

**NatWealth Management (USA) Inc.**

**Form ADV, Part 2A**

**Brochure**

February 9, 2021

NatWealth Management (USA) Inc.

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This brochure provides information about the qualifications and business practices of NatWealth Management (USA) Inc. If you have any questions about the contents of this brochure, please contact us at (833) 946-1589. 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. Registration with the SEC does not imply a certain level of skill or training.

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

## **ITEM 2: MATERIAL CHANGES**

This Brochure has the following material changes since NatWealth's initial application for registration with the SEC:

December 10, 2020: Item 4: Margin accounts will be available to eligible clients, and Canadian currency can be held in client accounts as part of an investment strategy or as directed by the client.

February 9, 2021: Item 5 – Fees and Compensation: NatWealth Management (USA) Inc. has amended its fee schedule, increasing the fee rates. The fee is now negotiable. Other important information regarding fees is available in Item 5.

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## **ITEM 4: ADVISORY BUSINESS**

### **Introduction**

This Brochure describes the services that NatWealth Management (USA) (“NatWealth”, the “Firm”, “we” or “us”) makes available to advisory clients of the Firm (“clients” or “you”). NatWealth is an investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”) and was founded in July 2020. NatWealth provides comprehensive wealth management services to high net-worth and ultra-high net worth clients.

NatWealth is an indirect, wholly owned subsidiary of National Bank of Canada (“NBC”), a federally regulated bank in Canada. Founded in 1859, NBC offers financial services to individuals, businesses, institutional clients and governments across Canada and internationally, and is traded on the Toronto Stock Exchange.

Because NatWealth has only begun to offer its investment advisory services, NatWealth does not manage any assets as of the date of the Brochure’s publication.

### **Advisory Services**

NatWealth provides discretionary investment advisory services to its clients. We develop for each client a personalized investment strategy that is intended to reflect your investment objectives, time horizon, risk tolerance, investment knowledge, and overall financial situation. Our investment advisors (“IAs”) will work with you to define these key inputs, and to develop an investment strategy that incorporates a wide variety of investment products, including, but not limited to, U.S. and Canadian: equity securities, including American Depositary Receipts, investment grade bonds, structured products, as well as pooled investment vehicles such as mutual funds, exchange traded funds (“ETFs”), closed-end funds, unit investment trusts, real estate investment trusts, and alternative investments such as hedge funds and private equity funds, among others. Mutual funds or other funds used in your account may be manufactured or managed by National Bank Investments or other affiliates of NatWealth; NatWealth has a conflict of interest in selecting, offering, and/or recommending such funds because NatWealth affiliates will receive compensation or benefits. With limited exceptions such as mutual fund portfolio holdings and certain strategies that consist solely of ETFs and/or mutual funds, you have the ability to restrict securities of specific issuers or types of issuers as investments for your account.

Client assets are custodied by Pershing LLC (“Pershing” or the “Custodian”), an SEC-registered broker-dealer and a member of the U.S. Financial Industry Regulatory Authority (“FINRA”). NatWealth will not custody your funds and/or securities.

Cash balances of U.S. dollars in your account will be swept into an available sweep option selected by you or by your Investment Advisor. (Some Investment Advisors are also Portfolio Managers according to Canadian regulations. Each Investment Advisor without this qualification is teamed with a separate Portfolio Manager or will offer products supervised by a Portfolio Manager. The term “IA” from here forward refers to both Investment Advisors who are Portfolio Managers and to the teams of an Investment Advisor and separate Portfolio Manager.)

Your IA may invest in Canadian securities which would require converting US currency into Canadian, unless the account already holds such. Pershing will affect the foreign currency exchange using its exchange rate, with any spread benefitting Pershing and not NatWealth.

Through execution of a separate margin agreement with Pershing, eligible clients will have the ability to borrow cash against the value of certain assets held within their account (the “Pershing Margin Program”). You should carefully review the terms and conditions of the Pershing Margin Program as described in the Pershing Margin Agreement. Margin costs and expenses are separate client charges and are not part of the overall Client Fee (as defined below in Item 5). If your IA recommends that you participate in the Pershing Margin Program, this creates a conflict with you because purchasing securities on margin will increase the fee you pay NatWealth, and your IA receives a portion of this fee.

The services offered by NatWealth may not be suitable for all of your wealth, and NatWealth does not represent that its services are based on or meant to replace a comprehensive evaluation of any client’s entire financial life considering all of the client’s circumstances. Our advice and recommendations are specific to assets we manage in your account, as described in the investment management agreement you enter into with us (the “Client Agreement”).

## ITEM 5 – FEES AND COMPENSATION

### Client Fees

Client accounts are charged a fee (the “Client Fee”), calculated as an annual percentage of assets under management (“AUM”) in the account in accordance with the terms of the Client Agreement. The Client Fee follows the tiered fee schedule below and is negotiable with your IA. The fact that IAs may negotiate fees means that clients with the same amount of assets under management will most likely be paying different fees. Lower tier rates may be negotiated, a different blended rate or a fixed rate regardless of the amount of assets in the account.

Assets	Annual Fee
from \$0 to \$250,000	1.70%
from \$250,001 to \$500,000	1.15%
from \$500,001 to \$1,000,000	1.05%
from \$1,000,001 to \$2,000,000	0.95%
from \$2,000,001 to \$10,000,000	0.85%
on assets over \$10,000,001	Negotiable

This means that, for example, a \$300,000 account (all billable assets) would pay 1.70% x \$250,000 (\$4250) plus 1.15% x \$50,000 (\$575) for a total annual fee of \$4825 (or a blended rate of 1.61%). “Households” may be established, aggregating accounts to reach a higher tier with a lower applicable fee rate. Households are defined as individuals sharing a parent-child or lineage relationship, including brothers and sisters and other entities owned or controlled by any of the family members (such as joint assets, holding companies, corporations and trusts).

The minimum Client Fee per account is \$1,000 per year. The Client Fee is payable monthly in arrears (at 1/12<sup>th</sup> of the fee rate above) and is calculated daily based on the market value of the assets in your account, including securities purchased on margin and any cash.

The Client Fee payable for the period will be prorated according to the number of days during which your account was managed by NatWealth. For each period, as you will have authorized, NatWealth will instruct

Pershing to deduct the Client Fee from the cash balance in your account. A portion of your account assets may be liquidated to cover the Client Fee at any time. Liquidation may affect the relative balance of the account, and also may have tax consequences and/or may cause the account to be assessed transaction charges. Please consult with your tax advisor before entering into the Client Agreement to understand how such liquidation may result in tax consequences in your specific circumstance.

### **Other Fees and Expenses**

The Client Fee covers only NatWealth's investment advice. The Client Fee does not include brokerage commissions charged by Pershing and other fees charged by Pershing (e.g., margin fees, account transfer fees, wire transfer fees). Please consult the Pershing account documentation for information about the fees it charges for the services it provides. The Client Fee does not cover certain other fees and charges such as any fees imposed by the SEC, and fees resulting from any special requests you may have, such as the purchase of Canadian currency.

The Client Fee also does not include the internal management, operating or distribution fees or expenses imposed or incurred by a mutual fund, money market fund, ETF, or other pooled investment vehicle held in your account. If your account's assets are invested in any mutual funds, money market funds, ETFs, or pooled investment vehicles, in addition to the Client Fee, you will incur the internal management and operating fees and expenses, which may include 12b-1 fees, mutual fund management fees, early termination fees (which include fees on whole or partial liquidations of a client's assets in the investment vehicles) and other fees and expenses that may be assessed by the investment vehicle's sponsor, custodian, transfer agent, adviser, shareholder service provider or other service provider. These expenses may include administration, distribution, transfer agent, custodial, legal, audit and other fees and expenses. Further information regarding charges and fees assessed may be found in the appropriate prospectus and/or annual report applicable to the corresponding investment vehicle.

Mutual funds or other funds used in your account may be manufactured or managed by National Bank Investments or other affiliates of NatWealth. NatWealth will be incented for your account to invest in such affiliated funds, as its affiliate will receive the management fee and any other fees paid by you with respect to such fund.

### **ITEM 6 – PERFORMANCE-BASED FEES AND SIDE-BY-SIDE MANAGEMENT**

NatWealth does not charge performance-based fees. NatWealth's fees are calculated as described above in Item 5.

Allocation of investment opportunities among accounts is managed on the basis of the suitability of the investment for each account. All securities (equities, ETFs, etc.) transactions are allocated on a pro rata basis, if necessary, at an average price after transaction costs, subject to practical constraints (e.g. transaction costs, odd lots). Fixed income transactions are allocated on a pro rata basis using risk exposures unless there are differences in the client's mandate (e.g. risk profile or constraints) or there are practical considerations (e.g., size limitations or transaction costs). Initial public offerings, private placements and/or "hot issues" are allocated in the same manner as any other trades, taking into consideration the foregoing factors and required qualifications or limitations. Asset allocations are reviewed by a senior portfolio manager.

### **ITEM 7 – TYPES OF CLIENTS**

NatWealth intends to provide investment advisory services to various types of retail clients, including high net

worth and ultra-high net worth individuals, their families, family offices and entities including trusts and estates, and its investment advisory services will include retirement accounts for such clients. The minimum account size to obtain our advisory services is \$250,000. Minimum account size requirements may be negotiable, depending on the client household, relationship, and type and size of the account.

## **ITEM 8 – METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS**

### **Methods of Analysis and Investment Strategies**

NatWealth uses various market, research, portfolio modelling and other tools and information to determine the investment advice provided to you. The Firm determines investments and asset class allocations based upon your investor profile, risk tolerance, time horizon, financial information, liquidity needs, and other various suitability factors, and your restrictions and guidelines may affect the composition of your portfolio. As such, the investment strategies and advice will vary depending upon your specific financial situation.

It is important to note that no methodology, investment style, or investment strategy is guaranteed to be successful or profitable or can guarantee a client against loss.

### **Risk Factors**

The investment risks described below represent some but not all of the risks associated with various types of investments and investment strategies. You should carefully evaluate all applicable risks with any investment or investment strategy and realize that investing in securities involves risk of loss that you should be prepared to bear.

### **Investment Strategies and Risk of Loss**

Certain investment strategies that NatWealth may use in managing your account have specific risks, including those associated with investments in common stock, fixed income securities, ETFs, mutual funds, and alternative investments. You should consult with your IA for more details regarding the specific risks associated with the investments in your account.

For example, investing in securities and other assets involves a potential risk of loss due to various market, economic, political, regulatory, business, currency and other risks. NatWealth does not guarantee the future performance of any client account, investment decision or strategy. Future results may vary substantially from past performance and no investment strategy can guarantee profit or protection from loss. Returns on investments can be volatile and an investor may lose all or a portion of their investment. Clients that utilize margin are subject to additional risks, including greater risk of loss and incurrence of margin interest debt. Margin and securities-based lending is not suitable for all investors. If the market value of the securities in your margin account declines, you may be required to deposit more money or securities in order to maintain your line of credit. If you are unable to do so, Pershing may sell all or a portion of your pledged assets without prior notice to you.

### **Risks Relating to Equity and Fixed Income Securities**

Equity and equity-related investments are volatile and will increase or decrease in value based upon issuer, economic, market and other factors. Small capitalization stocks generally involve higher risks in some respects than do investments in stocks of larger companies and may be more volatile. The securities of some foreign issuers also involve a high degree of risk because of, among other factors, the lack of public information with respect to such issuers, less governmental regulation of stock exchanges and issuers of securities traded on such

exchanges and the absence of uniform accounting, auditing and financial reporting standards, and the markets on which such securities are traded may be less liquid, which may make the disposition of securities more difficult. The domicile of such issuers and currency fluctuations may also be factors in the assessment of financial risk to the investor. Emerging markets can be subject to greater social, economic, regulatory, and political uncertainties and can be extremely volatile.

Investments in fixed income securities are subject to interest rate, credit, liquidity, prepayment, and extension risks, any of which may adversely impact the price of the security and result in a loss. Interest rates may go up resulting in a decrease in the value of fixed income securities. Duration is a measure of the sensitivity of the price of a bond or other debt instrument to a change in interest rates. The longer the maturity and duration, the more the bond will be exposed to interest rate risk. Generally, securities with longer maturities carry greater interest rate risk. The historically low interest rate environment increases the risk associated with rising interest rates. Credit risk is the risk that an issuer may not make timely payments of principal and interest. There is a risk that an issuer may “call”, or repay, its high yielding bonds before their maturity dates. Fixed income securities subject to prepayment can offer less potential for gains during a declining interest rate environment and similar or greater potential for loss in a rising interest rate environment. Limited trading opportunities for certain fixed income securities may make it more difficult to sell or buy a security at a favorable price or time. The municipal market is volatile and can be significantly affected by adverse tax, legislative or political changes and the financial condition of the issuers of municipal securities.

There may be a lack of liquidity in certain ETFs which can lead to a large difference between the bid-ask prices (increasing the cost to you when you buy or sell the ETF). A lack of liquidity also may cause an ETF to trade at a large premium or discount to its net asset value. Additionally, an ETF may suspend issuing new shares and this may result in an adverse difference between the ETFs publicly available share price and the actual value of its underlying investment holdings. At times when underlying holdings are traded less frequently, or not at all, an ETFs returns also may diverge from the benchmark it is designed to track.

Most ETFs, like all mutual funds, are registered investment companies under the U.S. Investment Company Act of 1940. However, ETFs that invest exclusively in physical assets, such as gold, are not registered investment companies. These ETFs will not have the protections associated with ownership of shares in a registered investment company. For example, these ETFs are not subject to the prohibition on registered investment companies dealing with affiliates, do not have an independent board of trustees, and are not subject to requirements with respect to, among other things, diversification and the prohibition on the suspension of redemptions.

### **Risk Relating to Alternative Investments**

Alternative investments, such as hedge funds, structured products and private equity/venture capital funds, are speculative and involve a high degree of risk. There is no secondary market for alternative investments and there may be significant restrictions or limitations on withdrawing from or transferring these types of investments. Private equity/venture capital funds generally require an investor to make and fund a commitment over several years. Alternative investments generally have high fees (including both management and performance-based fees) and expenses that offset returns. Alternative investments are generally subject to less regulation than publicly traded investments. Neither NatWealth nor Pershing will be able to independently value investments held by alternative investment fund managers. As a result, NatWealth will generally rely on the values reported to it by alternative investment fund managers.



Alternative investments may include specific risks associated with limited liquidity, the use of leverage, arbitrage, short sales, options, futures and derivative instruments. There can be no assurances that a manager's strategy (hedged or otherwise) will be successful or that a manager will employ such strategies with respect to all or any portion of a portfolio. You should recognize that alternative investments may bear asset-based fees and expenses at the manager-level, and indirectly, fees, expenses and performance-based compensation. Performance-based compensation may create an incentive for managers that receive performance-based compensation to make investments that are riskier and more speculative than would be the case if this special allocation were not made. Because the individual managers make trading decisions independently of each other, it is possible that they may hold substantial positions in the same security or group of securities at the same time. This possible lack of diversification would subject the client's investments to more potential volatility than would be the case if the client's assets were more widely diversified.

### **Risk Relating to REITs**

Certain strategies offer real estate-related investment disciplines, which typically invest in common stocks of U.S. corporations. Almost all such investments will be treated for tax purposes as investments in real estate investment trusts ("REITs"). Although it is unlikely that such investments will cause a tax-exempt investor to recognize "unrelated business taxable income" ("UBTI"), no assurances can be made that no UBTI will be recognized. If any investment causes a tax-exempt investor to recognize UBTI, and that tax-exempt investor is a charitable remainder trust, all of the income of the charitable remainder trust would be subject to federal income tax for the tax year in which the UBTI was recognized. Therefore, charitable remainder trusts should consult with a tax advisor before investing in real estate investment disciplines.

### **Risks Relating to Money Market Funds**

You could lose money in money market funds. Although money market funds classified as government funds (i.e., money market funds that invest 99.5% of total assets in cash and/or securities backed by the U.S. government) and retail funds (i.e., money market funds open to natural person investors only) seek to preserve value at \$1.00 per share, they cannot guarantee they will do so. The price of other money market funds will fluctuate and when you sell shares, they may be worth more or less than originally paid. Money market funds may impose a fee upon sale or temporarily suspend sales if liquidity falls below required minimums. During suspensions, shares would not be available for purchases, withdrawals, and, if applicable, check writing or ATM debits.

Moreover, in some circumstances, money market funds may be forced to cease operations when the value of a fund drops below \$1.00 per share. In that event, the fund's holdings are liquidated and distributed to the fund's shareholders. This liquidation process could take up to one month or more. During that time, these funds would not be available to you to support purchases, withdrawals and, if applicable, check writing or ATM debits from your account.

### **Risks Relating to Differing Classes of Securities**

Different classes of securities have different rights as creditor if the issuer files for bankruptcy or reorganization. For example, bondholders' rights generally are more favorable than shareholders' rights in a bankruptcy or reorganization.

### **Tax and Legal Considerations**

You are responsible for all tax liabilities and tax-return filing obligations arising from the transactions in your account or any other investment advice offered by us. Changing your investment strategy may result in sales of

securities which may subject you to additional income tax obligations. Consult your independent tax or legal advisor with respect to the services described in this Brochure. NatWealth and its affiliates do not provide tax, legal, accounting, estate or actuary advice and this Brochure or any other document received from NatWealth and its affiliates in connection with any such services that NatWealth makes available to its advisory clients should not be construed as providing such advice.

### **Cybersecurity Risks**

NatWealth must rely in part on digital and network technologies (collectively, “networks”) to conduct its investment advisory business. Such networks, including those of service providers, are susceptible to cyber-attacks that could potentially seek unauthorized access to digital systems for purposes such as misappropriating sensitive information, corrupting data or causing operational disruption. Cyber-attacks might potentially be carried out by persons using techniques that could range from efforts to electronically circumvent network security or overwhelm websites to intelligence gathering and social engineering functions aimed at obtaining information necessary to gain access. Cyber-attacks against, or security breakdowns, of us or our service providers, if applicable, may adversely impact us and our clients, potentially resulting in, among other things, financial losses; our inability to transact business on behalf of our clients; reputational damage; and/or additional costs. NatWealth may incur additional costs related to cybersecurity risk management and remediation. In addition, cybersecurity risks may also impact issuers of securities in which we invest on behalf of our clients, which may cause our clients’ investment in such issuers to lose value.

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This list of risk factors does not purport to be a complete enumeration or explanation of the risks involved in connection with NatWealth’s management of your account. In addition, you should be aware that as your investment portfolio develops and changes over time, your account may be subject to additional and different risks.

### **ITEM 9 – DISCIPLINARY INFORMATION**

NatWealth and its personnel have not been involved in any legal or disciplinary events within the past 10 years deemed material to a client’s evaluation of NatWealth or its personnel.

### **ITEM 10 – OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS**

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

As indicated above, NatWealth is an indirect, wholly owned subsidiary of NBC. NBC and its subsidiaries operate diversified financial services businesses, providing an array of services to a broad range of clients. As a result, there exist certain conflicts of interest with respect to companies or other issuers whose securities could be included in your account.

In short, notwithstanding such conflicts of interest or potential conflicts of interest, your account assets may be invested in securities of issuers related, connected, or affiliated with NatWealth, as described below. Further, NatWealth provides advice to other clients, including advice that may be different (whether in nature, timing or otherwise) from the advice given to you. Similar investment programs to those offered to NatWealth’s clients will be offered to Canadian residents by your IA. Because the programs offered to Canadian residents will use a different executing broker-dealer, costs and performance of the Canadian and U.S. programs are likely to vary.

NatWealth's affiliate, National Bank of Canada Financial Inc. ("NBCFI"), is a U.S.-registered broker-dealer. However, NBCFI will not execute trades for your account or otherwise provide services with respect to your account.

### **Your Account Assets May Be Invested in Securities of an Issuer Related to NatWealth**

As described above, if you consent, your account assets may be invested in securities of a related or connected issuer to NatWealth. Before we exercise discretionary authority to buy or sell securities of a related or connected issuer, we will disclose our relationship with the issuer to you. A company or person is a "related issuer" if:

- The person or company is an influential security holder of NatWealth.
- NatWealth is an influential security holder of the person or company.
- Each of us is the related issuer of the same third-party securities.

A company or person is a "connected issuer" if the issuer has a relationship with us that may lead a reasonable prospective purchaser to question whether we are independent from the issuer. This includes the issuer's relationship with us, with one of our related issuers or with our directors, officers or partners or those of one of our related issuers.

The following are our related issuers:

- National Bank of Canada (NBC): NBC is a bank incorporated under the Bank Act (Canada) and is a reporting issuer that indirectly holds 100% of the voting and equity shares of the Firm.
- Canadian Credit Card Trust II: NBC is the administrator of this trust; whose securities are publicly distributed.
- NBC Asset Trust: This is a closed end trust whose voting units are held entirely by NBC.
- NBI Mutual Funds: National Bank Investments Inc. ("NBI"), a wholly owned subsidiary of NBC, manages all NBI Funds (including the NBI Jarislowsky Fraser Funds, NBI Westwood Fund, NBI Portfolios, NBI Private Portfolios, NBI SmartData Funds and NBI SmartBeta Funds). Fiera Capital Corporation ("Fiera Capital") is the portfolio manager of most of the NBI Funds; NBC has an ownership stake in Fiera Capital.
- NBI ETFs: NBI is the manager of the NBI ETFs, and National Bank Trust Inc., our affiliate, is the portfolio manager of the NBI ETFs. National Bank Financial Inc. ("NBF"), our affiliate, acts as designated broker and dealer of the NBI ETFs.
- U.S. Banks Income & Growth Fund and Investment Grade Managed Duration Income Fund: National Bank Financial Inc. ("NBF") is one of the agents and a promoter of these funds, and NBC may provide the funds with a loan or prime brokerage facility. Consequently, the funds may be considered a "connected issuer" of NatWealth.
- Investment Grade Managed Duration Income Fund: NBF is one of the distributors of the fund and is a promoter of the fund, and NBC may provide the fund with a loan facility or prime brokerage services.

- Meritage Portfolios: NBI is the manager of the Meritage Portfolios. National Bank Trust Inc., a wholly owned subsidiary of NBC, is the portfolio manager of all Meritage Portfolios. Certain Meritage Portfolios are classes of shares of National Bank Funds Corporation, a mutual fund corporation that is an affiliate.

### ***Other Related Companies***

National Bank Group Inc., an affiliate of NatWealth, owns or controls an equity interest in TMX Group Limited in excess of 5% of the issued and outstanding equity securities thereof, has a nominee director serving on the board, and NBC may be a lender to TMX Group Limited. NatWealth is an indirect wholly owned subsidiary of NBC. As such, NatWealth may be considered to have an economic interest in TMX Group Limited. Although Pershing serves as executing broker-dealer for client accounts and is not an affiliate of NatWealth, Pershing's trades may be executed on a trading venue owned in part by TMX Group Limited, in which case our affiliates may indirectly benefit from such trades.

### ***Other Conflicts of Interest***

Other potential or actual conflicts of interest may arise. We will continue to take the necessary steps to identify and respond to such situations fairly and reasonably, and update our policies as required. Any material conflicts of interest that cannot be avoided will be disclosed to you as they arise.

### ***Use of Participating Affiliate***

In order to provide investment advisory services to you, we have entered into service arrangements with our Canadian affiliate, NBF, that allow us to utilize its facilities, services and other investment management capabilities, including personnel such as Investment Advisors, in rendering advice to our clients.

NBF is a Canadian corporation that is registered as an investment dealer with the securities regulatory authorities in each of the provinces and territories in Canada and is a member of the Investment Industry Regulatory Organization of Canada. In addition to providing investment dealer services, NBF provides discretionary and non-discretionary investment management and supervisory services to retail and institutional clients in Canada. However, NBF is not registered as an investment adviser in the United States, in reliance on guidance provided by the SEC with respect to participating affiliates.

## **ITEM 11 – CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING**

NatWealth's Code of Ethics (the "Code") for its advisory business applies to its and/or NBF employees, supervisors, officers and directors engaged in offering or providing investment advisory products and/or services (collectively, the "Employees"). All of NatWealth's Employees must pledge themselves to the Code as a condition of employment. The purpose of the Code is to prohibit Employees from engaging in securities transactions or activities that involve a material conflict of interest, possible diversion of a corporate opportunity, or the appearance of impropriety. Employees must always place the interests of the Firm's clients above their own and must never use knowledge of client transactions acquired in the course of their work to their own advantage or to the advantage of their friends or family. Supervisors are required to use reasonable supervision to detect and prevent any violations of the Code by the individuals and departments that they

supervise.

We have developed the Code, a compliance manual and internal policies. Among other things, these documents state that our Employees must never put their own interests ahead of their responsibilities toward clients or NatWealth. These documents also reinforce the fact that any material conflict of interest must be addressed in a manner that is fair, equitable, transparent and consistent with clients' best interests.

Here are some highlights from these documents:

- Confidential information: Our Employees are prohibited from using confidential information gained in the course of their duties for their personal benefit or for the benefit of a third party. This includes information related to clients, transactions or client accounts. Our Employees may not exploit any situation to obtain an advantage of any kind.
- Gifts, entertainment and compensation: Employees are prohibited from accepting gifts, entertainment or compensation that could influence the decisions they make in the course of performing their duties. We ensure that our Employee compensation practices do not conflict with Employees' obligations toward our clients.
- Other business activities: Employees are prohibited from engaging in activities that could interfere or conflict with their duties. We will not permit any Employee to engage in business activities outside the scope of their duties without first ensuring that these activities do not compromise our clients' interests or harm our own reputation or that of the industry. We would also consider an Employee to be in a potential conflict of interest if they were designated as a beneficiary of a client's estate or otherwise inherited from a client's estate.
- Client best interests: The interests of clients must always be given priority over those of NatWealth and its Employees. When we receive two orders for the same security at the same or better price, we always execute the client's order before the personal order of the client's IA. This also means that the IA has an obligation to choose the best investment for a given client, even if it is an investment that directly competes with our offerings. No IA is authorized to make recommendations solely for the purpose of generating revenue or promoting in-house investments if such recommendations are not in the client's best interest.
- Referrals: On occasion, third parties may refer clients to us for our products and services. We or our IAs may also refer clients to third parties. When these referrals involve a commission, the commission must comply with existing regulations, and we must notify the referred client about the commission and share any other relevant information. This allows the client to make an informed decision about the referral and to consider any potential conflicts of interest.
- Allocation of securities: We apply a policy to control the division of securities among our clients when there are not enough securities to meet the demand. This policy is intended to ensure fair distribution of securities.

- Private placements and personal investments: Employees who wish to participate in a private placement, as a buyer or promoter, must first go through our authorization and verification procedure to avoid or supervise any conflicts of interest. Our Employees' personal investments are also subject to our policies and supervision.
- Owning the same securities: When we perform discretionary management services for our clients, the securities making up the portfolios under management may also be held by some of our Employees, officers or directors, or may come from our related or connected issuers. Our discretionary management services must comply with the applicable legislation and regulations.
- Proxy voting: Clients appoint NatWealth as their agent to vote proxies for securities in the client's account, and to make any decision on events affecting the securities with respect to which the holders of the securities enjoy a voting right. Any conflicts of interest with respect to proxy voting will be disclosed to the client.

A copy of the Code will be provided to any client or prospective client upon request.

## **ITEM 12 – BROKERAGE PRACTICES**

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

Pershing serves as the executing and clearing broker-dealer for your account. Not all investment advisers require a specific broker-dealer as custodian or trading entity for their clients. In seeking to ensure that clients receive best execution, we perform a regular review of the execution services provided by Pershing, including speed of order execution and the overall cost of each transaction.

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

NatWealth does not intend to pay for research and brokerage services with commission dollars generated by account transactions. Such dollars are referred to as "soft dollars."

### **Brokerage for Client Referrals**

NatWealth will not make formal or informal commitments to any broker or dealer to compensate that broker or dealer through brokerage transactions for client referrals.

### **Trade Aggregation**

It may be appropriate for more than one client account to trade in the same securities at the same time. When applicable, NatWealth will negotiate "block" transactions on behalf of its separately managed accounts in order to seek best overall execution and possibly negotiate more favorable pricing and commission rates. Accounts with similar investment objectives will participate in a block order entered at the average share price for a security on any given day and transaction costs are shared pro rata based on participation. NatWealth will ensure that all accounts are treated fairly and equitably in accordance with its fiduciary duties.

## **ITEM 13 – REVIEW OF ACCOUNTS**

### **Frequency and Nature of Review of Client Accounts**

The Firm regularly monitors client portfolios and conducts periodic account reviews with its clients at least

annually to ensure consistency with the client's strategy and performance objectives. Reviews may also be conducted when requested by the client. The frequency and extent of the reviews vary by client and are driven generally by client circumstances, changes to a client's financial situation, and assets and investments currently held or proposed to be held. Other factors that may trigger a review include extraordinary events, changes in the tax law, or major investment developments.

### **Content and Frequency of Account Reports to Clients**

Pershing will provide you with monthly statements itemizing all transactions in cash and securities and all deposits and withdrawals of principal and income during the preceding calendar month, and a listing of all securities held in custody in the account. These statements also show the deduction of the Client Fee. Pershing will also send quarterly statements listing securities in custody held in the account. You are urged to carefully review the account statements you receive from Pershing.

### **ITEM 14 – CLIENT REFERRALS AND OTHER COMPENSATION**

NatWealth and its affiliates may refer clients to each other according to the needs of each client, provided that the client has granted the required consent to share information related to the referral. If one member of the NBC group does not offer services that a client requests, that member may refer the client to a member of the group that does. An example of a common referral is when NBC refers a client to us to open an investment advisory account. Likewise, we may refer a client to our affiliates for various services as described above.

### **ITEM 15 – CUSTODY**

NatWealth does not custody client funds and/or securities. Pershing will have custody of your account's funds and securities, although NatWealth may be deemed to have custody to the extent you authorize us to deduct the Client Fee directly from your account or to instruct Pershing to disburse or transfer funds or securities from your account.

### **ITEM 16 – INVESTMENT DISCRETION**

NatWealth will hold investment discretion for your account, as you grant NatWealth investment discretion through the Client Agreement. This means that the Firm has the authority to determine, without obtaining your specific consent, the securities to be bought or sold, and the timing and the amount of securities to be bought or sold.

NatWealth is authorized to make the following determinations in accordance with your account's objectives and restrictions without obtaining prior client consent:

- which securities or instruments to buy or sell;
- the amount of securities or instruments to buy or sell;
- the timing of purchases or sales.

With limited exceptions such as mutual fund portfolio holdings and certain strategies that consist solely of ETFs and/or mutual funds, clients may impose reasonable restrictions on the account's management, including prohibiting the purchase of particular securities or types of securities for the account.

## **ITEM 17 – VOTING CLIENT SECURITIES**

Clients appoint NatWealth as their agent to vote proxies for securities in the client's account, and to make any decision on events affecting the securities with respect to which the holders of the securities enjoy a voting right (e.g., exercise of any conversion privilege or voting on reorganization, acquisition, amalgamation or merger of an issuer). Should NatWealth have a conflict with a client's best interest concerning a particular proxy vote, NatWealth will bring the matter to its conflicts committee for appropriate action. NatWealth may also determine, at its discretion, to abstain from voting proxies for securities held in the client's account.

Upon request, the Firm will promptly provide clients with a copy of its proxy voting policies and procedures, as well as information on if/how proxies of securities held in their accounts were voted.

## **ITEM 18 – FINANCIAL INFORMATION**

NatWealth does not require or solicit prepayment of more than \$1,200 in investment advisory fees, six months or more in advance.

NatWealth is not aware of any financial conditions that would reasonably likely impair its ability to meet its contractual commitments to its clients.

NatWealth is a recently formed entity and, accordingly, has not been the subject of a bankruptcy petition during the past ten years.