

## Item 1 – Cover Page

### **Palos Management Inc.**

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514-397-0188  
<https://www.palos.ca/>

Date of Disclosure Brochure: March 25, 2024

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This disclosure brochure (the “Brochure”) provides information about the qualifications and business practices of Palos Management Inc. (also referred to as “we”, “us”, “PMI” and the “Firm”). If you have any questions about the contents of this Brochure, please contact PMI at 514-397-0188 or [mpicard@palos.ca](mailto:mpicard@palos.ca). 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.

This Brochure is used for our clients who are residents of the United States of America (“clients”, “U.S. clients”). Unless indicated otherwise, our disclosures in this Brochure are based upon our practices and policies for U.S. clients which may differ from our practices and policies for our clients who are not residents of United States of America (“*non-U.S. clients*”). The provisions of the Investment Advisers Act of 1940 as amended and SEC rules thereunder (“*Advisers Act*”) only apply to our U.S. clients.

Additional information about PMI is also available on the SEC’s website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). You can view our Firm’s information on this website by searching for Palos Management Inc. or our Firm’s CRD number 304309.

PMI is registered with the U.S. Securities and Exchange Commission. Such registration does not imply a certain level of skill or training.

## **Item 2 – Material Changes**

The Material Changes section of this Brochure provides a summary of material changes that were made since the last prior update.

Since our last updating amendment filing dated March 2023, PMI has not had any material changes.

Information about PMI is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov). To request a copy of the most recent disclosure brochure, please contact us at:

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## Item 4 – Advisory Business

PMI is an investment adviser registered with the U.S. Securities and Exchange Commission (“SEC”) and is a corporation formed under the laws of Quebec, Canada.

- PMI is a wholly-owned subsidiary of Palos Capital Corporation. To the knowledge of PMI, the following persons own, beneficially or of record, directly or indirectly, more than 25% of the issued and outstanding voting securities of Palos Capital Corporation: (i) The Marleau Capital Corporation Inc. (55.08%); and (ii) Sopamy Consulting Inc. (27.79%).
- PMI was approved as an investment advisor by the SEC on July 29, 2019.

As of December 31, 2023, PMI had a total of \$128,122,803 in discretionary assets under management. The amount of discretionary assets under management includes the four Canadian investment companies managed by PMI. The fund assets total \$126,080,032.

For more information about the Investment Advisory Representative (IAR) providing your advisory services, the client should refer to the Brochure Supplement (also called the ADV Part 2B) for the IAR. The Brochure Supplement is a separate document that is provided by the IAR, along with this Brochure before or at the time the client engages the IAR. If the client did not receive a Brochure Supplement for the IAR, the client should contact PMI at 514-397-0188.

### **Introduction**

The investment advisory services of PMI are provided to you through an IAR of PMI.

### **Description of Advisory Services**

The following are descriptions of the advisory services of PMI offered to U.S. clients. PMI also provides services to several Canadian investment funds as part of its business conducted through its registration as an Investment Fund Manager with Canadian securities regulators. The Canadian investment funds are not available to U.S. clients. For more information about our services provided to Canadian investment funds please see *Item 10 – Other Financial Industry Activities and Affiliations*.

Please understand that a written agreement, which details the exact terms of the service, must be signed by you and PMI before we can provide you the services described below.

**Asset Management Services** – PMI offers asset management services which are tailored to meet the needs of its individual clients, on a continuous basis, and seeks to ensure that such assets are managed in a manner consistent with the clients’ needs and objectives. PMI consults with clients on an initial and ongoing basis to assess the individual investment goals, time horizons, objectives, and risk tolerance relevant to their portfolio. Investment strategies, investment selection, asset allocation, portfolio monitoring and the overall investment program will be based on the above factors. Clients are advised to promptly notify PMI if there are any changes in their financial situation or if they wish to place any limitation on the management of their accounts. Clients may impose reasonable restrictions or mandates on the management of their accounts if PMI, in its sole discretion, determines that the conditions would not materially impact the management of a given strategy or prove overly burdensome to the Firm’s management efforts.

You must appoint our Firm as your investment adviser of record on specified accounts (collectively, the “account”). The account consists only of separate account(s) held by Custodian(s) under your name. The Custodians maintain physical custody of all funds and securities of the account, and you retain all rights of ownership (e.g., right to withdraw securities or cash, exercise or delegate proxy voting and receive transaction confirmations) of the account.

The account is managed by us based on your financial situation, investment objectives and risk tolerance. We actively monitor the account and provide advice regarding buying, selling, reinvesting or holding securities, cash or other investments of the account.

**Non-Discretionary Management:** When the client elects to have PMI manage their assets on a non-discretionary basis, PMI will determine the securities to be bought or sold and the amount of the securities to be bought or sold. However, PMI will obtain prior client approval on each and every transaction before executing any transaction.

**Discretionary Management:** When the client elects to have PMI manage their assets on a discretionary basis, the client will sign a limited trading authorization or equivalent allowing PMI to determine the securities to be bought or sold and the amount of the securities to be bought or sold. PMI will have the authority to execute transactions in the account without seeking client approval on each transaction.

It is important that you understand that we manage investments for other clients and can give them advice or take actions for them or for our personal accounts that is different from the advice we provide to you or actions taken for you. We are not obligated to buy, sell or recommend to you any security or other investment that we can buy, sell or recommend for any other clients or for our own accounts.

## **Item 5 – Fees and Compensation**

### **Asset Management Services**

Fees charged for our asset management services are charged based on a percentage of assets under management. Custodied clients are billed quarterly in advance based on the value of the account as of the last business day of the previous billing period. If margin is utilized, the fees will be based on the net asset value of the account. Lastly, PMI may elect to group certain related accounts, often known as “householding” for the purposes of determining the annual fee.

Fees are prorated (based on the number of days service is provided during the initial billing period) for your account opened at any time other than the beginning of the billing period. If asset management services are commenced in the middle of a billing period, the prorated fee for the initial billing period is billed in arrears at the same time as the next full billing period’s fee is billed.

For all services, clients may terminate their engagement with PMI within five (5) business days of signing an Agreement with no obligation and without penalty. After the initial five (5) business days, the Agreement may be terminated by PMI with thirty (30) days written notice to client and by the client at any time with written notice to PMI. Any prepaid or unearned fees will be promptly refunded by PMI to you. Fee refunds will be determined on a pro rata basis using the number of days services are actually provided during the final period.

The annual management fee for asset management services will typically be between 0.75% and 1.5% of the value of the account, and is negotiable based on certain factors, such as the complexity of the client's situation, the composition of the client's account (i.e., equities versus mutual funds), the potential for additional account deposits, whether the client is part of a household, and the total amount of assets under management for the client.

Our annual investment advisory fee may be higher than that charged by other investment advisers offering similar services/programs.

The investment advisory fees will be deducted from your account and paid directly to our Firm by the Custodian(s) of your account. You will authorize the Custodian(s) of your account to deduct fees from your account and pay such fees directly to our Firm.

You should review your account statements received from the Custodian(s) and verify that appropriate investment advisory fees are being deducted. The Custodian(s) will not verify the accuracy of the investment advisory fees deducted.

### **Additional Fees**

Custodians may charge brokerage commissions, transaction fees, or other related costs on the purchase or sales of mutual funds, equities, bonds, options, margin interest, and exchange-traded funds. Mutual funds, money market funds, and exchange-traded funds may also charge internal management fees which are disclosed in the fund's prospectus. All these fees are charged in addition to the management fee you pay to PMI. For more details on the brokerage practices, see Item 12 of this Brochure.

### **Prepayment of Fees**

PMI does not accept pre-payment of advisory fees.

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

PMI does not provide any services to U.S. clients for a performance-based fee (i.e., a fee based on a share of capital gains or capital appreciation of a client's assets).

## **Item 7 – Types of Clients**

PMI generally provides investment advice to the following types of clients:

- Individuals
- High net worth individuals
- Investment companies (non-U.S.)

### **Minimum Investment Amounts Required**

There are no minimum investment amounts or conditions required for establishing an account managed by PMI. However, all clients are required to execute an agreement for services in order to establish a client arrangement with PMI.

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

### **Methods of Analysis**

Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not a guarantee of future returns. PMI uses the following methods of analysis in formulating investment advice:

Fundamental – This is a method of evaluating a security by attempting to measure its intrinsic value by examining related economic, financial and other qualitative and quantitative factors. Fundamental analysts attempt to study everything that can affect the security's value, including macroeconomic factors (like the overall economy and industry conditions) and individually specific factors (like the financial condition and management of a company). The end goal of performing fundamental analysis is to produce a value that an investor can compare with the security's current price in hopes of figuring out what sort of position to take with that security (underpriced = buy, overpriced = sell or short). Fundamental analysis is considered to be the opposite of technical analysis. Fundamental analysis is about using real data to evaluate a security's value. Although most analysts use fundamental analysis to value stocks, this method of valuation can be used for just about any type of security.

The risk associated with fundamental analysis is that it is somewhat subjective. While a quantitative approach is possible, fundamental analysis usually entails a qualitative assessment of how market forces interact with one another in their impact on the investment in question. It is possible for those market forces to point in different directions, thus necessitating an interpretation of which forces will be dominant. This interpretation may be wrong and could therefore lead to an unfavorable investment decision.

Technical – This is a method of evaluating securities by analyzing statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Technical analysts believe that the historical performance of stocks and markets are indications of future performance.

Technical analysis is even more subjective than fundamental analysis in that it relies on proper interpretation of a given security's price and trading volume data. A decision might be made based on a historical move in a certain direction that was accompanied by heavy volume; however, that heavy volume may only be heavy relative to past volume for the security in question, but not compared to the future trading volume. Therefore, there is the risk of a trading decision being made incorrectly since future trading volume is an unknown. Technical analysis is also done through observation of various market sentiment readings, many of which are quantitative. Market sentiment gauges the relative degree of bullishness and bearishness in a given security, and a contrarian investor utilizes such sentiment advantageously. When most traders are bullish, then there are very few traders left in a position to buy the security in question, so it becomes advantageous to sell it ahead of the crowd. When most traders are bearish, then there are very

few traders left in a position to sell the security in question, so it becomes advantageous to buy it ahead of the crowd. The risk in utilization of such sentiment technical measures is that a very bullish reading can always become more bullish, resulting in lost opportunity if the money manager chooses to act upon the bullish signal by selling out of a position. The reverse is also true in that

a bearish reading of sentiment can always become more bearish, which may result in a premature purchase of a security.

There are risks involved in using any analysis method.

To conduct its analysis, PMI gathers information from financial newspapers and magazines, research materials prepared by others, corporate rating services, annual reports, prospectuses and filings with the SEC.

### **Investment Strategies**

PMI's investment strategy for a specific client is based upon the objectives stated by the client during consultations. The client may change these objectives at any time by providing written notice to PMI. Each client completes a client profile form or similar form that documents their investment objectives and desired investment strategy.

### **Risk of Loss**

Investing in securities involves risk of loss that clients should be prepared to bear. Past performance is not indicative of future results. Therefore, you should never assume that future performance of any specific investment or investment strategy will be profitable. Further, depending on the different types of investments there may be varying degrees of risk. You should be prepared to bear investment loss including loss of original principal.

Because of the inherent risk of loss associated with investing, our Firm is unable to represent, guarantee, or even imply that our services and methods of analysis can or will predict future results, successfully identify market tops or bottoms, or insulate you from losses due to market corrections or declines. There are certain additional risks associated with investing in securities through our investment management program, as described below:

- **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.
- **Inflation Risk** – When any type of inflation is present, a dollar today will buy more than a dollar next year, because purchasing power is eroding at the rate of inflation.
- **Currency Risk** – Foreign investments are subject to fluctuations in the value of the dollar against the currency of the investment's originating country. This is also referred to as exchange rate risk.
- **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.
- **Cybersecurity Risk** – PMI and its service providers may be subject to operational and information security risks resulting from cyberattacks. Cyberattacks include, among other behaviors, stealing or corrupting data maintained online or digitally, denial of service attacks on websites, the unauthorized release of confidential information or various other forms of cybersecurity breaches. Cybersecurity attacks affecting PMI and its service providers may adversely impact clients. For instance, cyberattacks may interfere with the processing of transactions, cause the release of private information about clients, impede



trading, subject PMI to regulatory fines or financial losses, and cause reputational damage. Similar types of cybersecurity risks are also present for issuers of securities in which clients may invest in, Custodians, governmental and other regulatory authorities, exchange and other financial market operators, or other financial institutions. Cybersecurity incidents that could ultimately cause them to incur losses, including for example: financial losses, cost and reputational damages, and loss from damage or interruption of systems. Although PMI has established its systems to reduce the risk of these incidents from coming to fruition, there is no guarantee that these efforts will always be successful, especially considering that PMI does not directly control the cybersecurity measures and policies employed by third party service providers.

- Market Risk – Either the stock market as a whole, or the value of an individual company, goes down resulting in a decrease in the value of client investments. This is also referred to as systemic risk.
- Equity (Stock) Market Risk – Common stocks are susceptible to general stock market fluctuations and to volatile increases and decreases in value as market confidence in and perceptions of their issuers change. If you held common stock, or common stock equivalents, of any given issuer, you would generally be exposed to greater risk than if you held preferred stocks and debt obligations of the issuer.
- Company Risk – When investing in stock positions, there is always a certain level of company or industry specific risk that is inherent in each investment. This is also referred to as unsystematic risk and can be reduced through appropriate diversification. There is the risk that the company will perform poorly or have its value reduced based on factors specific to the company or its industry. For example, if a company's employees go on strike or the company receives unfavorable media attention for its actions, the value of the company may be reduced.
- Fixed Income Risk – When investing in bonds, there is the risk that the issuer will default on the bond and be unable to make payments. Further, individuals who depend on set amounts of periodically paid income face the risk that inflation will erode their spending power. Fixed-income investors receive set, regular payments that face the same inflation risk.
- Options Risk – Options on securities may be subject to greater fluctuations in value than an investment in the underlying securities. Purchasing and writing put and call options are highly specialized activities and entail greater than ordinary investment risks.
- ETF and Mutual Fund Risk – When investing in an ETF or mutual fund, you will bear additional expenses based on your pro rata share of the ETF's or mutual fund's operating expenses, including the potential duplication of management fees. The risk of owning an ETF or mutual fund generally reflects the risks of owning the underlying securities the ETF or mutual fund holds. You will also incur brokerage costs when purchasing ETFs.
- Management Risk – Your investment with our Firm varies with the success and failure of our investment strategies, research, analysis and determination of portfolio securities. If our investment strategies do not produce the expected returns, the value of the investment will decrease.

- **Margin Risk** – When you purchase securities, you may pay for the securities in full or borrow part of the purchase price from your account custodian or clearing firm. If you intended to borrow funds in connection with your account, you will be required to open a margin account, which will be carried by the clearing firm. The securities purchased in such an account are the clearing firm's collateral for its loan to you.

If those securities in a margin account decline in value, the value of the collateral supporting this loan also declines, and as a result, the brokerage firm is required to take action in order to maintain the necessary level of equity in your account. The brokerage firm may issue a margin call and/or sell other assets in your account.

It is important that you fully understand the risks involved in trading securities on margin, which are applicable to any margin account that you may maintain, including any margin account that may be established as part of the Investment Management Agreement established between you and PMI and held by the account custodian or clearing firm.

These risks include the following:

- You can lose more funds than you deposit in your margin account.
- The account custodian or clearing firm can force the sale of securities or other assets in your account.
- The account custodian or clearing firm can sell your securities or other assets without contacting you.
- You are not entitled to choose which securities or other assets in your margin account may be liquidated or sold to meet a margin call.
- The account custodian or clearing firm may move securities held in your cash account to your margin account and pledge the transferred securities.
- The account custodian or clearing firm can increase its "house" maintenance margin requirements at any time and they are not required to provide you advance written notice.
- You are not entitled to an extension of time on a margin call.

## **Item 9 – Disciplinary Information**

PMI has not been involved in any legal or disciplinary events that are material to a client's evaluation of its advisory business or the integrity of its management.

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

PMI is **not** and does **not** have a related person that is a broker/dealer, municipal securities dealer, government securities dealer or broker, a futures commission merchant, commodity pool operator, or commodity trading advisor, a banking or thrift institution, an accountant or accounting firm, a lawyer or law firm, an insurance company or agency, a pension consultant, or a real estate broker or dealer.

We are an independent registered investment adviser. We are not engaged in any other business activities and offer no other services except those described in this Brochure. PMI does act as investment advisor to four Canadian investment companies as described below:

### **Palos Funds**

- Palos Equity Income Fund – Mutual fund, only sold to Canadian residents.
- Palos Income Fund L.P. – Private investment fund, only sold to accredited Canadian investors.
- Palos WP Growth Fund – Open-ended trust, only sold to accredited Canadian investors.
- Palos-Mitchell Alpha Fund – Open-ended trust, only sold to accredited Canadian investors.

These affiliated investment funds are operated and managed under PMI's registration as an Investment Fund Manager with Canadian securities regulators. U.S. advisory clients are not solicited or allowed to invest in any of these affiliated investment funds.

### **Palos Wealth Management**

Palos Wealth Management is a Canadian Portfolio Manager that is under common ownership and control with PMI. Palos Wealth Management provides asset management and financial planning services to individual Canadian residents. PMI and Palos Wealth Management share some supervised persons who serve clients of both organizations.

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

### **Code of Ethics Summary**

PMI has established a Code of Ethics to comply with the requirements of Section 204(A)-1 of the *Investment Advisers Act of 1940* that reflects its fiduciary obligations and those of its supervised persons. The Code of Ethics also requires compliance with federal securities laws. The Code of Ethics covers all individuals that are classified as “supervised persons.” All employees, officers, directors and investment adviser representatives are classified as supervised persons. PMI requires its supervised persons to consistently act in your best interest in all advisory activities. PMI imposes certain requirements on its affiliates and supervised persons to ensure that they meet the Firm's fiduciary responsibilities to you. The standard of conduct required is higher than ordinarily required and encountered in commercial business.

This section is intended to provide a summary description of the Code of Ethics of PMI. If you wish to review the Code of Ethics in its entirety, we will promptly provide a copy of the Code of Ethics to you upon receipt of your written request.

### **Affiliate and Employee Personal Securities Transactions Disclosure**

Associated persons of the Firm that have been deemed as “Access” persons buy and sell for their personal accounts, investment products identical to those recommended to clients. This creates a conflict of interest. It is the express policy of PMI that all Access persons of our Firm must place clients' interests ahead of their own when implementing personal investments. As is required by our internal procedures manual, PMI and its Access persons will not buy or sell securities for their personal account(s) where their decision is derived, in whole or in part, by information obtained as a result of employment or association with our Firm unless the information is also available to the investing public upon reasonable inquiry.

To mitigate conflicts of interest that can occur when supervised persons manage their personal accounts

at the same time PMI manages client accounts, we have developed written supervisory procedures that include personal investment and trading policies for our representatives, employees and their immediate family members (collectively, Access persons):

- Access persons cannot prefer their own interests to that of the client.
- Access persons cannot purchase or sell any security for their personal accounts prior to implementing transactions for client accounts.
- Neither PMI nor its Access persons can recommend to U.S. clients, or buys or sells for U.S. client accounts, securities in which PMI or its Access persons has a material financial interest.
- Access persons cannot buy or sell securities for their personal accounts when those decisions are based on information obtained as a result of their employment, unless that information is also available to the investing public upon reasonable inquiry.
- Access persons are prohibited from purchasing or selling securities of companies in which any client is deemed an “insider.”
- Access persons are discouraged from conducting frequent personal trading.
- Access persons are generally prohibited from serving as board members of publicly traded companies unless an exception has been granted by the Chief Compliance Officer of PMI.

Any associated person not observing our policies is subject to sanctions up to and including termination.

## **Item 12 – Brokerage Practices**

We exercise reasonable due diligence to make certain that best execution is obtained for all clients when implementing any transaction by considering the back-office services, technology and pricing of services offered. Best execution does not necessarily mean that clients receive the lowest possible commission costs but that the qualitative execution is best. In other words, all conditions considered, the transaction execution is in your best interest. When considering best execution, we look at a number of factors besides prices and rates including, but not limited to:

- Execution capabilities (e.g., market expertise, ease/reliability/timeliness of execution, responsiveness, integration with our existing systems, ease of monitoring investments)
- Products and services offered (e.g., investment programs, back-office services, technology, regulatory compliance assistance, research and analytic services)
- Financial strength, stability and responsibility
- Reputation and integrity
- Ability to maintain confidentiality

### **Brokerage Recommendations**

As part of its advisory agreement with you, PMI will recommend an appropriate broker dealer/custodian based on a number of factors including, but not limited to, their relatively low transaction fees, quality of customer service, and reporting ability. PMI relies on the broker dealer to provide its execution services at the best prices available. Lower fees for comparable services may be available from other sources. Clients pay for any and all execution and custodial fees in addition to the advisory fee charged by PMI. When engaging us for services, we typically recommend that you use one of the following Broker Dealers/Custodians for your account: National Bank Independent Network (NBIN), a division of National Bank Financial Inc. or Fidelity Clearing Canada ULC (Fidelity) (“Custodians”).

PMI does not have any soft dollar arrangements where it uses a portion of commissions generated by trades in your account to pay specific amounts for research products and brokerage services from the Custodians. The Custodians however do provide PMI with access to their institutional trading and custody services, which are typically not used to service PMI's retail investors. These services include brokerage services, custody, research tools, and access to mutual funds and other investments that are otherwise generally available only to PMI's institutional investors or would require a significantly higher minimum initial investment.

The Custodians also make available to PMI other products and services that we benefit from but may not benefit your account. Some of these other products and services assist us in managing and administering other clients' accounts which can include software and other technology that: provide access to client account data (such as trade confirmation and account statements); provide research, pricing information and other market data; facilitate payment of the Firm's fees from its clients' accounts; and assist with back-office functions, record keeping and client reporting.

#### **Soft Dollar Benefits**

PMI does not receive soft dollar benefits related to U.S. clients.

#### **Directed Brokerage**

PMI 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 situations, the client must negotiate the terms and arrangements for their account with that broker-dealer and PMI will not seek better execution services or prices from other broker-dealers. As a result, the client may pay higher commissions or other transaction costs on transactions for the account than if the client had used one of PMI's preferred broker-dealers/custodians.

#### **Block Trading Policy**

When a client authorizes discretionary management, PMI is authorized in its discretion to aggregate purchases and sales and other transactions made for the account with purchases and sales and transactions in the same securities for other clients of PMI. If and when we aggregate client orders, allocating securities among client accounts is done on a fair and equitable basis. Typically, the process of aggregating client orders is done in order to achieve better execution, to negotiate more favorable commission rates or to allocate orders among clients on a more equitable basis in order to avoid differences in prices and transaction fees or other transaction costs that might be obtained when orders are placed independently.

PMI uses the average price allocation method for transaction allocation.

Under this procedure, PMI will calculate the average price and transaction charges for each transaction included in a block order and assign the average price and transaction charge to each allocated transaction executed for the client's account.

## **Item 13 – Review of Accounts**

### **Account Reviews and Reviewers**

Managed accounts are reviewed at least annually or more often if market conditions dictate. While the calendar is the main triggering factor, reviews can also be conducted at your request. Account reviews will include, but are not limited to, a review of client's documented risk tolerance, time horizon, investment strategy and objectives. Reviews are conducted by your IAR and the PMI Compliance team, with reviews performed in accordance with your investment goals and objectives.

### **Statements and Reports**

For our asset management services, you are provided with transaction confirmation notices and at least quarterly account statements directly from the Custodian. Additional statements will be received in any month when a transaction occurs. Additionally, PMI may provide performance reports to you quarterly and upon request.

You are encouraged to always compare any reports or statements provided by us against the account statements delivered from the Custodian. When you have questions about your account statement, you should contact our Firm and the Custodian preparing the statement.

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

PMI does not currently have any Solicitor/Referral arrangements in place.

## **Item 15 – Custody**

Accounts of advisory clients are custodied at NBIN, and Fidelity.

PMI is deemed to have custody of client funds and securities whenever PMI is given the authority to have fees deducted directly from client accounts or if the client grants PMI the authority to move their money to a third-party account. The client's account custodian maintains actual custody of the client's assets. The client will receive account statements directly from their account custodian at least quarterly. They will be sent to the email or postal mailing address provided by the client. The client should carefully review those statements promptly when they receive them and compare them to any reports prepared by PMI.

PMI and its affiliates have custody over Canadian clients' funds and securities when providing management services to its affiliated Canadian investment funds. U.S. advisory clients are not solicited or allowed to invest in any of these affiliated investment funds.

## **Item 16 – Investment Discretion**

When providing asset management services, PMI maintains trading authorization over your account and can provide management services on a **discretionary** basis. When discretionary authority is granted, we will have the authority to determine the type of securities and the amount of securities that can be bought or sold for your portfolio without obtaining your consent for each transaction. However, it is the policy of PMI to consult with you prior to making significant changes in the account even when discretionary trading authority is granted.

If you decide to grant trading authorization on a **non-discretionary** basis, we will be required to contact you prior to implementing changes in your account. Therefore, you will be contacted and required to accept or reject our investment recommendations including:

- The security being recommended
- The number of shares or units
- Whether to buy or sell

Once the above factors are agreed upon, we will be responsible for making decisions regarding the timing of buying or selling an investment and the price at which the investment is bought or sold. If your accounts are managed on a non-discretionary basis, you need to know that if we are not able to reach you or you are slow to respond to our request, it can have an adverse impact on the timing of trade implementations, and we may not achieve the optimal trading price.

You will have the ability to place reasonable restrictions on the types of investments that may be purchased in your account. These restrictions must be provided to PMI in writing. You may also place reasonable limitations on the discretionary power granted to PMI so long as the limitations are specifically set forth or included as an attachment to the client agreement.

The client approves the Custodian to be used and the commission rates paid to the Custodian. PMI does not receive any portion of the transaction fees or commissions paid to the Custodian.

## **Item 17 – Voting Client Securities**

Unless the client does not wish to give PMI discretionary authority to make investment decisions over the account without contacting the client in advance, the investment advisory Agreement established between you and PMI will typically grant discretionary power in voting on corporate actions with regards to securities held in your accounts. Proxy voting involves a potential conflict of interest because of the opportunity for PMI to vote for securities in its own interest or agree to certain corporate actions. To minimize such conflicts, PMI has established a written set of Proxy Voting Policies and Procedures and maintains records of how it votes with regards to corporate actions. Since a decision to invest is generally an endorsement of management of the issuer, PMI will generally vote with management on routine matters.

You may choose to retain the responsibility for voting all proxies for securities held in your account by providing a written instruction to PMI. In such case, you will receive proxies directly from the qualified custodian or transfer agent; we will not provide you with the proxies. You are encouraged to read through the information provided with the proxy voting documents and make a determination based on the information provided. You may contact us at your convenience if you have a question about a particular proxy where you keep the responsibility for proxy voting. However, you will have the ultimate responsibility for making all proxy voting decisions.

## **Item 18 – Financial Information**

PMI does not require or solicit prepayment of more than \$1200 in fees per client, six months or more in advance. We are not subject to a financial condition that is reasonably likely to impair our ability to meet contractual commitments to clients. Finally, PMI has not been the subject of a bankruptcy petition during the last ten years.

## Customer Privacy Policy Notice

**Commitment to Your Private Information:** PMI has developed a policy of protecting the confidentiality and security of the information we collect about our clients. We do not, and will not, share nonpublic personal information about you ("Information") with outside third parties without your consent, except for the specific purposes described below. This notice has been provided to you to describe the Information we may gather and the situations under which we may need to share it.

**Why We Collect and How We Use Information.** We limit the collection and use of Information within our Firm to only those individuals associated or employed with us that must have Information to provide financial services to you. Such services include maintaining your accounts, processing transaction requests, providing financial advisory services, and other services described in our Form ADV.

**How We Gather Information.** We get most Information directly from you when you provide us with information from any of the following sources:

- Applications or forms (for example: name, address, social security number, birth date, assets, income, financial history)
- Transactional activity in your account (for example: trading history and account balances)
- Information services and consumer reporting sources (for example: to verify your identity or to assess your credit history)
- Other sources with your consent (for example: your insurance professional, attorney, or accountant)

**How We Protect Information.** Our employees and affiliated persons are required to protect the confidentiality of Information and to comply with our stated policies. They may access Information only when there is an acceptable reason to do so, such as to service your account or provide you with financial advisory services. Employees who violate our Privacy Policy are subject to disciplinary action, up to and including termination from employment with us. We also maintain physical, electronic, and procedural safeguards to protect information, which comply with applicable SEC, state, and federal laws.

**Sharing Information with Other Companies Permitted Under Law.** We do not disclose Information obtained in the course of our practice except as required or permitted under law. Permitted disclosures include, for instance, providing information to unrelated third parties who need to know such Information in order to assist us with providing financial advisory services to you. Unrelated third parties may include broker/dealers, mutual fund companies, insurance companies, and the custodian with whom your assets are held. In such situations, we stress the confidential nature of information being shared.

**Former Customers.** Even if we cease to provide you with financial advisory services, our Privacy Policy will continue to apply to you and we will continue to treat your nonpublic information with strict confidentiality.