

The most important value driving Pratte Portfolio Management Inc. is, "Our clients' interests first." This commitment to clients is critical to our success as an experienced portfolio manager and investment funds manager, and extends to our employees and agents nationwide who share a common set of objectives which, once fulfilled, ultimately benefit our diverse clientele.

One essential objective is our commitment to uphold the highest ethical standards when delivering financial services, providing investment advice and managing investment funds. We believe the best way to reinforce this commitment is to disclose important information regarding the conflicts of interest between Pratte Portfolio Management Inc. and our valued clients.

Pratte Portfolio Management Inc. is a portfolio manager and an investment fund manager regulated by the Autorité des marchés financiers (Quebec) and by the Ontario Securities Commission, registered in the categories of Portfolio Manager and Investment Funds manager.

To learn more about Pratte Portfolio Management Inc., we encourage you to talk to your investment advisor and to visit our corporate website: [www.pratte.ca](http://www.pratte.ca)

## Conflict of Interest Defined

A conflict of interest is any circumstance in which the interests of different parties, such as the interests of a client and those of an investment advisor, are inconsistent or divergent. In the course of providing our clients with the best possible advice to achieve their financial goals, there may be times when a conflict emerges between our clients' interests and our own.

It is important our clients understand these conflicts and how Pratte Portfolio Management Inc. will oversee them. This document outlines key conflicts we have identified - it is important our clients read this disclosure document carefully. According to securities regulations, we have the obligation to identify all such conflicts, and to manage them accordingly. This includes:

- **Identify** Existing significant conflicts of interest or that Pratte Portfolio Management Inc. can reasonably expect to arise between Pratte Portfolio Management Inc. or its employees and its clients must be identified.
- **Assess** The level of risk that conflicts cause must be assessed.
- **Avoid** Conflicts prohibited by law or are otherwise unmanageable must be avoided.
- **Control** Certain conflicts must be controlled; for example, the physical separation of business units and/or departments to restrict the flow of highly sensitive information.
- **Disclose** A majority of conflicts can be managed by way of full disclosure to clients thereby enabling them to independently assess their significance when evaluating, for example, investment recommendations made by their investment advisor.



## **Definition: related issuers and connected issuers**

A “connected issuer” means, in relation to Pratte Portfolio Management Inc., an issuer of securities (all securities: shares, investment fund units, exempted products, etc.) if the issuer or any related issuer of the latter has with (i) Pratte Portfolio Management Inc.; (ii) a related issuer of Pratte Portfolio Management Inc.; (iii) a director, an officer or a partner of Pratte Portfolio Management Inc.; or (iv) a director, an officer or a partner of a related issuer of Pratte Portfolio Management Inc. a relationship that a potential purchaser of these securities would consider important. Consequently, an issuer is “connected” to Pratte Portfolio Management Inc. when, as a result of a relationship of any kind, a potential purchaser of securities might question Pratte Portfolio Management Inc.’s independence from such “connected” issuer.

A person or company is considered as a “related issuer” of Pratte Portfolio Management Inc. (i) if the person or company is an influential securityholder of Pratte Portfolio Management Inc., (ii) if Pratte Portfolio Management Inc. is an influential securityholder of such person or company or (iii) if each of them is a related issuer of a third person or company. In this context, the term “influential securityholder” means a person having the power to exercise a controlling influence over the management and the policies of a person or company, whether alone or in combination with one or more other persons or companies, whether through ownership of voting securities or otherwise. In general, the threshold to be considered is the holding of more than 20% of the voting securities of an issuer, or entitling to receive more than 20% of the issuer’s dividends or distributions or more than 20% the amount distributed to the securityholders of the issuer in the event of liquidation.

## **Pratte Portfolio Management Inc.’s Commitment to Clients**

Actual, potential and perceived conflicts of interest exist in almost all human interactions, including Pratte Portfolio Management Inc.’s relationship with our clients. As part of our commitment to ensure fairness to our varied clientele, Pratte Portfolio Management Inc. promises to provide our clients with trusted advice and personalized financial solutions to help achieve their investment goals. This includes full transparency on most aspects of our business endeavors. To ensure fairness to all of our clients and to maintain their continued confidence, we have implemented policies and procedures designed to identify and manage a wide range of conflicts of interest.

The relationship between clients and investment advisors is explained in detail within the Relationship Disclosure document provided by investment advisors to clients when accounts are first opened with Pratte Portfolio Management Inc.

## **Possible Conflicts and How They Are Being Managed**

According to regulations, we have the obligation to identify and manage all existing and potential conflicts of interest in a fair, equitable and transparent manner consistent with our clients’ best interests. In executing this obligation, we recognize it is not always possible or practical for us to manage all conflicts in the best interests of each client, in particular when the conflicting situation involves multiple clients with competing interests.

With this in mind, the following table highlights the most common conflicts of interest Pratte Portfolio Management Inc. encounters; it is not intended to be an exhaustive list. However, it will assist our clients in understanding and assessing the actual, potential and perceived conflicts and how they will be managed.



## Conflict of Interest

We earn revenue by charging a fee for certain administrative and advisory- based services.

We offer full-service advisory accounts.

We offer full-service discretionary and non-discretionary fee-based accounts.

We may receive compensation from securities issuers and other third parties based on their products we recommend for sale to clients, such as trailer fees on segregated and/ or mutual funds, and commissions on insurance policies.

Pratte Portfolio Management Inc. is compensated in other ways as a result of the business clients may do with us, including interest spreads on uninvested cash deposits and foreign exchange spreads when you convert currencies.

## Management of Conflict

- Clients receive our current fee schedule which forms part of the Disclosure Statement brochure provided within the New Client Welcome Package.
- The fee schedule outlines current service and administration fees only.
- Clients are provided with 60 days written notice in advance of levying a revised fee from that originally disclosed in the fee schedule.

- Industry regulations obligate Pratte Portfolio Management Inc.'s investment advisors to ensure all investment recommendations are suitable for their client's account.

- For discretionary fee-based (i.e., managed) accounts: management fees are charged as a percentage of the market value of a client's account. All such fees, and the method of their calculation and negotiation, are disclosed in the Managed Account Agreement and/or Investment Policy Statement clients sign at the time of account opening.
- For non-discretionary fee-based accounts: a flat fee is negotiated based on client assets invested and level of trading activity.

- A trailer fee is the service commission paid by a mutual fund company to investment advisors who, in return, provide clients with ongoing services such as answering any questions clients may have about the performance of fund(s) and other related matters. Trailer fees are disclosed in the mutual fund's simplified prospectus mailed to clients after the first purchase of units. Clients may also ask investment advisors for this information at any time.

- Various forms of other compensation we may receive are disclosed to clients upon request.



## Conflict of Interest

Investment advisors have personal trading accounts which they want to perform well.

Investment advisors refer clients to a professional and/or company outside of Pratte Portfolio Management Inc. and receive a referral fee as a result.

## Management of Conflict

- Investment advisors are not permitted to have personal trading accounts outside of Pratte Portfolio Management Inc.
- Trading by Pratte Portfolio Management Inc. employees and agents ("pro trading") is reviewed daily and monthly by Pratte Portfolio Management Inc.'s compliance officer.

A higher degree of scrutiny is placed on pro account trading to detect:

- Trading ahead of their clients (i.e., "front running");
  - Trading in the opposite direction of client trade recommendations;
  - Trading in advance of favourable research report publications; and,
  - Trading based on the knowledge of material, non-public information.
- We have automated compliance systems with supervision by individuals to detect excessive trading by investment advisors for his or her personal accounts

- Formal referral agreements between Pratte Portfolio Management Inc. and any professional and/or company must be in place before clients can be referred. The terms of the agreement will be disclosed to clients in writing and will include information on:

- The names of the referring parties;
  - The purpose and material terms of the agreement, including the nature of the services to be provided by each party;
  - Conflicts of interest, if any;
  - The method of calculating the referral fee, or the fee amount itself; and,
  - Any other information that a reasonable client would consider important in evaluating the referral arrangement.
- The arrangements are reviewed and approved by our chief compliance officer and operated in accordance with strict regulatory requirements.
  - Pratte Portfolio Management Inc. has policies and procedures prohibiting referrals to any professional and/or company solely for the purpose of generating revenue without any benefit to clients.



## Conflict of Interest

Pratte Portfolio Management Inc. acts as an investment fund manager with respect to pooled funds (the “Pratte Funds”). The Pratte Funds are therefore connected issuers of Pratte Portfolio Management Inc.

Pratte Funds’ units are distributed to its clients who hold a discretionary managed account with Pratte Portfolio Management Inc.

Pratte Portfolio Management Inc. does not sell securities of related or connected issuers, with the exception of the Pratte Funds.

Pratte Portfolio Management Inc. may trade securities for its own account (a practice known as a “private transaction”). We do it to make a profit.

## Management of Conflict

- Pratte Portfolio Management Inc. invests the assets of its clients with whom Pratte has discretionary managed account relationship in the Pratte Funds only when it is a suitable investment for the client and in accordance with the client’s investment objectives and strategies.
- The relationship between Pratte Portfolio Management Inc. and the Pratte Funds, as well as the administrative and operating fees charged to the Pratte Funds are disclosed to clients before Pratte Portfolio Management Inc. invests their assets in a Pratte Fund’s units.
- Pratte Portfolio Management Inc. does not charge any management fees to the Pratte Funds in connection with the fact that the client’s assets are invested in the Pratte Funds. If, due to exceptional circumstances, management fees should be charged by Pratte Portfolio Management Inc. to the Pratte Funds, the fee schedule would be amended accordingly in accordance with the usual procedure of 60-day notice period.

- Industry regulations require that all Pratte Portfolio Management Inc.’s advisors check that the investment recommendations are appropriate for a client’s account, including recommendations to buy from a related or connected issuer. In such a case, before such a recommendation is made, we inform the clients in addition to any connection we have with the issuer.

- All private transactions of Pratte Portfolio Management Inc. must be pre-approved by the Chief Compliance Officer prior to execution, unless they are specifically exempted. Securities are exempted because transactions in such securities will generally not affect their price nor their availability to clients.
- We can take advantage of short-term fluctuations during a trading day. This speculative strategy cannot be used in our clients’ portfolios.
- Private transactions by Pratte Portfolio Management Inc. (hereinafter referred to as “professional transactions”) are identified as such, and clients’ transactions shall take precedence over the previous two, in accordance with industry regulations. We are restricted from intentionally withholding or trading in advance on the market against a client order.



## Conflict of Interest

We are paid by issuers of securities when we advise on a new issue which we may recommend to clients. When doing so, the issuer generally wants to obtain the highest sale price while our clients are generally interested in obtaining the lowest purchase price.

As a result of business relationships with public issuers, employees and agents of Pratte Portfolio Management Inc. may be in possession of material, non-public or otherwise highly confidential information. We are not permitted to disclose this information to clients even if knowing said information would influence their decision to buy or sell.

We may need to select which clients, including Pratte Funds, will be offered certain securities if availability is limited.

## Management of Conflict

- Pratte Portfolio Management Inc. values new issues using proven and industry-standard metrics and analysis.
- The offering documents clients receive provide full disclosure of any relationships we may have with the issuer and advisory fees we are paid.
- Industry regulations obligate investment advisors to ensure all investment recommendations are suitable for a client's account.

- Our internal information barriers are designed to ensure compliance with securities regulations and, in so doing, prevents the flow of non-public information.

- Securities legislation requires Pratte Portfolio Management Inc. to ensure all new issue retail prospectus distributions are offered to clients first. Client interest must be exhausted before participation by our employees or agents is permitted.
- We have a "fair allocation" policy for managed accounts and Pratte Funds ensuring each client subscribed to a particular managed account mandate and each Pratte Fund receive the same security at the same price as all other clients, including Pratte Funds, having the same investment mandate and for whom the investment is also suitable. Allocations are made on a pro-rata basis based on the size of the order and market value of the account.
- In exercising our client priority and fair allocation mandates, Pratte Portfolio Management Inc. is guided by the CFA Institute's Code of Ethics and Standards of Professional Conduct. The CFA Institute is a global association of investment professionals that sets the standard for professional excellence and ethical behavior within the global financial community.



## Conflict of Interest

In the course of analyzing an issuer and its investment potential, we may visit the principal operations of the business. The costs associated with this visit may be paid, fully or in part, by the issuer itself.

We may permit investment advisors to be employed by, and accept compensation from, other entities outside the scope of his/her relationship with us.

## Management of Conflict

- Any visit to an issuer's headquarters or principal operations is disclosed within our research reports.
- Some operational sites are remotely located (e.g., mine pits, offshore oil wells, etc.) and issuers often arrange for several research analysts across many investment dealers to visit the site simultaneously, and will subsequently arrange transportation and lodging. We disclose in our research reports if an issuer has covered the costs associated with a visit to their operational sites.

- All outside business activities ("OBA") are subject to legislative and industry regulatory requirements that impose restrictions on dealings between related registered firms and/or individuals dually registered with a related registered firm. Such restrictions are intended to minimize the potential for conflicts of interest and client confusion resulting from these OBAs.
- We have adopted internal policies and procedures supplementary to the regulatory requirements including policies on privacy and confidentiality of information.
- We discourage investment advisors engaged in unrelated OBAs from knowingly soliciting business with clients. In the event such solicitation occurs, they are required to advise clients that their OBA is unrelated to the activities of Pratte Portfolio Management Inc. and thus Pratte Portfolio Management Inc. is not liable for that OBA.
- All OBAs must be approved by Pratte Portfolio Management Inc.'s Chief Compliance Officer, and will be rejected if the OBA:
  - Involves securities-related transactional activity;
  - Interrupts an investment advisor's ability to deliver continuous service to clients during market hours;
  - Presents any unmanageable conflict of interest between investment advisors or Pratte Portfolio Management Inc. and clients; or,
  - Reflects poorly on Pratte Portfolio Management Inc., the securities industry or is otherwise contrary to the provision of any applicable securities legislation.



## Conflict of Interest

Investment advisors may periodically receive gifts, entertainment and other business courtesies from individuals representing an issuer, such as a mutual fund. Likewise, representatives from Pratte Portfolio Management Inc. may provide gifts or entertainment to issuers or other parties currently engaged in business with us.

We may benefit by exercising certain securities as they approach expiry if clients have elected not to exercise them. This is generally accomplished by exercising rights for securities aggregated from multiple accounts that other clients have also declined to exercise because the fees related to these transactions for each account would make them uneconomic.

As portfolio managers, we determine the allocation of expenses between ourselves and the Pratte Funds. While Pratte Funds unitholders, who are Pratte's clients with a discretionary managed account relationship, do not pay the fees charged to Pratte Funds directly, these fees reduce the value of their investments.

## Management of Conflict

- We have a strict internal policy regarding the giving, accepting and soliciting of gifts, entertainment and other business courtesies.
- Gifts are prohibited by this policy from being either excessive or recurrent so as to cause the perception of a conflict of interest.
- Gifts must not be in poor taste so as to cause embarrassment or damage to our reputation.

- As expiry dates approach for certain types of securities, we attempt to contact clients to determine if they want to exercise their rights before the securities expire.

- Only expenses related to the daily activities and operations of the Pratte Funds are allocated to them.
- Pratte has adopted a policy that sets out the criteria for determining which expenses are part of the day-to-day operations and operations of the fund and that adequate controls are in place to review and approve invoices before they are paid.
- In its decision to outsource certain services to be provided to the funds, Pratte is committed to selecting suppliers that offer, overall, the best terms for clients and to ensure that their fees are reasonable and justifiable.

## More Information

Securities regulations adopted by the Canadian Securities Administrators guides our commitment to provide clients with trusted investment advice is Canada's comprehensive securities regulations, the majority of which focuses on investor protection, including conflicts of interest. We encourage clients to access the websites and publications of the provincial securities commissions for more information on how these regulations tackle conflicts of interest thereby safeguarding the investing public.

### Canadian Securities Administrators:

[www.securities-administrators.ca](http://www.securities-administrators.ca)

[www.lautorite.qc.ca](http://www.lautorite.qc.ca)

[www.osc.gov.on.ca](http://www.osc.gov.on.ca)

Any questions about this disclosure document can be directed to an investment advisor or to [info@pratte.ca](mailto:info@pratte.ca)

