance companies, and corporations or other business entities.



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

A. Cardinal Capital may utilize the following methods of security analysis:

- Quantitative - (analysis performed using a proprietary statistical model to identify individual equities trading either at a discount or premium to their relative historical price metrics)
- Fundamental - (analysis performed on historical and present data, with the goal of making financial forecasts)
- Cyclical – (analysis performed on historical relationships between price and market trends, to forecast the direction of prices)

Cardinal Capital may utilize the following investment strategies when implementing investment advice given to clients:

- Long Term Purchases (securities held at least a year)
- Short Term Purchases (securities sold within a year)

### **Investment Risk.**

Investing in securities involves risk of loss that clients should be prepared to bear, including the complete loss of principal investment. Past performance may not be indicative of future results, different types of investments involve varying degrees of risk, and it should not be assumed that future performance of any specific investment or investment strategy (including the investments and/or investment strategies recommended or undertaken by Cardinal Capital) will be profitable or equal any specific performance level(s).

Investors generally face the following types of investment risks:

- Interest-rate Risk: Fluctuations in interest rates may cause investment prices to fluctuate. For example, when interest rates rise, yields on existing bonds become less attractive, causing their market values to decline.
- Market Risk: The price of a security, bond, or mutual fund may drop in reaction to tangible and intangible events and conditions. This type of risk may be caused by external factors independent of the fund's specific investments as well as due to the fund's specific investments. Additionally, each security's price will fluctuate based on market movement and emotion, which may, or may not be due to the security's operations or changes in its true value. For example, political, economic and social conditions may trigger market events which are temporarily negative, or temporarily positive.
- 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.
- 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.
- 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.

Investment strategies such as asset allocation, diversification, or rebalancing do not assure or guarantee better performance and cannot eliminate the risk of investment losses. There is no guarantee that a portfolio employing these or any other strategy will outperform a portfolio that does not engage in such strategies. While asset values may increase and client account values could benefit as a result, it is also possible that asset values may decrease and client account values could suffer a loss.

- B. Cardinal Capital's methods of analysis and investment strategies do not present any significant or unusual risks. However, every method of analysis has its own inherent risks. To perform an accurate market analysis Cardinal Capital must have access to current/new market information. Cardinal Capital has no control over the dissemination rate of market information; therefore, unbeknownst to Cardinal Capital, certain analyses may be compiled with outdated market information, severely limiting the value of Cardinal Capital's analysis. Furthermore, an accurate market analysis can only produce a forecast of the direction of market values. There can be no assurances that a forecasted change in market value will materialize into actionable and/or profitable investment opportunities.

Cardinal Capital's primary investment strategies - Long Term Purchases and Short Term Purchases - are fundamental investment strategies. However, every investment strategy has its own inherent risks and limitations. For example longer term investment strategies require a longer investment time period to allow for the strategy to potentially develop. Shorter term investment strategies require a shorter investment time period to potentially develop but, as a result of more frequent trading, may incur higher transactional costs when compared to a longer term investment strategy.

**Borrowing Against Assets/Risks.** A client who has a need to borrow money could determine to do so by using:

- **Margin-**The account custodian or broker-dealer lends money to the client. The custodian charges the client interest for the right to borrow money, and uses the assets in the client's brokerage account as collateral; and,
- **Pledged Assets Loan-** In consideration for a lender (i.e., a bank, etc.) to make a loan to the client, the client pledges its investment assets held at the account custodian as collateral;

These above-described collateralized loans are generally utilized because they typically provide more favorable interest rates than standard commercial loans. These types of collateralized loans can assist with a pending home purchase, permit the retirement of more expensive debt, or enable borrowing in lieu of liquidating existing account positions and incurring capital gains taxes. However, such loans are not without potential material

risk to the client's investment assets. The lender (i.e., custodian, bank, etc.) will have recourse against the client's investment assets in the event of loan default or if the assets fall below a certain level. For this reason, Cardinal Capital does not recommend such borrowing unless it is for specific short-term purposes (i.e., a bridge loan to purchase a new residence). Cardinal Capital does not recommend such borrowing for investment purposes (i.e., to invest borrowed funds in the market). Regardless, if the client was to determine to utilize margin or a pledged assets loan, the following economic benefits would inure to Cardinal Capital:

- by taking the loan rather than liquidating assets in the client's account, Cardinal Capital continues to earn a fee on such Account assets; and,
- if the client invests any portion of the loan proceeds in an account to be managed by Cardinal Capital, Cardinal Capital will receive an advisory fee on the invested amount; and,
- if Cardinal Capital's advisory fee is based upon the higher margined account value, Cardinal Capital will earn a correspondingly higher advisory fee. This could provide Cardinal Capital with a disincentive to encourage the client to discontinue the use of margin.

The Client must accept the above risks and potential corresponding consequences associated with the use of margin or a pledged assets loans

- C. Currently, Cardinal Capital primarily allocates (or recommends that clients allocate) investment management assets among various individual equity and/or fixed income securities or ETFs, on a discretionary or non-discretionary basis, in accordance with the client's designated investment objective(s).

Cardinal Capital may also allocate investment management assets of its client accounts, on a discretionary basis, among an asset allocation model. Cardinal Capital's asset allocation model administration has been designed to comply with the requirements of Rule 3a-4 of the Investment Company Act of 1940. Rule 3a-4 provides similarly managed investment programs with a non-exclusive safe harbor from the definition of an investment company. Cardinal Capital believes that its annual investment management fee is reasonable in relation to: (1) the advisory services provided under the *Investment Advisory Agreement*; and (2) the fees charged by other investment advisers offering similar services/programs.

## **Item 9            Disciplinary Information**

Cardinal Capital has not been the subject of any disciplinary actions.

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

- A. Neither Cardinal Capital, nor its representatives, are registered or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer.

- B. Neither Cardinal Capital, nor its representatives, are registered or have an application pending to register, as a futures commission merchant, commodity pool operator, a commodity trading advisor, or a representative of the foregoing.
- C. Cardinal Capital does not have any relationship or arrangement that is material to its advisory business or to its clients with any related person.
- D. Cardinal Capital does not recommend or select other investment advisors for its clients.

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

- A. Cardinal Capital maintains an investment policy relative to personal securities transactions. This investment policy is part of Cardinal Capital's overall Code of Ethics, which serves to establish a standard of business conduct for all of Cardinal Capital's Associated Persons that is based upon fundamental principles of openness, integrity, honesty and trust, a copy of which is available upon request.

In accordance with Section 204A of the Investment Advisers Act of 1940, Cardinal Capital also maintains and enforces written policies reasonably designed to prevent the misuse of material non-public information by Cardinal Capital or any person associated with Cardinal Capital.

- B. Neither Cardinal Capital nor any related person of Cardinal Capital recommends, buys, or sells for client accounts, securities in which Cardinal Capital or any related person of Cardinal Capital has a material financial interest.
- C. Cardinal Capital and/or representatives of Cardinal Capital may buy or sell securities that are also recommended to clients. This practice may create a situation where Cardinal Capital and/or representatives of Cardinal Capital are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation is a conflict of interest. Practices such as "scalping" (i.e., a practice whereby the owner of shares of a security recommends that security for investment and then immediately sells it at a profit upon the rise in the market price which follows the recommendation) could take place if Cardinal Capital did not have adequate policies in place to detect such activities. In addition, this requirement can help detect insider trading, "front-running" (i.e., personal trades executed prior to those of Cardinal Capital's clients) and other potentially abusive practices.

Cardinal Capital has a personal securities transaction policy in place to monitor the personal securities transactions and securities holdings of each of Cardinal Capital's "Access Persons". Cardinal Capital's securities transaction policy requires that an Access Person of Cardinal Capital must provide the Chief Compliance Officer or designee with a written report of their current securities holdings within ten (10) days after becoming an Access Person. Additionally, each Access Person must provide the Chief Compliance Officer or designee with a written report of the Access Person's current securities holdings at least once each twelve (12) month period thereafter on a date Cardinal Capital selects; provided, however that at any time that Cardinal Capital has only one Access Person, he or she shall not be required to submit any securities report described above.

- D. Cardinal Capital and/or representatives of Cardinal Capital may buy or sell securities, at or around the same time as those securities are recommended to clients. This practice creates a situation where Cardinal Capital and/or representatives of Cardinal Capital are in a position to materially benefit from the sale or purchase of those securities. Therefore, this situation is a conflict of interest. As indicated above in Item 11.C, Cardinal Capital has a personal securities transaction policy in place to monitor the personal securities transaction and securities holdings of each of Cardinal Capital's Access Persons.

## **Item 12 Brokerage Practices**

- A. In the event that the client requests that Cardinal Capital recommend a broker-dealer/custodian for execution and/or custodial services (exclusive of those clients that may direct Cardinal Capital to use a specific broker-dealer/custodian), Cardinal Capital generally recommends that investment management accounts be maintained at Schwab. Prior to engaging Cardinal Capital to provide investment management services, the client will be required to enter into a formal Investment Advisory Agreement with Cardinal Capital setting forth the terms and conditions under which Cardinal Capital shall manage the client's assets, and a separate custodial/clearing agreement with each designated broker-dealer/custodian.

Factors that Cardinal Capital considers in recommending Schwab (or any other broker-dealer/custodian to clients) include historical relationship with Cardinal Capital, financial strength, reputation, execution capabilities, pricing, research, and service. Although the commissions and/or transaction fees paid by Cardinal Capital's clients shall comply with Cardinal Capital's duty to seek best execution, a client may pay a commission that is higher than another qualified broker-dealer might charge to effect the same transaction where Cardinal Capital determines, in good faith, that the commission/transaction fee is reasonable. 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 Cardinal Capital will seek competitive rates, it may not necessarily obtain the lowest possible commission rates for client account transactions. The brokerage commissions or transaction fees charged by the designated broker-dealer/custodian are exclusive of, and in addition to, Cardinal Capital's investment management fee. Cardinal Capital's best execution responsibility is qualified if securities that it purchases for client accounts are mutual funds that trade at net asset value as determined at the daily market close.

### **1. Non-Soft Dollar Research and Additional Benefits**

Although not a material consideration when determining whether to recommend that a client utilize the services of a particular broker-dealer/custodian, Cardinal Capital receives from Schwab (or could receive from other broker-dealer/custodians, unaffiliated investment managers, vendors, investment platforms, and/or product/fund sponsors) without cost (and/or at a discount) support services and/or products, certain of which assist Cardinal Capital to better monitor and service client accounts maintained at such institutions. The support services that Cardinal Capital receives can include: investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or free

consulting services, discounted and/or free travel and attendance at conferences, meetings, and other educational and/or social events, marketing support, computer hardware and/or software and/or other products used by Cardinal Capital in furtherance of its investment advisory business operations. As referenced above, certain of the support services and/or products that Cardinal Capital can receive may assist Cardinal Capital in managing and administering client accounts. Others do not directly provide such assistance, but rather assist Cardinal Capital to manage and further develop its business enterprise. The receipt of these support services and products is a conflict of interest, because Cardinal Capital has the incentive to recommend that clients utilize Schwab as a broker-dealer/custodian based upon its interest in continuing to receive the above-described support services and products, rather than based on a client's particular need. There is no corresponding commitment made by Cardinal Capital to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.

Cardinal Capital's Chief Compliance Officer, J. Wesley Andrews, remains available to address any questions that a client or prospective client may have regarding the above arrangement and the conflict of interest presented.

2. Cardinal Capital does not receive referrals from broker-dealers for compensation. Cardinal Capital may continue to pay third parties for legacy client referrals from broker-dealers, but does not engage in this practice with respect to new referrals. As such, this practice does not present a conflict of interest.
3. Directed Brokerage. Cardinal Capital does not generally accept directed brokerage arrangements (when a client requires that account transactions be effected through a specific broker-dealer). In such client directed arrangements, the client will negotiate terms and arrangements for their account with that broker-dealer, and Cardinal Capital will not seek better execution services or prices from other broker-dealers or be able to "batch" the client's transactions for execution through other broker-dealers with orders for other accounts managed by Cardinal Capital. As a result, the client may pay higher commissions or other transaction costs or greater spreads, or receive less favorable net prices, on transactions for the account than would otherwise be the case.

In the event that the client directs Cardinal Capital to effect securities transactions for the client's accounts through a specific broker-dealer, the client correspondingly acknowledges that such direction can cause the accounts to incur higher commissions or transaction costs than the accounts would otherwise incur had the client determined to effect account transactions through alternative clearing arrangements that may be available through Cardinal Capital. Higher transaction costs adversely impact account performance.

Transactions for directed accounts will generally be executed following the execution of portfolio transactions for non-directed accounts.

- B. To the extent that Cardinal Capital provides investment management services to its clients, the transactions for each client account generally will be effected independently, unless Cardinal Capital decides to purchase or sell the same securities for several clients at approximately the same time. Cardinal Capital may (but is not obligated to) combine

or “bunch” such orders to seek best execution, to negotiate more favorable commission rates or to allocate equitably among Cardinal Capital’s clients differences in prices and commissions or other transaction costs that might have been obtained had such orders been placed independently. Under this procedure, transactions will be averaged as to price and will be allocated among clients in proportion to the purchase and sale orders placed for each client account on any given day. Cardinal Capital shall not receive any additional compensation or remuneration as a result of such aggregation.

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

- A. For those clients to whom Cardinal Capital provides investment supervisory services, account reviews are conducted on an ongoing basis by Cardinal Capital’s Principals and/or representatives. All investment supervisory clients are advised that it remains their responsibility to advise Cardinal Capital of any changes in their investment objectives and/or financial situation. All clients (in person or via telephone) are encouraged to review investment objectives and account performance with Cardinal Capital on an annual basis.
- B. Cardinal Capital may conduct account reviews on an other than periodic basis upon the occurrence of a triggering event, such as a change in client investment objectives and/or financial situation, market corrections and client request.
- C. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Cardinal Capital provides investment supervisory services shall also receive a supplemental quarterly report from Cardinal Capital summarizing account holdings and performance.

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

- A. As referenced in Item 12.A.1 above, Cardinal Capital receives economic benefits from Schwab including support services and/or products without cost or at a discount. There is no corresponding commitment made by Cardinal Capital to Schwab or any other entity to invest any specific amount or percentage of client assets in any specific mutual funds, securities or other investment products as a result of the above arrangement.
- B. Cardinal Capital does not compensate, directly or indirectly, any person, other than its representatives, for client referrals.

### **Item 15      Custody**

Cardinal Capital shall have the ability to have its advisory fee for each client debited by the custodian on a quarterly basis. Clients are provided with transaction confirmation notices and regular summary account statements directly from the broker-dealer/custodian and/or program sponsor for the client accounts. Those clients to whom Cardinal Capital provides investment supervisory services shall also receive a supplemental quarterly report from Cardinal Capital summarizing account holdings and performance.

Cardinal Capital provides other services on behalf of its clients that require disclosure at ADV Part 1, Item 9. In particular, certain clients have signed asset transfer authorizations that permit the qualified custodian to rely upon instructions from Cardinal Capital to transfer client funds to “third parties.” In accordance with the guidance provided in the SEC Staff’s February 21, 2017 Investment Adviser Association No-Action Letter, the affected accounts are not subjected to an annual surprise CPA examination.

To the extent that Cardinal Capital provides clients with periodic account statements or reports, the client is urged to compare any statement or report provided by Cardinal Capital with the account statements received from the account custodian. The account custodian does not verify the accuracy of Cardinal Capital’s advisory fee calculation.

## **Item 16          Investment Discretion**

The client can determine to engage Cardinal Capital to provide investment advisory services on a discretionary basis. Prior to Cardinal Capital assuming discretionary authority over a client’s account, the client shall be required to execute an Investment Advisory Agreement, naming Cardinal Capital as the client’s attorney and agent in fact, granting Cardinal Capital full authority to buy, sell, or otherwise effect investment transactions involving the assets in the client’s name found in the discretionary account.

Clients who engage Cardinal Capital on a discretionary basis may, at any time, impose restrictions, in writing, on Cardinal Capital’s discretionary authority. (i.e., limit the types/amounts of particular securities purchased for their account, exclude the ability to purchase securities with an inverse relationship to the market, limit or proscribe Cardinal Capital’s use of margin, etc.).

## **Item 17          Voting Client Securities**

Unless a client directs otherwise in writing, Cardinal Capital, in conjunction with the proxy voting and due diligence services provided by Broadridge Financial Solutions, Inc., or its successors or assigns, shall be responsible for directing the manner in which proxies solicited by issuers of securities beneficially owned by the client shall be voted. Cardinal Capital and/or the client shall correspondingly instruct each custodian of the assets to forward to Cardinal Capital copies of all proxies and shareholder communications relating to the assets. Cardinal Capital, in conjunction with the services provided by Broadridge Financial Solutions, Inc., shall monitor corporate actions of individual issuers and investment companies consistent with Cardinal Capital’s fiduciary duty to vote proxies in the best interests of its clients. With respect to individual issuers, Cardinal Capital may be solicited to vote on matters including corporate governance, adoption or amendments to compensation plans (including stock options), and matters involving social issues and corporate responsibility. With respect to investment companies (e.g., mutual funds), Cardinal Capital may be solicited to vote on matters including the approval of advisory contracts, distribution plans, and mergers. Cardinal Capital shall maintain records pertaining to proxy voting as required pursuant to Rule 204-2(c)(2) under the Advisers Act. Copies of Rules 206(4)-6 and 204-2(c)(2) are available upon written request. In addition, information pertaining to how Cardinal Capital voted on any



specific proxy issue is also available upon written request. In addition, information pertaining to how Cardinal Capital voted on any specific proxy issue is also available upon written request. Requests should be made by contacting Cardinal Capital's Chief Compliance Officer, J. Wesley Andrews.

#### **Class Action Lawsuits**

In addition, Cardinal Capital has also contracted with Broadridge as provider to file Class Actions "Proof of Claim" forms.

Occasionally, securities held in the accounts of clients will be the subject of class action lawsuits. Broadridge provides a comprehensive review of our clients' possible claims to a settlement throughout the class action lawsuit process. Broadridge actively seeks out any open and eligible class action lawsuits. Additionally, Broadridge files, monitors and expedites the distribution of settlement proceeds in compliance with SEC guidelines on behalf of clients. Broadridge retains 20% of the proceeds from any class action awards obtained by our clients through the use of its services. Clients may choose to optout of this service.

### **Item 18      Financial Information**

- A. Cardinal Capital does not require its clients to pay advisory fees in advance.
- B. Cardinal Capital is unaware of any financial condition that is reasonably likely to impair its ability to meet its contractual commitments relating to its discretionary authority over certain client accounts.
- C. Cardinal Capital has not been the subject of a bankruptcy petition.

Cardinal Capital's Chief Compliance Officer, J. Wesley Andrews, remains available to address any questions that a client or prospective client may have regarding the above disclosures and arrangements.