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This Brochure provides information about the qualifications and business practices of CIBC Asset Management Inc. ("CIBC AM"). If you have any questions about the contents of this Brochure, please contact us at 416-364-5620 or at [cibcam-info@cibc.ca](mailto:cibcam-info@cibc.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.

CIBC AM is a registered investment adviser. Registration as an investment adviser does not imply any level of skill or training.

Additional information about CIBC AM also is available on the SEC's website at [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).

## **Item 2 - Material Changes**

There are no material changes to report

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## Item 4 - Advisory Business

CIBC Asset Management Inc. ("CIBC AM") (formerly known as CIBC Global Asset Management Inc.) is a wholly owned subsidiary of Canadian Imperial Bank of Commerce ("CIBC"), a publicly-traded Canadian chartered bank. CIBC AM provides a range of investment management advisory services and solutions to individual and institutional investors. Formed in 1973, and registered with the SEC in January 1974, CIBC AM is one of Canada's largest asset management firms, managing approximately \$103 billion USD of client assets on a discretionary basis (including the Funds as defined below) and \$7 billion USD of client assets on a non-discretionary basis, as of October 31, 2017.

In January, 2014, CIBC AM amalgamated with two affiliated asset managers CIBC Asset Management Inc. and CIBC Private Investment Counsel Inc., both of which were under common control of CIBC. The combined entity engages in several different lines of advisory business, each briefly described below.

### High Net Worth Accounts

CIBC AM provides advisory services to institutional clients with segregated accounts that are tailored to the unique requirements and investment restrictions of each client.

In addition, through CIBC Private Investment Counsel, CIBC AM's investment counsel division, CIBC AM manages individually customized portfolios for private clients, businesses, trusts, estates, charitable foundations, and other not-for-profit endeavors in Canada and the U.S.

The asset mix for private clients is managed in two ways. The first is strategic and is defined in an individual's Investment Policy Statement. The second is tactical and includes adjustments that can help preserve capital in weak markets and improve returns in times of growth.

On behalf of clients, CIBC AM works with a broad range of investment managers from around the world, many of whom may not be available to individual investors. A rigorous screening process is employed to identify managers whose investment strategies and track records meet the key elements of CIBC AM's due diligence. This process involves two very important aspects:

- Performing quantitative analysis to determine that the investment manager performed well, and in a manner consistent with their stated style and process.
- Performing qualitative analysis to determine the likelihood that the investment manager can repeat past successes (with an understanding that past performance cannot be guaranteed).

### Funds

In addition, CIBC AM also sponsors and provides discretionary investment advisory services to pooled investment vehicles and mutual funds available in Canada and other jurisdictions outside the United States (the "Funds"). Advisory services are based on the investment objectives, guidelines, and restrictions of each Fund. CIBC AM does not tailor advisory services provided to the Funds to the individual needs of underlying Fund investors.

### CIBC AM's Investment Strategies

CIBC AM's Portfolio Management and Research Group is guided by a rigorous investment approach based on thorough research and a disciplined and repeatable process to deliver value for clients. This disciplined approach is applied across multiple asset classes within three key groups: Equities, Fixed Income, and Global Asset Allocation and Currency. The distinct investment strategies are described in more detail in Item 8 below.

## **Item 5 - Fees and Compensation**

For investment advisory services, CIBC AM receives a management fee based upon a percentage of assets under management. Fees are charged to each client in accordance with an agreed upon fee schedule and are typically calculated monthly based on the market value of the assets at the end of each month. Fees are billed quarterly in arrears and typically range as follows:

### Institutional Fees:

#### International Equity Strategy

0.35%-0.75% per annum

#### Canadian Fixed Income Strategy

0.10%-0.35% per annum

#### Currency Management Strategy

0.025%-0.075% per annum for passive management

15% - 18% of targeted value added for active currency management

Management fees for institutional clients may be negotiated on a case-by-case basis and are determined by a number of factors, including the investment strategy, size of the account, the use of Funds and servicing requirements. In regards to an institutional client invested in a Fund, CIBC AM doesn't receive an additional management fee from the Fund.

Institutional clients may elect to be billed directly for fees or authorize CIBC AM to submit an invoice to their custodian so that management fees may be directly debited from their custodial accounts. Management fees may be prorated for significant cash flows during the applicable calendar quarter. Accounts initiated or terminated during a calendar quarter will be charged a prorated fee.

Certain segregated account clients may also be charged a performance-based fee, which is typically 30% of the performance generated over a specific performance objective. Performance fees may vary and are negotiated on a client-by-client basis. (Please refer to Item 6 below for additional information regarding performance-based fees.)

In addition to management and performance fees, all clients are responsible for any costs or expenses related to brokerage transactions, custodial services, interest, and regulatory requirements. Clients are also responsible for any taxes that may be levied on the supply of goods or services by the various levels of governments.

#### Individual Fees:

1.10% to 0.40% per annum

For investment advisory services, CIBC Private Investment Counsel receives a management fee based upon a percentage of assets under management. Fees are charged to each client in accordance with an agreed upon fee schedule and are typically calculated monthly based on the market value of the assets at the end of each month.

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

As stated above, CIBC AM has entered into performance fee arrangements with certain qualified segregated account clients. Such fees are subject to negotiation with each client. CIBC AM will structure any performance or incentive fee arrangement in accordance with applicable regulations. In measuring a client's assets for the calculation of performance-based fees, CIBC AM includes realized and unrealized capital gains and losses.

Performance-based fee arrangements may create an incentive for CIBC AM to recommend investments that may be riskier or more speculative than those that would be recommended under a different fee arrangement. Such fee arrangements may also create an incentive to favor higher fee-paying accounts over other accounts in the allocation of investment opportunities. CIBC AM has controls designed and implemented to ensure that all clients are treated fairly and equally, and to prevent this conflict from influencing the allocation of investment opportunities among client accounts.

## **Item 7 - Types of Clients**

As of October 31, 2017, CIBC AM oversaw more than \$110.6 billion USD of assets on behalf of institutional, high net worth clients and underlying investors in our retail sponsored products.

CIBC AM sponsors and provides discretionary investment advisory services to the Funds.

CIBC AM provides advisory services to institutional clients with segregated accounts that are tailored to the unique requirements and investment restrictions of each client.

In addition, through CIBC Private Investment Counsel, CIBC AM's investment counsel division, CIBC AM manages individually customized portfolios for private clients, businesses, trusts, estates, charitable foundations, and other not-for-profit endeavors in Canada and the U.S.

There is no pre-determined minimum account size; however, CIBC AM does have minimum annual fees.

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

CIBC AM uses a variety of tools in conducting methods of analysis and investment strategies for the various asset classes that we manage. These methods of analysis and strategies are generally designed for long term investing. The resulting investment returns are highly dependent on the value of the underlying securities and are impacted by trends in their respective markets. The methods of analysis that we use for each investment strategy are described below.

### **International Equity Portfolio Strategy**

The investment objective of the International Equity strategy is to provide long-term returns through capital appreciation by investing primarily in a diversified portfolio of equity securities of foreign companies located in Europe, the Far East, and the Pacific Basin.

Our investment process is focused on bottom-up security selection. We seek to invest in companies that are global or regional leaders in their respective industries and whose earnings growth rate is consistently greater than that of the global economy. We focus mainly on large capitalization companies in sectors exhibiting long-term, predictable, above-average volume growth. The securities that we research (and potentially hold in our portfolio) must meet our four fundamental investment criteria: (1) consistent earnings growth target of approximately 10%, (2) strong barriers to entry, (3) management team with

solid track record, and (4) attractive valuation as reflected by trading at a discount to intrinsic (or fair) value, as determined by CIBC AM. The above four criteria drive our investment making process and each represents a key element to the inclusion or exclusion of a stock in our portfolio.

The International Equity strategy may use derivatives such as options, futures, forward contracts, swaps, and other similar instruments for hedging and non-hedging purposes to provide exposure to securities, indices, or currencies without investing in them directly. Derivatives may also be used to manage risk. The portfolios may also invest in index participation units and other similar instruments.

The primary risks of an investment in the International Equity strategy include the following, which are described in more detail at the end of this section:

- Capital depreciation risk
- Currency risk
- Equity risk
- Foreign market risk
- General market risk
- Legal and regulatory risk

### **Canadian Fixed Income Portfolio Strategy**

The primary investment objective of the Canadian Fixed Income strategy is to generate income while attempting to preserve capital by investing primarily in bonds, debentures, and other debt instruments of Canadian governments and corporations. The strategy may invest in securities of foreign issuers where permitted.

Fundamental macroeconomic research forms the basis for portfolio construction utilizing top down strategies such as duration, sector allocation, and yield curve positioning. Macroeconomic research also plays a role, as it impacts various industries and companies. Our security selection strategy relies on a variety of valuation techniques in order to identify attractively priced securities.

Portfolio Managers rely on a dedicated in-house Credit Research team responsible for analyzing the credit of every corporate issuer that are invested in the money market and active bond portfolios.

Credit analysis is at the center of the security selection process. Our approach to selecting corporate securities for the portfolio ensures that we investigate before we invest. We invest in quality and value, and in their absence, we divest.

Our credit analysis involves research into the following key factors:

- Industry
- Management
- Borrower's strengths and weaknesses



- Competition's strengths and weaknesses
- Financial statements and notes
- Balance sheet trends and leverage
- Income statement trends and coverage ratios
- Projections
- Covenants

We conduct this analysis through a number of avenues that may include meetings with management, discussions with industry analysts, and analyzing financial, industry, and ratings agency reports. We undertake our own due diligence including preparation of our own financial models.

Technical analysis is primarily used in assessing the interest rate risk and determines what term or duration strategies should be employed in certain market conditions. We look at various technical indicators to gauge the sentiment in the market such as momentum indicators and contrarian indicators, and the new issuance calendar. Finally, we consider other qualitative factors that may have an impact on structural changes (such as a large increase in government bonds to fund expected large deficits) or geopolitical and demographic forces that may influence our outlook. All of these factors are considered in establishing the duration target that is appropriate for the risks we see in the marketplace.

Risk analysis is used to help identify and quantify the major risks that the portfolios are exposed to, including interest rate, sector, individual security, and credit risk. For example, as risk analysis applies to sector positioning. We set our target weights in corporate, provincial, and federal government bonds and establish the overall risk profile utilizing our proprietary Sector Spread Sensitivity (SSS) measure. The SSS is a summary statistic that captures a security's potential impact on the portfolio return if its credit spread changes. The SSS of a security takes into account its maturity, structure, sector, and credit rating.

The primary risks of an investment in the Canadian Fixed Income strategy include the following, which are described in more detail at the end of this section:

- Currency risk
- Derivatives risk
- Fixed income risk
- Foreign market risk
- General market risk
- Legal and regulatory risk
- Sovereign debt risk

### **Currency Management Strategy**

CIBC AM offers both passive and active currency management. The investment objective of passive currency management strategies is to hedge some or all of the foreign currency exposure back to a base currency. The intent is to protect against the impact of currency fluctuations in the foreign holdings of a portfolio. In contrast, the investment objective of our active currency management strategies is to manage an investment portfolio's currency exposure with the objective of

generating incremental value or to protect the investor from foreign currency fluctuations.

Our approach to currency management is based on the belief that currency movements are driven by three primary factors: (1) valuation factors the value of one currency relative to another is driven in part by the relative productivity and terms of trade of the underlying countries, (2) cyclical factors currencies are prone to over/undershoot their fair value driven by business cycles, and (3) momentum factor short-term movements in currencies tend to be driven by other technical factors such as price momentum, investor positioning, and sentiment. The key to successfully assessing the direction of relative currency values is to adopt a well-diversified approach that optimally weighs the effectiveness of the aforementioned factors given the prevailing macro-economic environment and to enhance the output of these quantitative tools by the application of experience and judgment.

Our investment process includes a ranking of our currency universe based on a number of factors that have demonstrated persistence in adding value and can be combined due to their low degree of correlation. The main factors include valuation, cyclical differentiation, and momentum. We use quantitative methods to analyze these factors.

Our currency process also assesses the sensitivity of the different currency factors to various macroeconomic conditions in order to determine the circumstances under which these factors should be used. Guided by the experience of the team members, quantitative analysis is used to test the performance of these factors under various macroeconomic circumstances.

Our global macroeconomic research effort is also an important part of our process. Our aim is to anticipate changing economic conditions and provide an assessment of where we are in the business cycle. We continually monitor the macroeconomic environment by identifying key signposts that should materialize if our main economic scenario is to unfold as expected. Based on this macroeconomic assessment, we can determine which factors we should be exposed to in our currency portfolio and which factors we should avoid.

A qualitative analysis is used to determine whether there are events outside our models that must be considered. Some of the specific situations where we would need to account for information outside our models include:

- Fiscal or monetary policy surprises
- Financial crisis
- Merger activity
- Structural change in market environment
- Conviction that key model input variables will change significantly in the near future
- A factor that was not included in the models is shown to have a strong bearing on currency trends in the current environment.

We use both internal and external risk management systems. Our approach aims to provide as much information as possible on the risk factors in the currency portfolios.

The primary risks of an investment in the Currency Management strategy include the following, which are described in more detail at the end of this section:

- Currency risk
- Derivatives risk
- Counterparty risk

## **Summary of Risks**

**Investing in securities involves risk of loss that all clients should be prepared to bear.**

### **1. Capital Depreciation Risk**

Some portfolio strategies aim to generate or maximize income while preserving capital. In certain situations, such as periods of declining markets or changes in interest rates, a portfolio's value could be reduced such that the portfolio is unable to preserve capital. This may affect the portfolio's ability to generate future income.

### **2. Derivatives and Counterparty Risk**

A derivative is a financial instrument whose value is derived from the value of an underlying variable, usually in the form of a security or asset. CIBC AM typically invests in the following types of derivatives: futures contracts, forward contracts, options, and swaps. The prices of many derivatives are highly volatile. The value of options and swap agreements depends upon the price of the underlying securities, currencies, or other assets. The cost of options is related, in part, to the degree of volatility of the underlying securities, currencies, or other assets. Accordingly, options on highly volatile securities, currencies, or other assets may be more expensive than options on other securities, currencies, or other assets.

There is also a risk that derivatives trading counterparties may fail. Swaps and certain options and other custom instruments are subject to the risk of non-performance by the counterparty, including risks relating to the financial soundness and creditworthiness of the counterparty.

### **3. Equity Risk**

Equity securities, such as common stock, and equity-related securities, such as convertible securities and warrants, rise and fall with the financial well-being of the companies that issue them. The price of a stock is also impacted by general economic, industry, and market trends. When the economy is strong, the outlook for many companies will be positive and stock prices will generally rise. On the other hand, stock prices usually decline with a general economic or industry

downturn.

#### 4. Fixed Income Risk

One risk of investing in fixed income securities, such as bonds, is the risk that the issuer of the security will be unable to pay the interest or principal when due. This is generally referred to as "credit risk." The degree of credit risk will depend not only on the financial condition of the issuer, but also on the terms of the bonds in question. A portfolio may reduce credit risk by investing in senior bonds, those that have a claim prior to subordinated issues and equity on the issuer's assets in the event of bankruptcy. Credit risk may also be minimized by investing in bonds that have specific assets as collateral.

Prices of fixed income securities generally increase when interest rates decline, and decrease when interest rates rise. This risk is known as "interest rate risk." Prices of longer-term fixed income securities will fluctuate more to interest rate changes than shorter-term securities.

Portfolios that invest in convertible securities also carry interest rate risk. These securities provide a fixed income stream, so their value varies inversely with interest rates, just like bond prices. Convertible securities are generally less affected by interest rate fluctuations than bonds because they can be converted into common shares.

#### 5. Foreign Market Risk

Investors may take advantage of investment opportunities available in countries other than their home country. The inclusion of foreign securities diversifies a portfolio more than a portfolio that is comprised of a single country or home market. This is generally the result of low correlations between stocks of different countries. Foreign investments, may however, involve different risks that are not applicable to Canadian and U.S. investments that can increase the possibility of losing money.

The economies of certain foreign markets may not compare with that of the home market (such as the U.S. and Canada) on such issues as growth of gross national product, reinvestment of capital resources, and balance of payments position. These economies may rely heavily on particular industries or foreign capital, and may be more vulnerable to diplomatic developments, the imposition of economic sanctions against a particular country or countries, changes in international trading patterns, trade barriers, and other protectionist or retaliatory measures.

Investments in foreign markets may be adversely affected by governmental actions, such as the imposition of capital controls, nationalization of companies or industries, expropriation of assets, or the imposition of punitive taxes. Foreign governments may participate in economic or currency unions. Like other investment companies and business organizations, a Fund could be adversely

affected if a participating country withdraws from, or other countries join, the economic or currency unions.

The governments of certain countries may prohibit or impose substantial restrictions on foreign investment in their capital markets or in certain industries. Any of these actions could severely affect security prices, impair the ability to purchase or sell foreign securities or transfer assets or income back into their home jurisdiction.

Other foreign market risks include foreign exchange controls, difficulties in pricing securities, defaults on foreign government securities, difficulties in enforcing legal judgments in foreign countries, different accounting standards, and political and social instability. Legal remedies available to investors in certain foreign countries may be more challenging than in a home market.

Because there are generally fewer investors and a smaller number of shares traded each day on some foreign exchanges, it may be difficult for a portfolio to buy and sell securities on those exchanges. In addition, prices of foreign securities may fluctuate more than prices of securities traded in Canada and the U.S. or the home market.

#### 6. Currency risk

Portfolios may invest in securities denominated or traded in currencies other than the clients' base currency. The value of these securities held by portfolios will be affected by changes in foreign currency exchange rates. Generally, when the clients base currency rises in value against certain other foreign currencies, the value of the investment is worth less in the base currency. Similarly, when the clients base currency decreases in value against certain foreign currencies, the investment is worth more in the clients base currency. This is known as "currency risk," which is the possibility that a stronger currency will reduce the return of the investment in the clients' account and a weaker base currency will increase the return of the investment in the clients' account.

#### 7. General Market Risk

General market risk is the risk that markets will go down in value, including the possibility that those markets will go down sharply and unpredictably. Several factors can influence market trends, such as economic developments, changes in interest rates, political changes, and catastrophic events. All investments are subject to general market risk.

#### 8. Legal and Regulatory Risk

Costs of complying with laws, regulations, and policies of regulatory agencies, as well as possible legal actions, have an impact on the value of investments held by a client.

#### 9. Sovereign Debt Risk

Some portfolios may invest in sovereign debt securities. These securities are issued or guaranteed by foreign government entities. Investments in sovereign debt are subject to the risk that a government entity may delay or refuse to pay interest or repay principal on its sovereign debt. Some of the reasons for this may include cash flow problems, insufficient foreign currency reserves, political considerations, the size of its debt position relative to its economy, or failure to put in place economic reforms required by the International Monetary Fund or other agencies. If a government entity defaults, it may ask for more time in which to pay or for further loans. There is no legal process for collecting sovereign debts that a government does not pay or bankruptcy proceeding by which all or part of sovereign debt that a government entity has not repaid may be collected.

## **Item 9 - Disciplinary Information**

On October 28, 2016, the Ontario Securities Commission (OSC), a Canadian regulator, approved a no contest settlement agreement with CIBC World Markets Inc., CIBC Investor Services Ind. and CIBC Securities Inc., three affiliates of CIBC AM, in relation to a matter discovered and self-reported to the OSC, which resulted in certain clients paying excess fees for certain investment products during the period of 2002 to 2016. In addition to the compensation, the affiliates involved agreed to make a payment of CAD 3million to the OSC to help fund investor education and a CAD50,000 payment towards the cost of the investigation.

This event is mentioned due to the fact there are Management Persons common to CIBC AM and the affected firms. CIBC AM was not directly involved in the settlement agreement.

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

CIBC AM is registered as a Commodity Trading Manager in the province of Ontario, which is a requirement for CIBC AM to be able to provide advice and discretionary trading to certain of its advisory service clients with respect to commodities.

CIBC AM may effect trades for client accounts with an affiliated broker-dealer including CIBC World Markets Inc. and CIBC World Markets Corporation. As such, the affiliated broker-dealer will earn a commission or other fee in connection with such transactions. (Please refer to Item 12 below for additional information regarding CIBC AM's brokerage practices.)

CIBC AM is a member of the National Futures Association and is registered as a Commodity Trading Advisor with the Commodity Futures Trading Commission. CIBC AM and its representatives act pursuant to this registration when providing advice regarding commodity interests, including options and futures on commodities, certain currency derivatives, and certain types of swaps.

CIBC Mellon Trust Company ("CIBC Mellon"), which is jointly-owned by CIBC and the Bank of New York Mellon Corporation, may be selected by certain segregated account clients to serve as their custodian. All segregated account clients are free to select their own custodian and CIBC AM does not recommend

custodians. CIBC Mellon also serves as the custodian for the Funds and, as such, earns custodial fees from the Funds. CIBC Mellon also earns trustee fees in its role as trustee for CIBC AM's pooled investment vehicles.

CIBC AM will take reasonable steps to identify existing material conflicts of interest that we may reasonably expect to arise between us and our affiliates. We will respond as appropriate to each such conflict of interest by avoiding, controlling, or disclosing to our clients.

In addition to managing your assets, we also manage the assets of other clients. We may give advice and take action in the performance of our duties for other clients that may differ from advice given, or in the timing and nature of action taken, with respect to your account.

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

### **Code of Ethics**

CIBC AM requires that all of its supervised personnel be subject to and comply with all applicable provisions of both the CIBC Code of Conduct and the CIBC Asset Management Personal Trading Policy (the "Personal Trading Policy"). Together, these two policies constitute CIBC AM's Code of Ethics. All supervised persons at CIBC AM must acknowledge the terms of the CIBC Code of Conduct annually and the Personal Trading Policy bi-annually, or as amended.

Both the CIBC Code of Conduct and the Personal Trading Policy mandate supervised persons to comply with applicable laws and report violations or other contraventions of the CIBC Code of Conduct or Personal Trading Policy to appropriate parties.

All supervised persons are responsible for recognizing that, since CIBC AM is a U.S. registered investment adviser, each supervised person has:

- An obligation not only to personally comply with all applicable U.S. federal securities laws, but also
- An obligation to affirmatively report to the persons and/or in the manner indicated in the CIBC Code of Conduct or the Personal Trading Policy as applicable, any personal, witnessed, or suspected violations by other supervised personnel of any provision of either the CIBC AM Code of Ethics or U.S. federal securities laws.

### **Personal Trading Policy**

The Personal Trading Policy prohibits employees from short term and abusive trading and requires all CIBC AM employees to comply with certain trading restrictions on securities transactions.

Failure to comply with the Personal Trading Policy constitutes a violation and sanction including, without limitation, formal warning with manager notification,

reversal of a trade, suspension of trading privileges, and/or suspension or termination of employment.

The Personal Trading Policy guides the personal investment activities of employees, officers and directors, and members of their immediate families to ensure that, among other things, the personal securities transactions of all employees are conducted in accordance with the following general principles:

- a duty at all times to place the interests of clients first and foremost;
- the requirement that all personal securities transactions be conducted in a manner that avoids any actual or potential conflict of interest or the appearance of a conflict of interest or any abuse of an employee's position of trust and responsibility; and
- that employees should not take inappropriate advantage of their positions

The Personal Trading Policy requires employees of CIBC AM, to (a) provide duplicate confirmations of any transactions in accounts held directly by an employee or beneficially owned by an employee and (b) comply with restrictions regarding certain securities as detailed in the Personal Trading Policy.

In addition, certain officers and employees that participate in providing investment advice to our clients, and other persons who consistently obtain information regarding current recommendations with respect to portfolios of our clients or real-time trading information, are required to comply with additional restrictions. These additional restrictions include, but are not limited to, pre-clearance of personal securities transactions in non-exempt securities, periodic transaction reporting and maintaining their account at a CIBC affiliate.

Under the Personal Trading Policy, certain classes of securities have been designated as exempt transactions based upon a determination that these are highly liquid and personal trading in such securities will have no impact on client holdings. Because the Personal Trading Policy in some circumstances would permit employees to invest in the same securities as clients, there is a possibility that employees might benefit from investment activity in a client's account. Due to this conflict of interest between us and our clients, the CIBC Wealth Management Compliance department monitors and reviews transactions against the activity on the trading blotters and/or employee personal account statements.

CIBC AM will provide a copy of the Code of Ethics to any client or prospective client upon request.

### **Interest in Client Transactions**

CIBC AM may recommend that their clients buy or sell securities in which they have a financial interest. These securities include the Funds for which CIBC AM acts as investment fund manager and portfolio advisor and in which CIBC AM, its officers, employees, and affiliates may have a direct or indirect financial interest. CIBC AM only makes investments in securities of related issuers in accordance



with applicable Canadian securities legislation. For any segregated account client assets invested in a Fund, the amount of such assets will be excluded from the total account value on which management fees are calculated.

## **Item 12 - Brokerage Practices**

### **Trade Allocation**

CIBC AM endeavors to combine or aggregate orders for clients in respect of trades in the same security that have identical terms (i.e., price limits) and approximate time of entry. If the full amount of the order originally placed is not received (i.e., a “partial fill” occurs), the order will generally be allocated on a pro rata basis across client accounts.

Allocations of partial fills shall be made at the average execution price. Deviations from a *pro rata* allocation may be required in certain circumstances to ensure fairness. With respect to equity securities, this may occur, for example, where: (1) only a small allocation has been obtained compared to the size of the original order, (2) the value of the order is, on relative terms, insignificant compared to the total value of the account, or (3) the parameters of an order with respect to a particular client (or clients) is modified, so that the execution of the order needs to be revisited. Any deviation from a pro rata allocation must be documented and be approved by the Head of Asset Class or a senior manager who is at arm’s length to the transaction.

With respect to orders for initial public offerings (“IPO”), the portfolio manager, prior to placing the order, may determine a minimum size allocation in shares or amount for each participating portfolio. If a portfolio's allocation is lower than the minimum, those shares are re-allocated among the other participating portfolios.

With respect to fixed income securities, clients whose portfolios are furthest from alignment with respect to their investment criteria or strategy may receive a greater allocation.

The Best Execution Committee will review all reallocations and deviations from the *pro rata* rule that occurred in the previous quarter.

### **Brokerage and Soft Dollar Arrangements**

“Soft dollars” refers to circumstances where CIBC AM directs client brokerage commissions to a broker-dealer in return for the provision of goods and services, other than order execution, from the broker-dealer or a third party.

Soft dollar arrangements may give rise to potential conflicts of interest. This concern arises as these arrangements could provide an incentive for CIBC AM to direct trades to broker-dealers in return for goods and services that would benefit CIBC AM, but not our clients. Securities legislation and our own internal policies

set out a number of rules that are designed to identify, address, and mitigate such conflicts of interest. CIBC AM is committed to dealing fairly, honestly, and in good faith in matters of trade execution and soft dollar arrangements, and ensuring that trade execution decisions will be made on the basis of the best interests of our clients.

### **Broker-Dealer Selection Process**

CIBC AM has adopted policies and procedures designed to ensure that broker-dealers are selected based solely on the best interests of our clients and to allow CIBC AM to achieve “best execution” on their behalf. During the year, CIBC AM or an affiliate conducts a due diligence process to approve a number of new broker-dealers to whom trades may be directed during the year. CIBC AM or an affiliate evaluates, among other things, whether these broker-dealers are in good standing with the regulators and whether they have sufficient financial strength and stability in order to limit risk to CIBC AM and our clients.

When considering to which broker-dealer a given trade should be directed, CIBC AM considers a number of factors, including:

- the broker-dealer’s execution capability (i.e., trading experience, competency on block trading, ability to commit capital, reliability in executing trades, access to underwriting and secondary market offerings, etc.) given the timing and size of a particular order and available liquidity;
- commission rates;
- financial responsibility, strength and stability;
- responsiveness, reliability, and accuracy of communications;
- reputation and integrity;
- fairness in resolving disputes;
- access to electronic communication networks; and
- the quality and relevance of the research and/or order execution goods and services offered.

Throughout the process outlined above, CIBC AM seeks to achieve “best execution” by executing our clients trades at the most favorable execution terms reasonably available under the particular circumstances at that time.

While, pursuant to this process, CIBC AM may direct trades to CIBC World Markets Inc. and CIBC World Markets Corp. (collectively, “CIBC World Markets”), affiliated broker-dealers of CIBC AM, CIBC AM does not treat CIBC World Markets more favorably than other broker-dealers or apply the factors discussed above differently to CIBC World Markets.

To mitigate any conflict that could arise in the brokerage selection process due to the provision of gifts and entertainment to our personnel, the Code of Conduct includes a provision that restricts an employee’s ability to accept gifts. That provision prohibits any employee from accepting one or a series of gifts worth an aggregate of \$100 each year from any person, firm, or company with which CIBC AM does or seeks to do business, provided that such gifts are in accordance with

normally accepted business practices.

### **Soft Dollar Arrangements**

Section 28(e) of the U.S. Securities and Exchange Act of 1934 ("Exchange Act") provides a safe harbor that allows an investment adviser to pay more than the lowest available commission in order to obtain brokerage and research services (commonly referred to as a "soft dollar" arrangement). The Section 28(e) safe harbor is available for transactions in which:

- The adviser has investment discretion over all of the accounts in question;
- The brokerage and research services are provided by the broker-dealer;
- The adviser makes a good faith determination that the commissions are reasonable in relation to the value of brokerage and research services provided, viewed in terms of either a particular transaction or the adviser's overall responsibilities to all discretionary accounts; and
- The adviser discloses its policies and practices regarding the payment of commissions pursuant to soft dollar arrangements.

For purposes of the Section 28(e) safe harbor, a broker-dealer "provides brokerage and research services" when it:

- Furnishes advice, directly or through publications or writings, as to the value of securities, the advisability of investing in, purchasing, or selling securities, and the availability of securities or trading counterparties;
- Furnishes analyses and reports concerning issuers, industries, securities, economic factors and trends, portfolio strategy, and the performance of accounts; or
- Affects securities transactions and performs associated functions such as clearance, settlement, and custody.

Section 28(e) specifically excludes transactions involving securities futures from the safe harbor.

### **Brokerage Services**

The Section 28(e) safe harbor is only available for brokerage services from the time when the adviser communicates the order to the broker-dealer to the time when the funds or securities are delivered or credited to the adviser's account. Associated products and services, such as trading software and dedicated lines that are used to transmit or settle orders, may also be eligible. However, computer hardware is ineligible, as is software that is used for compliance or administrative purposes. For example, software used to satisfy an adviser's obligation to seek best execution, or to ensure compliance with specific clients'

mandates, is not eligible. Finally, the Section 28(e) safe harbor is not applicable to costs associated capital introduction or margin services, stock lending fees, or the resolution of an adviser's trade errors.

## **Research Services**

Guidance from the SEC suggests that the following products and services can fall within the definition of "research services:"

- Research reports;
- Discussions with research analysts and meetings with corporate executives;
- Fees to attend conferences or seminars that provide substantive content regarding issuers, industries, and/or securities;
- Research related to the market for securities, such as trade analytics (including analytics available through order management systems), and advice on market color and execution strategies;
- Market, financial, economic, and similar data;
- Pre-trade and post-trade analytics used during the investment decision-making process; and
- Proxy services that the adviser uses during the investment decision-making process, as opposed to services used to satisfy the adviser's own voting, recordkeeping, or disclosure obligations.

## **Mixed Use Items**

In certain cases, products and services may be "mixed use" in nature where certain functions do not assist the investment decision-making or trading process. Such mixed use products could include, but are not limited to, management information systems that integrate trading, execution, accounting, record-keeping and other administrative matters and performance analytics systems that are used for both investment management and marketing purposes. Only the percentage of the service or product that is used to assist CIBC AM with investment decisions or with effecting securities transactions may be paid with soft dollars. The balance must be paid in hard dollars. CIBC AM will make a reasonable allocation between the eligible and non-eligible components of the service or product based on a good faith estimate of how the product or service is used and will pay for the service accordingly.

The following types of research and execution goods and services may be received through soft dollar arrangements:

- research reports and information about particular countries, economies,

- markets, industries, companies and/or securities;
- access to analysts and industry experts;
- company meeting facilitation;
- statistical and market data and news services;
- quantitative analytical research services;
- risk attribution systems;
- best execution and trade quality evaluation services;
- order management systems;
- custodial services directly related to client trades.

CIBC AM has established controls, monitoring, and record keeping procedures to ensure that the client accounts that generated the soft dollar commissions receive reasonable benefit over a reasonable period of time considering the use of the goods and services received and the amount of commissions paid.

These procedures require pre-approval of all goods or services paid for with soft dollar commissions and take into account the fair value of the goods or services received where determinable. It is, however, possible that accounts other than those that generated the soft dollar commissions may benefit from the goods and services obtained through soft dollars.

### **Directed Brokerage Arrangements**

Clients may direct CIBC AM to execute trades through specific broker-dealers. CIBC AM may not be able to achieve best execution with respect to transactions executed on behalf of such client accounts. Further, directed brokerage account clients may pay higher brokerage commissions because CIBC AM may not be able to aggregate orders to reduce transaction costs.

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

On an ongoing basis, Portfolio Managers (typically at the Vice President level or above) are responsible for managing client assets within the guidelines of a client's investment policy for specific mandates assigned.

On a semi-monthly basis, the Fund & Investment Governance Group performs testing to determine compliance adherence of the investment guidelines and regulatory requirements for all client portfolio holdings. Portfolio Managers are requested to review any deviations resulting from these reviews and provide rationale and, if required, take immediate corrective action. The results of the semi-monthly evaluations are reported to members of the Client Servicing and Investment Management groups on a monthly basis. Client reporting of deviations from policies are prepared on a frequency agreed upon with each client.

The Business Controls Group is responsible for performing management testing of investment controls and provides the results of their reviews to senior

management, with a copy to the Chief Compliance Officer. Business Controls also ensure that explanations provided by senior management and/or corrective action to deviations from policies will reasonably address the situation. CIBC Wealth Management Compliance performs periodic independent testing of investment controls and reports the results of their review to the CEO of CIBC AM as well as other CIBC governance partners.

Clients are provided with a monthly report detailing performance and the assets that should be held in their account at their custodian. A quarterly report is also issued that includes performance and portfolio characteristics.

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

CIBC AM may participate in client referral arrangements with other CIBC affiliates. These referrals are governed by a referral agreement that includes the roles and responsibilities of each party. A referral arrangement may be perceived as a conflict of interest; however, we mitigate this conflict by providing full disclosure of the referral fee to clients and obtaining their written acknowledgment that they are aware of the fee. There is no additional charge to a client if they are referred. The actual referral fee will vary depending on the referrer but is generally a percentage of the annual fee and will be paid for a pre-determined period.

CIBC AM does not pay any trailer fees.

#### **Item 15 - Custody**

CIBC AM does not have custody of any client assets. All client assets are held in custody by a qualified custodian. Segregated account clients will receive account statements directly from their custodian and should carefully review those statements. All clients receive statements directly from CIBC AM. Clients should compare the account statements they receive from their custodian to those received from CIBC AM.

With respect to the Funds, CIBC AM is deemed to have custody because an affiliate of CIBC AM serves as the Funds' trustee. All Funds are subject to an annual audit and audited financial statements are distributed to each investor or client that has an investment in the Fund. Audited financial statements are prepared in accordance with Canadian generally accepted accounting principles and distributed within 90 days of each Fund's fiscal year end to meet Canadian regulatory requirements.

#### **Item 16 - Investment Discretion**

Prior to undertaking any management of a client's assets, CIBC AM enters into an Investment Management Agreement ("IMA"). Incorporated into the IMA is the reference to manage the assets in accordance with the client's Investment Policy Statement and Guidelines.

## Item 17 - Voting Client Securities

If a client has assigned the voting responsibility for the clients' investments to CIBC AM, the client must instruct their trustee/custodian to forward all proxy voting materials to CIBC AM or such other party which may include an independent proxy adviser, (the "Proxy Adviser"), selected by CIBC AM from time to time. CIBC AM will exercise its voting responsibility in accordance with the best economic interest of the beneficiaries.

If a client has retained the right to exercise its voting rights, the client will assume responsibility for proxy voting. CIBC AM will not be responsible for the proxy voting of clients' investments that may be out on loan as contracted in a securities lending agreement as determined between the client and their custodian/trustee. In addition, CIBC AM will not undertake any action to have securities returned from a borrower.

CIBC AM has developed proxy voting guidelines (the "Guidelines") that set out how CIBC AM intends to vote on routine and non-routine issues. These Guidelines are based on the premise that environmental, social and governance issues may affect investment performance and that appropriate consideration of these issues is required in order to protect the investment. CIBC AM is of the view that even though the main criteria for corporations' remain economic profit, behaving in a socially responsible manner should increase the economic value of the firm while reducing potential liability, and therefore will be considered as part of the overall analysis of the investment in a company.

Votes would normally be cast as per the recommendations of the Proxy Adviser applying the Guidelines. However, due to the factual situation at hand and/or the interpretation of the Guidelines, the portfolio managers may have a different opinion and therefore vote differently from the Proxy Adviser's voting recommendation, subject to review and approval from the applicable asset class head. A representative of CIBC AM may decide to contact the company's management in order to assess the impact of the proposal(s). The representative can also consult with CIBC Legal where appropriate. Votes will be cast based on CIBC AM's best judgment of the economic interests of the beneficiaries based on the information that was available at the time of the proxy vote. CIBC AM may participate in shareholder action groups where deemed appropriate. All proxy voting decisions that don't follow the Proxy Adviser's recommendations will be documented and include the rationale for the decision (collectively, referred to as the "Standard Procedure").

CIBC AM will undertake reasonable efforts to vote all proxies in its possession with the understanding that CIBC AM will only be able to do so if it has the required documentation and sufficient information to make an informed decision within the given time frame. However, due to operational challenges that can surround proxy voting activity, CIBC AM's assessment of all its clients' best interest or for other reasons, CIBC AM might not vote proxies in all instances.

To address actual or perceived conflicts of interests, CIBC AM has decided to rely

exclusively on the Proxy Adviser for all proxy voting at meetings of CIBC security holders. With respect to a company where CIBC or any of its subsidiaries is providing advice, funding, underwriting or other financial services, or any other case where CIBC might have an interest in the outcome of the vote, votes would be cast following the Standard Procedure. CIBC has established ethical walls/information barriers designed to prevent the transmission of information and undue influence by CIBC and its subsidiaries on CIBC AM.

In the event that an actual or perceived conflict of interest between CIBC AM and a client or clients is identified, CIBC AM will always place the interests of the client and their respective beneficiaries above its own. When a conflict of interest involving CIBC AM (but not any of its affiliates) has been identified for a particular vote, whether it results from any material business, personal or familial relationship with senior personnel at a corporation in question or a material arrangement by CIBC AM with any such corporation or any other reason, CIBC AM will generally refrain from making a decision on the proxy vote at issue and will rely on the Proxy Adviser's recommendation on voting the proxies unless it concludes that the Proxy Adviser's recommendation is not in the best interest of its clients, in which case, the Standard Procedure will apply.

CIBC AM will assess on an annual basis whether the Proxy Adviser remains independent and will assess its ability to make recommendations for voting proxies in an impartial manner and in the best interest of CIBC AM's clients and their respective beneficiaries. The Guidelines will be reviewed at least annually by management to ensure that CIBC AM follows the evolution of proxy voting practices. All relevant CIBC AM investment professionals will also be asked to participate in this review process. CIBC AM's complete proxy voting policy and procedures are available to clients upon request. In addition, a record of all proxy votes cast on behalf of clients is available upon request. To receive a copy, please contact us at 416-364-5620 or at [cibcaminfo@cibc.ca](mailto:cibcaminfo@cibc.ca)

## **Item 18 - Financial Information**

CIBC AM has never filed for bankruptcy and is not aware of any financial condition that is expected to affect it.