

This document is designed to provide information for clients (“you”) about:

- Portfolio Strategies Corporation (“PSC”, “we”, “us”);
- regulations that apply to your account and dealings with PSC; and
- the information we need in order to provide services to you.

#### **WHO WE ARE**

Portfolio Strategies Corporation is registered as a mutual fund dealer and exempt market dealer and is a member of the Mutual Fund Dealers Association of Canada (“MFDA”). Portfolio Strategies is also registered as an Investment Fund Manager (“IFM”) in Alberta and Ontario, and is registered to carry out investment business in British Columbia, Alberta, Northwest Territories, Saskatchewan, Manitoba, Ontario, Québec, Newfoundland and Labrador, Nova Scotia and New Brunswick.

Since 1994 PSC has been providing investment solutions for clients through registered Advisors, including:

- a wide range of investment funds, such as mutual funds, exchange-traded funds and segregated funds;
- guaranteed investment certificates;
- high-interest savings accounts;
- flow-through investments;
- select private offerings, such as limited partnerships and real estate-based investments;
- referral access to external portfolio managers; and
- referral access to investment dealers.

#### **CLIENT REPORTING**

You will receive quarterly statements from PSC showing the closing balances in your account as at the end of each calendar quarter and listing the transactions in your account for that quarter. You have the option of receiving your PSC statements electronically. You may also receive periodic statements from each investment fund company or intermediary showing your account holdings and transactions with the particular investment fund company or intermediary.

Further, PSC will deliver to all clients a Report on Charges and Compensation, in addition to an Account Performance Report on an annual basis, at the end of every calendar year.

We may amend this Agreement disclosure from time to time to reflect significant changes in the contents of the disclosure. We will post the revised Agreement on our website. We may also notify you of any changes to this Agreement in any of the following ways:

- A notice on the PSC website or your MyPortfolio client portal; or
- A notice in your quarterly statement.

#### **YOUR ADVISOR**

PSC provides service to clients through Advisors who operate their own financial services practices. Advisors act as agents of PSC for securities-related business, such as selling mutual funds and other securities, and advising about investing in securities. Your Advisor may or may not also sell some insurance products through PSC.

Advisors may sell products, such as GICs and insurance, and provide other services such as financial planning or tax return preparation, that are not provided by PSC. PSC does not supervise and is not responsible for these other products and services. Your Advisor will give you an Outside Activity Disclosure form with further information about any other products or services that he or she provides.

#### **OUR PRODUCTS AND SERVICES**

##### *Mutual Funds*

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Mutual funds are operated by professional money managers, who allocate the fund's assets and attempt to produce capital gains or income for the fund's investors. A mutual fund's portfolio is structured and maintained to match the investment objectives stated in its prospectus.

Mutual funds give small or individual investors access to professionally managed portfolios of equities, bonds and other securities. Each shareholder, therefore, participates proportionally in the gains or losses of the fund. Mutual funds invest in a vast number of securities, and performance is usually tracked as the change in the total market cap of the fund—derived by the aggregating performance of the underlying investments.

##### *Liquid Alternative Mutual Funds*

Like a prospectus based mutual fund, a liquid alternative mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. Alternative mutual funds provide investors the ability to access hedge fund-type strategies through a traditional mutual fund vehicle. Alternative mutual funds combine the advantages of hedge funds and conventional mutual funds.

They retain the high liquidity, high accessibility, low minimum investment and strong regulatory oversight of a conventional mutual fund, while offering access to the broader scope of strategies available to a hedge fund. The optimal portfolio allocation to alternatives depends on the nature of your portfolio, investment objectives, constraints and specific investment circumstances.

#### *Exchange-traded Funds*

An exchange-traded fund (ETF) is a basket of securities that trade on an exchange, just like a stock. ETFs can contain all types of investments including stocks, commodities, or bonds; some offer U.S. only holdings, while others are international.

ETF share prices fluctuate all day as the ETF is bought and sold; this is different from mutual funds that only trade once a day after the market closes. You can get price quotes any time during the trading day. Quotes have two parts: bid and ask. The bid is the highest price a buyer is willing to pay if you want to sell your ETF units. The ask is the lowest price a seller is willing to accept if you want to buy ETF units. The difference between the two is called the "bid-ask spread". In general, a smaller bid-ask spread means the ETF is more liquid. That means you are more likely to get the price you expect.

ETFs can only be purchased in CAD currency at this time. Transfer-ins and transfer-outs of ETFs in-kind are not available currently. All transfers-in must be done in cash because we only accept ETFs that have been approved for sale at PSC.

#### *Segregated Funds*

A segregated fund is a type of investment vehicle commonly used by Canadian insurance companies to manage individual, variable annuity insurance products. A segregated fund offers investment capital appreciation, maturity guarantees and life insurance benefits.

Investors can expect to pay a slightly higher total expense ratio on segregated funds due to their more complex structure. Additionally, these fund offerings typically do not have aggressive fund objectives. Therefore, returns from the funds tend to be more modest.

#### *Exempt Market Products*

The "exempt market" describes a section of Canada's capital markets where securities can be sold without the protections associated with a prospectus, and therefore require less disclosure than a prospectus offering.

There are three main risks in the exempt market:

1. Risk of loss. Investing in the exempt market is risky. You could lose your entire investment.
2. Lack of information. Companies raising money through a prospectus exemption may not be required to provide the same amount of information as a public company.
3. Locked-in investment. You may not be able to resell an exempt market security when you need or want to. Exempt securities typically aren't publicly traded, so you might not be able to sell your investment quickly or at all. This is also known as liquidity risk.

#### *Guaranteed Investment Certificates (GICs) and Term Deposits*

PSC offers a wide range of GICs and Term Deposits, so you can easily choose the one that best meets your investing goals. All interest rates for GICs and Term Deposits are per annum, unless otherwise indicated. GICs and term deposits are secured investments. This means that you get back the amount you invest at the end of your term. The key difference between a GIC and a term deposit is the length of the term. Term deposits generally have shorter terms than GICs.

GICs, High Interest Savings Accounts (HISAs) and other term deposit products are sold on a no sales charge basis and do not require the deduction of any commission from the amount of your purchase or deposit. The full amount of your purchase or deposit is invested and the financial institution pays us a onetime commission when you purchase the product.

#### *Investment Fund Manager Services*

PSC makes available products of related and connected issuers through our Investment Fund Manager services agreement. PSC will assist Exempt Market Issuers in providing management, administrative and investment services and facilities to the issuers.

#### *Referral Arrangements*

PSC has entered into several referral arrangements with external portfolio managers or investment dealers who offer a variety of investment services and styles. Under these agreements, if you purchase securities products or services from them, a referral fee will be paid to PSC for referring you. The payment of any referral fee will not increase the fees you pay to PSC for your account. PSC has policies and procedures that help identify and manage potential conflicts of interest arising from its participation in referral arrangements.

### **KNOW-YOUR-CLIENT FORM**

The Know-Your-Client ("KYC") form records the information that Advisors and PSC are required by the MFDA to have before recommending any investment products or providing any services to you. All applicable questions on the KYC must be completed. After your account is opened, we will use the same form for updating your information.

At least once per year we will remind you about the need to inform us if there are any changes in your KYC information. Please contact your Advisor if there are any material changes in your circumstances or in the information that you previously provided on a KYC. Recommendations and advice are based on this information and your Advisor is best able to serve you if you help us keep the information up-to-date. We require your written approval, with your signature, to authorize any change in your information.

We would like to draw your attention to the following information on the KYC:

#### *Plans*

Your account will have one or more plans that are described on the plan (second) page of the KYC. Each plan, such as an RRSP, TFSA, RESP, or open (unregistered) money, has its own set of KYC information including account type, risk profile, investment objective, and time horizon.

#### *Account Registration*

Your investments may be held in one of the following types of accounts:

**Client Name** – The investments in a client name account are registered in your name at each respective fund company or other product provider. Your signature is required to authorize any transaction in a client name account unless you have signed a Limited Trading Authorization (“LTA”) which allows your Advisor to accept instructions from you without your signature in some circumstances.

**Intermediary** – PSC uses one intermediary: B2B Bank Financial Services Inc. (“B2B”). The investments in an intermediary account are registered in the name of the intermediary at each respective fund company or other product provider. You will receive the intermediary’s fee schedule when you open an intermediary account and when there are any changes to the schedule. Please refer to the section “Other Fees and Charges” on page 6.

**Nominee** – The investments in a nominee account are registered in the name of PSC in trust for the client at each respective fund company or other product provider. Your Advisor may accept your transaction instructions for investments in a nominee account without requiring your signature. You will receive PSC’s nominee account fee schedule when you open a nominee account and when there are any changes to the schedule. Please refer to the section “Other Fees and Charges” on page 6 for further information.

Note: PSC will not open any new intermediary accounts. If you are transferring your intermediary accounts to PSC, you will be opening a nominee account. Some exceptions may apply; please speak with your advisor for more details.

#### *Risk profile*

The risk profile for a plan records your willingness and ability to assume investment risk and should reflect the relative weighting of the type of investments you wish to hold in the plan. The value of the investments recommended should not exceed the allocation thresholds.

Risk levels can be described as:

**Low** – Low risk investments generally demonstrate lower volatility and are for investors who are willing to accept lower returns for greater safety of principal. They include such investments as Canada Savings Bonds, GICs, high interest savings accounts, money market funds, and some bond funds.

**Medium** – Medium risk investments generally demonstrate medium volatility and are for investors that are looking for moderate growth over a longer period of time. They include bond funds, balanced funds, and Canadian dividend, Canadian equity, U.S. equity and certain international equity funds.

**High** – High risk investments demonstrate higher volatility. They are for investors who are growth- oriented and are willing to accept significant short-term fluctuations in portfolio value in exchange for potentially higher long-term returns. They may include funds that invest in smaller companies, specific market sectors such as science and technology, or specific geographic areas such as emerging markets. Other investments considered to be high risk include exempt market products, labour-sponsored venture capital funds, and funds that engage in speculative strategies such as hedge funds that invest in derivatives, short sell and use leverage.

#### *Investment Objective*

The investment objective for a plan records your primary intention for the plan. Investment objective can be described as:

**Safety of Principal** – Your primary intention is to protect the value of your investments. You are not concerned with capital appreciation. This objective indicates investing entirely in money market funds, high interest savings accounts, or similar products.

**Income** – Your primary intention is to generate current income from your investments and you are less concerned with capital

appreciation. Investments that will satisfy this objective include funds that invest in bonds, mortgages, dividend-paying equities, high interest savings accounts, or money market instruments. A plan with an Income objective may have up to 30% (by dollar value) in Growth investments.

*Note:* An income objective may be met by investing in exempt market securities that are structured to pay regular distributions. Exempt market securities are higher risk products that are generally illiquid and may not be suitable for individuals requiring access to their funds in the short term.

**Balanced** – Your primary intention is to have a combination of investments that will generate current income as well as provide capital appreciation. A Balanced objective may be met by investing in balanced funds, or by investing directly in investments that meet the Income and Growth objectives. In most circumstances a plan with a Balanced objective will have a maximum of 70% in Growth investments.

**Growth** – Your primary intention is capital appreciation; you do not expect or require current income from the investments. This may lead you to hold a relatively high proportion of funds that invest in equities if you also have a medium to high risk profile and a longer-term time horizon. A growth objective may be met by investing in prospectus-exempt securities that are structured to appreciate in value. A growth objective may also be met by holding balanced or income-oriented investments and reinvesting the distributions rather than receiving them as cash payments. An intention to meet your cash requirements by redeeming investments periodically after they have appreciated indicates a growth objective.

#### *Time Horizon*

The period from when you need to access a significant portion of the money invested. The length of your investment time horizon impacts the types of investments that may be suitable for you. A time horizon of greater than three years has a greater degree of flexibility when building a portfolio (although risk profile and investment objectives must also be considered). If you have a very short time horizon, more conservative investments like GICs or money market funds may be the only suitable option for you:

**Short-Term** – The short-term horizon refers to investments that are expected to last for fewer than three years. These investments are appropriate for investors who are approaching retirement or who may need a large sum of cash in the near future. Money market funds, savings accounts, certificates of deposit, and short-term bonds are good choices for short-term investments since they can easily be liquidated for cash.

**Medium-Term** – Medium-term investments are those which one expects to hold for three to ten years, such as by people saving for university, marriage, or a first home. Medium-term investment strategies tend to balance between high- and low-risk assets, so a mix of stocks and bonds would be a suitable way to protect your wealth without losing value to inflation.

**Long-Term** – The long-term investment horizon is for investments that one expects to hold for ten years, or even longer. The most common long-term investments are retirement savings. Long-term investors are typically willing to take greater risks, in exchange for greater rewards.

#### *Anti-Money Laundering / Anti-Terrorism Financing Legislation (“AML/ATF”)*

In addition to the information that the MFDA requires us to have, AML/ATF laws intended to prevent money laundering and terrorism financing activities require:

- your Advisor to verify your identity by viewing a government-issued identification document before opening an account, and by recording the type of document, the number, and the issuing province or country;
- the KYC form to record your current employer and occupation or, if you are retired, your former employer;
- the KYC form to record your physical residential address, which may differ from your mailing address; and
- Advisors and PSC to ask whether you are a “politically-exposed person” – that is, a specified official of a country or a family member of such an official.

For corporate clients, Advisors must verify the corporation’s existence by referring to the corporation’s certificate of corporate status or equivalent document. Advisors must also record the name and occupation of each director of the corporation, as well as the name, address, and occupation of each individual who directly or indirectly owns or controls 25% or more of the shares of the corporation.

AML/ATF also requires a documented “intended use for the plan”. Generally, the intended use is “savings” or “investment” although you should indicate *your* intended use.

#### **SUITABILITY**

Your Advisor will use the personal and financial information that you have provided to recommend investment products and strategies that are suitable for you. An investment is “suitable” if it meets your investment objectives and has risk and time horizon characteristics that match the KYC information for a plan. As part of our compliance process, PSC assesses transactions and holdings in your account to ensure that they match the KYC information for your account. In addition, suitability will be assessed when assets are transferred into a PSC account, when PSC or your Advisor become aware of material changes in client information, when PSC or your Advisor

performs a periodic review, and when there is a change in the Advisor responsible for your account.

All transactions in your account require your approval and you should ensure that you understand the transactions before you approve them. Your Advisor will be able to answer any questions that you have about the recommendations and transactions.

Your Advisor cannot accept discretionary authority from you. In other words, you cannot simply tell your Advisor to do what he or she thinks is best, and you cannot sign blank forms for your Advisor to complete at a later time. Similarly, regulations do not allow your Advisor to accept an appointment as your executor or to hold a power of attorney from you.

If you choose an investment yourself, your Advisor is required to assess whether it is suitable based on the KYC information for your account. If the investment does not appear to be suitable, as defined above, your Advisor will caution you about it and may require written acknowledgement before proceeding with the investment.

#### **INVESTMENT RISK**

There are risks associated with every investment. In general, investment products that have lower risk also have lower potential returns, and investors who seek higher returns must be willing and able to accept higher risk. The “Risk profile” section above describes levels of risk and examples of investment products at each risk level. Every investment product has unique risks and you should read the disclosure document for each product for a description of the specific types of risk related to that product. For example:

- money market funds and fixed income mutual funds are generally considered to be safer investments because they have lower risk of loss of principal but have a risk that your returns will be less than the rate of inflation;
- other mutual funds have the risk associated with the underlying type of investment, such as the volatility of the stock markets;
- exempt market products – securities sold under prospectus exemptions – are considered to be higher risk because they are normally illiquid, meaning that they can’t be redeemed in the short term nor is there a secondary market for them, and they must be held until maturity.

#### **PERFORMANCE BENCHMARKS AND HOW TO USE THEM**

You may assess the performance of your investments by comparing them to an investment performance benchmark. Benchmarks show the performance over time of a select group of securities. There are many different benchmarks. When choosing a benchmark, pick one that reflects your investments. For example, the S&P/TSX Composite Index follows the share prices of the largest companies listed on the Toronto Stock Exchange. This index would be a good benchmark for assessing performance of a Canadian equity fund that invests only in large Canadian companies. It would be a poor benchmark if your investments are diversified in other products, sectors or geographic areas.

We do not provide benchmark comparisons in our account reporting.

Please speak to your Advisor if you have questions about the performance of your portfolio or what benchmark(s) might be appropriate for you.

#### **PAYING FOR YOUR INVESTMENTS**

##### *EFT on Purchase*

Client name account holders may use this option, which allows for same day trade placement. Please note this option is not available for amounts higher than \$199,000.

##### *Bill Payments*

Nominee clients who bank with RBC, BMO, TD Bank, Scotia Bank and CIBC (including Simplii Financial – formerly PC Financial), can now transfer money directly to their PSC nominee account via the online ‘Bill Payment’ method by selecting “Portfolio Strategies Contribution” as the Institution/Payee and referencing their Portfolio Strategies Nominee Account in the Account Number field. This feature is available for Canadian currency only.

##### *Cheque Handling*

You can purchase investments by cheque, bank draft, or money order. Purchases of \$199,000 or more – either a single investment or a series of investments within a short time – must be by certified cheque or bank draft. Due to AML/ATF requirements we cannot accept post office money orders. Neither PSC nor your Advisor can accept cash for investment.

Cheques for investment fund purchases should generally be payable to “Portfolio Strategies – In Trust”. Cheques for deposit as cash into an intermediary account (B2B) may be payable to “B2B Trust”.

Investments sold under an offering memorandum may require a cheque that is payable to Portfolio Strategies Corporation, in Trust, unless otherwise stated in the subscription agreement. That document will also have further details and directions in this regard.

**Your Advisor cannot accept a cheque that is payable to him or her personally or that is payable to any company that the Advisor owns or controls.**

**Your Advisor is not permitted to borrow money from you or to lend money to you.**

Interest earned on PSC's client trust bank accounts is applied to offset related bank service charges and other operating expenses.

#### **INVESTMENT FEES AND CHARGES**

The Fund Facts or other disclosure document has details of the amount and type of compensation your Advisor receives with respect to products sold through PSC. Your Advisor can provide further details for any specific product. You can also find more information about fees and charges in the Fund Facts, prospectus, offering memorandum, or other disclosure document for a specific product.

Fees impact the investment returns of a client's portfolio. Fees charged directly to your account reduce the market value of the account(s) directly, while fees embedded within certain investments reduce the market value of those securities held in the account(s). The impact of fees reduces investment returns and this impact, due to the effect of compounding, increases over time.

The general types of compensation are:

##### *Front-End Load ("FEL")*

At the time of investment, you will be charged a percentage of the amount invested, generally between 0% and 5%. For example, if you invest \$1,000 with a 5% FEL, \$950 is invested in units of the fund and \$50 is paid to your Advisor and PSC. (Of course, a 0% FEL means that you aren't really paying an upfront sales charge.)

##### *Service Fees / Trailer Fees*

Most investment funds pay a service fee, also known as a trailer fee, which is calculated as a percentage of the value of the funds, to compensate a dealer and Advisor for the on-going service they provide to clients who hold the fund. Service fees typically range from 0% to 1.25% on an annualized basis.

##### *Fee-Based Account*

In a fee-based account you can negotiate a fee level that will be charged as a percentage of the value of the assets in your account. The fees typically range from 0.5% to 1.5%. Unlike a traditional service / trailer fee, the fees charged on open (non-registered) accounts are tax-deductible to the account holder.

#### **OTHER FEES AND CHARGES**

Investment funds and certain other investment products are subject to management expenses that may include portfolio management fees, regulatory filing fees, legal and audit fees, brokerage commissions, printing and mailing fees for financial statements and other investor reporting, and general operating and administration expenses. Service fees are paid by the manager as part of the general operating expenses. Quoted rates of return for investment funds are calculated after deducting management expenses.

Many investment funds impose a "short term trading fee" or similar charge if an investor purchases and redeems the fund within a short time period. Neither PSC nor your Advisor receives any portion of the short term trading fee.

Some Advisors may impose a switch (or change) fee for switches between funds at the same investment fund company. Your Advisor will tell you in advance if he or she intends to charge a switch fee. The fee may be negotiated with your Advisor.

Refer to the investment fund's offering document for details of the management expenses, switch fees, and the short term trading fee and applicable time limits for a specific fund.

Intermediary and nominee accounts will incur an annual fee for each registered account and there will be a fee for full or partial withdrawals from the account. Intermediary and nominee accounts, both registered and non-registered, may also incur a fee for certain types of transactions such as the purchase of prospectus-exempt securities in the account. Full details are available in the fee schedule for the account.

#### **10% FREE SWITCHES**

Most DSC funds and some LL funds allow you to redeem up to 10% of your units each year without incurring the deferred sales charge. This privilege is usually not cumulative; that is, if you do not use it during a year it expires for that year and you cannot redeem 20% of your units on a fee-free basis the following year.

Your Advisor may recommend switching these DSC-free units to another fund that does not have a DSC in order to give you greater flexibility with your investments. There is no fee or charge to make these switches; however, your Advisor may receive a higher service fee from the new fund and the switch may create a taxable gain or loss in a non-registered account.

**WHAT YOU RECEIVE FOR THE INVESTMENT FEES AND CHARGES**

The fees and charges related to your investments pay for the services that you receive directly from your Advisor, as well as the costs related to our business operations. PSC's costs include regulatory filing fees (we pay several hundred thousand dollars each year to the securities commissions and MFDA for registration and membership fees and for the Canadian Investor Protection Fund), insurance, staff for regulatory compliance and transaction processing, audits, technology and computer systems, office rent and other office costs, travel, and education. Each Advisor operates as a financial planning business and from the portion of fees that they receive they have to pay for their own office and staff costs, technology services, continuing education, and other business expenses.

Advisors provide you with recommendations about asset allocation, investment strategies, and specific investment products. In addition, Advisors may provide advice and services such as financial and retirement planning, tax planning, estate planning, debt management, and budgeting.

**BORROWING MONEY TO BUY SECURITIES (LEVERAGING)**

Regulatory authorities require delivery of the following information to all clients when opening an account:

*"Using borrowed money to finance the purchase of securities involves greater risk than a purchase using cash resources only. If you borrow money to purchase securities, your responsibility to repay the loan and pay interest as required by its terms remains the same even if the value of the securities purchased declines."*

If you start a new leverage or if you transfer a leveraged account to PSC you will receive the Corporation's long-form disclosure document titled "Risks of Borrowing to Invest" and you will need to complete a Portfolio Strategies Leverage Review Worksheet.

**CONFLICTS OF INTEREST**

There is a possibility that conflicts of interest may arise with the business that PSC conducts with you. Conflicts may involve you and PSC, you and other clients of PSC, or PSC and its connected companies. The Securities Commissions and the Corporation require dealers and its representatives to take reasonable steps to identify current conflicts of interest and potential conflicts of interest.

PSC is required to identify, manage and disclose material conflicts, including those related to proprietary products and compensation or sales incentives.

*Why is this disclosure important for you to read?*

It is important for you, (the client), to read this disclosure so that you may understand:

1. What conflicts, if any, exist?
2. How PSC will address the conflicts of interest in your best interest.

*What is a conflict of interest?*

The most basic way to identify a conflict is to ask, "Is there any way in which an advisor or Firm can handle this relationship to his or her benefit that may be to the detriment of me (the client)?" While this broad question oversimplifies the concept, it serves as the foundation upon which we can identify conflicts of interest.

To ensure fairness to you, PSC has adopted policies and procedures to help identify and manage conflicts of interest that may exist between you, PSC and/or its related companies, and your Advisor. In general, PSC deals and manages conflicts by:

- **Avoid** – conflicts that are prohibited by law, as well as conflicts that cannot be effectively addressed in your best interest;
- **Control** – through means, such as physically separating different business functions and restricting the internal exchange of information; and
- **Disclose** – providing to you information about the conflicts, enabling you to assess independently their significance when evaluating recommendations, and other actions taken by PSC.

The following are the material conflicts of interest that PSC has identified as existing or might occur in the future; and how PSC and your Advisor will address the conflicts in your best interest.

If, when reading these noted material conflicts of interest, you have questions or find that they are not clear to you please discuss them with your Advisor.

*Conflicts arising from proprietary products*

PSC does not offer any proprietary products.

*Conflicts arising from third-party compensation*

Products and Services have differing levels of compensation, such as sales commissions, and "trailer" fees which are received from third parties and based on the products sold.

Your Advisor is required to make suitable investment recommendations along with comparable securities for you to consider. This includes a review of a reasonable number of comparable securities before making a recommendation to you. The comparison will

include a review of product features, fees, charges and advisor compensation.

*Conflicts arising from internal compensation arrangements and incentive practices*

**Advisor Payout Levels**

Your Advisor's compensation is based entirely on commission/fee revenue generated for PSC. Payout levels are independent of the product or service provided to you (proprietary or non-proprietary). PSC does not have sales targets.

**Advisor Incentive to join PSC**

PSC may offer a transitioning allowance to facilitate the transfer of an advisor's book of business to PSC. This is an industry-standard practice. An account may not be transferred without a client's authorization. When an Advisor is transferring a client's account to PSC and is aware that mutual funds may be redeemed as part of the transfer, they would be expected to advise the client that deferred sales charges may apply on the redemption. If the client requests further information with respect to the fees and charges that may apply on the transfer, the Advisor may direct the client to the relinquishing dealer.

*Conflicts in fee-based accounts*

*Compensation for selling products and services to the client that is paid for by the client*

Your Advisor will offer you a choice between a transaction-based account and a fee-based account and will recommend the one that is appropriate for you based on how you expect to use the account, as well as the service(s) you wish to receive and your personal preferences.

Fees and commissions for your applicable account(s) will vary depending on whether you have chosen a transaction-based account or a fee-based account. Your Advisor will review these with you, as noted in the section titled "Service Fees / Trailer Fees" and "Fee-Based Account".

Products that pay a trailing fee to PSC will be excluded from the fee-based account calculation.

*Conflicts with any Outside Activity (OA)*

When PSC approves an OA for an advisor, there is a review to determine whether it creates a conflict of interest with current and/or future clients. If the answer is yes, PSC will contact all existing clients of the advisor in writing and provide disclosure and options for transferring their accounts. Based on the internal terms and conditions applied, new clients will either, not be allowed to open an account with the advisor or will be provided with a disclosure. Non-conflicting OA's related to financial services are disclosed to you at the time of account opening via Outside Activity Disclosure form.

*Individuals who have outside business activities*

**Outside Activities (Business and Volunteer)**

Internal policies and procedures are in place at PSC regarding the review and approval of these activities. Once approved, advisors must follow strict procedures to ensure sufficient disclosure is made to clients so that any conflict is addressed in the client's best interest.

Non-PSC business activities and other conflicts of interest are disclosed to you by your Advisor. If you do not fully understand any of the information contained in the disclosure, please ask your Advisor for clarification. **PSC does not supervise or monitor these outside business activities.** PSC makes no representations or warranties and assumes no liability in connection with any outside business activities engaged in by your financial Advisor. Outside business activities include, but are not limited to, the sale of life insurance products, financial planning activities and tax return preparation services.

**Client purchasing products/services from an advisor outside the normal course of PSC business**

When PSC approves an OBA for an advisor that may create or result in a conflict of interest that cannot be addressed in your best interest, PSC will not permit your Advisor to solicit you for this OBA.

*Advisor purchasing products/services from a client*

If, as a client, you offer products or services in which your Advisor partakes, please note that your Advisor is not permitted to ask you to increase your investments in exchange for purchasing your products and services.

*Conflicts with Outside Business Interest (OBI)*

*When an advisor is a shareholder of an investment management company and recommends the investment to clients*

In any instance where your Advisor is a shareholder of an investment management company, approved as an OBI, he/she will disclose this information to you in detail. Additionally, any recommendation of investment made to you must include a reasonable number of comparable alternatives so that you may make an informed decision on whether or not to proceed. Any investment recommendation made by your Advisor must be made in your best interest.

*Conflicts with outside entities*

PSC and its advisors are not permitted to accept gifts or entertainment beyond what we consider consistent with reasonable business practice and applicable laws. We set maximum thresholds for such permitted gifts and entertainment so that there cannot be a

perception that the gifts or entertainment will influence decision-making.

*Conflicts related to referral arrangements*

**Securities-related referral arrangements**

PSC and your Advisor may have a conflict between its financial interest and your interest in a referral to another company for investment management services that you have requested, or your Advisor suggested. Though your Advisor may have made this introduction believing it to be in your best interest, you are under no obligation to proceed with the referral arrangement. Your Advisor will provide you with a specific Referral Arrangement Disclosure document that will allow you to make an appropriate decision.

*Non-securities-related services such as banking and mortgage services*

PSC and your Advisor may have a conflict between its financial interest and your interest in a referral to another company for non-securities-related services, such as tax services, banking or mortgage services. Though your Advisor may have made this introduction believing it to be in your best interest, you are under no obligation to proceed with the referral arrangement. In situations where your Advisor is receiving compensation for your referral, your Advisor will provide you with a specific Referral Arrangement Disclosure document that will allow you to make an appropriate decision.

*Related party disclosure*

Portfolio Analysts Inc. (PAI) is a private corporation, which controls PSC, and PSC Administration. PSC is a mutual fund dealer, an exempt market dealer, an Investment Fund Manager, and a member of the Corporation. PSC Administration Inc. is a licensed mortgage administrator with the Financial Services Regulatory Authority of Ontario.

*Full control or authority over the financial affairs of a client*

*Advisor as Power of Attorney (POA)*

Unless you are related to your Advisor, as defined by the Income Tax Act (Canada), your Advisor is not permitted to have full or partial control over your financial affairs. This specifically means that, unless related to you, your Advisor may not accept from you or act upon for you or your estate as a:

- Power of Attorney or Trading Authorization
- Trustee or Executor

Additionally, your Advisor is required to obtain approval from PSC when acting in this capacity for a related individual.

*Advisor's product recommendations tied to receipt of promotional dollars*

The Canadian Securities Administrators rules/regulations adopted as National Instrument 81-105, Section 5.6 allows mutual fund companies to provide advisors with non-monetary benefits of a promotional nature and of minimal value, and to engage in business promotion activities that result in advisors receiving a non-monetary benefit. However, these non-monetary benefits must not improperly influence the investment advice given by advisors to their clients.

When your Advisor recommends an investment to you, regulations restrict your Advisor (PSC and employees) from asking for or accepting remuneration or gifts from a fund company or a member of the mutual fund company organization in connection with the recommendation.

At PSC, advisors are required to report any receipt of remuneration or gifts from a fund company that is greater than \$250. In addition, PSC receives reports from fund companies of remuneration or gifts that they have provided to advisors to ensure adherence with acceptable dollar limits.

*Marketing materials with misleading or inaccurate performance*

PSC policies require the review and approval of all marketing material used with clients to ensure fair representation of information and performance.

PSC has adopted policies and procedures to assist in managing potential conflicts of interest. The conflict must be addressed by the exercise of responsible business judgment, influenced only by the best interests of the client. Responsible business judgment includes an assessment of materiality, including both the likelihood of events and magnitude of potential client harm.

If we cannot effectively address a material conflict in your best interests, or the conflict is otherwise prohibited by law, we avoid it.

**PROTECTION OF PERSONAL INFORMATION**

At PSC we are committed to protecting the privacy of all client personal information that we collect and maintain to allow us to do business with you. This notice outlines how we collect, hold, use and disclose your personal information when we conduct business on your behalf. Please read this notice carefully as it is required by the *Personal Information Protection and Electronic Documents Act* (Canada) and similar provincial privacy legislation.

*What is personal information?*

It is information that would allow a specific individual to be identified. It may include your name, address, telephone number, Social

Insurance Number, date of birth, account numbers and holdings, as well as the name, address, and Social Insurance Number of your spouse, partner, and beneficiary. If you have a systematic withdrawal plan or pre-authorized payment plan in place your bank account numbers would constitute additional personal information about you.

*When is personal information collected?*

It is collected when you open an investment account with PSC, provide instructions to PSC and its investment suppliers about an existing investment account, apply for an investment loan, or request information about the investments that you have made with us.

*Where is personal information stored?*

Your personal information is processed and stored in paper format in secured client files. It is also held in our back office database system where access is strictly controlled by a logon and password system.

*Why is personal information collected, held, used and disclosed?*

- To identify you and ensure the accuracy of personal information kept in your client file;
- To open a new account or to administer an existing one (such as maintaining, recording and storing investment account holdings, or listing transaction summaries and confirmations in your client file or our database);
- To provide you with investment account statements, income tax receipts, transaction confirmations, prospectuses and other financial statements for investments that you own, and proxy mailings for unit holder meetings regarding your investments processed and held by us;
- To execute transactions or to make additional purchases in existing investment accounts;
- To verify account information with other firms given to us by you, as required, to allow PSC to properly service your account going forward;
- To meet legal, income tax act, and regulatory requirements such as: the prevention of money laundering activities, the freezing of investment accounts operated by known terrorist organizations, the enforcement of court ordered settlements (including alimony, child support, and wage garnishees), surveillance of trading-related activity, trade desk review and other regulatory audits, investigations of potential regulatory and statutory violations, and information-sharing with securities regulatory authorities, regulated marketplaces, other self-regulatory organizations and law enforcement agencies in any jurisdiction in connection with any of the foregoing.

*Who has access to personal information?*

PSC Advisors and administration staff may have access to personal information held in a client file or our database provided they have a specific need to know this information for the administration of an account.

**PSC does not give, rent, or sell any client information to any organization or individual unless required by law.**

PSC may convey your personal information to another financial institution or service provider with your specific consent.

Most of our clients have requested that we look for ways to reduce paper in an effort to be more environmentally friendly, and to look for more electronic solutions to speed up transaction processing, make address changes, update Know Your Client forms as per Securities Commission requirements and so on.

*Can clients access their personal information and rectify any inaccurate information?*

Clients may make a written request to access personal information contained in their client file at any time. Clients may verify their personal information and correct any inaccurate information in writing.

*Do clients have to provide their Social Insurance Number?*

PSC cannot open investment accounts for individuals without a Social Insurance Number. Canada Customs and Revenue Agency (CRA) requires financial product providers to have your Social Insurance Number when submitting tax reports to the CRA.

*Who should be contacted about Personal Information Protection matters?*

You may contact the Privacy Compliance Officer by mail at: Portfolio Strategies Corporation, 1850 - 14 Street SW, Calgary, AB T2T 3S9 or by telephone at (877) 303-3233.

### **Trusted Contact Person and Temporary Holds**

When you open an account (other than a business account) with us, we will ask you for the name and contact information for a trusted contact person and your consent to contact the trusted contact person in certain circumstances. A trusted contact person is generally someone we can contact to confirm or make inquiries about possible financial exploitation, or if we have concerns about your mental capacity as it relates to your ability to make financial decisions ("TCP"). Financial exploitation generally means the use or control of, or deprivation of the use or control of, a financial asset through undue influence, unlawful conduct or another wrongful act. We may also

contact your TCP to confirm your current contact information if we cannot reach you after multiple attempts, or to confirm the name and contact information of a legal guardian, if any. You can replace or revoke your Trusted Contact Person at any time.

If we reasonably believe that you are in a vulnerable position and are being financially exploited or that you are experiencing diminished mental capacity which may affect your ability to make financial decisions relating to your account(s) with us, we may place a temporary hold on a particular transaction. A vulnerable position includes where an illness, impairment, disability or aging-process limitation places you at risk of financial exploitation. If we place a temporary hold on a particular transaction, we will provide you with notice, either written or verbal, explaining our reasons for the temporary hold, and at least every 30 days thereafter until the temporary hold is revoked. We may also contact your Trusted Contact Person about a temporary hold.

#### **SUMMARY OF PSC COMPLAINT HANDLING PROCEDURES**

Satisfied clients are the foundation of our business – PSC and your Advisor want to ensure that we are meeting your needs and expectations. If a question or issue arises, we are committed to resolving it in a fair manner.

PSC has procedures in place to handle any written or verbal complaints received from clients in a fair and prompt manner. This is a summary of those procedures, which we provide to new clients, clients who have filed a complaint, and that we also make available on our website at [www.portfoliostrategies.ca](http://www.portfoliostrategies.ca). Our complaint handling procedures and the information in this section applies to complaints about any product or service that we provide, including mutual funds, segregated funds, and exempt securities.

##### *How to File a Complaint with PSC*

Clients wishing to complain to PSC may make their complaint to our head office, or to any branch manager, or to your Advisor. All complaints are forwarded to qualified compliance or supervisory personnel to be handled. We encourage clients to make their complaint in writing or by email<sup>1</sup> where possible. Where clients have difficulty putting their complaint in writing, they should advise us so that we can provide assistance. For confidentiality reasons, we will only deal with the client or another individual who has the client's express written authorization to deal with us.

You may contact PSC head office by mail at Portfolio Strategies Corporation, 1850 - 14 Street SW, Calgary, AB T2T 3S9; by telephone at (877) 303-3233 to speak with a compliance officer; or by e-mail at [compliance@portfoliostrategies.ca](mailto:compliance@portfoliostrategies.ca). You may also submit a complaint by using the Contact Form on the Contact Us page of [www.portfoliostrategies.ca](http://www.portfoliostrategies.ca).

##### *Complaint Handling Procedures*

We will acknowledge receipt of complaints promptly, generally within five business days. We review all complaints fairly, taking into account all relevant documents and statements obtained from the client, the Advisor, other staff members, and information from our records and any other relevant source. Once our review is complete, we provide clients with our response, which will be in writing if the complaint was made in writing. Our response may be an offer to resolve your complaint, a denial of the complaint with reasons, or another appropriate response. Where the complaint relates to certain serious allegations<sup>2</sup>, our initial acknowledgement will include copies of this summary and the Client Complaint Information Form. Our response will summarize your complaint and our findings and will contain a reminder about your options with the Ombudsman for Banking Services and Investments ("OBSI").

We will generally provide our response within ninety days, unless we are waiting for additional information from you, or the case is unique or very complicated.

We will respond to communications you send us after the date of our response to the extent necessary to implement a resolution or to address any new issues or information you provide.

##### *Contacting PSC During a Complaint Investigation*

Clients may contact us at any time to provide further information or to inquire as to the status of their complaint, by contacting the individual handling their complaint or by contacting a compliance officer at PSC's head office.

##### *Settlements*

If we offer you a financial settlement, we may ask you to sign a release and waiver for legal reasons.

##### *The Client Complaint Information Form ("CCIF")*

The following section is the CCIF as prescribed by the MFDA. We also provide a copy of the CCIF as a separate document to any client who makes a complaint. Note that the OBSI does not deal with complaints related to segregated funds or other products that legally fall under insurance regulation.

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<sup>1</sup> Clients who choose to communicate by email should be aware of possible confidentiality issues regarding Internet communications.

<sup>2</sup> As defined in the Policies of the Mutual Fund Dealers Association of Canada of which PSC is a Member.

**MUTUAL FUND DEALERS ASSOCIATION OF CANADA****Client Complaint Information Form**

Clients of a mutual fund dealer who are not satisfied with a financial product or service have a right to make a complaint and to seek resolution of the problem. MFDA Member dealers have a responsibility to their clients to ensure that all complaints are dealt with fairly and promptly. If you have a complaint, these are some of the steps you can take:

- Contact your mutual fund dealer. Member firms are responsible to you, the investor, for monitoring the actions of their representatives to ensure that they are in compliance with by laws, rules and policies governing their activities. The firm will investigate any complaint that you initiate and respond back to you with the results of their investigation within the time period expected of a Member acting diligently in the circumstances, in most cases within three months of receipt of the complaint. It is helpful if your complaint is in writing.
- Contact the Mutual Fund Dealers Association of Canada (“MFDA”), which is the self-regulatory organization in Canada to which your mutual fund dealer belongs. The MFDA investigates complaints about mutual fund dealers and their representatives and takes enforcement action where appropriate. You may make a complaint to the MFDA at any time, whether or not you have complained to your mutual fund dealer. The MFDA can be contacted:
  - By completing the on-line complaint form at [www.mfda.ca](http://www.mfda.ca)
  - By telephone in Toronto at (416) 361-6332, or toll free at 1-888-466-6332
  - By e-mail at [complaints@mfda.ca](mailto:complaints@mfda.ca)<sup>3</sup>
  - In writing by mail to 121 King Street West, Suite 1000, Toronto, ON M5H 3T9 or by fax at (416) 361- 9073

*Compensation:*

The MFDA does not order compensation or restitution to clients of Members. The MFDA exists to regulate the operations, standards of practice and business conduct of its Members and their representatives with a mandate to enhance investor protection and strengthen public confidence in the Canadian mutual fund industry. If you are seeking compensation, you may consider the following:

- Ombudsman for Banking Services and Investments (“OBSI”): You may make a complaint to OBSI after you have complained to the dealer, at either of the following times:
  - If the dealer’s Compliance Department has not responded to your complaint within 90 days of the date you complained, or;
  - After the dealer’s Compliance Department has responded to your complaint and you are not satisfied with the response.**Please note that you have 180 calendar days to bring your complaint to OBSI after receiving the dealer’s response.**
- OBSI provides an independent and impartial process for the investigation and resolution of complaints about the provision of financial services to clients. OBSI can make a non-binding recommendation that your firm compensate you (up to \$350,000) if it determines that you have been treated unfairly, taking into account the criteria of good financial services and business practice, relevant codes of practice or conduct, industry regulation and the law. The OBSI process is free of charge and is confidential. OBSI can be contacted:
  - By telephone in Toronto at (416) 287-2877, or toll free at 1-888-451-4519
  - By e-mail at [ombudsman@obsi.ca](mailto:ombudsman@obsi.ca)
- Legal Assistance: You may consider retaining a lawyer to assist with the complaint. You should be aware that there are legal time limits for taking civil action. A lawyer can advise you of your options and recourses. Once the applicable limitation period expires, you may lose rights to pursue some claims.
- Manitoba, New Brunswick and Saskatchewan: Securities regulatory authorities in these provinces have the power to, in appropriate cases, order that a person or company that has contravened securities laws in their province pay compensation to a claimant. The claimant is then able to enforce such an order as if it were a judgment of the superior court in that province. For more information, please visit:
  - Manitoba: [www.msc.gov.mb.ca](http://www.msc.gov.mb.ca)
  - New Brunswick: [www.nbsc-cvmnb.ca](http://www.nbsc-cvmnb.ca)
  - Saskatchewan: [www.fcaa.gov.sk.ca](http://www.fcaa.gov.sk.ca)
- In Québec:
  - If you are not satisfied with the outcome or with the examination of a complaint, the Autorité des marchés financiers (“AMF”) can examine your complaint and may provide dispute resolution services.
  - If you think you are a victim of fraud, fraudulent tactics or embezzlement, you can contact the AMF to see if you meet the eligibility to submit a claim to the *Fonds d’indemnisation des services financiers* (“Financial Services Compensation Fund”). An indemnity up to \$200,000 can be payable through monies accumulated in the fund for an eligible claim.
  - For more information:
    1. Contact the AMF by telephone at (418) 525-0337 (in Québec), or toll free at 1-877-525-0337
    2. Visit [www.lautorite.qc.ca](http://www.lautorite.qc.ca).

<sup>3</sup> You may wish to consider issues of internet security when sending sensitive information by standard e-mail.

**CANADIAN INVESTOR PROTECTION FUND (“CIPF”)**

CIPF’s mandate was established by Canada’s provincial and territorial securities regulators. CIPF is authorized to provide protection within prescribed limits to eligible clients of member firms suffering losses if client property comprising securities, cash, and other property held by such member firms is unavailable as a result of the insolvency of the member firm.

CIPF’s mandate is to provide protection to customers of New Self-Regulatory Organization of Canada (New SRO) Members who have suffered or may suffer financial losses as a result of the insolvency of the New SRO Member, all on such terms and conditions as may be determined by CIPF in its sole discretion and, in connection with such coverage, to engage in risk management activities to minimize the likelihood of such losses. In practical terms, if a member firm becomes insolvent, it can no longer carry on the function of holding securities, cash or other property for its clients. As a result, it is generally necessary to transfer this function to another firm. Client accounts may be moved to another member firm so that clients can access their accounts.

It is not within CIPF’s mandate to provide investor protection against any other type of risk or loss. CIPF’s mandate neither guarantees nor protects the value of a security. In addition, CIPF’s mandate does not extend to providing protection against losses resulting from any of the following:

- investments that were not suitable for a client
- fraudulent or other misrepresentations that were made to a client
- misleading information that was given to a client
- important information that was not disclosed to a client
- poor investment advice that was given to a client

Coverage is available in the amount of up to \$1 million for each of a customer’s general and separate accounts. Most customers will have two “accounts” for coverage purposes, the aggregate of their trading accounts (general account) and the aggregate of their registered retirement accounts, such as RRSPs and RIFs (separate account). Securities, cash and other property of the customer that are unavailable due to the insolvency of the Member Firm are covered by the CIPF.

Customer losses which do not result from the insolvency of a Member Firm such as losses that result from changing market value of securities, unsuitable investments or the default of an issuer of securities, are not covered.

Further information about the CIPF, including the full coverage policy, contact information, and annual reports, is available at <https://www.cipf.ca/>.

**Canada Deposit Insurance Corporation (“CDIC”)**

All cash balances from your PSC Cash and Save account(s) are held in trust at a Canada Deposit Insurance Corporation (CDIC) member institution. PSC is not a CDIC member institution. CDIC is a federal Crown corporation. CDIC is not a bank or a private insurance company. CDIC protects eligible deposits held at CDIC member institutions in case of a member’s failure. For eligible deposits held in trust at a CDIC member institution, CDIC insures up to \$100,000 for each beneficiary named in a trust, provided certain disclosure rules are met. Coverage is free and automatic. You should consult the CDIC website ([www.cdic.ca](http://www.cdic.ca)) for information on what types of accounts, savings and financial products are covered by CDIC.