

# Client Relationship Disclosure

## Understanding your relationship with us

June 1, 2021



# Contents

Client Service Commitment	4
Our Products	4
<b>Description of Accounts Offered</b>	<b>4</b>
Discretionary Managed Account	4
Fee-Based Account	5
Commission Account	5
<b>Types of Investment Portfolios</b>	<b>5</b>
Segregated	5
Portfolio Strategies	5
Securities Lending Policy	6
New Client Process	7
Portfolio Meetings	8
Reporting & Statements	8
<b>Reporting</b>	<b>8</b>
Weekly Reports	8
Monthly Reports	8
Semi-Annual and Annual Financial Statements	9
Website Reporting	9
Performance Reporting	9
<b>Statements</b>	<b>10</b>
Month-End and Quarterly Account Statements	10
Trade Confirmations	10
CRA Tax Receipts	10
Tax Packages	10
Fee Invoices	10
Client Communications & Insights	10
<b>Communication</b>	<b>10</b>
Quarterly Outlook Commentary	10
Client Outlook Events	11
<b>Insights</b>	<b>11</b>
Blog	11
Social Media	11
“Know Your Client” and Suitability	11

“Know Your Client” Documentation	11
Client Account Documentation	12
Non-Managed Account Suitability Assessment	12
Managed Account Suitability Assessment	12
When Suitability Assessments Occur	12
Trade Incurred	12
Change in Client Portfolio Manager (CPM)	14
Changes in the Know Your Client (KYC) Document Information	14
Securities are Transferred or Deposited	14
Triggering Events in the Market	15
Various Compliance Reviews	15
Internal Review Process	15
Follow Up and Actions Taken to Resolve Concerns	15
Conflicts of Interest	15
Best Execution Policy	15
Obtaining the best possible result	16
Complaint Handling Policy	16
Account Service Fees & Charges	16
CWB McLean & Partners Account Services and Fees	17
CWB McLean & Partners Investment Management Fee Schedule	17
Signature of Understanding	18
Signature of Understanding (Client Copy)	18
Signature of Understanding (CWB M&P Copy)	19

# 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 updates 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 invitations to CWB M&P special events
- Access to CWB M&P articles
- 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.

## Our Products

### Description of Accounts Offered

At CWB McLean & Partners Wealth Management Ltd. (CWB M&P), clients have the opportunity to open the following accounts: discretionary 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.

#### Discretionary Managed Account

Personalized investment portfolios tailed 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 M&P 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.

### 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 M&P's 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.

### 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.

## Types of Investment Portfolios

We build custom solutions based on the client's individual needs and goals. With seven 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.

### 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.

### Portfolio Strategies

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

### **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.

### **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.

### **Global Equity Strategy**

- The Global Equity Strategy takes an efficient “pool of pools” approach and holds targeted exposure of the Canadian, International, and U.S. Equity Pools. It is an optimal all-in-one solution with higher exposure to U.S. and International equities. The three underlying pools hold individual equity positions and are managed actively in a manner consistent with our investment process. The objective of the strategy is to provide global equity exposure and deliver long-term capital appreciation for investors.

### **International Strategy**

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

### **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 aims 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.

### **Canadian Equity Strategy**

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

### **U.S. Equity Strategy**

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

### **Securities Lending Policy**

CWB M&P participates in securities lending on the assets held within our privately managed pools. Below, please find some information about this practice and why we do it.

### **What is securities lending?**

- Securities lending occurs when a fund or private pool lends some of its eligible securities to another trusted financial institution. The pool charges a fee for the loan, with the terms outlined in a Securities Lending Agreement. The pool receives collateral from the borrower in exchange for the loan.
- The lending of securities has been in practice for over four decades around the world by banks, asset management firms, pension plans, other financial institutions and central banks.
- With a series of checks and balances (described further on) to protect a pool's assets, securities lending can be a low-risk strategy that can add favorably to performance on some mandates.
- Securities lending in Canadian mutual funds, ETFs and private pools, occurs within a regulated framework.

### **Who borrows the securities and why?**

- On behalf of CWB M&P Private Pools, CIBC Mellon lends securities to a broad global network of reputable, well-established and credit-worthy brokers, investment dealers and other financial institutions.
- The loaning of securities does not impact our pool's investment-management process.
- The period of time a security is on loan can vary depending on the purpose of the loan, the supply and demand dynamics of the security and market conditions.
- Reasons for borrowing securities can include:
  - When a security is needed temporarily, it may be cheaper to borrow it than to buy it on the open market.
  - Some short-term investment strategies (e.g. short selling, arbitrage trading and hedging) rely on using borrowed securities to generate additional returns.
  - To minimize a company's tax obligations by borrowing dividend-paying securities – the borrower would have its desired exposure to stock while the dividends would be retained by the lender.

### **Is securities lending common in the finance industry?**

- Yes, securities lending is a common industry practice. Since 2001, the Canadian Securities Administrators (CSA) have allowed private pools and mutual funds to lend securities.
- The practice of securities lending is considered to be an essential component of a healthy and efficient marketplace, leading to increased liquidity of securities and an opportunity for fund investors to earn additional income.

### **What are the checks and balances to protect a fund's assets?**

- Securities-lending arrangements are subject to the lending guidelines mandated by the Office of the Superintendent of Financial Institutions.
- CWB M&P's custodian, CIBC Mellon lends a fund's securities only to well-capitalized, highly rated borrowers who meet our stringent credit and risk limits. We draw on CIBC's deep expertise in credit analysis and risk management to oversee every loan.
- There are specific guidelines on the types of collateral CIBC Mellon accepts from borrowers to secure the loan. This includes high-quality federal and provincial government bonds as well as sovereign debt from other approved countries. The value of the collateral received from the borrower will exceed the market value of the securities we loan.
- The borrower must return the loaned securities to the pool on demand.
- CIBC Mellon is the custodian and securities-lending agent for all CWBMP Pools. To protect investors, it guarantees all loans the pools make.

## **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.

Once the IPS, KYC, and any other applicable forms have been documented and signed, the client will receive a copy of the documents as well as a welcome package, which includes a new client letter that lists all disclosures and brochures contained in the welcome package.

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 & monthly reports

Clients will also have access to the “My Portfolio+” site, which is on the NBIN 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.

## 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 and portfolio meeting 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

## Reporting & Statements

### Reporting

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

#### 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.

#### Monthly Reports

Monthly portfolio reports are updated during the 15th of the following month and can be found on the PurePortal website as well as CWB M&P 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.

### 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.

### 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.

### 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.

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

- S&P/TSX Composite TR
- S&P 500 NR (CAD)
- MSCI AWCI ex USA NR (CAD)
- S&P/TSX Preferred Share TR
- FTSE/TMX Canada Universe Bond (TR)
- FTSE/TMX Canada 91 day T-bill (TR)
- MSCI ACWI NR (CAD)

Keep in mind that benchmarks should be used as a guide only. Benchmark rates of return are calculated as prescribed under applicable securities laws. It is important to 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.

## Statements

### 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 Independent Network (NBIN), 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.

### 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, NBIN, is responsible for producing and mailing the trade confirmation.

### CRA Tax Receipts

NBIN 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.

### Tax Packages

CWB McLean & Partners is responsible for providing tax packages during tax season, between March and April. The tax packages maybe 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.

### 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.

## Client Communications & Insights

### 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.

### Quarterly Outlook Commentary

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

- A corporate update
- An update on the global markets and how our portfolios are positioned to navigate through the current environment

## Client Outlook Events

We host bi-annual 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.

## 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:

## Blog

Each week, our research team meets to share their views and perspectives with our client advisors. Our CWB M&P monthly 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 wealth management and company updates.

## Social Media

CWB McLean & Partners is active on social media sites, as this medium 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 (@McLean\_Partners) 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.

# “Know Your Client” and 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 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.

## “Know Your Client” Documentation

It is an obligation for the client to inform CWB McLean & Partners regarding any material changes to the client. 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

## 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.

## 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.

## 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 financials and investment knowledge is recorded in the client account application form and reviewed for suitability purposes.

## 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
- Various other compliance reviews are done regularly to monitor all account activity.

## 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 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 (4-10 years) – will need significant proceeds from this investment over the next 4-10 years
  - c. Long Term (10+ years) – there is very little probability of requiring significant proceeds from this investment within the next 10 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

#### **Change in Client Portfolio Manager (CPM)**

When there is a change in Client Portfolio Manager (CPM) on an account, the new CPM 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 CPM in an in-person meeting. If the client has not met with the CPM – 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.

#### **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.

#### **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 ten 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.

### 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.

### 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.

### Internal Review Process

The compliance team 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.

### Follow Up and Actions Taken to Resolve Concerns

If the total of equities in the client's current holdings is more than 10 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.

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.

## Conflicts of Interest

CWB McLean & Partners Wealth Management (CWB M&P) is required to make certain disclosures regarding conflicts of interest. It is the policy of CWB M&P to take measures to avoid, control, identify, disclose, and respond to any situation where it deems a conflict of interest exists. CWB M&P shall determine the level or risk for each situation where it deems a conflict of interest to exist and respond appropriately. This may mean avoiding a situation where it is deemed that proceeding would create a high risk for the client.

CWB M&P will provide at the time of account opening a Conflicts of Interest Brochure which describes what our material conflicts of interest are, what risks they may pose you, and how we manage them in your best interest.

## Best Execution Policy

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.

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. A list of our chosen vendors and copies of their best execution policies are available upon request.

## Complaint Handling Policy

All client complaints are deemed serious in nature at CWB McLean & Partners. We have implemented a complaint handling process to ensure that our process is clear to all clients, and that all complaints are dealt with promptly, effectively, and fairly.

Every client is provided with the McLean & Partners Client Compliant Handling Process document as well as IIROC’s Making a Complaint Brochure as part of the clients welcome package at onboarding. These complaint-handling documents will also be provided upon request.

## Account Service Fees & Charges

Clients will receive two documents relating to service fees and charges:

### **CWB McLean & Partners Account Services and Fees**

This document provided to clients as part of the new client welcome package outlines all administration fees, service fees and transaction fees that may apply.

### **CWB McLean & Partners Investment Management Fee Schedule**

This document provided to clients at account opening outlines the investment management fees as a % charged on a quarterly basis.

# Signature of Understanding

## 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

**Signature of Understanding (CWB M&P Copy)**

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

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Signature

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

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Signature