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BROCHURE  
November 22, 2021  
LAURUS INVESTMENT COUNSEL INC.  
161 Bay Street, Suite 3950  
Toronto, ON Canada M5J 2S1  
www.lauruscounsel.com  
844-430-5501**

**This brochure provides information about the qualifications and business practices of Laurus Investment Counsel Inc. (the “Firm” or “LIC”). If you have any questions about the contents of this brochure, please contact Dale O’Connor at 647-479-2053. The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission (the “SEC”) or by any state securities authority.**

**Additional information about Laurus Investment Counsel Inc. is also available via the SEC’s website, [www.adviserinfo.sec.gov](http://www.adviserinfo.sec.gov).**

**Laurus Investment Counsel Inc. is a registered investment adviser. Registration of an investment adviser does not imply any level of skill or training.**

## Item 2      Material Changes

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Item 2 of the Brochure provides clients with a summary of material changes that have been made to the Brochure since the last update was filed.

- As this is an initial filing, there are no material changes to disclose.

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## Item 4      Advisory Business

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Laurus Investment Counsel Inc. (“Laurus”, “LIC,” “we,” “us,” “our” or “the Firm”) is a fundamental, small cap growth equity investment manager utilizing a disciplined approach to purchase high quality companies at compelling valuations. The Firm was formed in 2014 as an independent investment advisory firm and manages assets for institutional and high-net-worth clients across a variety of global investment strategies in Canada.

The Firm is 100% owned by Laurus Holdco, Inc. (“Holdco”), a private holding company that is predominantly owned by the employees of LIC.

LIC is the Manager and promoter of several small cap funds in Canada, including a U.S., International and Global small cap fund (together “Laurus Funds”). Laurus Funds are open-end investment funds created under the laws of the Province of Ontario pursuant to a declaration of trust. The Laurus Funds are not offered in the United States.

LIC also provides investment sub-advisory services on a discretionary basis to Canadian pooled investment vehicles (each a “Unaffiliated Fund” and together, the “Unaffiliated Funds”), which are not offered in the United States. LIC has entered into investment management agreements with Canadian Companies who have been appointed as Manager to one or more Unaffiliated Funds. Under these agreements, LIC has been appointed Portfolio Manager and Subadvisor and has discretionary responsibility for investment of certain assets of the Unaffiliated Funds.

The investment objective and strategy for the Laurus Funds and Unaffiliated Funds are fully described in the offering documents. LIC provides investment management services and does not tailor advice to the individual underlying offshore investors within the Funds.

LIC intends to advise separately managed accounts for US institutional clients (each an “SMA” and together, the “SMAs”) and may directly advise pooled vehicles or provide additional sub-advisory services. The SMAs will invest primarily in accordance with the same strategies advised for the Funds and together with the Funds are herein referred to as the Firm’s clients (the “clients”). LIC will manage the institutional SMA clients in accordance with the guidelines and restrictions stated in the written advisory agreement. Strategies are offered to U.S. high-net-worth clients and institutional investors, such as pension plan sponsors, trustees and other institutional clients (together, “Clients”), either directly or through financial intermediaries and established through a relationship with a U.S. third-party marketing firm, Sutter Capital Partners, LLC (“Sutter”). Third-party marketing representatives are registered with Sutter and doing business as Tessera Capital.

The Firm follows a quality growth investment discipline in all of its equity portfolios, which is implemented across several strategies including U.S. Small-Mid Cap Equity, International Small Cap Equity, Global Small Cap Equity, International Small Cap Equity and North American All Cap Equity. Client accounts are managed to a model as determined by the Investment Committee.

The Firm provides discretionary investment advisory services to its Clients either directly, or through the

Client's representatives. Each Client's investment objectives will be made known to LIC through meetings between LIC and the Client and/or its representatives and/or through an evaluation of instructions or documents made available to the Firm, such as trust agreements. As appropriate, the advisory services will also reflect changes in investment objectives communicated to the Firm by the Client. LIC may be able to accommodate certain client impose restrictions on investing in certain securities. Such accommodation would be agreed to on a case-by-case basis.

Clients will be required to enter into written advisory agreements with the Firm. Among other things, these agreements identify the particular assets to be managed, the account mandate and style, and any reasonable restrictions imposed by the Client on the management of the account. In addition, the advisory agreements spell out the nature of LIC's duties toward the Client's account, applicable fees, disclosures required by law, and certain limits to LIC's liability. The advisory agreement also specifies that LIC shall have the power to vote proxies for securities comprising the managed assets unless otherwise instructed.

As of September 30, 2021, LIC has approximately \$652.6\* million assets under management on a discretionary basis.

\*Rounded to the nearest U.S. \$100,000 using a foreign exchange rate of CAD \$0.7882 to U.S. \$1.00.

## Item 5 Fees and Compensation

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LIC is permitted to charge management fees as set out in each client's offering documents or written advisory agreement. SMA clients pay fees in arrears and are not required to pay fees in advance. SMA clients compensate Laurus for advice and service according to an annual fee schedule, based on the value of a client's account at the end of each calendar quarter. LIC does not directly debit client accounts for fees incurred.

The Management Fee for the Laurus Funds is calculated and accrued as of each Valuation Date based on the net asset value attributable to each series of Units of the Fund on the Valuation Date. The Management Fee, plus applicable taxes, is payable monthly in arrears. The Management Fee applicable to each series of Units is set out in the applicable offering memorandum.

Under the sub-advisory agreements, LIC is paid a portfolio management fee that is calculated based on the average daily value of the assets in the Unaffiliated Fund and paid monthly in arrears.

Some clients may pay more or less than other clients for the same service. Fees with LIC clients will be negotiated on a case-by-case basis with each underlying client and set forth in the applicable advisory agreement. For example, LIC will offer enterprise pricing to firms representing a variety of Clients, subject to the number and size of clients managed collectively by LIC. LIC may elect to pool client assets when determining fees for account holders residing at the same address. The specific manner in which fees are charged by Laurus is established in the client's written agreement with Laurus. Client fee schedules are modified upon mutual written agreement between Laurus and the client. Unless otherwise provided for, valuation of securities follows the Firm's Valuation Policy. Clients receive an invoice from Laurus. Our services may be terminable by either party upon notification in accordance with the applicable contractual notice provision. Accounts initiated or terminated during the billing period will be charged a prorated fee based on daily assets under management during the initiation or termination period.

LIC does not receive a fee based on the performance of a client portfolio.

### **Asset-Based Fees for Advisory Investment Services**

Asset-based fees are computed by multiplying a tiered or flat rate by the market value of the portfolio.

Asset-based fee schedules are as follows:

#### **Canadian Equity**

The Canadian Equity product has tiered annual fees from 0.85% to 0.55% depending upon the amount under management. The base fee schedule for Canadian Equity mandate is:

- 0.85% on the first \$25 million of assets under management
- 0.75% on the next \$25 million
- 0.65% on the next \$50 million
- 0.55% on the balance

### **U.S. Small Cap Equity**

The U.S. Small Cap product has tiered annual fees from 0.85% to 0.55% depending upon the amount under management. The base fee schedule for U.S. Small-Mid Cap is:

- 0.85% on the first \$25 million of assets under management
- 0.75% on the next \$25 million
- 0.65% on the next \$50 million
- 0.55% on the balance

### **North American All Cap Equity**

The North American All Cap product has tiered annual fees from 0.85% to 0.55% depending upon the amount under management. The base fee schedule for U.S. Small-Mid Cap is:

- 0.85% on the first \$25 million of assets under management
- 0.75% on the next \$25 million
- 0.65% on the next \$50 million
- 0.55% on the balance

### **International Small Cap Equity**

The International Small Cap product has tiered annual fees from 0.95% to 0.70% depending upon the amount under management. The base fee schedule for International Small Cap is:

- 0.95% on the first \$25 million of assets under management
- 0.85% on the next \$25 million
- 0.75% on the next \$50 million
- 0.70% on the balance

### **Global Small Cap Equity**

The Global Small Cap product has tiered annual fees from 0.85% to 0.60% depending upon the amount under management. The base fee schedule for Global Small Cap is:

- 0.85% on the first \$25 million of assets under management
- 0.75% on the next \$25 million
- 0.70% on the next \$50 million
- 0.60% on the balance

The more assets clients maintain in their account, the more clients will pay in fees. Laurus has an incentive to encourage clients to increase the assets in their investment advisory account because the Firm receives greater compensation.

Clients directly advised by LIC may bear their own operating costs and investors should consult offering documentation and written advisory agreements for a comprehensive explanation on fees. Clients will typically pay fees in addition to the Laurus advisory fee. Item 12 further describes the factors that Laurus considers in selecting or recommending broker-dealers for client transactions and determining the

reasonableness of their compensation (e.g., commissions). The advisory fee Laurus charges does not include these fees. Clients are required to pay for these fees in addition to the advisory fee they pay to the Firm. Clients will incur brokerage and other transaction costs in the purchase and sale of securities. Such charges, fees and commissions are exclusive of and in addition to the Firm's fees, and Laurus shall not receive any portion of these commissions, fees, and costs.

Clients will pay fees and costs whether they make or lose money on their investments. Fees and costs will reduce any amount of money clients make on their investments over time.



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

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Laurus does not charge any performance-based fees (fees based on a share of capital gains on or capital appreciation of the assets of a client).

### Side-By-Side Management

The conflicts of interests that may arise when there is side-by-side management of multiple accounts includes conflicts among investment strategies or product or conflicts in the allocation of investment opportunities. In order for all client accounts to be treated fairly and equitably and so that no one client will receive, over time, preferential treatment over another, Laurus has a trade rotation and aggregation policy as discussed in the Brokerage Practices section of this brochure.

If applicable, we will consider client preference when determining the suitability of placing client assets in an open-ended investment trust managed by Laurus.

## Item 7      Types of Clients

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You must meet certain criteria, including asset minimums, to establish an advisory relationship with us. The criteria will differ depending on the type of service the Firm provides to you and the investment vehicles in which you wish to invest. Account minimums range from \$500,000 to \$5 million. Additional details regarding the minimum investment requirements and suitability requirements for the Laurus Funds are set forth in each fund's respective offering document.

The Firm provides management services to high-net-worth clients and several types of institutional clients including associations, corporations, endowments, foundations, public funds, Union Taft-Hartley, insurance companies, limited partnerships, investment advisers, investment companies, and unregistered pooled investment vehicles.

LIC may advise clients that are governed by the Employee Retirement Income Security Act ("ERISA"). As such, LIC will manage such client accounts in accordance with the fiduciary standards required under ERISA. LIC will manage client assets consistent with the "prudent man rule", maintain any ERISA bonding as required, deliver required service and compensation disclosures, and obtain written investment guidelines/policy statements, as appropriate.

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

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As bottom-up fundamental investors, our investment philosophy is to own concentrated portfolios of exceptional growth companies with sustainable competitive advantages, regardless of industry or economic conditions. Combining quality with concentrated positions allows us to be patient to purchase these businesses at attractive valuations relative to our assessment of fair value.

Our focus is on owning high quality growth businesses. We define quality and growth by those companies that exhibit lower debt, higher returns on equity and invested capital with growth rate metrics on a per share basis relative to the benchmarks. We look to partner with management teams that have a demonstrated history of being prudent stewards of their company's capital. Understanding management's alignment and capital allocation policy is critical to our assessment of a company.

Each strategy is managed in a model portfolio, comprised of a concentrated holding of 30-40 companies. Once the decision is made to add a security to the model portfolio, an initial position of 2% is established in most cases. The portfolio will have a minimum of six (6) Global Industry Classification Standard sectors with weighting no greater than 35% in any sector.

Our investment process is bottom-up and emphasizes both detailed financial analysis and field research to assess the quality of a company's business model and management. We invest as owners in businesses that we believe generate high and sustainable free cash flow, superior returns on invested capital and are conservatively financed. We manage high conviction portfolios comprised of 30-40 companies that we believe exhibit the best combination of financial growth, cash flow visibility and upside opportunity.

To summarize, the major attributes we look for in our companies include:

- Superior and sustainable free cash flow generation;
- High return on invested capital;
- Above average growth potential;
- Financial strength; and
- Strong, capable management teams with a vested interest in the success of the company.

Our investment process begins by narrowing our investible universe to companies with market caps over \$1 billion with adequate free float. Our universe is further reduced by implementing our internal growth, financial and profitability criteria. The investment team reviews candidates and determines which should be further researched and to set priorities.

Research is internally generated. We believe that the small cap companies that have prospered over time have been those that have generated significant free cash flow, have the strong balance sheets to endure adversity, and are led by management teams with a strong understanding of their business and its competitive strength. As such, understanding a company's cash flow statement and balance sheet are

critical components of our investment process.

Upon the culmination of our research, the analyst presents the company to the Investment Committee. If there is an agreement that the company meets our quality and growth criteria, it will be placed on our watch list, which typically consists of 60-100 companies, depending on the strategy. A discounted cash flow analysis is completed for each of our companies. If the company is deemed attractively valued, it may be purchased for our portfolios.

The appropriate weighting of a particular investment in the portfolio is based on the differential between its current market value and our expected intrinsic value. As both values are dynamic, the variation between the two can either contract or expand depending on the market's dominant emotions at any particular time. When we anticipate high returns, we will purchase more of the stock, and subsequently will trim our position as the return expectation declines. If at any time we feel there is no upside left in our position, or can no longer support our original investment thesis, we exit.

Specifically, our sell discipline incorporates five strategies:

- If we have lost our confidence in the management team;
- If we believe there is no future sustainable value creation remaining in the stock;
- If there is a significant long-term negative change in the business or a deviation from the business core competency;
- A confirmed take-over; or,
- We identify a better investment opportunity.

All purchases and sales are made in consultation with the Investment Committee, which is comprised of all investment team members. Purchase and sales recommendations are discussed to ensure they are guided by our research process and that all risks are considered when constructing our portfolios.

## **RISK OF LOSS**

Investors generally face three types of risk when investing in the capital markets:

- Manager selection – risks associated with investment manager selection and their chosen strategy
- General market risk – risks of participating in the capital markets
- Specific risk – risks associated with asset class, sector, and security selection

Despite our investment management experience, investing in securities involves the risk of loss. Below we highlight the most important, but not all, risks of investing in our strategies:

- Currency Management Strategies – Currency management strategies may substantially change exposure to currency exchange rates and could result in losses if currencies do not perform as the Firm expects. In addition, currency management strategies, to the extent that they reduce exposure to currency risks, may also reduce the ability to benefit from favorable changes in currency exchange rates.

- Cybersecurity Risks – The Firm, service providers to Clients and other market participants increasingly depend on complex information technology and communications systems to conduct business functions. These systems are subject to different threats or risks that could affect Client accounts, despite the efforts of the Firm and of the service providers to adopt technologies, processes, and practices intended to mitigate these risks and protect the security of their computer systems, software, networks and other technology assets, as well as the confidentiality, integrity and availability of information belonging to the Clients.
- Diversification – Depending on a Client's investment objectives, their investments may have limited diversification.
- Growth stocks - Returns on growth stocks may not move in tandem with returns on other categories of stocks or the market as a whole. Growth stocks may be particularly susceptible to larger price swings or to adverse developments. Growth stocks as a group may be out of favor and underperform the overall equity market for a long period of time, for example, while the market favors "value" stocks.
- Investment Risk – Some Clients may seek long-term growth in asset value, which can result in holding an asset despite its loss of value or missing out on new market trends. Other Clients may seek short-term gains, which can result in higher turnover rates; increase a Client's tax liabilities; increase a Client's transaction costs over time, due to potentially greater incidences of brokerage or similar expenses; and increase volatility of the portfolio. In addition, the Firm may seek to concentrate Client investments in specialized market sectors, specialized industries or in a limited number of issuers. Differences in Client objectives and investment horizons may result in the Firm making decisions for one Client which differ from decisions made for other Clients.
- Investment Style – The Firm may pursue an aggressive investment style for some Clients. In this regard, the Firm employs investment techniques or strategies that the Firm believes will help the Client achieve its investment objective. No assurance can be given that the investment strategy to be used by a portfolio will be successful under all or any market conditions. Past performance of the Firm is no guarantee of future results.
- Inflation – Inflation may adversely affect some or all of the companies in which LIC may invest.
- Interest Rate – When interest rates rise, debt security prices generally fall. The opposite is also generally true: debt security prices rise when interest rates fall. Interest rate changes on the whole are influenced by a number of factors including government policy, monetary policy, inflation expectations, perceptions of risk, and supply of and demand for bonds. In general, securities with longer maturities are more sensitive to these interest rate changes.
- Liquidity - Liquidity risk exists when particular investments are difficult to purchase or sell. Such securities may become illiquid under adverse market or economic conditions and/or due to specific adverse changes in the condition of a particular issuer. If the portfolio invests in illiquid securities or securities that become illiquid, portfolio returns may be reduced because we may be unable to sell the illiquid securities at an advantageous time or price.

- Market Conditions and Financial Market Fluctuations - Markets and economic conditions throughout the world materially affect the Firm's investments and these conditions and related factors generally include, but are not limited to, interest rates, availability and terms of credit, inflation rates, economic uncertainty, changes in laws and regulations and regulatory interventions, changes in fiscal policies, trade barriers, commodity prices, currency exchange rates and controls and, national and international political circumstances.
- Market fluctuation - Financial markets and the value of investments vary substantially over time, which may lead to realized and unrealized losses in the value of client portfolios, especially in the short run.
- No guarantee - Performance of any investment is not guaranteed. There is a risk of loss of the assets we manage that is out of our control.
- Outbreaks, Pandemics and Other Public Health Issues – In general, unexpected local, regional or global events, such as the spread of infectious illnesses or other public health issues and their aftermaths, could have a significant adverse impact on the Firm's operations (including the ability of the Firm to find and execute suitable investments) and therefore the Client's potential returns. In addition, such infectious illness outbreaks, as well as any restrictive measures implemented to control such outbreaks, could adversely affect the economies of many nations or the entire global economy, the financial condition of individual issuers or companies and capital markets in ways that cannot necessarily be foreseen, and such impact could be significant and long term. Moreover, the impact of infectious illnesses in emerging market countries may be greater due to generally less established healthcare systems. If such events occur, a Client's exposure to a number of other risks described elsewhere in this brochure can increase.
- Portfolio Turnover – Portfolio turnover rate may exceed 100% per year because of the anticipated use of certain investment strategies. Certain Client accounts may experience greater turnover rates due to rebalancing services provided by the Firm's electronic advisory program. Such frequent trading may affect the Client's investment performance, particularly through increased brokerage and other transaction costs and taxes.
- Risk of loss - Investing in securities involves risk of loss that clients should be prepared to bear.
- Small Capitalization Equities – There are certain risks associated with investing in the securities of small companies. The market prices of small cap securities can be more volatile than those of larger companies. In general, there is usually less publicly available information about small cap companies than there is for larger companies. In addition, small cap companies often have smaller market share than larger companies and thus, they can be more vulnerable to changes in the economy than larger companies.

## Item 9      Disciplinary Information

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LIC has no legal or disciplinary events to disclose related to its advisory business or management.

## Item 10 Other Financial Industry Activities and Affiliations

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The Firm has no other financial industry activities or affiliations.



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

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The Firm has adopted a Code of Ethics that summarizes the Firm's duties as a fiduciary, as well as the related obligations of its Access Persons defined as all employees of Laurus. The Code of Ethics describes standards of conduct and includes a personal trading policy.

The Code of Ethics requires all Access Persons to acknowledge that they have an obligation to hold themselves to the highest standard of fairness and to comply with all U.S. federal securities laws and the rules governing the capital markets. Access Persons must, among other things, avoid circumstances that could produce conflicts or the appearance of conflicts between their personal interests and those of the Firm and its Clients, as well as abide by strict rules governing personal trading.

The Code of Ethics provides for monitoring personnel (called "Access Persons") for various matters, including conflicts of interest, and compliance with laws and rules.

A copy of our Code of Ethics is available to any Client or prospective Client upon request.

The Firm anticipates that, in appropriate circumstances, consistent with Clients' investment objectives, it will cause accounts over which the Firm has management authority to effect, and will recommend to clients, the purchase or sale of securities in which the Firm, its affiliates and/or Clients, directly or indirectly, have a position of interest. The Firm may encounter conflicts of interest in connection with Client transactions and to mitigate or address such conflicts, generally will follow policies and procedures similar to those described above.

### **Treatment of Material Non-Public Information/ Insider Trading Policy**

From time to time, the Firm or its Access Persons may obtain, either voluntarily or involuntarily, material non-public information. Under applicable law, the Firm is prohibited from disclosing or using such information for its benefit or for the benefit of any other person, including Clients. The Firm maintains insider trading policies to promote compliance with these requirements. Under these policies and applicable law, the Firm could be unable to take action for Client accounts, even where failing to take such action might be a detriment to Clients.

The Firm permits its directors, officers and employees (together "supervised persons"), to engage in personal securities transactions. Subject to satisfying the provisions of the Code of Ethics and applicable laws, supervised persons of the Firm and its affiliates may trade for their own accounts in securities which are recommended to and/or purchased for Firm clients only after obtaining pre-approval from the Firm CCO or their designee.

No Access Person may purchase or sell any security of an issuer for an account which he or she controls, or in which he or she has a beneficial interest, until the CCO or their designee has given clearance. Pre-clearance will not be given for a security that is currently being traded for Clients and/or currently being considered by the portfolio management team for purchase or sale for client accounts. Client accounts are defined as those having discretionary agreements with the Firm. In addition, Access Persons' personal

securities transactions are monitored by the CCO.

This prohibition also applies to all members of the Access Person's household. Under the Code of Ethics, certain classes of securities have been designated as exempt transactions, based upon a determination that these would materially not interfere with the best interest of a Client.

The Firm and its Access Persons may take investment actions that differ from the advice given or the timing or nature of action with respect to any one client account. Subject to the aforementioned restrictions, the Firm and its Access Persons may at any time hold, acquire, increase, decrease, dispose of, or otherwise deal with positions in investments in which a client account may have an interest from time to time. The Firm recommends transactions to Clients based solely on investment considerations, including whether the investment is suitable for the Client and meet the Client's investment guidelines. In any such case or where the Firm or an Access Person is contemplating taking a position in a recommended security, the Firm or its Access Persons will refrain from engaging in any security transaction inconsistent with the Code of Ethics and fiduciary responsibility to the Firm's Clients. Neither the Firm nor any Access Person will affect the market in a security the Firm recommends that a Client buy or sell.

Access Persons are prohibited from disclosing any information regarding investment programs or securities transactions being contemplated, except to other Access Persons, the securities firm executing the transaction (only to the extent necessary to properly execute the transaction), custodians, and others who are necessarily involved in such aspects of the transaction.

Access Persons are required to report to LIC, within 30 days after the end of each quarter, any securities transaction for any amount in which such Access Persons has a beneficial interest or over which he or she has control. Any request for waiver of those rules must be submitted to the CCO and the rules require that disposition of any such request be documented.

It is Firm policy not to affect any principal or cross securities transactions for client accounts.

As discussed in Item 12 below, affiliated managed accounts may trade in the same securities at the same time with Firm client accounts. Trades where the Client has directed the Firm to use a certain broker will not be aggregated with Firm client accounts due to the broker selected. In such circumstances, client accounts will not share commission costs equally and will not receive securities at a total average price.

### **Charitable Contributions**

From time to time, LIC may donate to charitable organizations that are affiliated with Clients, are supported by Clients, and/or are supported by an individual employed by one of our Clients. In general, such donations are made in response to requests from Clients, or their personnel. Because LIC's contributions may result in the recommendation of LIC's or its affiliates' products, such contributions may raise a potential conflict of interest.

No contribution will be made if the contribution implies that continued or future business with LIC depends on making such contribution. Charitable contribution limits may be considered for a waiver under certain circumstances if approved by the management team. All charitable contributions are

approved by the CEO and CFO.

### **Gifts, Entertainment, and Political Contributions**

As fiduciaries, we must continuously ensure that we place client interests ahead of our employees and the firm. We follow strict policies related to gifts, entertainment, and political contributions to uphold our high fiduciary standards. We monitor and control these areas by:

- Requiring employees to report or receive pre-approval for gifts, entertainment, and political contributions, and
- Requiring pre-approval of all firm-sponsored advertising and promotion.

Although not a material consideration when determining whether to recommend that a Client utilize the services of a particular broker-dealer/custodian, the Firm may receive from a broker-dealer/custodian without cost (and/or at a discount) support services and/or products, certain of which assist LIC to better monitor and service client accounts maintained at such institutions. Included within the support services that may be obtained by LIC may be investment-related research, pricing information and market data, software and other technology that provide access to client account data, compliance and/or practice management-related publications, discounted or gratis consulting services, discounted and/or gratis attendance at conferences, meetings, and other educational and/or social events, contributions to charitable causes associated with LIC and/or its representatives, computer software and/or other products used by the Firm in furtherance of its investment advisory business operations.

## Item 12 Brokerage Practices

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LIC has sole discretion to determine amount and securities to be bought and sold. The Firm also has discretion to select a broker or dealer to be used for a purchase or sale of securities for a Client's account in step out situations. In such situations, LIC seeks to negotiate commission rates to be paid to a broker or dealer for a Client's securities transactions.

LIC will accept the broker/dealer chosen by the Client or, if requested by the Client. When a Client chooses a particular broker/dealer, the Client may be forgoing certain benefits (including lower commissions or greater reliability and efficiency in executing trade orders) that might be obtained if LIC were to suggest a broker/dealer on the Client's behalf. At times, LIC batches transactions for multiple Clients to seek to obtain the best price on a given security. However, such transactions may result in disparate commissions being charged depending on the commission rate imposed by each Client's broker/dealer. Please see below for additional details on LIC's best execution process.

In selecting a broker/dealer for any transaction, LIC considers many factors, including:

- Price
- Reputation
- Financial strength and stability
- Efficiency of execution
- Operational support and error resolution
- Block trading capability
- Ability to execute difficult transactions in the future

### **Best Execution**

The Firm's primary trade execution objectives include providing all Clients with the best possible order execution with the lowest dispersion of price and minimal market impact, while minimizing transaction costs. Currently, trade allocations are handled manually by LIC's portfolio managers and executed via electronic entry on broker-dealer/platform websites or email notification. To this end, our trading policies are as follows:

- In-Line, Volume Weighted Average Price ("VWAP"), Time Weighted Average Price ("TWAP"), or percentage of volume orders are placed when appropriate.
- We strive for timely and consistent executions for all Clients, regardless of account size, custodian, or platform.
- We negotiate with broker-dealer "BD" firms to get competitive commission rates for our clients.
- In most cases where deemed advantageous to participating client accounts, we aggregate or block trade to achieve best execution.

## **Allocation**

The Firm's policy prohibits any allocation of trades in a manner that LIC's proprietary accounts, affiliated accounts, or any particular Client or group of Clients receive more favorable treatment than other client accounts.

Generally, partial or complete fills of orders shall be allocated evenly, on a pro-rata basis, across accounts at the daily average price with each broker. Consideration is given to cash position, the incurring of expensive minimum brokerage fees for minimal allocation actions, and any special client requests for cash balance usages. In practicality, partially filled orders necessitate the use of judgment to keep client accounts balanced, i.e., to even out distribution so as not to disadvantage any one client relative to another.

## **Soft Dollars**

Periodically, LIC utilizes broker-dealers who provide a soft dollar commission arrangement. Engaging these firms enables LIC to obtain research services that are beneficial to the management of client capital. Soft dollar trades are subject to LIC's fundamental best execution mandate.

In certain situations, LIC purchases from a broker/dealer or allows a broker/dealer to pay for certain research services that come within a safe harbor provided by Section 28 (e) of the Securities and Exchange Act of 1934, including:

- Traditional research reports
- Quotation services
- Newswire services
- Research services
- Market and economic information
- Market data (such as stock quotes, last sale prices, and trading volumes), economic data, and company financial data
- Financial databases
- Advice from broker-dealers on order execution, including advice on execution strategies, "market color," and the availability of buyers and sellers
- Discussions with research analysts
- Meetings with corporate executives
- Seminars or conferences if they relate to research, that is, they provide substantive content relating to securities, companies, industries, economic trends, political factors, etc.

The Firm may pay a brokerage commission in excess of that which another broker/dealer might charge for effecting the same transaction in recognition of the value of the brokerage, research and other services and soft dollar relationships. In such a case, however, LIC will determine in good faith that such commission in relation to the value of the brokerage, research and other services and soft dollar provided, is viewed in terms of either the specific transaction or LIC's overall responsibilities to the portfolios over which LIC exercises investment authority.

It should be noted, however, that in a situation where the Client directs the Firm to use a specific broker, a given account may pay higher brokerage commissions than are otherwise available, while the

research and other benefits resulting from the brokerage relationship would benefit all of LIC's accounts or operations as a whole.

The Firm's relationships with brokerage firms that provide soft dollar services to LIC may influence our judgment in allocating brokerage business and may create a conflict of interest in using those firms to execute brokerage transactions for our Clients, particularly to the extent that LIC uses soft dollars to pay research and trade execution expenses it would otherwise be required to pay itself.

Research received by the Firm is generally used by it in connection with some or all of its client accounts and not just the account(s) whose commissions may have generated such benefit. Laurus does not seek to allocate research solely with respect to the clients whose commissions may have generated that research.

### **Trade Errors**

As a fiduciary, LIC has the responsibility to effect orders correctly, promptly and in the best interests of our Clients. In the event any error occurs in the handling of any client transactions, due to our actions, or inaction, or actions of others, LIC's policy is to seek to identify and correct any errors as promptly as possible without disadvantaging the Client or benefiting the Firm in any way.

If the error is the responsibility of LIC, any client transaction will be corrected and LIC will be responsible for any client loss resulting from an inaccurate or erroneous order. LIC's policy and practice is to monitor and reconcile all trading activity, identify and resolve any trade errors promptly, document each trade error with appropriate supervisory approval and maintain a trade error file.

## Item 13      Review of Accounts

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Clients receive written account statements from their chosen custodian at least quarterly. In addition, LIC provides monthly client reports from their internal accounting systems along with quarterly portfolio reviews. LIC quarterly reports include account performance, benchmark returns, holdings, and summary transactions.

The Vice President of Operations, Portfolio Managers, and the administration team of LIC conduct the monthly reviews of the Client portfolios. Outside of the quarterly review cycle, client account reviews are triggered by various factors including portfolio model changes, changes in client investment objectives, account deposits and withdrawals, and volatile markets. LIC representatives are available to meet with Clients upon request.

We encourage Clients to consult with us about their portfolios and reports. We request that Clients promptly notify us of any change in investment objective or investment policy statement.

## Item 14 Client Referrals and Other Compensation

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LIC has an arrangement with Sutter to solely represent LIC in the U.S. institutional market. Sutter is engaged in the business of providing marketing, referral and consulting services for registered investment advisers, other asset managers and funds sponsored by those persons. Sutter is registered as a broker-dealer with the SEC, is a member of FINRA, is registered as an investment adviser with the state of New York, is registered as a broker-dealer and/or investment adviser in other states as it believes reasonably necessary to conduct its business and is registered as a municipal advisor with the SEC and with the Municipal Securities Rulemaking Board (MSRB).

Sutter will provide LIC with sales services as described below:

- identifying potential clients whom Sutter believes would be interested in becoming Advisory Clients of LIC's applicable strategies and for whom Sutter believes the applicable strategies would be appropriate, suitable and within the prospective clients' investment objectives, based on information available to Sutter at the time of such services;
- making contacts with those potential clients, directly or through the intermediaries representing those potential clients, to present the LIC strategies, including, but not limited to sending mailings, participating in conference calls, scheduling and attending meetings in person, arranging and attending follow-up meetings;
- arranging meetings between LIC and potential clients; and
- advising LIC in its negotiations with potential clients and their intermediaries in connection with the terms of any agreements between LIC and the potential clients.

In addition to the marketing services described above, Sutter shall provide the following communication services:

- assisting LIC in fulfilling requests from clients obtained through Sutter ("Referred Clients") or their representatives for ongoing performance and other data related to the assets of those clients managed by LIC;
- assisting LIC in preparing performance data and related commentary for Referred Clients and/or their intermediaries;
- arranging conference calls and meetings between LIC and Referred Clients and/or their intermediaries; and,
- maintaining a distribution list of Consultants and Referred Clients to facilitate the distribution of information and updates.

The Firm's compensation to Sutter for the services described above include a retainer and an ongoing account fee based on a percentage of the advisory fee paid to us by Firm Clients. These fees are detailed on the Firm's Solicitation Brochure provided to clients prior to engagement with the Firm. Clients will not pay additional fees because of this referral arrangement. Referral fees paid to Sutter are contingent upon the Client entering into an advisory agreement with the Firm.



Sutter has a financial incentive to recommend us to Clients for advisory services. This creates a conflict of interest; however, Clients are not obligated to retain the Firm for advisory services and advisory fees paid to the Firm by Clients are not increased as a result of any referral. Clients do not pay higher fees as a result of these arrangements; however, comparable services and/or lower fees may be available through other firms.

## Item 15 Custody

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Custody occurs when an adviser or related person directly or indirectly holds client funds or securities or has the ability to gain possession of them. LIC does not have direct custody over client funds or securities. The Firm is not a broker or custodian and does not take physical custody of Clients' assets. Clients maintain physical possession of their assets at custodial banks or brokerage firms selected by the Client. Our Clients work with various broker/dealers, banks and other qualified custodians who provide periodic statements of all securities and funds held. Clients should receive, at least quarterly, statements from the qualified custodian that holds and maintains investment assets. We urge Clients to carefully review statements, which represent official custodial records, and compare them to the account statements that we may provide. Laurus statements may vary from custodial statements based on differences between accounting procedures, reporting dates, or valuation methods for certain securities.

## Item 16 Investment Discretion

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LIC accepts discretionary authority to manage securities accounts on behalf of its clients. Clients may place limitations on this authority. Examples include restrictions on owning certain stocks and limitations on the percentage of cash held at any one time. In order for LIC to assume discretionary authority, both the client and LIC's Chief Executive Officer or their designee must sign a contract that explains the discretionary authority and details the restrictions or limitations, if any.

Under the investment advisory contract, the Client delegates the Firm with all powers, duties and responsibilities with regard to investment and reinvestment of the clients' assets and appoints the Firm as agent in fact with full authority to buy, sell or otherwise effect investment transactions, including investment in foreign securities, in client name and for the client account in accordance with the Client Investment Guidelines which may be amended by the Client at any time in writing.

## Item 17 Voting Client Securities

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Laurus Investment Counsel Inc. ("Laurus") believes that corporate governance is an important aspect of issuer responsibility and that issuers that are candidates to be held in Laurus Investment Counsel's client accounts should follow corporate governance policies that provide transparency and fairness to shareholders. For this purpose, Laurus has chosen to receive and vote proxies on behalf of its clients.

Our authority to vote proxies is established in our investment advisory agreement or sub-advisory. LIC will vote alike for all shares of a company held by client accounts. We will not accept direction from clients on specific votes except in extraordinary circumstances.

We have adopted policies and procedures designed to help us vote in what we believe are our clients' best interests with a focus on maximizing the economic benefit of owning the shares. Our basic policies and procedures for administering proxy voting are summarized below and a copy of our proxy voting policies and procedures is available by contacting us.

Laurus will normally vote each proxy in accordance with the Proxy Voting Policy. Where deviation from the Policy occurs or when voting against a company management's recommendations, documented explanations will be recorded. Clients who have Separately managed accounts with Laurus may provide us with their own guidelines for consideration during voting deliberation; however, the ultimate decision rests with the Firm.

A potential conflict of interest for the Firm could arise given the opportunity to vote client securities in its own interest, e.g., by agreeing to certain corporate actions for the purpose of getting or maintaining the soliciting issuer as a client. To address such conflicts, our proxy voting policy requires all proxies to be voted in the best interests of clients and specifies guidelines on voting with respect to a range of proxy voting issues. Any departure from the voting guidelines must be documented along with the reasons for the departure; these exceptions are reviewed on a periodic basis to ensure that the goals of the proxy voting policies are being met.

### **Proxy Voting Procedures**

Each vote must be determined on a case-by-case basis, taking into consideration the relevant facts and circumstances of the matter to be voted on. The following serve as general proxy voting guidelines

- Laurus will generally vote with management on routine matters such as electing corporate directors, appointing external auditors and adopting or amending management compensation plans.
- However, if the designated Portfolio Manager suspects that the Issuer's management is conflicted on the matter (e.g. management is replacing auditors who disagree with current accounting practices or appointing Directors who are connected to management), he must treat the vote as a non-routine matter, as set out below;

- The designated Portfolio Manager will address on a case-by-case basis, non-routine matters (and routine votes that require further investigation). Non-routine matters include,
  - Changes to a shareholder rights plan
  - Any plan of arrangement to sell assets or a business line, merge with another trust or agreement to sell the trust outright

The review and investigatory steps undertaken for these proxies and the Portfolio Manager's recommendation must be documented in a note to file, included in the proxy file.

If a material conflict of interest between the Firm and a Client exists, the Firm will determine whether voting in accordance with the guidelines set forth in the proxy voting policies and procedures is in the best interests of the Client or take some other appropriate action.

#### **Request for Additional Information**

As required by Rule 204-2 of the Investment Advisers Act of 1940, the Firm maintains records regarding the manner in which it (i) administers its policies and procedures for voting proxies and (ii) votes proxies for its clients. A Client may obtain additional information regarding the Firm's guidelines for voting proxies, as well as information regarding how the Firm voted proxies for the Client, by sending a request to:

Laurus Investment Counsel Inc.  
161 Bay Street, Suite 3950  
Toronto, ON Canada M5J 2S1  
844-430-5501

## Item 18 Financial Information

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As an SEC-registered investment adviser, we must disclose information about our financial condition. We are pleased to report that Laurus Investment Counsel Inc. does not have any financial obligation that would impair our capacity to meet contractual and fiduciary commitments to our Clients, nor has the firm been the subject of a bankruptcy proceeding.

LIC does not charge clients fees in advance.