

# ODLUM BROWN

USA Investment Management Limited

## Form ADV, Part 2A (“Brochure”)

### **Odlum Brown USA Investment Management Limited**

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This brochure provides information about the qualifications and business practices of Odlum Brown USA Investment Management Limited (“OB USA”). If you have any questions about the contents of this brochure, please contact us toll free at 1 (866) 636-8222 or at [info@odlumbrownusa.com](mailto:info@odlumbrownusa.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Additional information about Odlum Brown USA is also available on the SEC’s website at [adviserinfo.sec.gov](http://adviserinfo.sec.gov).

*Note: The terms “registered” and “registered investment adviser” appear in this brochure. Registration does not imply a certain level of skill or training. OB USA’s level of skill comes from many areas including experience, education and market knowledge.*

## **Material Changes from the Previous Odlum Brown USA Brochure**

This Brochure contains no material changes in content from the previous Form ADV, Part 2A.

## Table of Contents

Cover Page and Contact Information	Page 1
Material Changes to the Brochure	Page 2
Table of Contents	Page 3
Description of Advisory Business	Page 4
Fees and Compensation	Page 5
Types of Clients	Page 6
Methods of Analysis, Investment Strategies and Risk of Loss	Page 6
Disciplinary Information	Page 6
Financial Industry Affiliations	Page 7
Code of Ethics, Participation in Client Transactions and Personal Trading	Page 8
Brokerage Practices	Page 9
Review of Accounts	Page 10
Client Referrals and Other Compensation	Page 10
Custody	Page 10
Investment Discretion	Page 10
Voting Client Securities	Page 11
Executive Officers and Management Persons	Page 11

## **Description of Odlum Brown USA Advisory Business**

### **Ownership of Odlum Brown USA**

OB USA was formed in 2005 and is wholly owned by Odlum Brown Limited, an investment dealer incorporated in British Columbia, Canada.

### **Types of Advisory Services and Client Imposed Restrictions**

OB USA provides discretionary investment management services for the following types of investment products:

- Equity Securities, including exchange listed securities,
- Bonds, including corporate and government securities,
- Money market instruments, including treasury bills, commercial paper and bankers' acceptances and
- Guaranteed Investment Certificates (GIC's).

OB USA offers a client continuous investment advice including making investment decisions based upon the individual investment objectives of a client in accordance with the Odlum Brown USA New Client Investment Management Account Application and Investment Management Agreement or other client questionnaire or statement of policy. Clients may impose restrictions on investing in certain securities or types of securities.

Accounts may be denominated in either Canadian or US currency. Transactions involving a security or the transfer of funds denominated in a currency other than the currency of the Account will require a currency conversion. In such instance, Odlum Brown Limited or its agent will act as principal in converting the currency as of the trade or process date. Odlum Brown Limited and its agent may earn revenue based on the difference between the rate applied to the currency conversion and the rate at which the currency is offset either internally or in the market.

The Investment Management Agreement may be terminated by the client(s) or OB USA giving 30 days written notice to the other party at the address of OB USA noted in the Investment Account Application Form and at the client's last address appearing on the account(s).

### **Assets under Management**

As of March 31, 2018, OB USA has a total of \$86,580,099 under management. All assets are managed on a discretionary basis.

## Fees and Compensation

OB USA does not maintain a fixed advisory fee schedule. Advisory fees are determined between OB USA portfolio managers and their clients based on an annual percentage of the value of the client's portfolio. The maximum annual percentage is 2%. Advisory fees are payable monthly and are calculated on the month end value of a client's portfolio.

Advisory fees are paid to OB USA by the custodian, from funds in the client account. The custodian will send a statement no less frequently than quarterly indicating all amounts disbursed from the account including the amount of advisory fees paid to OB USA.

If for any reason the investment advisory relationship between OB USA and a client is terminated as of any date other than the last business day of the applicable payment period, a pro rated advisory fee will be charged.

The amount and method of calculating advisory fees, administration fees and service charges will not change unless OB USA gives clients at least 60 days written notice prior to the date on which any change is to become effective.

Payment of advisory fees, administration fees and service charges may result in the liquidation of securities if sufficient cash in the account is not available.

OB USA does not accept performance based fees.

Trade execution charges are absorbed by OB USA.

The administration fees and service charges applied to all client accounts are as follows:

Bank Drafts	\$20 per item
Wire Transfer Canadian	\$25 per transfer
Wire Transfer US and Foreign	\$35 per transfer
Dishonored Payment (NSF)	\$40 per item
Stop Payment	\$20 per item
Regular Certificate Withdrawal	\$20 per item
Rush Certificate Withdrawal (24 hours)	\$240 per item
Replacement of Lost Certificate	\$100 per certificate plus Indemnity Fee if applicable
Statement Reprint / Records Search	\$40 per request*
Foreign Dividend Tax Reclamation	\$25 plus cost per claim
Unclaimed Account Charge	\$120 annual fee per account
Estate Processing	\$240 per account
Account Transfer Out	\$120 per account
<b><i>All charges are subject to applicable taxes</i></b>	

\*Applies to each calendar year requested on items such as account statements and tax receipts. All fees are in Canadian dollars.

## **Types of Clients**

OB USA provides investment advisory management services to individuals, estates, trusts, corporations and similar entities.

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

### **Method of Analysis, Sources of Information and Investment Strategies**

OB USA and its Portfolio Managers primarily utilize a fundamental approach investment analysis. When conducting research in order to identify equities for client portfolios, a primary method used is to set up screens or searches for issues that have desirable basic criteria such as a low price to earnings ratio, a strong balance sheet, a high return on equity, or low price to sales ratios, etc. Many such searches and resulting OB USA selections will have the characteristics of models chosen to suit the OB USA investment style. Once a security is identified as a potential candidate for investment, the OB USA portfolio manager researches the company, industry sector, competitive position and other relevant factors as determined appropriate in order to decide whether it is suitable for inclusion in one or more OB USA client portfolios.

### **Investment Strategies**

OB USA offers a client continuous investment advice including making investment decisions based upon the individual investment objectives of a client in accordance with the Odium Brown USA New Client Investment Management Account Application Form and Investment Management Agreement.

The methods OB USA uses to invest money will vary with time frame, size of account, investment objectives, and risk tolerance. Resulting investments will include individual securities selected to achieve the client's investment objectives and may include equities, bonds, money market instruments or GIC's.

OB USA believes quality to be the first consideration in selecting bonds and income-producing investments. OB USA also looks for situations where not only can there be income but also growth in the value of the securities. For example, OB USA seeks issues that may have improving credit qualities or convertible securities that could become more valuable in the future.

### **Client Risk**

Past performance of any security is not indicative of future results. Investments in the securities markets are subject to market fluctuation and financial risk, which may include loss of capital.

### **Disciplinary Information**

OB USA is not and has never been subject to any disciplinary action by the SEC or any State.

## **Other Financial Industry Affiliations**

### **Parent and Custodian**

OB USA was formed in 2005 and is wholly owned by Odlum Brown Limited, a securities dealer incorporated in British Columbia, Canada.

Odlum Brown Limited is registered as an investment dealer with the applicable securities authorities in each of the various provinces in Canada. Odlum Brown Limited is a member of the Investment Industry Regulatory Organization of Canada (IIROC) and is a member of the Canadian Investor Protection Fund (CIPF). In addition to providing investment dealer services, Odlum Brown Limited provides discretionary portfolio investment management services to clients in Canada.

Employees of OB USA are also employees of Odlum Brown Limited. Odlum Brown Limited provides administrative support to OB USA pursuant to a service arrangement between the parties. Specifically, the service arrangement between OB USA and Odlum Brown Limited provides for the use by OB USA of various facilities, services and personnel in connection with the provision of investment advisory services contemplated hereunder. Back office functions of OB USA are also provided by Odlum Brown Limited.

Odlum Brown Limited is the custodian for the investment management account(s) opened by clients of OB USA. Odlum Brown Limited provides safekeeping for the client's cash and securities and, by the Investment Management Agreement, is authorized to debit management fees and expenses as outlined in the administration fees and service charges schedule and pay them to OB USA. OB USA client assets held at Odlum Brown Limited, as custodian, are protected by the Canadian Investor Protection Fund. Additionally, Odlum Brown Limited is subject to an annual surprise examination by the accounting firm of KPMG.

### **Trade Execution Affiliations**

OB USA directs its equity trade executions to selected broker dealers including Haywood Securities (USA), Inc. and Merrill Lynch, who are registered with the SEC and are members of the Financial Industry Regulatory Authority ("FINRA"). Bond transactions are executed through Odlum Brown Limited. OB USA does not receive compensation for directing order flow to any broker dealer. Please see: Directed Brokerage for further discussion.

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

## **Code of Ethics**

A Code of Ethics (the “Code”) has been established by OB USA in compliance with SEC Rule 204A-1 under the Investment Adviser’s Act of 1940 to establish “best practices” and create the highest standards of ethical conduct supporting OB USA’s fiduciary responsibility to its clients. The Code is designed to and requires that OB USA:

- > Promote honest and ethical conduct, including the ethical handling of actual or perceived conflicts of interest between personal and professional relationships;
- > Effect full, fair, accurate, timely, and understandable disclosures in reports and documents that are provided to clients or filed or submitted to the SEC, state securities regulators, and in other public communications made by OB USA;
- > Never place the personal interests of OB USA or its employees, improperly, before the interests of clients;
- > Comply with the Compliance policy of OB USA;
- > Comply with applicable federal and state laws, rules, and regulations;
- > Promptly report any known or perceived violations of the Code.

Material Nonpublic Information – The Code establishes that the improper use of material nonpublic information for an employee’s own gain is not only unethical and in fact, illegal. The Code prohibits the improper use or dissemination of material nonpublic information regarding the business of OB USA, any securities recommendation or client securities holding.

Securities Trading of OB USA Personnel - The Code calls for the reporting of all personal securities transactions to OB USA management and for the review of personal securities transactions by OB USA management. Additionally, the Code requires that employees seek the permission of the OB USA Chief Compliance Officer to engage in certain types of investments where a potential conflict of interest may exist.

Reporting and Accountability - The Code establishes responsibility for employees to fully adhere to the Code and to immediately report perceived or real violations of the Code to the Chief Compliance Officer.

Confidentiality - Confidentiality is essential to the operations of OB USA and the Code establishes a prohibition regarding the inappropriate disclosure of client and business information to inappropriate persons.

Questions about the Code may be directed to the Chief Compliance Officer at (866) 636-8222.

OB USA does not recommend to clients nor buy or sell from clients any securities in which it maintains a material financial interest.



**Participation or Interest in Client Transactions and Personal Trading**

OB USA does not maintain an inventory or portfolio of investments. Employees of OB USA, being residents of Canada, are required to hold any investment accounts at Odlum Brown Limited which may include the same securities bought for clients of OB USA. Employees of OB USA are prohibited from trading ahead of a client.

**Brokerage Practices****Directed Brokerage**

OB USA directs its equity trade execution to selected broker dealers who are registered with the SEC and members of the Financial Industry Regulatory Authority ("FINRA"). Neither OB USA nor Odlum Brown Limited receives compensation or financial benefit for directing order flow to any broker dealer. Bond transactions are executed on a Principal basis with Odlum Brown Limited. The term "Principal" means that the transaction was executed from an inventory position held by Odlum Brown Limited. No mark-up is applied to these principal transactions.

Broker Dealers used by OB USA have a regulatory responsibility to achieve best execution. Not all investment advisers require clients to direct their trade brokerage. Lower rates than those provided by the OB USA selected broker dealers may be available.

**Aggregation of Client Purchases**

OB USA endeavors to aggregate and allocate securities purchases and sales to achieve the best price for the client and not to negatively impact the market or disadvantage any client.

A random selection process is normally used such as starting at either the beginning, the end or in the middle of an alphabetical or numerical list of clients.

It is the policy of OB USA that when securities are being initially purchased for, or sold from, a client's portfolio, orders for the same securities from OB USA and associated person's accounts are not included in the aggregated transaction. Generally speaking, prices achieved on aggregated client purchases are less than the average daily price for the same issue.

## **Review of Accounts**

Client portfolios are continuously monitored for adherence to investment objectives. Any client activity will trigger a daily report that is reviewed by a Director of OB USA. On a monthly basis, all OB USA accounts with activity are reviewed to ensure suitability. Changes in portfolios are triggered by rebalancing to accommodate a change in investment strategy to meet client objectives.

All clients receive electronic monthly statements on their accounts as well as transaction confirmations available electronically the day of the transaction. If there is no account activity, electronic statements are provided on a quarterly basis. Statements and confirmations are only provided in electronic format to clients.

## **Client Referrals and Other Compensation**

OB USA only provides investment advice or other advisory services to clients of OB USA.

OB USA may pay a referral fee to Odium Brown Limited for the referral of a U.S. resident client to OB USA. The amount of this referral fee is negotiated between OB USA and Odium Brown Limited. Such referral fee will not raise the fees paid by the client. From time to time, Odium Brown Limited may be paid a solicitation fee for tendering shares of stock involved in a corporate reorganization. The fee received by Odium Brown Limited may be shared with its registered representatives who may also be portfolio managers with OB USA.

Each client referred to OB USA shall be provided with a Solicitor's Disclosure and ADV, Part 2 that will fully disclose the relationship between Odium Brown Limited and OB USA as well as any advisory fees, and referral compensation payable to Odium Brown Limited.

## **Custody**

Odium Brown Limited, acting as the sole custodian for OB USA provides monthly and quarterly statements, as appropriate, directly to clients. OB USA urges clients to carefully review statements provided by the custodian.

## **Investment Discretion**

Clients grant OB USA the full power and discretionary authority to purchase or sell stocks, bonds and other securities and to execute any transactions related to the purchase and sale of securities without a client's prior approval, unless specifically directed otherwise in writing by the client. Discretionary authority shall include the exercise of any voting or consent rights pertaining to the securities held in the client's account.

Discretionary authority shall be authorized by the client through the execution of the OB USA Limited Power of Attorney contained in the Investment Management Agreement.

Discretionary payments from a client's account to OB USA are limited to the negotiated OB USA management fee and applicable administrative fees.

## **Voting Client Securities**

The policy relating to proxy voting is established in the OB USA Investment Management Agreement. OB USA will vote proxies on behalf of clients with few exceptions.

OB USA shall only vote proxies in the best interest of the client. Where potential conflicts of interest may exist, OB USA will forward the proxy to the client for voting.

A conflict of interest could exist in either of the following examples:

- Where OB USA has an affiliation with an issuer, sponsor, or custodian. OB USA currently maintains no such affiliations; and
- Where there is a potential for financial benefit to OB USA such as voting for higher fees and sharing in those fees.

OB USA keeps a record of proxy votes and will furnish voting details of specific situations to a subject client upon request.

## **Executive Officers and Management Persons**

### **Debra Hewson, President and Chief Executive Officer**

**Education:** Bachelor of Arts from the University of British Columbia (1981).

**Business Background:** Debra Hewson's career in the investment industry spans more than 30 years, including over 25 years with Odlum Brown Limited. Ms. Hewson has been OB USA's President since June, 2007. Ms. Hewson joined Odlum Brown Limited in 1991 and has held several senior management positions including Chief Operating Officer from 2001 until her appointment as President and Chief Executive Officer in June 2007. Ms. Hewson is a member of the Odlum Brown Limited Board of Directors, Senior Leadership Team and Executive Committee.

Ms. Hewson is also actively involved within the investment industry. She is a Director of the Canadian Investor Protection Fund (CIPF). Ms. Hewson served as Chair of the Pacific District Council (2002-2005) and Chair of the National Advisory Committee (2003-2004) of the Investment Dealer's Association of Canada (now known as the Investment Industry Regulatory Organization of Canada (IIROC)). She is also past Director of the Mutual Fund Dealer's Association of Canada and served on the Membership Committee of the Vancouver Stock Exchange.

### **Mark I. Srdanovic, Chief Compliance Officer**

**Education:** Marketing Management Diploma from Douglas College (1992), Financial Planning Certificate from the British Columbia Institute of Technology (2006) and Certified Financial Planner (CFP) designation from the Financial Planners Standards Council (2008).

**Business Background:** Mark Srdanovic has worked in the securities industry for over fifteen years, initially as a trader and later finding his calling in compliance. Mark is a member of the Investment Industry Association of Canada (IIAC) Compliance Committee and also serves on the Pacific District Council of the Investment Industry Regulatory Organization of Canada (IIROC). Mr. Srdanovic is a member of the Odium Brown Limited Board of Directors and Senior Leadership Team.

As Chief Compliance Officer, Mr. Srdanovic works to ensure that OB USA and Odium Brown Limited meet or exceed all regulatory requirements; whether set by the SEC (US), IIROC (Canada) or other regulatory authority.

### **Peter Pacholko, CPA, CGA, Chief Operating Officer and Chief Financial Officer**

**Education:** Certified General Accountant from the General Accountants Association of British Columbia (1998).

**Business Background:** Peter Pacholko has over 30 years of experience with Odium Brown Limited and the investment industry. He was appointed the Chief Operating Officer in June 2014. Prior to becoming Chief Financial Officer in 2001, Mr. Pacholko held other senior positions including Director, Operations and Technology. He is a member of the Odium Brown Limited Board of Directors, Senior Leadership Team and Executive Committee.

Mr. Pacholko is also active in several industry associations. He is a member of the Investment Industry Regulatory Organization of Canada (IIROC)'s Compliance and Legal Section (CLS) and the Financial Administrators Section (FAS). As a member of the FAS, he participates in the Operations Subcommittee.

### **Kimberley Abbott, Vice President**

**Education:** Bachelor of Arts, University of Western Ontario (1989)

**Business background:** Kim Abbott has over 25 years experience in the financial services industry with an extensive background working with both large pension accounts and retail investment advisors. She started her career working in institutional fixed income sales for a national investment firm and spent 10 years as Vice President of Sales for both Fidelity Investments and Capital Group. Ms. Abbott was appointed Vice President, Sales and Business Development and is a member of the Odium Brown Limited Board of Directors and Senior Leadership Team.

She is a member of Retail Sales Committee of the Investment Industry Association of Canada (IIAC). Ms. Abbott is a member of the Odium Brown Limited Board of Directors and Senior Leadership Team.