

# **Nicola Wealth Management Ltd**

5th Floor, 1508 West Broadway  
Vancouver, BC, CA V6J 1W8

**Telephone: 604.739.6450**

**March 21, 2024**

## **FORM ADV PART 2A BROCHURE**

This brochure provides information about the qualifications and business practices of Nicola Wealth Management Ltd. If you have any questions about the contents of this brochure, contact Nicola Wealth Compliance at 604.739.6450. 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 Nicola Wealth Management Ltd is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

Nicola Wealth Management Ltd is a registered investment adviser. Registration with the United States Securities and Exchange Commission or any state securities authority does not imply a certain level of skill or training.

## Item 2 Summary of Material Changes

Form ADV Part 2 requires registered investment advisers to amend their brochure when information becomes materially inaccurate. If there are any material changes to an adviser's disclosure brochure, the adviser is required to notify you and provide you with a description of the material changes.

Since the filing of our last annual updating amendment dated March 24, 2023, we have made the following material change to our Brochure:

We updated our fee schedule in Item 5 to lower our rates. Our new fee schedule is:

### **For AUM Between \$1,000,000 - \$20,000,000**

1.15%	On the first \$1 million
0.95%	On the next \$1 million
0.65%	On the next \$2 million
0.45%	On AUM over the first \$4 million

### **For AUM Above \$20,000,000**

0.45%	On the first \$20 million
0.40%	On the next \$20 million
0.35%	On the next \$20 million
0.30%	On AUM over the first \$60 million

### Item 3 Table of Contents

Item 1 Cover Page	Page 1
Item 2 Summary of Material Changes	Page 2
Item 3 Table of Contents	Page 3
Item 4 Advisory Business	Page 4
Item 5 Fees and Compensation	Page 5
Item 6 Performance-Based Fees and Side-By-Side Management	Page 7
Item 7 Types of Clients	Page 7
Item 8 Methods of Analysis, Investment Strategies and Risk of Loss	Page 8
Item 9 Disciplinary Information	Page 11
Item 10 Other Financial Industry Activities and Affiliations	Page 11
Item 11 Code of Ethics, Participation or Interest in Client Transactions and Personal Trading	Page 11
Item 12 Brokerage Practices	Page 12
Item 13 Review of Accounts	Page 13
Item 14 Client Referrals and Other Compensation	Page 14
Item 15 Custody	Page 14
Item 16 Investment Discretion	Page 15
Item 17 Voting Client Securities	Page 15
Item 18 Financial Information	Page 15
Item 19 Requirements for State-Registered Advisers	Page 16
Item 20 Additional Information	Page 16

## Item 4 Advisory Business

### Description of Firm

Nicola Wealth Management Ltd is a registered investment adviser primarily based in Vancouver, British Columbia, Canada. We are organized as a corporation under the laws of British Columbia, Canada.

John Nicola, a resident of British Columbia, formed the John Nicola Financial Group Ltd. (now Nicola Wealth Management, Ltd) in 1996 focusing on serving business owners and incorporated individuals. Nicola Wealth Management Ltd. ("Nicola Wealth") is a privately-owned investment management firm that provides a wide range of financial planning services, investment management, insurance and estate planning. Nicola Wealth is a registered portfolio manager, investment fund manager and exempt market dealer in various jurisdictions of Canada. It is licensed to sell insurance products to its clients in British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, New Brunswick, Prince Edward Island, Nova Scotia, Newfoundland, Labrador and the Yukon. Investment portfolios we construct for our clients focus on generating sustainable cash flow. Our investment strategies are designed to allow our clients to invest in a broad range of markets and assets which are tailored to each client's investment needs, risk tolerance and other important factors all of which aim to enhance client wealth.

The following paragraphs describe our services and fees. Refer to the description of each investment advisory service listed below for information on how we tailor our advisory services to your individual needs. As used in this brochure, the words "we," "our," and "us" refer to Nicola Wealth Management Ltd and the words "you," "your," and "client" refer to you as either a client or prospective client of our firm.

### Portfolio Management Services

We offer discretionary portfolio management services. Our investment advice is tailored to meet our clients' needs and investment objectives. If you participate in our discretionary portfolio management services, we require you to grant us discretionary authority to manage your account. Subject to a grant of discretionary authorization, we have the authority and responsibility to formulate investment strategies on your behalf. Discretionary authorization will allow us to determine the specific securities, and the amount of securities, to be purchased or sold for your account without obtaining your approval prior to each transaction. We will also have discretion over the broker or dealer to be used for securities transactions in your account. Discretionary authority is typically granted by the investment advisory agreement you sign with our firm, a power of attorney, or trading authorization forms.

You may limit our discretionary authority (for example, limiting the types of securities that can be purchased or sold for your account) by providing our firm with your restrictions and guidelines in writing.

We also offer non-discretionary portfolio management services. If you enter into non-discretionary arrangements with our firm, we must obtain your approval prior to executing any transactions on behalf of your account. You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

As part of our portfolio management services, in addition to other types of investments (see disclosures below in this section), we may invest your assets according to one or more model portfolios developed by their portfolio managers. These models are designed for investors with varying degrees of risk tolerance ranging from a more aggressive investment strategy to a more conservative investment approach. Clients whose assets are invested in model portfolios may not set restrictions on the specific holdings or allocations within the model, nor the types of securities that can

be purchased in the model. Nonetheless, clients may impose restrictions on investing in certain securities or types of securities in their account. In such cases, this may prevent a client from investing in certain models that are managed by our firm.

### **Financial Planning Services**

We offer financial planning services which typically involve providing a variety of advisory services to clients regarding the management of their financial resources based upon an analysis of their individual needs. These services can range from broad-based financial planning to consultative or single subject planning. If you retain our firm for financial planning services, we will meet with you to gather information about your financial circumstances and objectives. We may also use financial planning software to determine your current financial position and to define and quantify your long-term goals and objectives. Once we specify those long-term objectives (both financial and non-financial), we will develop shorter-term, targeted objectives. If we are engaged to provide a full financial plan for you, once we review and analyze the information you provide to our firm and the data derived from our financial planning software, we will deliver a written plan to you, designed to help you achieve your stated financial goals and objectives.

Financial plans are based on your financial situation at the time we present the plan to you, and on the financial information you provide to us. You must promptly notify our firm if your financial situation, goals, objectives, or needs change.

You are under no obligation to act on our financial planning recommendations. Should you choose to act on any of our recommendations, you are not obligated to implement the financial plan through any of our other investment advisory services. Moreover, you may act on our recommendations by placing securities transactions through another advisor.

### **Types of Investments**

We will recommend and utilize a variety of different securities and investment products to construct an investment portfolio based on your stated goals and objectives. We may also provide advice on any type of investment held in your portfolio at the inception of our advisory relationship.

For our Canadian resident clients, we manage a number of proprietary pooled funds across a number of different investment strategies, none of which are currently offered, or open, to new investors that are resident in the United States.

Since our investment strategies and advice are based on each client's specific financial situation, the investment advice we provide to you may be different or conflicting with the advice we give to other clients regarding the same security or investment.

### **Assets Under Management**

As of December 31, 2023, we provide continuous management services for \$9,444,554,793 USD in client assets on a discretionary basis, and \$142,527,606 USD in client assets on a non-discretionary basis.

## **Item 5 Fees and Compensation**

### **Portfolio Management Services**

Our annual fee for portfolio management services is equal to a percentage of the market value of your assets under our management (AUM). Management Fees are calculated monthly and debited from Accounts monthly. Each month, your blended rate will be calculated based on the aggregate AUM in all of your Accounts. Certain holdings may be excluded from fee calculation based on specific

circumstances. Fees payable to Nicola Wealth and/or related parties by Nicola Wealth's proprietary investment products for managing those products in which your Account(s) may invest will not be rebated.

### **Annual Fee Schedule**

#### **For AUM Between \$1,000,000 - \$20,000,000**

1.15%	On the first \$1 million
0.95%	On the next \$1 million
0.65%	On the next \$2 million
0.45%	On AUM over the first \$4 million

#### **For AUM Above \$20,000,000**

0.45%	On the first \$20 million
0.40%	On the next \$20 million
0.35%	On the next \$20 million
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If the portfolio management agreement is executed at any time other than the first day of a calendar month, our fees will apply on a pro rata basis, which means that the advisory fee is payable in proportion to the number of days in the month for which you are a client. Our advisory fee is negotiable, depending on individual client circumstances.

At our discretion, we may combine the account values of family members living in the same household to determine the applicable advisory fee. For example, we may combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts. Combining account values may increase the asset total, which may result in your paying a reduced advisory fee based on the available breakpoints in our fee schedule stated above.

We will deduct our fee directly from your account through the qualified custodian holding your funds and securities. We will deduct our advisory fee only when you have given our firm written authorization permitting the fees to be paid directly from your account. Further, the qualified custodian will deliver an account statement to you at least quarterly. These account statements will show all disbursements from your account. You should review all statements for accuracy.

You may terminate the portfolio management agreement upon sixty (60) days written notice. Accounts that are closed prior to the end of a calendar quarter will be assessed a pro-rated Management Fee based on the number of days the AUM has been under Nicola Wealth's management. The pro-rated Management Fee will be adjusted and any amount owing will be paid on or about Account closing date.

### **Financial Planning Services**

We charge a fixed fee for formal financial plans, which generally ranges between \$1,500USD to \$5,000USD. The fee is negotiable depending upon the complexity and scope of the plan, your financial situation, and your objectives. We do not require you to pay fees for a financial plan six or more months in advance in excess of \$1,200USD. Should the engagement last longer than six months between acceptance of financial planning agreement and delivery of the financial plan, any prepaid unearned fees will be promptly returned to you upon request.

On occasion in the sole discretion of your individual adviser, the financial planning fees may be offset against the portfolio management fee to the extent you implement the financial plan through our Portfolio Management Service.

You may terminate the financial planning agreement upon written notice to our firm.

## **Additional Fees and Expenses**

As part of our investment advisory services to you, we may invest, or recommend that you invest, in mutual funds and exchange traded funds. The fees that you pay to our firm for investment advisory services are separate and distinct from the fees and expenses charged by mutual funds or exchange traded funds (described in each fund's prospectus) to their shareholders. These fees will generally include a management fee and other fund expenses. You will also incur transaction charges and/or brokerage fees when purchasing or selling securities. These charges and fees are typically imposed by the broker-dealer or custodian through whom your account transactions are executed. We do not share in any portion of the brokerage fees/transaction charges imposed by the broker-dealer or custodian. To fully understand the total cost you will incur, you should review all the fees charged by mutual funds, exchange traded funds, our firm, and others. For information on our brokerage practices, refer to the *Brokerage Practices* section of this brochure.

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

We do not accept performance-based fees or participate in side-by-side management with respect to any US clients or investments offered to US clients. Performance-based fees are fees that are based on a share of a capital gains or capital appreciation of a client's account. Side-by-side management refers to the practice of managing accounts that are charged performance-based fees while at the same time managing accounts that are not charged performance-based fees. Our fees are calculated as described in the *Fees and Compensation* section above, and are not charged on the basis of a share of capital gains upon, or capital appreciation of, the funds in your advisory account.

Some investments we offer our Canadian clients include performance fees as part of the compensation paid to us. Performance fees and side-by-side management may be considered a conflict of interest as they could result in us preferring some clients over others. Moreover, performance-based fees may create an incentive for us to engage in investment strategies, and select investments that are more speculative and riskier than would be the case in the absence of such performance based fees. It is our duty and obligation to treat all clients fairly and in accordance with our standard of care to act honestly, and in good faith with a degree of care, diligence, and skill on clients' behalf that a reasonably prudent investment manager would exercise in the circumstances. Part of our duty is to manage such conflicts in compliance with our legal, contractual and fiduciary duties, including making investments that comply with the fundamental investment objective and investment strategies specified for each investment product and to make investments that are suitable for our clients based on principles such as fair allocation of investment opportunities.

## **Item 7 Types of Clients**

We offer investment advisory services to high net worth clients such as professionals and small businesses and the families that run them as well as charitable organizations, other investment advisers, corporations or other businesses, estates, and retirement accounts such as registered individual pension plans.

In general, we require a minimum of \$1,000,000 to open and maintain an advisory account. At our sole discretion, we may waive or lower this minimum account size. For example, we may waive the minimum if you appear to have significant potential for increasing your assets under our management.

We charge a minimum annual fee in the amount of \$10,000 to open and maintain an advisory account. At our sole discretion we may waive or lower this minimum fee.

We may also combine account values for you and your minor children, joint accounts with your spouse, and other types of related accounts to meet the stated minimum.

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

We may use one or more of the following methods of analysis or investment strategies when providing investment advice to you:

**Charting Analysis** - involves the gathering and processing of price and volume pattern information for a particular security, sector, broad index or commodity. This price and volume pattern information is analyzed. The resulting pattern and correlation data is used to detect departures from expected performance and diversification and predict future price movements and trends.

**Risk:** Our charting analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Technical Analysis** - involves studying past price patterns, trends and interrelationships in the financial markets to assess risk-adjusted performance and predict the direction of both the overall market and specific securities.

**Risk:** The risk of market timing based on technical analysis is that our analysis may not accurately detect anomalies or predict future price movements. Current prices of securities may reflect all information known about the security and day-to-day changes in market prices of securities may follow random patterns and may not be predictable with any reliable degree of accuracy.

**Fundamental Analysis** - involves analyzing individual companies and their industry groups, such as a company's financial statements, details regarding the company's product line, the experience and expertise of the company's management, and the outlook for the company and its industry. The resulting data is used to measure the true value of the company's stock compared to the current market value.

**Risk:** The risk of fundamental analysis is that information obtained may be incorrect and the analysis may not provide an accurate estimate of earnings, which may be the basis for a stock's value. If securities prices adjust rapidly to new information, utilizing fundamental analysis may not result in favorable performance.

**Cyclical Analysis** - a type of technical analysis that involves evaluating recurring price patterns and trends. Economic/business cycles may not be predictable and may have many fluctuations between long-term expansions and contractions.

**Risk:** The lengths of economic cycles may be difficult to predict with accuracy and therefore the risk of cyclical analysis is the difficulty in predicting economic trends and consequently the changing value of securities that would be affected by these changing trends.

**Modern Portfolio Theory** - a theory of investment which attempts to maximize portfolio expected return for a given amount of portfolio risk, or equivalently minimize risk for a given level of expected return, by carefully diversifying the proportions of various assets.

**Risk:** Market risk is that part of a security's risk that is common to all securities of the same general class (stocks and bonds) and thus cannot be eliminated by diversification.



**Long-Term Purchases** - securities purchased with the expectation that the value of those securities will grow over a relatively long period of time, generally greater than one year.

**Risk:** Using a long-term purchase strategy generally assumes the financial markets will go up in the long term which may not be the case. There is also the risk that the segment of the market that you are invested in or perhaps just your particular investment will go down over time even if the overall financial markets advance. Purchasing investments long-term may create an opportunity cost - "locking-up" assets that may be better utilized in the short term in other investments.

**Short-Term Purchases** - securities purchased with the expectation that they will be sold within a relatively short period of time, generally less than one year, to take advantage of the securities' short-term price fluctuations.

**Risk:** Using a short-term purchase strategy generally assumes that we can predict how financial markets will perform in the short term which may be very difficult and will incur a disproportionately higher amount of transaction costs compared to long-term trading. There are many factors that can affect financial market performance in the short term (such as short-term interest rate changes, cyclical earnings announcements, etc.) but may have a smaller impact over longer periods of times.

Our investment strategies and advice may vary depending upon each client's specific financial situation. As such, we determine investments and allocations based upon your predefined objectives, risk tolerance, time horizon, financial information, liquidity needs and other various suitability factors. Your restrictions and guidelines may affect the composition of your portfolio. **It is important that you notify us immediately with respect to any material changes to your financial circumstances, including for example, a change in your current or expected income level, tax circumstances, or employment status.**

#### **Tax Considerations**

Our strategies and investments may have unique and significant tax implications. However, unless we specifically agree otherwise, and in writing, tax efficiency is not our primary consideration in the management of your assets. Regardless of your account size or any other factors, we strongly recommend that you consult with a tax professional regarding the investing of your assets.

Custodians and broker-dealers must report the cost basis of equities acquired in client accounts. In most cases your custodian will default to the First-In First-Out ("FIFO") accounting method for calculating the cost basis of your investments. You are responsible for contacting your tax advisor to determine if this accounting method is the right choice for you. If your tax advisor believes another accounting method is more advantageous, provide written notice to our firm immediately and we will alert your account custodian of your individually selected accounting method. Decisions about cost basis accounting methods will need to be made before trades settle, as the cost basis method cannot be changed after settlement.

#### **Risk of Loss**

Investing in securities involves risk of loss that you should be prepared to bear. We do not represent or guarantee that our services or methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate clients from losses due to market corrections or declines. We cannot offer any guarantees or promises that your financial goals and objectives will be met. Past performance is in no way an indication of future performance.

## **Other Risk Considerations**

When evaluating risk, financial loss may be viewed differently by each client and may depend on many different risks, each of which may affect the probability and magnitude of any potential losses. The following risks may not be all-inclusive, but should be considered carefully by a prospective client before retaining our services.

**Liquidity Risk:** The risk of being unable to sell your investment at a fair price at a given time due to high volatility or lack of active liquid markets. You may receive a lower price or it may not be possible to sell the investment at all.

**Credit Risk:** Credit risk typically applies to debt investments such as corporate, municipal, and sovereign fixed income or bonds. A bond issuing entity can experience a credit event that could impair or erase the value of an issuer's securities held by a client.

**Inflation and Interest Rate Risk:** Security prices and portfolio returns will likely vary in response to changes in inflation and interest rates. Inflation causes the value of future dollars to be worth less and may reduce the purchasing power of a client's future interest payments and principal. Inflation also generally leads to higher interest rates which may cause the value of many types of fixed income investments to decline.

**Horizon and Longevity Risk:** The risk that your investment horizon is shortened because of an unforeseen event, for example, the loss of your job. This may force you to sell investments that you were expecting to hold for the long term. If you must sell at a time that the markets are down, you may lose money. Longevity Risk is the risk of outliving your savings. This risk is particularly relevant for people who are retired, or are nearing retirement.

## **Recommendation of Particular Types of Securities**

We provide investment advice on various types of securities and we do not limit the type of securities that we can advise on. However, we primarily recommend pooled investment funds to our U.S. clients.

### **Private Funds**

Similar to a mutual fund, a private equity fund is a pooled investment vehicle where the adviser pools together the money invested in the fund by all the investors and uses that money to make investments on behalf of the fund. Unlike mutual funds however, private funds are excluded from the definition of investment company under the Investment Company Act of 1940 by section 3(c)(1) or 3(c)(7) of that Act which limits both the number and type of investors that can own shares in the fund. Although a private equity fund may be advised by an adviser that is registered with the SEC, private equity funds themselves are not registered with the SEC. As a result, private equity funds are not subject to regular public disclosure requirements. The term private fund generally includes funds commonly known as hedge funds and private equity funds but can also include other types of funds with different goals, investments strategies or areas of focus. Private Funds are generally illiquid and therefore sold primarily to qualified investors and are not publicly traded on an exchange.

**Risk:** Private funds generally carry a higher degree of risk due to illiquidity. Most private funds are subject to sale restrictions or limitations provided in the subscription agreement that an investor signs when purchasing the security and, therefore, must be held for an extended amount of time and cannot be sold easily. The range of risks are dependent on the nature of the private fund and are disclosed in the offering documents. Registered Investment Advisers that manage private funds often have interests that are in conflict with the funds they manage and, by extension, the investors in the funds. Managing advisers may be managing multiple private funds. The funds

typically pay the adviser for advisory services. Affiliates of the adviser may also play a role as service providers to the funds. As fiduciaries, advisers must make full disclosure of all conflicts of interest between themselves and the funds they manage in order to get informed consent.

## **Item 9 Disciplinary Information**

We are required to disclose the facts of any legal or disciplinary events that are material to a client's evaluation of our advisory business or the integrity of our management. We do not have any legal or disciplinary matters to disclose and there are no outstanding issues to report. You can review the firm's history on the Investment Advisers Public Disclosure (IAPD) database at: [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

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

### **Licensed Insurance Agency**

Our firm is licensed as a Managing General Agent in the area of life and disability insurance. A managing general agent (MGA) or a managing general underwriter (MGU) is a specialized type of insurance agent that has been granted underwriting authority by an insurer, according to the International Risk Management Institute (IRMI), and can administer programs and negotiate contracts for an insurer. An MGA's functions can include binding coverage, underwriting and pricing, settling claims, and appointing retail agents in a certain region, all of which are typically carried out by insurers. At its core, the MGA manages all or part of the insurance business of an insurer and acts as an insurance agent or broker for the insurer, while working as the intermediary between carriers and agents, and/or insureds. Therefore, persons providing investment advice on behalf of our firm may be licensed as insurance agents. These persons will earn commission-based compensation for selling insurance products, including insurance products they sell to you. Insurance commissions earned by these persons are separate from our advisory fees. See the *Fees and Compensation* section in this brochure for more information on the compensation received by insurance agents who are affiliated with our firm.

### **Other Financial Classifications**

Under Canadian securities law, we are not only a portfolio manager, we are an exempt market dealer distributing units of our pooled funds. and individuals associated with our firm may also engage in related activities.

### **Arrangements with Affiliated Entities**

We manage a number of proprietary pooled funds across a number of different investment strategies, none of which are currently offered, or open, to new investors that are resident in the United States.

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

### **Description of Our Code of Ethics**

We strive to comply with applicable laws and regulations governing our practices. Therefore, our Code of Ethics includes guidelines for professional standards of conduct for persons associated with our firm. Our goal is to protect your interests at all times and to demonstrate our commitment to our fiduciary duties of honesty, good faith, and fair dealing with you. All persons associated with our firm are expected to adhere strictly to these guidelines. Persons associated with our firm are also required to report any violations of our Code of Ethics. Additionally, we maintain and enforce written policies reasonably designed to prevent the misuse or dissemination of material, non-public information about you or your account holdings by persons associated with our firm.

Clients or prospective clients may obtain a copy of our Code of Ethics by contacting us at the telephone number on the cover page of this brochure.

### **Participation or Interest in Client Transactions**

We manage a number of proprietary pooled funds across a number of different investment strategies, none of which are currently offered, or open, to new investors that are resident in the United States. We do, however, have some legacy US clients, who were previously resident in Canada, that are invested in those Funds. Our Company, certain members of its management, and other knowledgeable employees may acquire, directly or indirectly, investment interests in our funds or have other financial interests (e.g. General Partner, Officers, Board Members, etc.) in the funds. This presents a conflict of interest because we have investments and/or are compensated by the pooled funds. Conflicts that arise are mitigated through our Company's fiduciary obligation to act in the best interest of our clients, contractual limitations that govern our activities as adviser or general partner, as applicable, and the requirement of our Company not to place its interests before its clients' interests when managing the funds. If you are an investor in a pooled fund, refer to the pooled fund's offering documents for detailed disclosures regarding the pooled funds.

### **Personal Trading Practices**

Our firm or persons associated with our firm may buy or sell the same securities that we recommend to you or securities in which you are already invested. A conflict of interest exists in such cases because we have the ability to trade ahead of you and potentially receive more favorable prices than you will receive. To mitigate this conflict of interest, it is our policy that neither our firm nor persons associated with our firm shall have priority over your account in the purchase or sale of securities.

## **Item 12 Brokerage Practices**

We maintain relationships with several broker-dealers/custodians. While you are free to choose any broker-dealer/custodian or other service provider as your custodian, we recommend that you establish an account with a brokerage firm/custodian with which we have an existing relationship. Such relationships may include benefits provided to our firm, including but not limited to market information and administrative services that help our firm manage your account(s). We believe that the recommended broker-dealers/custodians provide quality execution services for our clients at competitive prices. Price is not the sole factor we consider in evaluating best execution. We also consider the quality of the brokerage and custodial services provided by recommended broker-dealers/custodians, including the value of the firm's reputation, execution capabilities, commission rates, and responsiveness to our clients and our firm. In recognition of the value of the services recommended broker-dealers/custodians provide, you may pay higher commissions and/or trading costs than those that may be available elsewhere.

### **Research and Other Soft Dollar Benefits**

We do not have any soft dollar arrangements in the U.S.

### **Economic Benefits**

As a registered investment adviser, we have access to the institutional platform of your account custodian. As such, we will also have access to research products and services from your account custodian and/or other brokerage firm. These products may include financial publications, information about particular companies and industries, research software, and other products or services that provide lawful and appropriate assistance to our firm in the performance of our investment decision-making responsibilities. Such research products and services are provided to all investment advisers that utilize the institutional services platforms of these firms, and are not considered to be paid for with

soft dollars. However, you should be aware that the commissions charged by a particular broker for a particular transaction or set of transactions may be greater than the amounts another broker who did not provide research services or products might charge.

### **Recommendation of Prime Broker**

In some circumstances, the pooled funds we manage use a particular broker-dealer to act as custodian for the funds and securities of the fund. In those cases, we generally only recommend broker-dealers capable of acting as a "prime broker." Under "prime broker" arrangements, the firm may, on a transaction-by-transaction basis, either use the "prime broker"/custodian or select other broker-dealers, who will execute transactions for settlement into the fund's "prime brokerage" account. In making suggestions as to "prime broker"/custodians, we will consider, among other things, the clearance and settlement capabilities of the broker-dealer where other broker-dealers execute transactions, the broker-dealer's ability to provide effective and efficient reporting to the client and our firm, the broker-dealer's reliability and financial stability, and the likelihood that the broker-dealer will often be chosen as executing broker-dealer on the basis of the considerations described above, including the prospects that the broker-dealer will provide valuable research services and products.

### **Brokerage for Client Referrals**

We do not receive client referrals from broker-dealers in exchange for cash or other compensation, such as brokerage services or research.

### **Directed Brokerage**

Clients may direct us to use a particular broker for custodial or transaction services on behalf of the client's portfolio. In directed brokerage arrangements, the client is responsible for negotiating the commission rates and other fees to be paid to the broker. When a client directs brokerage we may be unable to achieve most favorable execution of client transactions, and this practice may cost clients more money and result in a certain degree of delay in executing trades for their account(s) and otherwise adversely impact management of their account(s). Thus, when directing brokerage business, you should consider whether the commission expenses, execution, clearance, and settlement capabilities that you will obtain through your broker are adequately favorable in comparison to those that we would otherwise obtain for you.

### **Aggregated Trades**

We do not combine multiple orders for shares of the same securities purchased for advisory accounts we manage (the practice of combining multiple orders for shares of the same securities is commonly referred to as "aggregated trading"). Accordingly, you may pay different prices for the same securities transactions than other clients pay. Furthermore, we may not be able to buy and sell the same quantities of securities for you and you may pay higher commissions, fees, and/or transaction costs than other clients.

## **Item 13 Review of Accounts**

The investment adviser representative assigned to your account will monitor your accounts on an ongoing basis and will conduct account reviews at least quarterly, to ensure the advisory services provided to you are consistent with your investment needs and objectives. Additional reviews may be conducted based on various circumstances, including, but not limited to:

- contributions and withdrawals;
- year-end tax planning;
- market moving events;
- security specific events; and/or
- changes in your risk/return objectives.

The individuals conducting reviews may vary from time to time, as personnel join or leave our firm.

We will not provide you with regular written reports. You will receive trade confirmations and monthly or quarterly statements from your account custodian(s).

While reviews and updates to the financial plan are not part of the contracted services, at your request we will review your financial plan to determine if the investment advice provided is consistent with your investment needs and objectives. We will also update the financial plan at your request. If you implement the financial planning advice provided by our firm, you will receive trade confirmations and monthly or quarterly statements from relevant custodians.

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

We do not directly compensate non-employee (outside) consultants, individuals, and/or entities (solicitors) for client referrals in the USA.

We have arrangements with employees of our firm, under which they can receive compensation from us for the establishment of new client relationships. Employees who refer clients to us must comply with the requirements of the jurisdictions where they operate. The compensation is a percentage of the advisory fee you pay us for as long as you are our client, or until such time as our agreement with them expires. You will not be charged additional fees based on this compensation arrangement. Incentive based compensation is contingent upon you entering into an advisory agreement with us. Therefore, the individual has a financial incentive to recommend us to you for advisory services. This creates a conflict of interest; however, you are not obligated to retain us for advisory services. Comparable services and/or lower fees may be available through other firms.

## **Item 15 Custody**

As paying agent for our firm, your independent custodian will directly debit your account(s) for the payment of our advisory fees. This ability to deduct our advisory fees from your accounts causes our firm to exercise limited custody over your funds or securities. We do not have physical custody of any of your funds and/or securities. Your funds and securities will be held with a bank, broker-dealer, or other qualified custodian. You will receive account statements from the qualified custodian(s) holding your funds and securities at least quarterly. The account statements from your custodian(s) will indicate the amount of our advisory fees deducted from your account(s) each billing period. You should carefully review account statements for accuracy.

We will also provide statements to you reflecting the amount of the advisory fee deducted from your account. You should compare our statements with the statements from your account custodian(s) to reconcile the information reflected on each statement. If you have a question regarding your account statement, or if you did not receive a statement from your custodian, contact us immediately at the telephone number on the cover page of this brochure.

### **Private Investment Companies**

We manage a number of proprietary pooled funds across a number of different investment strategies, none of which are currently offered, or open, to new investors that are resident in the United States.



In our capacity as general partner, managing member or equivalent, as well as investment adviser, to the Funds, we will have access to the Funds' cash and securities, and therefore have custody over such cash and securities. We provide each investor in the Funds with audited annual financial statements. As noted above these funds are not open to U.S. clients and, therefore, this is only applicable to our Canadian clients.

### **Trustee Services**

Persons associated with our firm may serve as trustees to certain accounts for which we also provide investment advisory services. In all cases, the persons associated with our firm have been appointed trustee as a result of a family or personal relationship with the trust grantor and/or beneficiary and not as a result of employment with our firm. These accounts are all held at qualified custodians and as such we do not have custody over the advisory accounts for which persons associated with our firm serve as trustee. These accounts are legacy situations only and are subject to compliance monitoring. The firm's current Policies and Procedures state that no advisor may serve as a trustee to their client unless the client is a family member.

## **Item 16 Investment Discretion**

Before we can buy or sell securities on your behalf, you must first sign our discretionary management agreement and the appropriate trading authorization forms.

If you enter into non-discretionary arrangements with our firm, we will obtain your approval prior to the execution of any transactions for your account(s). You have an unrestricted right to decline to implement any advice provided by our firm on a non-discretionary basis.

## **Item 17 Voting Client Securities**

For the pooled funds we manage, we will determine how to vote proxies based on our reasonable judgment of the vote most likely to produce favorable financial results for the pooled fund. Similarly, unless agreed otherwise, we will also vote proxies on your behalf for securities you own. Proxy votes generally will be cast in favor of proposals that maintain or strengthen the shared interests of shareholders and management, increase shareholder value, maintain or increase shareholder influence over the issuer's board of directors and management, and maintain or increase the rights of shareholders. Generally, proxy votes will be cast against proposals having the opposite effect. However, we will consider both sides of each proxy issue.

Conflicts of interest between the pooled funds, or you, and our firm, or a principal of our firm, regarding certain proxy issues could arise. If we determine that a material conflict of interest exists, we will take the necessary steps to resolve the conflict before voting the proxies. For example, we may abstain from voting, particularly if there are conflicting interests for your and/or the funds (for example, where you or the fund account(s) hold securities of issuers on differing sides in a competitive merger situation); or, we will take other necessary steps designed to ensure that a decision to vote is in our clients' best interest and was not the product of the conflict.

We keep certain records required by applicable law in connection with our proxy voting activities. You may obtain information on how we voted proxies and/or obtain a full copy of our proxy voting policies and procedures by making a written or oral request to our firm.

## **Item 18 Financial Information**

We have not filed a bankruptcy petition at any time in the past ten years.

## Item 19 Requirements for State-Registered Advisers

We are a federally registered investment adviser; therefore, we are not required to respond to this item.

## Item 20 Additional Information

### Trade Errors

In the event a trading error caused by us occurs in your account, our policy is to restore your account to the position it should have been in had the trading error not occurred. Depending on the circumstances, corrective actions may include canceling the trade, adjusting an allocation, and/or reimbursing the account or adjusting your future fees or other arrangement by agreement with you.

### Class Action Lawsuits

We do not determine if securities held by you are the subject of a class action lawsuit or whether you are eligible to participate in class action settlements or litigation nor do we initiate or participate in litigation to recover damages on your behalf for injuries as a result of actions, misconduct, or negligence by issuers of securities held by you.

### IRA Rollover Considerations

As part of our investment advisory services to you, we may recommend that you withdraw the assets from your employer's retirement plan and roll the assets over to an individual retirement account ("IRA") that we will manage on your behalf. If you elect to roll the assets to an IRA that is subject to our management, we will charge you an asset based fee as set forth in the agreement you executed with our firm. This practice presents a conflict of interest because persons providing investment advice on our behalf have an incentive to recommend a rollover to you for the purpose of generating fee based compensation rather than solely based on your needs. You are under no obligation, contractually or otherwise, to complete the rollover. Moreover, if you do complete the rollover, you are under no obligation to have the assets in an IRA managed by our firm.

Many employers permit former employees to keep their retirement assets in their company plan. Also, current employees can sometimes move assets out of their company plan before they retire or change jobs. In determining whether to complete the rollover to an IRA, and to the extent the following options are available, you should consider the costs and benefits of:

1. Leaving the funds in your employer's (former employer's) plan.
2. Moving the funds to a new employer's retirement plan.
3. Cashing out and taking a taxable distribution from the plan.
4. Rolling the funds into an IRA rollover account.

Each of these options has advantages and disadvantages and before making a change we encourage you to speak with your CPA and/or tax attorney.

If you are considering rolling over your retirement funds to an IRA for us to manage here are a few points to consider before you do so:

1. Determine whether the investment options in your employer's retirement plan address your needs or whether you might want to consider other types of investments.
  - a. Employer retirement plans generally have a more limited investment menu than IRAs.
  - b. Employer retirement plans may have unique investment options not available to the public such as employer securities, or previously closed funds.



2. Your current plan may have lower fees than our fees.
  - a. If you are interested in investing only in mutual funds, you should understand the cost structure of the share classes available in your employer's retirement plan and how the costs of those share classes compare with those available in an IRA.
  - b. You should understand the various products and services you might take advantage of at an IRA provider and the potential costs of those products and services.
3. Our strategy may have higher risk than the option(s) provided to you in your plan.
4. Your current plan may also offer financial advice.
5. If you keep your assets titled in a 401k or retirement account, you could potentially delay your required minimum distribution beyond age 72.
6. Your 401k may offer more liability protection than a rollover IRA; each state may vary.
  - a. Generally, federal law protects assets in qualified plans from creditors. Since 2005, IRA assets have been generally protected from creditors in bankruptcies. However, there can be some exceptions to the general rules so you should consult with an attorney if you are concerned about protecting your retirement plan assets from creditors.
7. You may be able to take out a loan on your 401k, but not from an IRA.
8. IRA assets can be accessed any time; however, distributions are subject to ordinary income tax and may also be subject to a 10% early distribution penalty unless they qualify for an exception such as disability, higher education expenses or the purchase of a home.
9. If you own company stock in your plan, you may be able to liquidate those shares at a lower capital gains tax rate.
10. Your plan may allow you to hire us as the manager and keep the assets titled in the plan name.

It is important that you understand the differences between these types of accounts and to decide whether a rollover is best for you. Prior to proceeding, if you have questions contact your investment adviser representative, or call our main number as listed on the cover page of this brochure.