

# Wealhouse Capital Limited Partnership

## Part 2A of Form ADV Brochure

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This brochure provides information about the qualifications and business practices of Wealhouse Capital Limited Partnership (“Wealhouse”). If you have any questions about the contents of this brochure, please contact us at (416) 644-1190. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (“SEC”) or by any state securities authority.

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

## Item 2: Material Changes

There are no material updates in this update.

### Item 3: Table of Contents

|   |    |
|---|----|
| Item 2: Material Changes .....  | 2  |
| Item 3: Table of Contents .....   | 3  |
| Item 4: Advisory Business .....   | 4  |
| Item 5: Fees and Compensation .....   | 4  |
| Item 6: Performance Based Fees and Side-by-Side Management .....  | 5  |
| Item 7: Types of Clients .....  | 6  |
| Item 8: Methods of Analysis, Investment Strategies and Risk of Loss .....                               | 6  |
| Item 9: Disciplinary Information .....  | 10 |
| Item 10: Other Financial Industry Activities and Affiliations .....                                     | 10 |
| Item 11: Code of Ethics, Participation or Interest in Client Transactions<br>and Personal Trading ..... | 11 |
| Item 12: Brokerage Practices .....  | 11 |
| Item 13: Review of Accounts .....   | 11 |
| Item 14: Client Referrals and Other Compensation .....  | 13 |
| Item 15: Custody .....  | 13 |
| Item 16: Investment Discretion .....  | 14 |
| Item 17: Voting Client Securities .....   | 14 |
| Item 18: Financial Information .....  | 14 |

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

Wealhouse, an investment advisory firm organized under the laws of Ontario, will provide discretionary investment advisory services to high net worth individuals, pooled investment vehicles and charitable organizations through a separate account structure (each a “Managed Account”) and certain Canadian private funds.<sup>1</sup>

Wealhouse is principally owned by Scott Morrison and Jim Balsillie.

To exploit perceived market inefficiencies, Wealhouse will employ a variety of investment strategies, which include buying and selling long and short positions in securities, limited use of leverage. In the provision of investment advisory services, Wealhouse expects to use equity and debt securities as well as derivatives.

As a discretionary asset manager for institutional and individual Managed Accounts, Wealhouse recognizes that all clients are unique and that, therefore, their investment needs may be different. As such, Wealhouse may modify its primary investment strategy, as necessary, to meet the goals specified by the Managed Accounts, in an effort to accommodate the particular investment objectives and accompanying requested restrictions. At the commencement of the relationship, each of our Managed Accounts execute an investment management agreement, which sets forth their investment objectives, investment strategy and any investment restrictions that will be applicable to our management of the assets in the client’s account. Prior to the execution of the agreement, Wealhouse will review the requested objectives and restrictions and work with a Managed Account as needed to refine these objectives and restrictions to both meet the client’s needs and provide us with sufficient discretion to properly invest the client’s assets.

Wealhouse does not participate in wrap fee arrangements.

As of November 30, 2017, Wealhouse managed approximately USD \$728,122,765 million in assets under management on a discretionary basis.

#### **Item 5: Fees and Compensation**

Wealhouse earns fees for investment management services only. Management fees, typically 2.00% per annum, are payable monthly in arrears and are calculated as a percentage of the net asset value of each Managed Account as at the last day of the preceding month. In addition, to the extent Managed Accounts are eligible, Wealhouse may charge an annual performance fee based upon a calculation methodology that is set out in each Managed Account’s investment management agreement. Any performance fees due are payable annually on the last day of each calendar year. All performance fees are calculated on realized and unrealized gains and losses on the Managed Accounts’ investments after the deduction of fees. We believe that these fee arrangements align our interests with yours in that we will earn more fees if we assist you in

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<sup>1</sup> The Canadian private funds are not eligible for investment by current or prospective US investors and/or clients.

growing the value of the assets held in your account. If for any reason a client wishes to terminate an investment advisory contract, the client must provide prior written notice in accordance with the terms of their contract and, to the extent necessary, any fees will be prorated to the termination date.

In general, fees are not negotiable although there may be different or negotiated fee schedules and other terms negotiated between Wealhouse and its Managed Accounts. In addition, Wealhouse has the discretion to waive all or a portion of the management fee and/or performance-based allocations. In general, principals, partners and employees of Wealhouse do not pay management fees and are not subject to performance-based allocations. In addition, Wealhouse may enter into side letters or similar written agreements with Managed Accounts which have the effect of establishing rights under, or altering or supplementing the terms of, the relevant Managed Account documents including the management fee or performance-based allocation.

Wealhouse's fees are exclusive of brokerage commissions, transaction fees, service provider fees, and other related costs and expenses which will be incurred each Client. Execution of Client transactions typically requires payment of brokerage commissions by Clients. "Item 12 – Brokerage Practices" further describes the factors that Wealhouse considers in selecting or recommending broker/dealers for the execution of transactions and determining the reasonableness of their compensation (e.g., commissions). Investment activity may also involve other transaction fees payable by the Managed Accounts, such as sales charges, odd-lot differentials, transfer taxes, wire transfer and electronic fund fees, and other fees and taxes on brokerage accounts and securities transactions. In addition, the Managed Accounts may incur certain charges imposed by custodians, broker/dealers, third-party investment consultants, and other third parties, such as custodial fees, consulting fees, administrative fees, and transfer agency fees.

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

As described in Item 5 above, based on eligibility, Wealhouse expects to receive a performance fee Incentive Allocation from its Managed Accounts. The receipt of a performance fee may create an incentive for Wealhouse to make investments that are riskier or more speculative than would be the case if such compensation arrangements were not in place.

It should also be noted that even though Wealhouse may receive a performance fee from its Managed Accounts, there may be a difference in the fee structure assigned to each particular type of Managed Account. As such, Wealhouse's receipt of a performance creates a potential conflict of interest in that it may create an incentive for Wealhouse to make investments on behalf of certain Managed Accounts that are riskier or more speculative than would be the case if all Managed Accounts assumed the same fee structure. In addition, since performance-based fees will be calculated on the basis of realized and unrealized gains and losses, such allocation may be based on gains that some clients might never realize.

Subject to any restrictions placed upon Wealhouse by the Managed Accounts, be it liquidity or investment related, Wealhouse believes that any conflicts of interest created by side-by-side management of the Managed Account and the Canadian private funds will be mostly mitigated by

the fact that the Managed Accounts and the Canadian private funds are generally expected to be traded on a pari passu basis.

A description of the services offered, and corresponding fees charged, by Wealhouse will be provided in each Managed Account's investment management agreement.

#### **Item 7: Types of Clients**

As described in Item 4, above, Wealhouse provides investment advice to high net worth individuals and charitable organizations.

The minimum initial account size for Managed Accounts will be USD 1,000,000. This requirement may be waived or modified at the discretion of Wealhouse.

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

The Managed Accounts are expected to initially pursue an investment strategy that is similar to that of the Canadian private funds, subject to certain differing risk, leverage or futures positions parameters and differing regulatory and compliance requirements (including compliance with each Managed Account's restricted list).

The items set forth in Item 8, as identified, are generally the risks associated with the strategy Wealhouse intends to use with respect to the Managed Accounts and the Canadian private funds.

#### **Investment Objective and Strategy**

In making its investment decisions, Wealhouse may rely on internally generated research, derived from annual reports, prospectuses, filings with the regulatory bodies, corporate press releases, inspections of corporate activities, conversations with the firm and/or its competitors, financial newspapers, magazines, and other sources. Wealhouse may also use research material prepared by others in making an investment decision. During the research process, Wealhouse makes a qualitative assessment of the security in question, including but not limited to: the integrity of the management; the strategic vision of the management; the firm's ability to execute its strategy; the attractiveness of the industry or industries in which the firm operates; and the potential for the firm to achieve acceptable levels of returns for its stakeholders in the future.

After completing the required qualitative assessment, Wealhouse attempts to ascertain a fair valuation for the security, based on financial statement analysis. This combination qualitative and quantitative approach to security selection, and the portfolio decisions that are derived from it, encompass the majority of Wealhouse's daily activity.

## **Investment Risks**

### General Economic and Market Conditions

The success of the Managed Accounts' activities may be affected by general economic and market conditions, such as interest rates, availability of credit, inflation rates, economic uncertainty, changes in laws, and national and international political circumstances. These factors may affect the level and volatility of securities prices and the liquidity of the Managed Accounts' investments. Unexpected volatility or illiquidity could impair the Managed Accounts' profitability or result in losses.

### Market Assessment

At the time of the investment, Wealhouse intends to invest in opportunities that it believes provide the best reward per unit of risk. Wealhouse also intends to optimize the reward per unit of risk of the investment portfolio by varying the allocation of long and short positions depending on Wealhouse's view of the domestic and international economy, market trends and other considerations. The Managed Accounts' portfolio will be positioned in accordance with Wealhouse's market view. There is no assurance that Wealhouse's assessment of the market will be correct and result in positive returns. Losses may occur as a result of any incorrect assessment.

### Concentration

Wealhouse may take more concentrated securities positions than a typical public mutual fund or concentrate investment holdings in specialized industries, market sectors or in a limited number of issuers. Additionally, concentration involves greater risk and volatility since the performance of one particular sector, market or issuer could significantly and adversely affect the overall performance of the entire Managed Account.

### Liquidity of Underlying Investments

Some of the securities in which the Managed Accounts intend to invest may be thinly traded or traded only in negotiated transactions with investment dealers or brokers. There may be no restrictions on the investment of the Managed Accounts' assets in illiquid securities. It is possible that a Managed Account may not be able to sell or repurchase significant portions of such positions without facing substantial adverse prices. If a Managed Account is required to transact in such securities before their intended investment horizon, the performance of the Managed Account could suffer. Difficulty in selling securities may result in a loss or a costly delay to a Managed Account.

### Fixed Income Securities

To the extent that a Managed Account holds fixed income investments in its portfolio, it will be influenced by financial market conditions and the general level of interest rates in Canada. In particular, if fixed income investments are not held to maturity, a Managed Account may suffer a loss at the time of sale of such securities.

### Equity Securities

To the extent that a Managed Account holds equity investments in its portfolio, it will be influenced by stock market conditions in those jurisdictions where the securities held by a Managed Account are listed for trading and by changes in the circumstances of the issuers whose securities are held by a Managed Account. Additionally, to the extent that a Managed Account holds any foreign investments in its portfolio, it will be influenced by world political and economic factors and by the value of the Canadian dollar as measured against foreign currencies which will be used in valuing the foreign investment positions held by a Managed Account.

### Commodities

To the extent a Managed Account holds commodities such as gold, silver and other precious metals in its portfolio; it will be influenced by changes in the price of such commodities. Commodity prices can change significantly as a result of supply and demand, speculation, international monetary and political factors, government and central bank activity, and changes in interest rates and currency values.

### Derivatives

The Managed Account may purchase and sell options or enter into other derivative transactions. These transactions may be used for any purpose, including hedging purposes and to increase the possibility of achieving gains from any level of movement in the price of the underlying securities or group of securities. Use of derivatives in general presents additional risks. If used for hedging purposes, an imperfect or variable degree of correlation between price movements of the derivative instrument and the underlying investment sought to be hedged may prevent a Managed Account from achieving the intended hedge effect or expose it to the risk of loss. Risks associated with options or instruments and with the instruments themselves may differ from the risks associated with underlying assets. Derivative instruments may not be liquid in all circumstances, so that in volatile markets a Managed Account may not be able to close out a position without incurring a loss. No assurance can be given that short sales, hedging, leverage and other techniques and strategies used by a Managed Account will not result in material losses. A Managed Account may purchase or write call and put options on securities and stock indexes, on exchanges or over-the-counter markets. The uncovered selling of an option generally exposes the seller to unlimited risk. The ability of a Managed Account to close out a position as a purchaser or writer of a listed put or call option is dependent, in part, upon the liquidity of the option market. To the extent that a Managed Account may use over-the-counter derivatives, it will be subject to the credit risk that its counterparty may not be able to meet its financial obligations and a Managed Account could possibly lose its margin and any gains on a contract.

### Currency Risk

Investment in securities denominated in a currency other than Canadian dollars will be affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the



security is denominated. Thus, the value of securities held within a Managed Account's portfolio may be worth more or less depending on their susceptibility to foreign exchange rates.

### Foreign Investment Risk

To the extent that a Managed Account invests in securities of foreign issuers, it will be affected by world economic factors and, in many cases, by the value of the Canadian dollar as measured against foreign currencies. Obtaining complete information about potential investments from foreign markets may also be of greater difficulty. Foreign issuers may not follow certain standards that are applicable in North America, such as accounting, auditing, financial reporting and other disclosure requirements. Political climates may differ, affecting stability and volatility in foreign markets. As a result, a Managed Account's value may fluctuate to a greater degree by investing in foreign equities than if a Managed Account limited its investments to Canadian securities.

### Trading Costs

A Managed Account may engage in a high rate of trading activity resulting in correspondingly high transaction costs being borne by a Managed Account.

### Suspension of Trading

Securities exchanges typically have the right to suspend or limit trading in any instrument traded on the exchange. A suspension would render it impossible to liquidate positions and could thereby expose a Managed Account to losses.

### Risks Associated with Special Techniques

The special investment techniques that Wealhouse may use are subject to risks including those summarized below.

#### Short Sales

The possible losses to each Managed Account from a short sale of a security differ from losses that could be incurred from a long position in the same security. Losses from a short sale of a security may be unlimited. Losses from a long position in a security will be limited to the total amount of the investment. Short positions require the borrowing of stock from another party. A recall of borrowed stock could cause each Managed Account to close out a short position at a disadvantageous price.

#### Leverage

The Managed Accounts may use leverage; including purchasing securities with borrowed funds, selling securities short, using repurchase agreements, swaps and other derivatives to make investments. If such investments decline in value, the loss will be magnified if each Managed Account has borrowed money to make its investments. The Managed Account may not be able to repay borrowings or it may be forced to sell investments at a disadvantageous time in order to

repay borrowings. Costs incurred in connection with the use of leverage may not be recovered by income or appreciation in the investments purchased, and may be lost in the event of a decline in the market value of such securities. Each Managed Account may borrow up to a certain value of its net assets. In the event of a precipitous drop in the value of each Managed Account's assets, a Managed Account may not be able to liquidate assets quickly enough to pay off their margin debt. A Managed Accounts may elect to sell its more liquid assets first to repay borrowings, thus increasing its concentration in less liquid securities.

### Hedging

Although a hedge is intended to reduce risk, it does not eliminate risk entirely. A hedging strategy may not be effective. A hedge can result in a loss in the case of an extraordinary event. There are several such possible cases including, but not limited to: (i) a cease trade order being issued in respect of the underlying security; (ii) the inability to maintain a short position due to the repurchase or redemption of securities by the issuing company; (iii) disappearance of any conversion premium due to premature redemptions, changes in conversion terms or changes in an issuer's dividend policy; (iv) credit quality considerations, such as bond defaults; and (v) lack of liquidity during market panics. To protect the Managed Accounts' capital against the occurrence of such events, Wealhouse will attempt to maintain a diversified portfolio of securities.

*The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in a Managed Account with Wealhouse. Prospective Managed Account clients should discuss their individual needs with Wealhouse prior to engaging Wealhouse for a Managed Account.*

## **Item 9: Disciplinary Information**

Neither Wealhouse nor its employees have been involved in any legal or disciplinary events in the past 8 years that would be material to a client's, prospective client's, investor's or prospective investor's evaluation of Wealhouse's business or its personnel.

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

Neither Wealhouse nor any of its management persons are registered, or have an application pending to register, as a broker-dealer or a registered representative of a broker-dealer under the Securities Exchange Act of 1934.

Wealhouse Capital GP Inc., an affiliate of Wealhouse, serves as general partner and manager to the Canadian private funds. Wealhouse, via trust agreement with Wealhouse Capital GP Inc., has been delegated as the investment manager to the Canadian private funds.

Wealhouse is registered as an investment fund manager in Ontario and Quebec. Wealhouse is also registered as a portfolio manager and exempt market dealer in Ontario. For purposes of being an exempt market dealer, Wealhouse maintains the ability to market and/or sell interests in its Canadian private funds to certain Canadian clients of Wealhouse or to other investment dealers or mutual fund dealers.

Wealhouse's affiliates, principals and employees may from time to time purchase interests in the Partnership, and investments by such parties generally are not subject to the management fees or performance-based fees described in Item 5, above.

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

Wealhouse has adopted a Code of Ethics pursuant to Rule 204A-1 under the Advisers Act that is predicated on the principal that Wealhouse owes a fiduciary duty to its Clients. Accordingly, employees of Wealhouse must disclose or avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interest of Clients. To avoid any potential conflicts of interest, Wealhouse's Code of Ethics requires employees to, among other things:

- Act with integrity, competence, dignity, and in an ethical manner with the public, Clients, prospects, and third-party service providers;
- Use reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, trading, promoting Wealhouse's services, and engaging in other professional activities;
- Adhere to the fundamental standard that employees not take inappropriate advantage of their position;
- Avoid or disclose any actual or potential conflict of interest;
- Conduct all personal securities transactions in a manner consistent with Wealhouse's Code of Ethics; and
- Comply with applicable provisions of the federal securities laws.

Wealhouse's Code of Ethics also requires access persons to, among other things: (1) pre-clear certain personal securities transactions, (2) report personal securities transactions on at least a quarterly basis, and (3) provide Wealhouse with a detailed summary of certain holdings (both initially upon commencement of employment and annually thereafter) over which such access persons have a direct or indirect beneficial interest.

On occasion, Wealhouse's employees may buy or sell securities recommended to the Managed Accounts and the Canadian private funds. If the possibility of a conflict or interest occurs, the client's interest will prevail. It is the policy of the Company that priority will always be given to Managed Account and Canadian private fund orders over the orders of an employee of Wealhouse.

A copy of the Company's Code of Ethics shall be provided to any client or prospective client upon request.

### **Item 12: Brokerage Practices**

Wealhouse has discretionary authority to determine what securities are bought or sold, as well as the broker-dealer(s) that will affect those transactions.

#### **1. Brokerage Selection**

Wealhouse has engaged certain broker-dealers to serve as custodians for the Managed Accounts. There are no restrictions as to the type or amount of securities to be bought or sold on behalf of the Managed Accounts. Wealhouse is responsible for the placement of the portfolio transactions of Managed Accounts and the negotiation of any commissions paid on such transactions. Portfolio securities normally are purchased through brokers on securities' exchanges or directly from the issuer or from an underwriter or market maker for the securities. Purchases of portfolio instruments through brokers involve a commission to the broker. Purchases of portfolio securities from dealers serving as market makers include the spread between the bid and the asked price. Wealhouse may utilize the services of one or more introducing brokers who will execute brokerage transactions through the custodian who will clear the transactions of Managed Accounts and the Private Funds.

Securities transactions will be executed through brokers selected by Wealhouse in its sole discretion and without the consent of investors. In placing portfolio transactions, Wealhouse will seek to obtain the best execution for the Managed Accounts, taking into account the following factors: the ability to effect prompt and reliable executions at favorable prices (including the applicable dealer spread or commission, if any); the operational efficiency with which transactions are effected, taking into account the size of order and difficulty of execution; the financial strength, integrity and stability of the broker; the broker's risk in positioning a block of securities; the quality, comprehensiveness and frequency of available research services considered to be of value; and the competitiveness of commission rates in comparison with other brokers satisfying Wealhouse's other selection criteria.

Wealhouse is authorized to pay higher commissions to such firms if Wealhouse determines such prices or commissions are reasonable in relation to the overall services provided. Wealhouse is not required to weigh any of these factors equally. Information so received is in addition to and not in lieu of services required to be performed by Wealhouse and Wealhouse's allocations and fees are not reduced as a consequence of the receipt of such supplemental research information. Research services provided by broker-dealers used by the Managed Accounts and the Canadian private funds may be utilized by Wealhouse in connection with its other investment activities. Since commission rates are generally negotiable, Wealhouse's selection of brokers on the basis of considerations which are not limited to applicable commission rates may at times result in Managed Accounts being charged higher transaction costs than it could otherwise obtain.

## 2. Research and Other Soft Dollar Benefits.

Portfolio transactions for Wealhouse's clients will be allocated to brokers and dealers on the basis of best execution and in consideration of such brokers' or dealers' ability to effect such transactions, their facilities, reliability and financial responsibility, and their provision or payment of the costs of research and other services which are of benefit to the Managed Accounts, Canadian private funds and Wealhouse. The transactions may generate a substantial amount of brokerage commissions and other compensation, all of which the Managed Accounts and the Canadian private funds, not Wealhouse, will be obligated to pay. Research and related services furnished by brokers may include written information and analyses concerning specific securities, companies or sectors; market, financial and economic studies and forecasts; statistics and pricing

services; as well as discussions with research personnel and hardware, software, data bases and other news, technical and telecommunications services and equipment utilized in the investment management process (a “soft dollar” relationship). The term “soft dollars” refers to Wealhouse receiving products or services provided by brokers, without any cash payment from Wealhouse, based on the volume of brokerage commission revenues generated from securities transactions executed through those brokers on behalf of the Managed Accounts and the Canadian private funds. Wealhouse may make any appropriate allocations so that it bears the cost of any such services used for purposes other than for research (e.g., for hardware). The services furnished by a broker may benefit Wealhouse in rendering investment services to all clients. Such benefits to Wealhouse may lead to conflict of interest and increase in commission costs borne by the Managed Accounts or the Canadian private funds. The Managed Accounts’ Commissions may benefit the Canadian private funds. The Managed Accounts may pay a broker a commission in excess of that which another broker might have charged for effecting the same transaction, in recognition of the value of the brokerage or research services provided by the broker.

### 3. Order Aggregation.

If Wealhouse determines that the purchase or sale of a security is appropriate with regard to multiple Managed Accounts and the Canadian private funds, Wealhouse will purchase or sell such a security on behalf of such clients with an aggregated order, for the purpose of reducing transaction costs, to the extent permitted by applicable law. If any order is not filled at the same price, it may be allocated on a pro-rata basis by Wealhouse.

## Item 13: Review of Accounts

Wealhouse’s investment professionals will continuously monitor and review positions held by the Managed Accounts. Additionally, the Managed Accounts will be reviewed in the context of their stated investment objectives. More frequent reviews may be triggered by material changes in variables such as a Managed Account’s individual needs, or the market, political, or economic environment.

Managed Accounts are responsible to keep Wealhouse informed as to any personal changes in their financial condition or investment objectives. Wealhouse cannot make any material changes to a Managed Account’s portfolio if it is not informed of a Managed Account’s particular developments.

## Item 14: Client Referrals and Other Compensation

Wealhouse does not have any arrangements in place to compensate anyone or be compensated for the referral of Managed Accounts.

## Item 15: Custody

All Managed Accounts are held in custody by unaffiliated broker/dealers or banks, but Wealhouse can access many client funds through its ability to debit advisory fees. For this reason Wealhouse

is considered to have custody of client assets. Account custodians send statements directly to the account owners on at least a quarterly basis. Managed Accounts should carefully review these statements, and should compare these statements to any account information provided by Wealhouse.

#### **Item 16: Investment Discretion**

Wealhouse typically manages client accounts on a discretionary basis, subject to the restrictions, if any, that have been provided by Managed Accounts. For Managed Accounts handled on a discretionary basis, Wealhouse typically has the authority to determine the securities to be bought and sold without obtaining client consent to specific transactions. Moreover, in the accounts handled on a discretionary basis, Wealhouse typically has the authority to determine the amount of the securities to be bought and sold without obtaining client consent to specific transactions.

Wealhouse is not obligated to acquire for any account any security that Wealhouse or its officers, partners, members or employees may acquire for its or their own accounts or for the account of any other client, if, in the absolute discretion of Wealhouse, it is not practical or desirable to acquire a position in such security.

#### **Item 17: Voting Client Securities**

Wealhouse has been delegated the authority to vote securities on the behalf of the Managed Accounts. Wealhouse has adopted detailed policies and procedures to ensure that proxies will be voted with diligence, care, and loyalty, and in accordance with Rule 206(4)-6 under the Advisers Act and Wealhouse's fiduciary duty to its Managed Accounts.

Wealhouse does not anticipate material conflicts of interest to arise between Wealhouse and its Managed Accounts during the proxy voting process. However, recognizing that such risk may still exist, Wealhouse has adopted a process to ensure that actual or potential conflicts of interest related to Managed Account securities voting are brought to the attention of the CCO. Wealhouse's CCO will conduct further research and endeavor to resolve the conflict in the Managed Accounts' best interests.

Investors may obtain a copy of Wealhouse's proxy voting policies and procedures by submitting a request to the CCO. The results of any individual proxy vote may also be requested from the CCO.

#### **Item 18: Financial Information**

Wealhouse has never filed for bankruptcy nor is it aware of any financial condition that is expected to impair its ability to meet its contractual commitments to the Managed Accounts.