



## **CLIENT RELATIONSHIP DISCLOSURE**

February 14, 2019

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## 1.0 TYPES OF ACCOUNTS

At CWB McLean & Partners Wealth Management Ltd. (CWB McLean & Partners), clients have the opportunity to open the following accounts: managed account, fee-based account, commission account or a combination of the three. The client portfolio managers will discuss with each client to determine which type(s) of account(s) best suits the client's investment objectives and needs.

### 1.1 Description of Accounts Offered by CWB McLean & Partners

#### 1.1.1 **Managed Account** – Personalized investment portfolios tailored to the specific needs of each client

- The client portfolio manager has full discretionary authority over the account
- Any decision made by the client portfolio manager is based on the client's goals and objectives outlined in the Investment Portfolio Strategy (IPS) document
- Follows CWB McLean & Partners investment strategies depicted by the in-house research team
- Management fees are calculated based on a percentage rate of the average daily value of the client's total holdings. This is charged quarterly.
- The client and the client portfolio manager will agree on the percentage rate prior to account opening
- These fees will be outlined in the Fee Agreement.

#### 1.1.2 **Fee-Based Account** – The client is responsible for investment decisions but rely on the client portfolio manager's recommendations

- The client is able to benefit from CWB McLean & Partners investment strategies depicted by the in-house research team
- The client will be contacted and they must consent to the investment strategy before any transaction is made
- Management fees are calculated based on a percentage rate of the average daily value of the client's total holdings. This is charged quarterly.
- The client and the client portfolio manager will agree on the percentage rate prior to account opening

#### 1.1.3 **Commission Account** – The client is responsible for investment decisions or can rely on the client portfolio manager's recommendations

- The client can initiate trades without the client portfolio manager's advice
- The client will pay a flat transaction fee for every trade executed

### 1.2 Types of Accounts Offered by CWB McLean & Partners

#### 1.2.1 **Cash Account**

- The client must have cash in the account to cover their initial purchase settlement date
- With subsequent purchases, the client will have three days to deposit the funds required

#### 1.2.2 **Margin Account**

- The client can borrow a specific amount to purchase stocks
- The client is required to deposit a partial amount and borrow the balance which is called the debit balance
- The client is responsible for the total amount owing even if the securities decline in value – if this occurs, the client will be in a margin call
- If the client pays for the full investment, the client receives loan value
- The client must have excess margin/cash in their account in order to purchase any stocks

#### 1.2.3 **Option Account**

- Option account allows the client to trade options, which is much riskier than purchasing stocks
- This account can purchase or sell calls and puts

- A call gives the purchaser the right to purchase the stock at a specific price before a specific time frame
- A put gives the purchaser the right to sell a specific stock at a specific price within a specified period of time
- The client must open a margin account with the option account

#### **1.2.4 Joint Account with Right of Survivorship (JWROS)**

- JWROS is an account shared by two or more individuals
- In the event of a death, the account holdings are transferred to the surviving account holder(s)

#### **1.2.5 Joint Tenants in Common Account (JTIC)**

- JTIC is an account which is owned by at least two people with no rights of survivorship
- In the event of a death, the account holdings are split equally amongst the holders in the account including the deceased holder
  - The holdings of the deceased will be divided based on their estate.

#### **1.2.6 Registered Retirement Savings Plan (RRSP)**

- An investment vehicle available to individuals to defer tax upon retirement
- Account holdings are held in a trust
- The client is able to hold different types of investments
- When funds are withdrawn, there will be withholding taxes (based on prescribed amounts withdrawn)
- When the account holder reaches a specific age, they must convert the RRSP account to a Registered Retirement Income Fund (RRIF) account
- Contributions by the account holder are tax deductible from the account holder's income (dependent on the account holder's RRSP contribution limits)

#### **1.2.7 Locked-In Registered Plan (LIRA)**

- Transfer from your employer's group pension plan
- Accounts can be considered locked-in RRSP or LIRA
- When the account holder reaches a specific age, they must convert to a locked-in RRIF
- Plans differ from province to province
- Depending on the jurisdiction, there are unlocking provisions when the account holder reaches a specific age
- Account holder cannot make any contributions to the account

#### **1.2.8 Registered Retirement Income Fund (RRIF)**

- A tax deferral vehicle is available to be converted to RRSP holders
- The holder must withdraw a minimum amount each year from the account, however, the holder can withdraw more if necessary
- Funds withdrawn are considered taxable income in the year funds are withdrawn
- At the time funds are withdrawn, there are withholding taxes based on prescribed amounts withdrawn

#### **1.2.9 Life Income Fund (LIF) and Locked-In Retirement Income Fund (LRIF)**

- This type of account is a conversion from a locked-in RRSP or LIRA when the account holder reaches a specific age
- LIF is a form of a RRIF, but the funds are locked in and originated from a pension plan
- There are additional restrictions which may vary from province to province and have minimum and maximum withdrawal limitations

#### **1.2.10 Registered Pension Plan (RPP)**

- This account is a trust registered with Canada Revenue Agency, established by an employer to provide pension benefits for employees when they retire
- Both the employer and employee may contribute to the plan and contributions are tax deductible

**1.2.11 Registered Education Savings Plan (RESP)**

- A government sponsored savings plan used to finance a child's post-secondary education
- The government will provide grants to the account
- The account holder can make annual contributions to the account

**1.2.12 Tax Free Savings Account (TFSA)**

- A savings vehicle where income earned within a TFSA will not be taxed in any way throughout an individual's lifetime
- There are no restrictions on the timing or amount of withdrawals from a TFSA account
- Funds withdrawn can be used for any purpose
- Maximum yearly contributions is \$5,000 from 2009-2012 and starting in 2013 is \$5,500 unless stated otherwise

**1.2.13 Informal Trust Account**

- An investment account registered in an adult's name in trust for a minor where funds are reserved for the beneficiary (minor child)
- The account is treated as an individual account
- The account holder is responsible for reporting income generated on the account
- The account holder is the only individual that has authority over the account

**1.2.14 Formal Trust Account**

- An account created based on legal documents drawn up by a lawyer typically called "Trust Deed"
- The Trust Deed outlines the agreement between the settlor, trustee, and the beneficiary
- A deceased's will can create a formal trust for beneficiaries who are minors; normally referred to as a "Testamentary Trust"
- The trustees are the only individuals authorized to transact on the account

**1.2.15 Estate Account**

- An account in the name of an estate of a deceased person
- The account can be opened by the representative of the Estate, usually referred to as an executor/trix of administrator
- To open the account, the Estate representative must provide copies of the deceased's death certificate and the court appointment or probated will

**1.2.16 Corporation**

- A business or organization registered under provincial or federal statutes which have a legal identity separate from its owners
- The corporation's owners have no personal liability for its debts

**1.2.17 Limited Partnership**

- A type of partnership where a limited partner cannot participate in the daily business activities
- Liability is limited to the partner's investment

**1.2.18 Sole Proprietorship**

- A business or organization that involves one individual
- The individual is responsible for reporting taxable income
- CWB McLean & Partners considers these accounts as individual accounts

## 2 TYPES OF INVESTMENT PORTFOLIOS

We build custom solutions based on the client's individual needs and goals. With six distinct asset classes, we develop portfolio strategies that match the client's risk-reward objectives.

- **Cash:** Cash and cash equivalent holdings include short-term money market investments, which ensure a high degree of liquidity and safety of principal.

- Bonds: The bond market offers an opportunity to invest in debt instruments of corporations and governments with both fixed and floating interest rates. Investing in these assets provides regular income with low risk to capital.
- Preferred Shares: Canadian preferred shares are a hybrid security of debt and equity, with lower capital risk than common shares and quarterly tax-advantaged dividends.
- Market Alternatives: Hedges and low correlation investments designed to lower portfolio volatility.
- Canadian Equities: The domestic stock market offers a range of equity opportunities to produce long-term growth with tax-advantaged dividends and reduced currency risk.
- U.S. Equities: The United States represents the largest and broadest stock market in the world, offering an excellent choice of public companies. We invest primarily in large and medium sized companies across a range of industry sectors.
- International Equities: With nearly 75% of the world's publicly listed companies, international equity markets offer an expanded opportunity set for investment in equities and long-term diversification benefits. We invest in companies in the key developed markets of Europe and the Asia Pacific region, as well as across emerging market countries.

## 2.1 Segregated

The client has the opportunity to invest in our portfolio strategies or segregated accounts. Segregated accounts invest directly in individual securities rather than in units of pooled funds. The advantages of segregated account management include enhanced flexibility, tax efficiency, and portability of assets.

## 2.2 Portfolio Strategies

For all strategies, please refer to the Offering Memorandum for full details

### 2.2.1 Tactical Monthly Income Strategy

The Tactical Monthly Income Strategy invests in a diversified portfolio of global equity and fixed income securities to provide investors regular monthly distributions by focusing on a portfolio of income-generating securities with potential for modest capital growth. This strategy will employ an active approach consistent with the CWB McLean & Partners research process.

### 2.2.2 Global Balanced Strategy

The Global Balanced Strategy takes a 'pool of pools' approach. It holds varying weights of the Diversified Fixed Income Pool, the International Pool, the Canadian Equity Pool and the U.S. Equity Pool. The objective of the strategy is to manage portfolio risk while achieving above average long-term returns through a combination of capital growth, dividend and interest income.

### 2.2.3 Global Equity Strategy

The Global Equity Strategy invests in a diversified portfolio of Canadian, U.S. International equities in order to deliver long-term capital appreciation for investors. This strategy will employ an active approach consistent with the CWB McLean & Partners research process. Capital will be allocated within the portfolio based on the best fundamental global opportunities.

### 2.2.4 International Equity Strategy

The international Equity Strategy invests in a diversified portfolio of equities domiciled outside of North America in order to deliver long-term capital appreciation for investors. This strategy will employ an active approach consistent with the CWB McLean & Partners research process.

### 2.2.5 Diversified Fixed Income Strategy

The investment objective of the Diversified Fixed Income Strategy is to generate regular income and maximize total returns by investing in debt-like securities from governments and corporations from around the world. The manager will be able to enhance portfolio yield and reduce risk by investing in a broader mix of fixed income assets than is normally found amongst traditional fixed income products. Convertible debentures, non-investment grade corporate debt, emerging market bonds and preferred shares are fixed income categories that the fund manager will utilize within the overall asset mix of the fund.



### 2.2.6 Canadian Equity Strategy

The Canadian Equity Strategy invests in a focused portfolio of Canadian companies in order to deliver long-term capital appreciation for investors. This strategy will employ an active approach consistent with the CWB McLean & Partners research process.

### 2.2.7 U.S. Equity Strategy

The U.S. Equity Strategy invests in a focused portfolio of U.S. companies in order to deliver long-term capital appreciation for investors. This strategy will employ an active approach consistent with the CWB McLean & Partners research process.

## 3.0 NEW CLIENT PROCESS

As a new client at CWB McLean & Partners, we offer an in depth analysis of the client's needs and goals in order to properly build a custom solution for the client. Each client will complete an Investment Policy Statement (IPS) which will provide both the client and client portfolio manager a 'road map' of their investment objectives. Additionally, a 'Know Your Client' (KYC) form will be completed by the client to guide the client portfolio manager during their relationship (additional information in Section 9).

Once the IPS and KYC have been documented and signed, the client will receive a copy of both documents as well as the following in their welcome package:

- Complete fee schedule
- Strip bond information statement
- Canadian investment protection fund brochure
- An investor's guide to making a complaint
- CWB McLean & Partners client brokerage commission disclosure
- NBCN's institutional services account and service agreements and disclosure documents brochure
- Account statement summary
- CWB McLean & Partners client complaint handling process

Additionally, the client will receive access to our client PurePortal to view their account information at any time. The PurePortal will provide access to the following:

- Asset mix for each account and as a consolidated account
- Account holdings for each account and as a consolidated account
- Transaction summary for each account and as a consolidated account
- Fee invoices
- Tax packages
- Weekly reports
- Monthly reports

Clients will also have access to the "My Portfolio+" site, which is on the NBCN platform. This site will provide access to view statements, tax slips and confirmation slips online at any time, as well as opt out of paper statements.

At CWB McLean & Partners, we are dedicated to the success of each client and focus on delivering the best client experience. The next chapter highlights our client service commitment.

## 4.0 CLIENT SERVICE COMMITMENT

We are committed to providing our clients with an exceptional client experience.

### Relationship & Commitment

- A dedicated client portfolio manager and team of client service associates with a limited amount of clients
- Regular portfolio reviews and performance reports
- Access to properly screened experts in tax, estate, and business-related fields

- Market and account update between reviews
- Effective management of non-core holdings
- Insight from third party research

#### Client Service Care

- Comprehensive tax reporting, updates, and reminders
- Complimentary communications and meetings with your accountants and lawyers
- Financial plan retirement projections
- Online access support and associated help line
- Complimentary parking
- Guaranteed live phone conversations during business hours

#### Communication & Transparency

- Quarterly Outlook Commentary
- Access to one-on-one conversations with members of the Research Team
- Exclusive invitation to CWB M&P special events
- Access to CWB M&P articles: Market Intelligence, CWB M&P Blog, Whitepapers
- Comprehensive weekly & monthly pool reporting

Our client portfolio managers are available to our clients and their friends and family members as a sounding board. The individuals that are important to our clients are important to us as well. We are happy to provide a second opinion or answer any financial-related questions at no obligation.

## 5.0 PORTFOLIO MEETINGS

The client receives a minimum of one portfolio review meeting per year in person or by phone. Additional portfolio reviews can be conducted. Portfolio meetings frequency will be discussed and determined between the client portfolio manager and client.

Each portfolio meeting will cover the following topics:

- Review portfolios outside of CWB McLean & Partners
- Review portfolio inside of CWB McLean & Partners
- Review appropriate asset allocation
- Review tax and estate planning needs
- Review income needs from portfolio
- Review non-core holdings
- Review current Investment Policy Statement (IPS) and how it applies to your portfolio
- Changes in personal circumstances and objectives
- Fee invoice review

## 6.0 REPORTING

CWB McLean & Partners offers extensive client reporting to ensure appropriate and efficient information is being presented.

### 6.1 Weekly Reports

Weekly portfolio reports are updated on Friday afternoons and can be found on the PurePortal website. Each week the client will see updated Net Asset Values and a list of holdings in each CWB McLean & Partners investment strategy.

### 6.2 Monthly Reports

Monthly portfolio reports are updated during the 15th of the following month and can be found on the PurePortal website. These reports will show monthly performance and year-to-date performance. The client can

also view the top 10 holdings, asset allocation mix, and sector weightings in each CWB McLean & Partners investment strategy.

### **6.3 Semi-Annual and Annual Financial Statements**

The client will receive access to the unaudited semi-annual and audited annual financial statements for each CWB McLean & Partners investment strategy on the PurePortal website. The financial statements will include a statement of net assets, statement of operations, statement of changes in net assets, statement of investment portfolios, and notes to the financial statements.

### **6.4 Website Reporting**

On the PurePortal site, clients have access to view their account holdings, transaction history, and asset allocation at their convenience for each account at CWB McLean & Partners and as a consolidated portfolio on a monthly basis. The Net Asset Value of our pools is struck daily, and will be reflected as of the close of business the previous day.

### **6.5 Performance Reporting**

Performance numbers are available at portfolio review meetings and are available at your request. You can judge how your investments are doing by comparing the rate of return on the securities you hold to an investment performance benchmark. Your rate of return is affected by, among other things, changes in the value of your securities, dividends and the interest you earn, as well as when you make deposits and withdrawals.

To compare your rate of return with a benchmark, we provide on your reports a “Blended Benchmark” that encompasses the areas we invest in, and in the ratios that are applicable to the investment objectives your account is set to meet. For example, the S&P/TSX Composite is a benchmark for a broad group of Canadian stocks that trade on the Toronto Stock Exchange. It’s a good yardstick for assessing performance of a Canadian equity mutual fund with investments in Canadian corporations. It would not be a good benchmark if you hold foreign investments, bonds, shares of smaller companies, or ones limited to only one part of the economy. Instead, you would have to find a foreign equity, bond, small cap or industry sector benchmark. The benchmarks we have provided on your portfolio performance reporting blend the benchmarks for the different geographic areas we invest in, as well as accounting for varying asset classes, and your portfolio’s particular asset allocation.

The following benchmarks are used in our “Blended Benchmark” models

S&P/TSX Composite TR

S&P 500 TR (CAD)

MSCI ACWI ex USA TR (CAD)

S&P/TSX Preferred Share TR

FTSE/TMX Canada Universe Bond (TR)

FTSE/TMX Canada 91 day T-bill (TR)

Keep in mind that benchmarks should be used as a guide only. Benchmark rates of return are calculated using a specified method. For the best comparison, we are providing this benchmark to you in the form prescribed by securities regulators, and we have matched the calculation of your portfolio’s performance to that method. Remember that benchmarks are based on how a sample portfolio performs and that other factors, such as tax considerations, will affect your returns.

In addition to benchmarks, effective for the period ending December 31, 2017 you will receive a money weighted rate of return on your annual summary statement provided by NBIN the carrying broker. How does Money weighted differ from the existing performance methodology we use “time weighted? Money-weighted and time-weighted rates of return are two methods of measuring performance, or the rate of return on an investment portfolio. Each of these two approaches has particular instances where it is the preferred method:

#### **Money-Weighted Rate of Return**

A money-weighted rate of return is identical in concept to an internal rate of return: it is essentially the return your portfolio achieved when all outflows and inflows are considered:

Outflows

1. The cost of any investment purchased
2. Reinvested dividends or interest

### 3. Withdrawals

#### Inflows

1. The proceeds from any investment sold
2. Dividends or interest received
3. Contributions

#### **Time-Weighted Rate of Return**

The time-weighted rate of return is the preferred industry standard as it is not sensitive to contributions or withdrawals. It is defined as the compounded growth rate of \$1 over the period being measured.

These performance measurements can be confusing – please reach out to your Client Portfolio Manager if you would like to discuss these in more detail.

## 7.0 CLIENT COMMUNICATION

We believe transparent communications is very important in our business, and thus we have ongoing conversations with our clients on a regular basis regarding market developments and portfolio activities.

### **7.1 Quarterly Outlook Commentary**

At the end of each quarter, CWB McLean & Partners produces an Outlook Commentary which will be emailed to the client. The report is written by our independent research team and will include the following:

- A review of the previous quarter and corporate update
- An update on our outlook and strategy broken into the following sections:
  - Canada;
  - United States;
  - International, and;
  - Fixed income

### **7.2 Client Quarterly Outlook Events**

We host quarterly client events, where our research team will provide clients with market updates and address any market concerns or questions our clients may have. These interactive discussions offer an in-depth view in our investment process, and allows for an open discussion between our research team and our clients.

## 8.0 INSIGHTS

As stewards of your financial goals, we strive to keep our clients informed and educated by providing added value and insight through our publications. We are constantly reporting on market-related topics as well as topics that may be of interest to high-net-worth individuals. Below is a list of additional insight we provide:

### **8.1 Blog**

#### **8.1.1 CWB M&P Blog**

Each week, our research team meets to share their views and perspectives with our client advisors. Our CWB M&P Blog on our website provides a more casual read of the insights of our global research team, as well as other topics in regards to community or entertainment.

#### **8.1.2 Special Blog: Market Bulletins**

At times of significant market developments or uncertainty, CWB McLean & Partners will comment and inform the client via website and e-mail through our CWB M&P Special Blog: Market Bulletins.

### **8.2 Social Media**

CWB McLean & Partners is active on social media sites, as this platform is the most effective in educating a large audience on the importance of wealth management. We encourage you to follow our pages.

We use Twitter (@cwb\_mcleanpartners) and LinkedIn (CWB McLean & Partners Wealth Management Ltd.) as a means of communication to the public. We often post information regarding everything from specific stocks to general macro updates.

## 9.0 ASSESSING ACCOUNT SUITABILITY

All members of the Investment Industry Regulatory Organization of Canada (IIROC) are required to conduct suitability reviews on client accounts. This section outlines CWB McLean & Partners internal process regarding conducting internal suitability reviews on client accounts. The client can be assured that their accounts are reviewed to ensure they are onside with their asset allocation. In addition, their client portfolio manager will review the client's investment objectives when transacting in their accounts. The client portfolio manager is responsible for taking the time to gather all relevant information on the client, not only the factual information – but a fulsome understanding of the clients' needs, goals and objectives for their investments, and to ensure that both parties move forward with the relationship on a clear understanding of all expectations.

### 9.1 'Know Your Client' Documentation

It is an obligation for the client to inform CWB McLean & Partners regarding any material changes to the client, specifically financial, employment, and/or marital status changes. CWB McLean & Partners cannot assess the client's investments to ensure they are suitable if the client's personal information is not up-to-date.

The 'Know Your Client' (KYC) rule requires that every client portfolio manager diligently perform the following:

- Learn the essential facts relative to every client or account accepted
- Ensure that the acceptance of any order for any account is within the bounds of good business practice
- Ensure that recommendations made for any account are appropriate for the client and in keeping with their investment objectives.

CWB McLean & Partners will collect specific information known as KYC information during the account opening process. The following is the main information used to assess suitability of investments (not exclusive to the following):

- Date of Birth – indicates age and may give an indication of the investor's time horizon and income needs
- Income and Net Worth – indicates the clients' financial resources and income needs
- Investment Knowledge – indicates the clients' level of investment experience
- Investment Objective – indicates how assets are allocated among several investments
- Risk Tolerance – high, medium, low, or a combination of all three (must equal to 100 per cent)
- Time Horizon – indicates clients' anticipated returns and income needs
- Address – where the client resides
- Marital Status – married, single, common-law, divorce, or separated
- Dependents – indicates that the client may rely on investments for income to support other individuals
- Employment Status – employed or unemployed
- Occupation – indicates source of income

### 9.2 Client Account Documentation

The client must sign a NCAAF (New Client Account Application Form) that contains all the items noted above and additional information pertaining to the client. If the client does not provide the necessary information, an account cannot be opened at CWB McLean & Partners. Without the information, the client portfolio managers are unable to determine the most effective investment strategy for the client.

In addition to the NCAAF, the client may be required to sign supplemental forms depending on the type of account the client wishes to open with CWB McLean & Partners.

### 9.3 Non-Managed Account Suitability Assessment

Non-managed account reviews are based on comparing client holdings to the client's most recent risk tolerance, objectives, and time horizon (signed by the client). In addition the client's investment knowledge is used for

assessing suitability which is found in the client account application form. Non-managed account reviews are conducted daily based on any transactions (buys or sells) that occurred in the account.

#### 9.4 Managed Account Suitability Assessment

All managed client accounts are reviewed on a quarterly basis for suitability (every three months in the calendar year). There will be certain events where a separate suitability review will be conducted apart from the quarterly suitability reviews.

The managed account review is based on comparing the client holdings to the client's most recent asset allocation, risk tolerance, and time horizon found in the Investment Policy Statement (signed by the client). In addition, the client's investment knowledge is recorded in the client account application form and reviewed for suitability purposes.

CWB McLean & Partners' internal managed account reviews are based on a household level combining all client accounts together, as long as the asset allocations are the same. If there are multiple asset allocation objectives, then the accounts would be reviewed separately based on their specific asset allocation. Managed, commission and fee-based accounts are grouped separately based on the client's agreed upon asset allocation.

#### 9.5 When Suitability Assessments Occur

CWB McLean & Partners compliance department or the Client Portfolio Manager on record will assess client suitability when:

- A trade is accepted for fee-based or commission accounts
- There is a change in client portfolio manager
- There are material 'Know Your Client' (KYC) information changes
- Securities are transferred or deposited
- When there are triggering events in the marketplace, for example, market fluctuations – PM will perform
- Various other compliance reviews are done regularly to monitor all account activity.

##### 9.5.1 Trade Incurred

On a daily basis, CWB McLean & Partners' compliance department will review a report summarizing all transactions (specifically buys and sells) that occurred the previous business day. The report is called the 'Commission Summary Report'. The compliance department reviews all buys for commissions and fee-based accounts to ensure the 'buys' adhere to the client's agreed upon investment objectives and risks. In order to assess suitability, compliance compares the client household holdings to the client's agreed upon investment objectives, risk tolerance, time horizon, and investment knowledge.

1. **Investment Objectives** – this is how assets are allocated (measured in percentage) between a combination of investment types. The total must equal to 100 per cent. The investment types are described below:
  - a. Income – is a combination of bonds, preferred shares, cash, and cash equivalents (T-bills, short-term paper, money market mutual funds, etc.).
  - b. Short Term Capital Gains – includes all common stocks trading below five dollars, and have a potential for income generation (dividend payout in the future).
  - c. Medium Term Capital Gains – includes all common stocks trading above five dollars, and have a potential for income generation (dividend payout in the future).
  - d. Long Term Capital Gains – listed equities that have a proven track record of steady income, distribute dividends, and are making a profit.

The client's investment objectives are converted to CWB McLean & Partners' in-house Asset Allocation. It is a combination of fixed income products and equities. The Income component is composed of Preferred Shares, bonds and cash. These are the specific categories:

- a. 100% Equity – investing only in equity positions
- b. 90% Equity / 10% Fixed Income - generating above-average returns with an aggressive growth portfolio investing primarily in equities
- c. 80% Equity / 20% Fixed Income – generating above-average returns with an aggressive growth portfolio investing primarily in equities

- d. 70% Equity / 30% Fixed Income – generating above-average total returns with an aggressive balanced portfolio of equities and bonds with preference for equities
  - e. 60% Equity / 40% Fixed Income – generating above-average total returns with a balanced portfolio of equities and bonds
  - f. 50% Equity / 50% Fixed Income – generating above-average total returns with a conservative balanced portfolio of equities and bonds
  - g. 40% Equity / 60% Fixed Income – generating some income with modest levels of equities to offset inflation with a focus of preserving capital
  - h. 30% Equity / 70% Fixed Income – primarily investing in fixed income securities with a focus of preserving capital and maximizing income
  - i. 20% Equity / 80% Fixed Income
  - j. 10% Equity / 90% Fixed Income
  - k. 100% Fixed Income – investing only in fixed income securities
2. **Risk Tolerance** – is a combination of three risk factors allocated as a percentage. The total must equal 100%. Risk tolerance is divided into three categories:
- a. High – the investor has a high tolerance for volatility where even a significant drop in the value of their investments over a short to medium term will not influence their emotions and will not impact their investment decisions. Investment objectives that are considered high risk are: 100% short term capital gains or any combination with a larger percentage leaning towards short term capital gains (more than 50%)
  - b. Medium – the investor has some tolerance for volatility where a slight drop in value of their investments over a short to medium term will influence them emotionally and impact their investment decisions.
  - c. Low – the investor has very low tolerance for volatility where only drops in value of their investments over a short to medium term will influence them emotionally and impact their investment decisions.
- Risk tolerance can be a combination of the above three categories but must be represented in percentage terms, where the total must equal 100%.
3. **Time Horizon** – defines the client’s investment objectives over a period of time. There are three categories:
- a. Short Term (1-3 years) – will need significant proceeds from this investment over 0-3 years
  - b. Medium Term (3-10 years) – will not need significant proceeds from this investment over the next 3-10 years
  - c. Long Term (10 years or more) – there is very little probability of requiring significant proceeds from this investment over the next 10-15 years
4. **Investment Knowledge** – defines how knowledgeable the client is with investing assets into the market. There are four categories:
- a. Sophisticated – expert
  - b. Average – general understanding
  - c. Limited – limited to specific investments
  - d. Poor/Nil – no understanding of investments

For all reviews, any issues or concerns noted that require further investigation (which means that the client holdings are more over or under-weighted by more than five per cent) will be brought to the attention of the client portfolio manager. At that time, the client portfolio manager will follow up and take appropriate actions to rectify the portfolio from being offside. All inquiries, follow-up responses, and actions taken must be documented and retained for auditing purposes. The reviewer must sign and date the reports to prove the review was performed.

## 9.5.2 Change in Client Portfolio Manager

When there is a change in client portfolio manager on an account, the new client portfolio manager is responsible for reviewing and assessing the client’s current investments to determine if they meet the client’s investment objectives (asset allocation). They will complete an internal document referred to as the KYC Update – and will confirm all material information as well as all investment objectives with the client. This update will at a minimum be completed with the client by phone

and the date and time of the call recorded on the form. Ideally the client will complete this with a new PM in an in-person meeting. If the client has not met with the PM – a copy of the form detailing the phone call review will be mailed to the client.

The compliance department will approve the documentation by signing and reviewing the documents to ensure that the client's current investments are within the initial agreed upon asset allocation. If the weighting in equities is more than five per cent when compared to the agreed asset allocation, then the compliance department will inform the new client portfolio manager and request for actions to be taken.

All inquiries, follow up responses, and actions taken must be noted or retained for auditing purposes. The reviewer must sign and date the report to prove the review was performed.

### **9.5.3 Changes in the Know Your Client (KYC) Document Information**

When there are material KYC changes to a client, the client portfolio manager is responsible for updating the new client application form with the client. This means the client will need to sign new up-to-date client account documents.

Examples of material KYC changes are (but are not limited to):

- Asset Allocation
- Risk
- Investment Knowledge
- Employment Change
- Net Income and Net Worth Change
- Marital Status Change
- Employment Income Change

The compliance department will assess the changes before approving the updated client account application. The assessment is based on comparing the material KYC changes to the client's existing KYC information on record. In addition, the client's holdings are reviewed to ensure that the existing investment objectives and risk allocations are in line with the updated asset allocation and other KYC information changes.

If changes to the KYC information do not make sense or there is a contradiction, compliance will contact the client portfolio manager for clarification. KYC material changes that would be considered concerns are (but not exclusive to):

- The client is increasing their risk.
- The client's investment objectives are becoming more aggressive (higher weighting in equities)
- Employment status is unemployed and client remains in a high risk profile

In addition, compliance will always review the client's current holdings and compare the client's existing and changed investment objectives. If the weighting in equities is more than five per cent when compared to the client's agreed asset allocation, then compliance will inform the client portfolio manager and request for actions to be taken.

All inquiries, follow-up responses, and actions taken must be noted or retained for auditing purposes. The reviewer must sign and date the report to prove the review was performed.

### **9.5.4 Securities are Transferred or Deposited:**

At the time when securities are transferred or deposited to the account, the client portfolio manager must ensure that the securities are in line with the client's current stated risk and investment objectives. If they are not in line, the client portfolio manager must discuss with the client regarding the actions taken to ensure investments are adjusted. The criteria used is if the weighting in equities is more than five per cent when compared to the client's agreed asset allocation, then compliance will inform the client portfolio manager and request for actions to be taken.



In some cases, the client may choose to sell the securities and buy other suitable investments or update their risk and investment objectives with their client portfolio manager.

The compliance department will review the client's accounts on a quarterly basis for suitability. The same criteria apply to the quarterly assessment as the daily review process. If the weighting in equities is more than five per cent when compared to the client's agreed asset allocation, then compliance will inform the client portfolio manager and request for actions to be taken.

All inquiries, follow up responses, and actions taken must be noted or retained for auditing purposes. The reviewer must sign and date the report to prove the review was performed.

### **9.5.5 Triggering Events in the Market**

The client portfolio manager on record is responsible for reviewing and assessing with the client. The client portfolio manager will contact their clients via email or phone to discuss what is occurring in the markets. This is a service level agreement based on the conversation between the client and the client portfolio manager upon account opening.

### **9.5.6 Various Compliance Reviews**

One of the functions of compliance is to monitor the client portfolio activity. This is to ensure we are meeting the many regulatory and fiduciary responsibilities we have when managing our clients' investment portfolios. The triggers for review are varied and include the age of our client, the type of portfolio mandate they are invested in, the recent activity in the account, large cash transactions and trading activities.

### **9.6 Internal Review Process**

The Chief Compliance Officer internally generates a report that contains all managed accounts at the end of each quarter (calendar year). In the report is a listing of all client holdings broken down into the asset allocation groupings compared with the objectives selected in the IPS.

Compliance will review and notify the client portfolio manager if there has been a drift away from the client's stated IPS targets.

### **9.7 Follow Up and Actions Taken to Resolve Concerns**

If the total of equities in the client's current holdings is more than five per cent when compared to the client's agreed asset allocation, then compliance will query the client portfolio manager for their responses and actions taken to bring the account back in line with the client's stated asset allocation. The client portfolio manager can either liquidate some of the equity holdings or liquidate equity holdings and purchase fixed income product. In most cases, the client portfolio manager will contact the client to discuss future actions. The other alternative is that the client may decide that they are willing to accept more equities in their portfolio. If this is the case, then the client portfolio manager would discuss with the client to update their asset allocation to include a higher equity composition.

## **10.0 STATEMENTS**

### **10.1 Month-End and Quarterly Account Statements**

The client will be mailed a statement of their holdings, for the previous month during the 3<sup>rd</sup> or 4<sup>th</sup> week of the current month. CWB McLean & Partners' custodian, National Bank Correspondent Network (NBCN), is responsible for producing and mailing your month-end statements. If the client does not have any transactions for that month, no month-end statement will be mailed. The client will then receive a quarterly statement that summarizes their transactions and holdings for the last three months.

### **10.2 Trade Confirmations**

The client will be mailed a trade confirmation for buys and sales of securities in any of their accounts, within three to five business days of the transaction occurring. CWB McLean & Partners' custodian, NBCN, is responsible for producing and mailing the trade confirmation.

### 10.3 CRA Tax Receipts

NBCN is responsible for producing and mailing CRA Tax Receipts (T3s & T5s). For other funds such as CWB McLean & Partners Investment Strategies, the Fund Company, CIBC (Trustee), is responsible for mailing the tax receipts. These tax receipts are mailed by the end of March for that tax year.

### 10.4 Tax Packages

CWB McLean & Partners is responsible for providing tax packages during tax season, between March and April. The tax packages may be mailed to the client or uploaded to the client website for personal viewing. The tax packages contain the following:

1. Income & Expense Report – the report details all income earned (dividend and interest) during the tax year
2. Transaction Report – the report details all transactions that occurred during the tax year
3. Realized Gains & Losses – the report details all transactions for equities and fixed income investments which include the original and selling cost for the tax year
4. Account Appraisals with Income – only for corporate accounts
5. Form T1135 Report – this provides you with the foreign income reporting you may need to report.

### 10.5 Fee Invoices

CWB McLean & Partners will post management fee charge invoices quarterly to the client PurePortal site at the end of the following month of each quarter. For example, for quarter 1 (January 1 to March 31), management fee charge invoices will be posted online at the end of April, unless otherwise stated.

## 11.0 CONFLICT OF INTEREST

CWB McLean & Partners Wealth Management Ltd. (CWB M&P) is required to disclose to our clients any situation in which there is a potential 'Conflict of Interest' between you and your Advisor (Client Portfolio Manager). 'Conflict of Interest' is defined as a situation where the Advisor has a potential for personal gain excluding receiving remuneration for transaction from the client, where the best interest of the client may not be the Advisor's priority.

CWB M&P will advise at the time of account opening or during the operation of your account if there is a 'Conflict of Interest' either verbally or in written form (letter).

CWB M&P will ensure that any potential 'Conflict of Interest' situations will be dealt with in a fair, equitable, transparent manner, and consistent with the best interests of you, the client. If this is not possible, then the Advisor (Client Portfolio Manager) will not be engaged in the activity in question. Internally we have a process for evaluating our Client Portfolio Managers and staff outside business activities. These are situations that could lead to client confusion and/or conflicts of interest. Each situation is reviewed prior to the registrant becoming involved in the activity. CWB McLean & Partners compliance and management will discuss our ability to ensure conflicts are not present before permitting the activity.

CWB M&P may under certain circumstances deal with or for you in securities transactions where the issuer of the securities or the other party to the transaction is CWB M&P or a party having an ownership or business relationship with us.

Since these transactions may create a conflict between our interest and yours, we are required by securities law to disclose to you certain relevant matters relating to the transactions.

CWB M&P is registered to carry on business as an advisor, dealer and underwriter in securities in the provinces of Alberta, Ontario, British Columbia, Manitoba and Saskatchewan. The securities legislation of certain jurisdictions in Canada require securities dealers and advisors, when they trade in or advise with respect to their own securities or securities of certain other issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisors, prior to trading with or advising their customers or clients, to inform them of the relevant relationships and connections with the issuer of the securities. It is the policy of CWB M&P, to comply with these requirements, and as such we notify you below of the fact that the below is a list of issuers that are related

and connected. You should refer to the applicable provisions of these securities laws for the particulars of these rules and your rights or consult with a legal advisor.

*A "connected issuer" is defined by securities legislation to mean, in respect of a registrant (i.e. CWB McLean and Partners Wealth Management Ltd.), an issuer that has, or any related issuer of which has, any indebtedness to, or other relationship with, the registrant, a related issuer of the registrant, or a director, officer or partner of the registrant or related issuer of the registrant, that, in connection with a distribution of securities of the issue, is material to a prospective purchaser of the securities.*

*A "related issuer" is defined by securities legislation to mean, in respect of a person or company:*

- a) any other person or company that influences the person or company;*
- b) any other person or company that is influenced by the person or company;*
- c) any other person or company in like relation to a person or company, referred to in clause (a) or (b) or any such other person or company; or*
- d) any other person or company designated by a securities commission as a related issuer of the person or company.*

**Related Issuers:**

- Canadian Western Bank (CWB) which owns CWB WM
- Canadian Western Bank Wealth Management (CWB WM) of which CWB M&P is a subsidiary
- CWB McLean & Partners Global Equity Pool
- CWB McLean & Partners Global Balanced Pool
- CWB McLean & Partners International Equity Pool
- CWB McLean & Partners Tactical Monthly Income Pool
- CWB McLean & Partners Diversified Fixed Income Pool
- CWB McLean & Partners Canadian Equity Pool
- CWB McLean & Partners U.S. Equity Pool
- Onyx Diversified Income Series O
- Onyx Canadian Equity Series O
- Onyx Global Equity Series O
- Onyx Conservative Fund Series O
- Onyx Balanced Fund Series O
- Onyx Growth Fund Series O

**Connected Issuers:**

- Canadian Western Bank (CWB) which owns CWB WM
- Canadian Western Bank Wealth Management (CWB WM) of which CWB M&P is a subsidiary
- CWB McLean & Partners Global Equity Pool
- CWB McLean & Partners Global Balanced Pool
- CWB McLean & Partners International Equity Pool
- CWB McLean & Partners Tactical Monthly Income Pool
- CWB McLean & Partners Diversified Fixed Income Pool
- CWB McLean & Partners Canadian Equity Pool
- CWB McLean & Partners U.S. Equity Pool
- Onyx Diversified Income Series O
- Onyx Canadian Equity Series O
- Onyx Global Equity Series O
- Onyx Conservative Fund Series O
- Onyx Balanced Fund Series O
- Onyx Growth Fund Series O

We have structured our CWB McLean and Partners Pooled Funds so that they have no internal management fees. We have done this because your managed accounts with us or your commission accounts with us will be the only accounts on which fees will be calculated. This ensures there is no benefit to us in selling into your

account one of our connected issuers as we receive no direct revenue from the sale of our investments – and as such we ensure we are not charging a management fee on the pooled fund as well as on your account. The funds do not have an MER, we may have charges associated to the maintenance and activity in the account, those fees may be run through the account and are available on request. These administrative charges will not be material to the Net Asset Value of the fund, and do not constitute an MER.

## **12.0 BEST EXECUTION REQUIREMENTS**

CWB McLean & Partners has a regulatory obligation to ensure trades are acted on in the absolute best interest of the client. Trades for our clients are executed by companies chosen by us to facilitate our trading and are subject to strict policies and procedures. Refer to Appendix A for more detail.

**APPENDIX A - FEE SCHEDULE OUTLINES****ACCOUNT TYPE:****Fee-Based or Managed Account:**

You will receive the “CWB McLean & Partners Wealth Management Ltd. FEE ACCOUNT AGREEMENT”. This will outline your annual fee as a % as well as any “per transaction” type charges you may have in your account.

**CWB McLean & Partners Pooled Funds:**

You will receive a “CWB McLean & Partners Pooled Funds Investment Management Fees” schedule which will show the fees as a % applied to the pools only. There may or may not be additional fees charged to the account, these will be shown in the FEE ACCOUNT AGREEMENT outlined above.

**CURRENT Additional Account Charges:**

Your Fee Schedules will include the current “per transaction” type charges, and you will also receive the “CWB McLean & Partners Account Services and Fees” Schedule when you open your accounts.

**Registered Account Fees**

Below is a list of the fees charged for various RRSP services. The annual administration fee will not be charged until the clients’ first anniversary date.

<b>SDRSP/RIF Annual Administration Fee</b>	
- Client Accounts	\$125.00, plus GST
-Additional Retirement Account	\$50.00 plus GST (includes spousal account)
- CWB M&P Staff	\$75.00, plus GST
- Locked - In RRSP	\$50.00 plus GST
<b>RESP</b>	\$50.00
<b>TFSA</b>	\$50.00 plus GST
<b>Note: Admin fee waived for Fee based plans.</b>	
<b>Mortgages Annual Administration</b>	
-Fee	\$200.00, plus GST
- Set-up fee	\$100.00, plus GST
<b>Contributions</b>	No Charge
<b>Swaps</b>	\$25.00 flat fee per swap (plus GST if charged to SDRSP)
<b>Transfers to another institution</b>	\$100.00 termination fee, plus GST
<b>Partial withdrawal</b>	Subject to withholding tax
<b>Full Deregistration</b>	\$50.00 plus GST

**SIGNATURE OF UNDERSTANDING (Client Copy)**

I understand the contents of the Client Relationship Disclosure. CWB McLean & Partners provides independent research and advice to its clients on a fee for service basis. The company is not engaged in any investment banking, underwriting, consulting, or financial services activities on behalf of any companies. CWB McLean & Partners' research reports are for the sole purpose of managing client portfolios on a managed and non-managed basis. CWB McLean & Partners Wealth Management Ltd. is a member of the Canadian Investor Protection Fund and the Investment Industry Organization of Canada.

Client Name: \_\_\_\_\_

\_\_\_\_\_  
Signature

Client Name: \_\_\_\_\_

\_\_\_\_\_  
Signature

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Client Name: \_\_\_\_\_

\_\_\_\_\_  
Signature

Client Name: \_\_\_\_\_

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Signature

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## Appendix A

### BEST EXECUTION POLICY – IIROC Rule 3300

This Policy applies to all Retail and Professional clients of CWB McLean & Partners Wealth Management Ltd. and covers transactions conducted in instruments falling under the scope and purview of IIROC, and internationally, under the MiFID II. The financial instruments covered are:

- Equities
- Fixed Interest
- Exchange Traded Funds (ETFs)
- Collective Investment Schemes
- Derivatives
- Forward FX
- Structured Products

#### Obtaining the best possible result

We are required to take all sufficient steps to obtain the best possible result for our clients, when executing, or receiving and transmitting orders.

Client priority when adjacent to trading for our pool holdings on these orders are preserved by trading on blocks for both allocations simultaneously – resulting in the same price to client for both the pools and the individual clients.

We execute only through high quality, well known, financially solid third party investment firms, brokers and/or their affiliates acting as a market makers or liquidity providers and/or non-EU entities performing similar functions. We follow a protocol when approving new brokers and counterparties and as part of our selection criteria, would look at factors such as:

- their order execution arrangements and order execution policies, to satisfy ourselves that they are appropriate and comply with the requirement to provide us with best execution
- perceived creditworthiness, reputation and financial stability
- access to markets and quality of service (such as responsiveness and promptness of execution)
- competitiveness of costs and charges
- available services for investment purposes to improve on management for clients (for example, access to top quality research)
- ability to handle less liquid instruments and provide consistently competitive spreads

The choice of venue may be limited in some cases because of the nature of the order, or client specific requirements. For example, some instruments such as derivatives, or structured products, cannot be traded on-market and therefore would be traded off-market (“over the counter”).

Execution venues may change between annual reviews. An Annual Review is completed to ensure our vendor firms policies are keeping within the best practices framework. Copies of the best execution policies of our chosen vendors are available upon request.

BMO

Scotia

Desjardins

NBIN

JP Morgan

Morgan Stanley

Redburn

S.C.Bernstein