



# What You Should Know About Alitis

## Relationship Disclosure Document



# About This Document

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This Relationship Disclosure Document (“RDD”) provides important information concerning the relationship between Alitis Investment Counsel Inc. and you, our client. This RDD will be provided to you at the time you open your account with us. If there is a significant change to the information contained in this RDD, we will provide you with updated information in writing as soon as reasonably possible. This RDD forms part of your Investment Management Agreement (“IMA”) with Alitis Investment Counsel Inc. and by signing the IMA, you acknowledge that you have received this document and understand its contents.

This version of the RDD was created on March 17, 2016. The most current version of this document can be obtained on our website at [www.alitis.ca](http://www.alitis.ca).

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To clarify, the terms “**Us**”, “**We**”, “**Our**” or “**Alitis**” mean Alitis Investment Counsel Inc., a privately-owned company incorporated under the laws of British Columbia, or its assignee. When we refer to “**You**” or “**Your**” we are referring to the person or persons, corporation, partnership or unincorporated association in whose name(s) the account is held and includes anyone you appoint as your agent or attorney.

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# About Alitis Investment Counsel Inc.

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## Our Clientele

Alitis Investment Counsel Inc. offers discretionary investment management services to families, corporations, trusts, endowments, foundations, first nations, not-for-profit organizations, and pensions.

## Our History

Alitis was founded in 2009 by Cecil Baldry-White and Terry Gwilliam as a way to offer a broader range of investment opportunities, lower volatility, reduce fees, and enable more efficient investment management for their clients. Three major trends in the world played a role in the need to create Alitis:

- Interest rates in the developed world were bottoming out and at some point would start to move higher. The days of easy returns with traditional fixed income products was coming to an end.
- Globalization of trade and financial systems had made the world's economies increasingly dependent upon one another. Negative economic conditions in one part of the world were having global ramifications, resulting in increased correlation of the world's markets – a condition that made diversification using traditional asset classes much more difficult.
- The accumulation of debt by both governments and consumers was expected to be a long term drag on economic growth, negatively impacting currencies, and increasing the risk of future financial shocks.

From these trends, it was apparent that traditional portfolios made up of stocks & bonds would likely have difficulty performing well in the coming years. To address these challenges we designed and launched a number of investment solutions that utilize a much wider variety of asset classes and investment approaches resulting in a significant level of diversification. This approach is used by some of the most progressive pension funds, endowments, and high net-worth individuals to reduce the risks associated with an over-concentration in traditional asset classes. We believe that this is well suited for investors who are looking to reduce portfolio risk while taking regular income or building wealth over the longer term.

## Our Investment Approach and Process

Alitis' investment approach is based upon controlling risk and enhancing longer-term returns through the use of a broad range of traditional and alternative asset classes. It is our view that the majority of a portfolio's risk and return can be determined by the asset classes and, as such, a significant portion of our effort is spent on their analysis. In our framework, we categorize cash, fixed income and stocks as traditional asset classes and real estate, hedge funds, commodities, and other investments as alternative asset classes. Within each asset class we endeavour to use broadly-diversified investments, such as mutual funds, ETFs, and closed-end funds, to provide even more diversification to portfolios. Ultimately, we create a range of model portfolios for use with all our clients.

Our investment process is overseen by Alitis' Investment Committee which uses a multi-step process for selecting and monitoring the asset classes and investments used in the model portfolios. The following is a summary of the main steps in the process that leads the investment mix for each model portfolio:

- A long-term strategic asset allocation is defined for each model portfolio by using a combination of historical information, reasonable constraints, and professional judgment.
- Based on analysis by the Investment Committee, the strategic asset allocation is modified on a regular basis by making tactical decisions to over-weight or under-weight the asset classes within defined constraints.
- Investments are identified, researched, and monitored for inclusion or removal from our approved list. From this list, the Investment Committee selects investments to be used within each model portfolio.
- After discussions with the client, each account is assigned a model portfolio and is monitored and rebalanced as required to realign the weighting of each holding back to the amount specified by the model.



New model portfolios may be added from time-to-time, but the overall management process will follow the general guidelines outlined above.

## Licensing & Regulatory

Alitis is registered as a portfolio manager in the provinces of British Columbia, Alberta, Saskatchewan, and Manitoba, and as an investment fund manager in British Columbia. Our principal regulator is the British Columbia Securities Commission.

### Alitis as Portfolio Manager

As a portfolio manager (“PM”), Alitis provides discretionary portfolio management to you pursuant to our Investment Management Agreement (“IMA”) and in accordance with your Investment Policy Statement (“IPS”). That is, we make investment decisions and trades on your behalf within the parameters agreed upon for the operation of your account.

### Alitis as Investment Fund Manager

As an investment fund manager (“IFM”), Alitis currently manages five investment pools for use exclusively in our clients’ accounts.

## Referral Arrangements

Alitis may enter into referral arrangements whereby we refer clients to another entity and receive a fee or another entity refers clients to us for which we pay referral fees. The details of these referral arrangements, including the parties to the referral arrangement, the manner in which the referral fee for services is calculated and the party to whom it is paid, and any other relevant information will be provided to you in a separate disclosure document. If there is a change to the information set out in the disclosure document, we will ensure that written disclosure of that change is provided to you as soon as possible and no later than 60 days before the date on which a referral fee is next paid or received.

### **British Columbia Securities Commission**

*The British Columbia Securities Commission (“BCSC”) is Alitis’ principal regulator empowered with ensuring that we comply with all applicable rules, regulations, and instruments. The primary regulation that applies to Alitis is what is known as National Instrument 31-103 (“NI 31-103”). NI 31-103 outlines all the principles that Alitis must follow in order to remain licensed as a Portfolio Manager and as an Investment Fund Manager. Of particular interest to you would be Sections 13 and 14 of NI 31-103. These sections outline our requirements when dealing with you and how we handle your accounts. This document, and related ones, is available on the BCSC website.*

*Website: [www.bcsc.bc.ca](http://www.bcsc.bc.ca)*

## Memberships

Alitis is a member of the following organizations:

- Portfolio Management Association of Canada (“PMAC”)
- Canadian Associate of Family Enterprise (“CAFE”)

## Contact Information

Alitis Investment Counsel Inc.  
#101 – 909 Island Hwy.  
Campbell River, BC, V9W 2C2  
Phone: 250.287.4933  
Toll Free: 1.800.667.2554  
Email: [info@alitis.ca](mailto:info@alitis.ca)  
Website: [www.alitis.ca](http://www.alitis.ca)

## Our Custodian: Qtrade Securities Inc.

Our clients' accounts are required to be held by an independent third-party custodian. We have chosen Qtrade Securities Inc. ("Qtrade") to provide these services for our clients and for the Alitis Pools. Accounts at Qtrade are protected by the Canadian Investor Protection Fund ("CIPF"). Alitis does not have access to your money held at Qtrade. Rather, the agreements you sign give us authority to undertake certain tasks, such as buying and selling securities in your accounts, moving money between accounts, and voting proxies for securities held in your accounts.

Qtrade Financial Group, founded in 1999, provides wealth management services to individual investors as well as the customers of over 180 financial institutions across Canada. In April of 2013, Desjardins, the largest cooperative in Canada, made a strategic financial investment and partnered with Qtrade. Qtrade Securities Inc. is registered and regulated by the Investment Industry Regulatory Organization of Canada ("IIROC").

### Contact Information

Qtrade Securities Inc.  
Suite 1920, One Bentall Centre  
505 Burrard Street, Box 85  
Vancouver, BC V7X 1M6

Phone: 604.605.4199  
Toll Free: 1.877.787.2330  
Email: [info@qtrade.ca](mailto:info@qtrade.ca)  
Website: [www.qtrade.ca](http://www.qtrade.ca)

## Alitis Insurance Services Inc.

Alitis Insurance Services Ltd. ("Alitis Insurance") is a company related to Alitis Investment Counsel Inc. Alitis Insurance is an insurance agency through which you may be offered non-securities related products and services. These products and services are **NOT** offered by Alitis Investment Counsel Inc. Further information about Alitis Insurance can be found at the end of this document.

# Products & Services

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## Services Offered

### Discretionary Portfolio Management Services

Alitis offers discretionary portfolio management utilizing the Alitis Pools, a portfolio of investments held in a separately-managed account (“SMA”), or a combination of the two. Discretionary portfolio management means that the investment decisions are made on an ongoing basis by a duly authorized portfolio manager, who makes and executes investment decisions on your behalf according to your IPS. These investment decisions include the authority to vote the securities held in your accounts and to take other actions, such as responding to corporate reorganizations and tender offers, on your behalf. To facilitate these services, our Investment Committee defines model portfolios for use in individual accounts or across a group of accounts. The model portfolio recommended to you is based upon your individual requirements, which is discussed in more detail later.

### Retirement Planning

We also offer basic retirement planning services that are relevant to our investment management process, as a courtesy to our clients. If you are seeking in-depth planning with comprehensive written plans, we offer custom-tailored planning through our related company, Alitis Insurance Services Inc., or we can refer you to one of several firms who specialize in in-depth, fee-based financial planning.

### Investment Fund Management

Alitis provides investment fund management services to the Alitis Pools. Currently we do not provide these services to other investment funds.

## Products Used in Our Portfolios

As briefly mentioned earlier, Alitis uses the Alitis Pools or an SMA when providing discretionary portfolio management services to you.

### Individual Investments

We believe that risk management through diversification is a key aspect of portfolio management and as such, we almost exclusively use investments that are diversified to begin with, such as mutual funds, exchange-traded funds (ETFs), closed-end funds, hedge funds, mortgage investment corporations (MICs), real estate investment trusts (REITs), limited partnerships, and other pooled-type investments. To a lesser extent, we may use investments such as individual stocks, preferred shares, bonds, T-bills, money market instruments, bank products (e.g. GICs, high-interest savings accounts), and other individual investments. If appropriate, options and other derivatives may be used.

### The Alitis Pools

Alitis manages five investment pools for use exclusively in our clients’ accounts. These pools are:

- **Alitis Strategic Income Pool:** The objective is to generate a high level of income.
- **Alitis Income & Growth Pool:** The objective is to generate a moderate level of income and a moderate level of capital appreciation over the long-term.
- **Alitis Growth Pool:** The objective is to generate a high level of capital appreciation with the potential for some income generation over the long term.
- **Alitis Mortgage Plus Pool:** The objective is to generate a high level of monthly income with relatively low volatility.
- **Alitis Private REIT:** The objective is to generate a moderate level of income and a moderate level of capital appreciation over the long-term.

The Alitis Pools can hold all of the same individual investments mentioned above but, given their larger size and diversified ownership, they can undertake more advanced investment strategies and use products which may not be appropriate for use in an SMA. On this basis, we view the Alitis Pools as our premium platform offering a wider range of investments, more robust risk management tools, and better liquidity than an SMA.



# Opening & Maintaining Your Accounts

Opening and maintaining your accounts at Alitis is made up of three main steps, as follows:

1. Gathering information,
2. Setting up your accounts & selecting investments, and
3. Ongoing account maintenance.

## Gathering Information

Our first role is to get to know who you are so that we can properly advise you as to which investments are appropriate. We also have a duty to comply with securities regulations and anti-money laundering laws. If you would like more information on these regulations, please refer to the contact links at the end of this document.

### Getting to Know You

In order to get to know you and provide you with suitable investment recommendations, we require detailed information so that we can assess your needs and comply with our regulatory requirements, particularly those outlined in Section 13.2 of National Instrument 31-103. To meet these needs, we will require information about you, including:

- **Identifying information.** name, birth date, social insurance number
- **Contact information.** address, phone numbers, email address
- **Employment information.** employer, position
- **Family information.** spouse and their information, children
- **Financial information.** income, expenses, assets, liabilities
- **Objectives & constraints.** investment & financial needs, investment time horizon, investment knowledge, risk tolerance
- **Other information.** determining whether you are an insider of a reporting issuer or any other issuer whose securities are publicly traded, determining your creditworthiness if you wish to use a margin or similar account

Risk tolerance is rather subjective and requires more insight. To assist us we have developed a questionnaire which asks you a number of questions relating to different aspects of risk. Your answers will be reviewed and interpreted by one of our portfolio managers to assist in determining appropriate investments for you.

### Verifying Your Identity and Citizenship/Residency

The Proceeds of Crime (Money Laundering) and Terrorist Financing Act, securities regulations, and recent changes to the Income Tax Act require that we take certain steps to verify your identity before we can execute any transactions on your behalf. The various laws require that we physically see you and your approved photo identification, and to take a copy of the identification. As well, we require a personalized cheque from a Canadian financial institution as secondary verification. We are also required to identify U.S. citizens and U.S. residents so that Alitis complies with the U.S.' Foreign Account Tax Compliance Act ("FATCA").

#### **Proceeds of Crime (Money Laundering) and Terrorist Financing Act**

*The Proceeds of Crime (Money Laundering) and Terrorist Financing Act ("PCMLTFA") is the federal law that outlines the requirements that firms like Alitis must comply with in order to operate in Canada. PCMLTFA empowers the Financial Transactions and Reports Analysis Centre of Canada ("FINTRAC") to administer the law. FINTRAC has prescribed the procedures by which we must ascertain your identity, which we follow when we first bring you on as a client. Alitis is also required on a monthly basis to check whether a list of terrorists and terrorist organizations have an account with Alitis. If you would like more information, please visit the FINTRAC website.*

Website: [www.fintrac-canafe.gc.ca](http://www.fintrac-canafe.gc.ca)

#### **FATCA**

*On February 5, 2014, Canada and the U.S. signed the Canada-United States Enhanced Tax Information Exchange Agreement so that Canadian financial firms could comply with the U.S.'s Foreign Account Tax Compliance Act. The provisions of this agreement have been incorporated in the Income Tax Act of Canada, which now requires Canadian financial institutions to identify U.S. citizens & U.S. residents and to provide certain information on reportable accounts to the Canada Revenue Agency ("CRA") who will in turn pass it along to the Internal Revenue Service ("IRS") in the U.S.*

If an account is being opened for a corporation, we would require further documentation to verify the corporation's existence as well as those who control or are beneficial owners of more than 10% of the corporation. In the case of a partnership or trust, we would be required to verify the identity of any person who exercises control over the affairs of the partnership or trust. We are also required to verify the identity of the beneficiaries and settlor of a trust.

## Documentation Received At This Stage

The documents you will receive at this stage of the process are as follows:

- **What You Should Know About Alitis: Relationship Disclosure Document.** This is the document you are reading now which provides an overview of what you should know about Alitis.
- **Personal Financial Review.** This form collects the information required so we can get to know you, properly set up your accounts, and meet some of our regulatory requirements.
- **Risk Tolerance Questionnaire.** This questionnaire will help us determine your risk tolerance and will be used to assist us in determining the model portfolio most appropriate for you.
- **Referral Disclosure Form** If you were referred to Alitis by a third-party with whom we have a referral relationship, you will be provided with this disclosure which outlines the services the referring agent will perform and the referral fee to be paid. The form also allows you to consent to the referring agent sharing your information with Alitis so we can provide portfolio management services, and for us to deliver the referring agent information about your portfolio so they can offer other services not related to managing your portfolio, such as financial planning services. It is important to know that the referring agent will only be collecting your information and providing it to us; under no circumstances is the referring agent allowed to undertake any further action with your information beyond collecting and providing it to Alitis.

## Setting Up Your Accounts & Selecting Investments

Setting up your accounts and selecting investments is the most demanding stage. Quite simply, there are numerous forms to fill out and sign. More importantly, the information provided to us in the first step needs to be combined with the information we collect through conversations with you so that we can create an investment policy that works for you and for us and, ultimately, to select an investment portfolio that meets your needs.

### Assessing Your Risk Tolerance & Return Requirements

One of the key documents you filled out in step one is the Risk Tolerance Questionnaire. Your answers to the questions provide us with a starting point with respect to how you view risk. With respect to your return requirements, we will undertake discussions with you to determine this information. If your return expectations are compatible with your risk profile, then creating a portfolio that meets your needs is a straightforward process. If, on the other hand, your return expectations are not compatible with your risk profile, further discussions would be required so that these issues can be resolved before we move to the next step. It is possible that you and Alitis may not be able to agree upon the compatibility of your return requirements with your risk tolerance and, in this situation, we may recommend that you seek out the services of another portfolio manager.

### Select the Appropriate Investment Mandate

After assessing your risk tolerance, return requirements, time horizon, financial situation, and other factors, an appropriate investment mandate will be selected and recommended to you. This mandate may be applicable to a single account or it may be applicable to a group of accounts. If the investment mandate is applicable to a group of accounts, investments ultimately used in each individual account may not appear to reflect your investment mandate; however, when the group of accounts are viewed as a whole, the investments would reflect the appropriate investment mandate. For example, this may occur in order to improve the overall tax efficiency of a portfolio; if one had an RRSP and a cash account, it is generally considered best practice to place the income-generating investments in the RRSP and those that generate capital gains in the cash account.

### Getting Your Accounts Set Up

Once an appropriate investment mandate has been selected, all the required forms can be generated and signed so that Qtrade can start the process of setting up your accounts. Alitis will also create your Investment Policy Statement and Investment Management Agreement for you to sign. This document contains all the information specific to managing your account.

## Make the Initial Transactions

As mentioned earlier, Alitis manages money by using standardized model portfolios developed by our Investment Committee. Based on your recommended investment mandate, Alitis will select a model portfolio best suited to your needs and preferences. In order to achieve the allocation of the model portfolio, various securities will need to be bought and sold. Under securities law, Alitis has an obligation to assess whether the purchase or sale of an investment is suitable for you prior to executing the transaction. We do this by assessing the investment relative to your objectives, your risk tolerance, the composition of the model portfolio, and other factors. Generally, investments will fall into four major categories which provide a broad framework for assessing suitability: (1) Low-risk income securities, (2) Moderate-risk income securities, (3) Higher risk income and growth securities, and (4) Speculative securities and strategies. When new clients transfer their portfolios from another investment firm, we will usually liquidate all securities and invest the proceeds in the appropriate Alitis Pools or SMA. Occasionally we may retain, at a client's request, certain investments in order to properly manage taxes or redemption fees.

## Documentation Received At This Stage

Alitis only produces one document at this stage, but it is the most important one for you and for us:

- **Account Opening Documents** – This document aggregates the information you have provided to us with the conversations we have had with you in order to define how your account will be managed – that is, your Investment Policy Statement. The document also contains the Investment Management Agreement which is the terms and conditions by which you and Alitis agree to operate your accounts. The specific fees associated with managing your portfolio are also disclosed in this document.

As mentioned before, Alitis uses Qtrade Securities Inc. as the custodian for your account. As a licensed firm operating in the securities industry, Qtrade also requires a number of forms to be completed in order to comply with their regulatory requirements to properly open your account. The documents Qtrade requires are:

- **New Account Application Form** – This form gathers all the information that is needed to properly set up your account and for Qtrade to comply with all their requirements under securities and other laws and regulations.
- **Account Authorization** – This form authorizes Alitis to make discretionary transactions in your account on your behalf.
- **Account-Specific Documents** – Other documents related to specific types of accounts may also be required. For example, a TFSA or a RIF would require further forms to be completed in order to properly set up these accounts.
- **Disclosure Documents** – Various disclosure documents may be included depending upon the type of account being opened.

## Ongoing Account Maintenance

Maintaining your accounts so that they meet your needs requires that both you and Alitis work together. You need to let us know if your personal situation changes in any way that may affect your investment objectives or risk tolerance. Similarly, we need to regularly monitor the asset classes and investments used in your portfolio to ensure that they continue to meet your needs. Together, these actions will help ensure that a successful investment relationship endures.

## If Your Situation Changes

If something important changes in your life, you need to let us know so that we can continue to manage your assets in a manner that is appropriate and suitable for your particular circumstances. In addition, Canadian securities laws require us to obtain this information from you and to update it from time to time to ensure that our knowledge of your circumstances remains current. Changes you should notify us about include:

- A change in your marital status,
- A change of address,
- A change in your financial goals or personal obligations,
- An event that has had a significant impact on your financial, professional or personal situation, and

- A change in your status as an insider or as a significant shareholder of a company whose shares are traded on an exchange or on the over-the-counter market.

If the changes are determined to be significant, your IPS, or other documents, may need to be updated to ensure it remains current. As well, changes may need to be made to your portfolio to ensure that it meets your new requirements.

## Managing Your Portfolio

After your model portfolio has been selected and implemented, it will be monitored regularly, and adjusted if necessary, to ensure that it continues to meet your needs. This process is as follows:

- Alitis' Investment Committee will meet regularly to analyze asset classes and investments to determine the appropriate mix that, in the view of the Committee, best meets the objectives of each of the investment models that we use for our clients.
- If our Investment Committee has made changes to the investment models, these changes will be applied to the Alitis Pools and individual client SMA accounts as required. If you are invested in the Alitis Pools, you may not notice any change to your investments as these would occur within each Alitis Pool. If you are using an SMA, these changes would appear as transactions in your account.
- Changes may also be made to your account even if our Investment Committee has decided not to make any changes to the model portfolios. The value of your investments may change such that the percentage allocation to an investment may drift away from its target weighting over time. In this situation, your portfolio may be rebalanced to bring the allocations back in line with the model. We do allow the percentage allocation of an asset class or investment to deviate within a range around the target allocation so that rebalancing transactions do not occur frequently. We may also perform rebalancing at other times simply to ensure that it stays as close to its model as possible.

## Documentation Received At This Stage

Alitis provides our ongoing documentation in electronic format via a password-protected website in order to provide timely and cost-effective service. If you do not have access to the internet, we can send you these documents by mail if you request this service. Alitis will deliver the following documents on an ongoing basis:

- **Monthly.** Statements via password-protected website or mail if mail delivery requested,
- **Quarterly.** Statements if mail delivery has been requested,
- **Annually.** Performance Reports,
- **Annually.** Fees and Charges Reports,
- **Annually.** Tax slips for the Alitis Pools, and
- **As Required.** Other reports or notifications.

Our custodian, Qtrade Securities, has similar reporting requirements to Alitis. As such, they will provide the following documents on an ongoing basis:

- **Monthly.** Statements if a transaction occurred within the month,
- **Quarterly.** Statements,
- **Annually.** Tax slips, and
- **As Required.** Other reports or notifications.

# Compensation, Fees and Charges

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## Compensation Received by Alitis

Alitis may receive compensation from one or more of the following sources:

### Management Fees from the Alitis Pools

Alitis receives a management fee for the ongoing management of the Alitis Pools. A description of the management fees charged by the Alitis Pools that is applicable to your account will be contained in your Account Opening Documents.

### Performance Fees from the Alitis Pools

Alitis may receive a quarterly performance fee if performance exceeds a minimum hurdle rate. The performance fee is calculated and accrued weekly and payable on the last valuation date of the Alitis Pools in each quarter. A description of the performance fees charged by the Alitis Pools that is applicable to your account will be contained in your Account Opening Documents.

### Investment Management Fees for Your Accounts

For clients who choose to invest in Class D units of Alitis Pools or into an SMA, investment management fees for your account will be charged in arrears directly to your account once per month. A description of the investment management fees applicable to your account will be contained in your Account Opening Documents.

Investment management fees are normally based on the prior month's ending asset value in eligible investments in your account. For the months when your account is opened or closed, the investment management fee will be charged on a pro-rata basis for the proportion of days in the month the account was open.

Eligible investments include Class D units of the Alitis Pools and assets managed in an SMA portfolio. Other investments in your account, such as GICs and other securities, will not be included when calculating the investment management fee.

For the purpose of determining the rate payable, total household eligible investments may be used to take advantage of declining rates for larger aggregate eligible investment sizes. Accounts that can be householded together include the following:

- your accounts,
- the accounts of your spouse,
- the accounts of any children living with you or your spouse,
- corporate accounts where you or your spouse are the beneficial owners,
- trust accounts where you, your spouse or your dependent children are the beneficial owners, or
- as you and Alitis may agree.

Each account is responsible to pay its own fee and we will debit the monthly fees from each of your account. However, if you wish we can debit fees for all of the accounts in your household from a specified account belonging to your household.

### Trailer Fees and/or Service Fees

Some investments, most notably mutual funds, may pay us trailer fees and/or service fees based on the value of these investments held in your account. These fees form part of Alitis' compensation for the services we provide and will be retained by Alitis.

### Referral Fees from Other Organizations

Alitis may be paid a referral fee if we refer you to another organization for products or services that we cannot provide. Alitis will provide you with a written disclosure of such a referral arrangement and retain any fees received as part of this arrangement.

## Account & Transaction Charges

### Trustee & Account Fees

Qtrade charges trustee or account maintenance fees to Alitis for the operation of your accounts. The cost of these fees is built into our cost structure and is included in the compensation received by Alitis, as outlined in the previous section.

### Transaction Charges

If you are invested in an SMA, transaction charges for the purchase and sales of securities may be charged to your account. These charges are billed to Alitis by our custodian, Qtrade, and will be passed through to you with no markup in price. A description of the transaction charges (if any) applicable to your account will be contained in your Account Opening Documents.

### Early Redemption Charge

An early redemption charge may be charged on units of the Alitis Pools that are redeemed within a specified period of time, according to the following schedule:

- **Alitis Strategic Income Pool:** 3% for redemptions made within 90 days of purchase.
- **Alitis Income & Growth Pool:** 3% for redemptions made within 90 days of purchase.
- **Alitis Growth Pool:** 3% for redemptions made within 90 days of purchase.
- **Alitis Mortgage Plus Pool:** 3% for redemptions made within 6 months of purchase.
- **Alitis Private REIT:** 5.0% for redemptions made within 12 months of purchase, 4.0% for redemptions made between 12 and 24 months of purchase, 3.0% for redemptions made between 24 and 36 months of purchase, 2.0% for redemptions made between 36 and 48 months of purchase, and 1.0% for redemptions made between 48 and 60 months of purchase.

This charge is designed to deter short-term behavior that may not be in the best interest of other unitholders in the Pool. If an early redemption charge is charged, it will be retained by the Pool to compensate remaining unitholders for undue expenses borne by the Pool.

## Fees Charged by Qtrade

Alitis' custodian for our client accounts, Qtrade, may also charge fees for certain activities that are not part of the regular day-to-day operation of your account or that involve manual intervention. Any fees charged by Qtrade will be passed through to you with no markup in price.

## Taxes

All fees, whether charged by Alitis, Qtrade or a third-party, will be subject to applicable taxes.



# Investment Risks

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## Introduction

Before making any investment decision, you should assess its risks and rewards and how this relates to your investment goals, your level of risk tolerance, your level of knowledge, and any other relevant factors. As your portfolio manager, we make investment decisions on your behalf in accordance with your IPS. These investment decisions are subject to a variety of risks which we endeavour to minimize. Also keep in mind that not all risks are of equal importance and may not even be applicable to you or your investments.

The most important thing to understand is that your portfolio is not guaranteed and that you could lose all or part of your investment. Your portfolio is not covered by the Canada Deposit Insurance Corporation (“CDIC”) or any other government deposit insurer. However, some investments in your portfolio (e.g. GICs) may be covered by such insurance programs.

Investment risk varies depending on the type of investment. There is usually a direct relationship between the amount of risk associated with an investment and its expected return. Generally speaking, if an investment or investment strategy appears that it will earn a high return, it is probably a good idea to assume that it comes with a high degree of risk. You could end up losing your money, so it is always prudent to be cautious, do your research, and ask a lot of questions before making any investment decision.

As mentioned earlier, not all risks are of equal importance and may not even be applicable to you or your investments. The following is simply a list of investment risks that are often encountered by all investors. Alitis strives to minimize or mitigate risks when managing your portfolio. If you have any concerns about any of the risks listed, please contact your adviser.

## General Investment Risks

The following is a list of main risks which affect all investors as well as the investment strategies which may be used by Alitis.

### Borrowing Money to Buy Securities (Leveraging)

Securities may be purchased using available cash, or a combination of cash and borrowed money. If cash is used to pay for the purchase in full, the percentage gain or loss will equal the percentage increase or decrease in the value of the securities. The purchase of securities using borrowed money magnifies the gain or loss on the cash invested. This effect is called leveraging.

For example, if \$100,000 of mutual fund units are purchased and paid for with \$25,000 from available cash and \$75,000 from borrowings, and the value of the fund units declines by 10% to \$90,000, your equity interest (the difference between the value of the securities and the amount borrowed) has declined by 40%, i.e. from \$25,000 to \$15,000.

It is important that an investor proposing to borrow for the purchase of securities be aware that a purchase with borrowed monies involves greater risk than a purchase using cash resources only.

To what extent a purchase using borrowed monies involves undue risk is a determination to be made by each purchaser and will vary depending on the circumstances of the purchaser and the securities purchased.

It is also important that the investor be aware of the terms of a loan secured by securities. The lender may require that the amount outstanding on the loan not rise above an agreed percentage of the market value of the securities. Should this occur, the borrower must pay down the loan or sell the securities so as to return the loan to the agreed percentage relationship. In our example above, the lender may require that the loan not exceed 75% of the market value of the mutual fund units.

On a decline of value of the units to \$90,000 the borrower must reduce the loan to \$67,500 (75% of \$90,000). If the borrower does not have cash available, the borrower must sell units at a loss to provide money to reduce the loan. Money is, of course, also required to pay interest on the loan. Under these circumstances, investors who use borrowed funds to purchase their investment are advised to have adequate financial resources available both to pay interest and also to reduce the loan if the borrowing arrangements require such a payment.

## Liquidity

Liquidity refers to the speed and ease with which an investment may be sold and converted into cash. The sale of an investment may be subject to delays and additional costs and may be possible only at substantial discounts that could materially and adversely affect the amount of gain or loss you may realize.

## Lack of Diversification

A portfolio is said to lack diversification if it invests a large proportion of its assets in a single issuer, in a single asset class, in a single sector, or in a single geographic area. When a portfolio is not diversified, it could experience greater volatility and will more likely be affected by changes in the market value of these securities.

## Market Risk

General market risk is the risk that investments, particularly equity investments, may go up or down in value and in some cases, abruptly. All investments are subject to general market risk which in turn is driven by market sentiment, corporate developments, economic factors, changes in interest rates, changes in the level of inflation, political/governmental influence, natural disasters and other shocks that may affect the securities market place in general.

## Interest Rate Risk

The values of fixed income securities, such as bonds, debentures or mortgages, are affected by changes in interest rates. Generally, the value of these securities increases if interest rates fall and decreases if interest rates rise.

## Credit Risk

Investments in bonds, mortgages, or other fixed income securities bear the risk that the borrower may not be able to pay interest or principal when due. This is known as credit risk. The value of fixed income and debt securities depends, in part, on the perceived ability of the government, company or individual that issued the securities to pay the interest and to repay the original investments. Securities issued by those governments, companies, or individuals that have low credit ratings are considered to have a higher credit risk than securities issued by those that have high credit ratings.

## Smaller Capitalization Companies

The earnings and share prices of smaller and less well established companies tend to be more volatile and the markets for the shares tend to be less liquid, with resulting higher risk of loss, when compared to investments in larger and more established companies.

## Portfolio Turnover

Accounts may be subject to a high annual portfolio turnover rate as a result of ongoing fund management. A high rate of portfolio turnover involves correspondingly greater expenses than a lower rate and, everything else being equal, would lower returns.

## Currency Risk

The value of investments denominated in a currency other than Canadian dollars is affected by changes in the value of the Canadian dollar in relation to the value of the currency in which the investment is denominated. When the value of the Canadian dollar falls in relation to foreign currencies, then the value of foreign investments rises. When the value of the Canadian dollar rises, the value of foreign investments falls.

## Foreign Investments

The risk of loss on foreign investments may be greater than risks associated with Canadian investments as there is often less information available about foreign companies than about domestic companies due to the fact that many foreign companies are not subject to the uniform and extensive accounting, auditing and financial reporting standards and practices, government supervision and regulation and other disclosure requirements which apply to companies in Canada. Additionally, foreign investments may be subject to foreign investment and exchange control laws, foreign withholding taxes, or the risk of possible expropriation or imposition of confiscatory taxation. In addition, foreign stock markets may be less liquid and more volatile than the Canadian stock markets, trade and settlement practices are often not as developed and corporate actions are often not as controlled. Any foreign investments will have risks associated with changes in foreign exchange rates, possible

restrictions on the repatriation of funds or dividends, and there may be difficulty in enforcing any legal rights against such foreign investments.

### Short Selling

Selling a security short involves borrowing a security from an existing holder and selling the security in the market with a promise to return it at a later date. A short sale will result in a gain if the price of the securities sold short declines between the date of the short sale and the date on which securities are purchased to replace those borrowed. Should the security increase in value during the shorting period, potentially unlimited losses will be incurred.

### Derivatives

Derivatives usually grant the right or require the holder to buy or sell a specific asset during a certain period of time. Derivatives are complex and can be used for a multitude of purposes in many different investment strategies – some of which can reduce risk and some of which can greatly increase risk. The types of derivatives and all their potential risks and rewards are too great to outline in one paragraph. As such, investors should take the time to learn and understand the specific types of derivatives being used, the investment strategy that will be used for the derivatives, and the potential risks & rewards of the strategy. Failure to take such steps could lead to financial repercussions of which an investor may not be aware.

### Counterparty Risk

Some investments may enter into customized financial instrument transactions which would be subject to the risk of credit failure or the inability of or refusal by the counterparty to perform with respect to such customized financial instrument transactions, which could subject the investment to substantial losses.

### Real Estate and Real Estate Investment Trust (REIT) Risk

A portfolio that invests in real estate industry and REITs is more susceptible to risks associated with the ownership of real estate and the real estate industry in general. These risks can include fluctuations in the value of the underlying properties, defaults by borrowers or tenants, market saturation, decreases in market rates for rents, and other economic, political, or regulatory occurrences affecting the real estate industry, including REITs. Certain significant expenditures, including property taxes, maintenance costs, mortgage payments, insurance costs and related charges must be made throughout the period of ownership of real estate regardless of whether the real estate is producing any income. If one is unable to meet mortgage payments on any property, losses could be sustained as a result of the creditor's exercise of its recourses.

## Risks Relating to Mutual Funds and Other Pooled Investments

Alitis uses mutual funds, hedge funds, ETFs, closed-end funds, and other types of pooled investments in the construction of clients' portfolios. Some of the risks associated with these types of investments are outlined below:

### Value Based on Underlying Investments

The value of an investment in each pooled investment is directly related to the value of the underlying investments held by that investment.

### Reliance on the Manager

The success of a pooled investment is largely dependent upon the efforts of the manager and such other analysts employed by the manager. The loss of services of such persons may materially impair the ability of a pooled investment to achieve its investment objectives and there is no certainty that the persons who are currently officers, directors or advising partners of the manager will remain so for the foreseeable future. While a manager generally believes that investment policies will be successful over the long term, there can be no guarantee against losses resulting from an investment in a pooled investment. A pooled investment could realize substantial losses rather than gains from some or all of their underlying investments.

### Redemptions

If unitholders redeem a large portion of the outstanding units of a pooled investment, it may be required to sell significant underlying investments earlier than it might otherwise choose. These liquidations may cause the pooled investment to incur losses if underlying investments are sold at unfavourable prices. The net asset value ("NAV") of the investment could be substantially impaired if numerous redemptions are made at the same time. There is a risk that if the pooled investment's assets become depleted it could become sufficiently restricted to make it difficult to achieve its investment objective.

## Potential Limited Liquidity

Most pooled investments have the ability to restrict or suspend redemption requests if certain conditions are met, such as extreme market conditions or with the consent of securities regulators. In such circumstances, an investor would not be able to redeem their units and would be required to hold their units until the restriction or suspension is lifted.

## Distribution and Allocations

If pooled investments have taxable income for Canadian federal income tax purposes for a fiscal year, such income may be allocated to their unitholders in accordance with the provisions of the offering documents. In this case, the income will be required to be included in computing unitholders' income for tax purposes, irrespective of the fact that cash may not have been distributed to the unitholders. Since units of pooled investments can usually be acquired or redeemed frequently, allocations of income and losses of the pooled investments to unitholders may not correspond to the economic gains and losses which unitholders may experience.

## Fees and Expenses

Pooled investments are obligated to pay management fees, brokerage commissions and other expenses regardless of whether the pooled investment realizes a profit. Under certain circumstances, pooled investments may be subject to significant indemnification obligations in respect of the manager, the trustee or certain affiliated parties.

## Performance Fees

Some pooled investments receive performance based fees which may create an incentive for the manager to engage in strategies that are more speculative and riskier than would be the case in the absence of such performance based fees. Conversely, a performance fee may reduce other risks if it serves to reduce regular management fees or if it provides inducement for managers to be more active in searching for better investment opportunities.

## Multi-Manager / Fund-of-Funds Structure

If the pooled investment operates a multi-manager / fund-of-funds structure, the investment decisions of the underlying managers will generally be made independently such that one underlying manager may be purchasing securities of an issuer whose securities are being sold by another underlying manager. As a result, the pooled investment could be incurring certain transaction costs without achieving any net investment results.

## Hedge Funds

Investments in hedge funds may be speculative and volatile and a variety of factors that are difficult to predict may significantly affect the results of hedge funds. Investors will not have control of the management of the hedge funds and past performance of any hedge fund will not necessarily be indicative of future results.

## Index Risk

Some pooled investments are designed to track a particular market index. The objective in these cases would be for the investment to track the value of the underlying the index. However, this may not always be possible since the investments used to track a given index may not be able to hold the same securities and hold them in the same proportion as the index. Therefore, the performance of an index investment may deviate from the underlying index it is designed to track.

## Lack of Diversification

Some pooled investments may offer limited diversification benefits in that it may be concentrated in one industry, sector, country, or asset class. As a result, some pooled investments may be subject to more rapid changes in value than would be the case if they had adopted broader diversification guidelines.

## Termination

In the event of termination of a pooled investment, the investment would distribute to unitholders on a pro rata basis their interest in the assets available for distribution. Certain assets held by a pooled investment at termination may be illiquid and may have little or no marketable value so it may not be possible to convert all of a pooled investment's assets into cash.

## Non-Reporting Issuers

Some pooled investments are not considered to be reporting issuers for the purposes of securities regulations. Accordingly, investors may not receive the type of continuous disclosure reports that investors would normally receive for a public mutual fund. As well, some of the protections provided to investors in reporting issuer mutual funds under such laws will not be available to investors in pooled investments that are not reporting issuers.

## Legal, Tax and Regulatory Risks

Complying with regulations, laws and policies of various regulatory agencies and/or the effect of potential legal actions can be costly, and therefore could adversely impact the value of the units. If a pooled investment's status as a "registered investment" for the purposes of the Tax Act is revoked, units could lose eligibility as a qualified investment for registered retirement savings plans and other tax-assisted plans, including tax-free savings accounts.

## Valuation

Since certain underlying investments by their very nature may be extremely difficult to value accurately, the NAV and Net Asset Value per Unit of a pooled investment may be understated or overstated as the case may be. Consequently, there is a risk that a unitholder who redeems units while the pooled investment holds such investments will receive less than might otherwise be paid if the exact NAV could be calculated. Similarly, there is a risk that a redeeming unitholder may be overpaid.

## Changes in Applicable Law

Legal, tax and regulatory changes may occur that can adversely affect pooled investments and their unitholders.

## Risks Relating to the Alitis Pools

### Trading does Not Occur Daily

The Alitis Pools do not trade on a daily basis, but rather on a weekly or monthly basis according to the following schedule:

- **Alitis Strategic Income Pool:** trades occur on the last business day of each week.
- **Alitis Income & Growth Pool:** trades occur on the last business day of each week.
- **Alitis Growth Pool:** trades occur on the last business day of each week.
- **Alitis Mortgage Plus Pool:** trades occur on the last Friday of each month, or the previous business day if the Friday is a holiday.
- **Alitis Private REIT:** trades occur on the last Friday of each month, or the previous business day if the Friday is a holiday.

### Redemption Notice

Units of the Alitis Pools may be redeemed by providing notice to Alitis a certain number of days prior to the trade date of the Pool, as per the following schedule:

- **Alitis Strategic Income Pool:** 10 business days' notice required before trade day.
- **Alitis Income & Growth Pool:** 10 business days' notice required before trade day.
- **Alitis Growth Pool:** 10 business days' notice required before trade day.
- **Alitis Mortgage Plus Pool:** 30 days' notice required before trade day.
- **Alitis Private REIT:** 30 days' notice required before trade day.

### Maximum Redemption Amount

For the Alitis Mortgage Plus Pool, orders exceeding 5% of the total net asset value of the Pool may require a longer period in which to process the redemption. This longer period will be at the sole discretion of Alitis.

For the Alitis Private REIT, the maximum amount that may be redeemed each month shall not exceed 1/4 of 1% of the total net asset value of the REIT. Payment may be made by way of cash, promissory note, or underlying assets of the REIT.

## Not Transferrable

Assets in your account may be invested from time to time in the Alitis Pools. Should your IMA be terminated, the Alitis Pools will have to be sold as they are presently not able to be transferred to another financial institution. In this situation, you may incur losses or have to pay tax on capital gains that would otherwise not be incurred.



# Conflicts of Interest & Areas of Confusion

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In the course of providing products and services to you, there will be situations where a conflict arises between our interests and yours. We believe it is important that you are fully informed regarding these conflicts. As well, Canadian securities laws require us to take reasonable steps to identify and respond to existing and potential material conflicts of interest, and in certain circumstances, to provide you with certain information regarding these conflicts. We may also be required to obtain your prior consent before we engage in certain types of transactions. This section contains important information regarding certain conflicts of interest that we have identified. Please read it carefully.

## Alitis' Related, Connected, and Associated Parties

Under certain circumstances we may deal with or for you in securities transactions where the issuer of the securities or the other party to the transaction is a firm or a party having an ownership or business relationship with us. We are required to disclose to you all entities to which we are related, connected, and associated. As of March 17, 2016, the following is a list of our related parties:

- Alitis Strategic Income Pool
- Alitis Income and Growth Pool
- Alitis Growth Pool
- Alitis Mortgage Plus Pool
- Alitis Private REIT

## Conflicts of Interest, Areas of Confusion and How They Are Managed

The activities of Alitis and its employees are governed by our Policies and Procedures Manual – a document which outlines how we shall operate our business so that your interests come first. Nevertheless, conflicts of interest can exist and, when they do, we deal with them by disclosing, controlling, or avoiding the conflict. The following is intended to assist you in understanding and assessing material, potential and actual conflicts of interest, including how we address them:

### Investing in the Alitis Pools

Alitis is the manager of the Alitis Pools and may, in the future, be the manager of other pools. We may purchase these pools on your behalf, as they are the primary investment vehicles used by Alitis, but only where we believe they are in your best interests according to the parameters outlined in your Investment Policy Statement.

### We Earn Compensation from Various Sources

We will inform you of all forms of compensation in advance so that you know what you will be paying. These include management fees, performance fees, trailer and/or service fees, referral fees – all of which were outlined in a previous section of this document or in your Investment Policy Statement.

### Performance Fees

The Alitis Pools include performance fees as part of the compensation paid to us. Performance based fees may create an incentive for us to engage in investment strategies and select investments that are more speculative and riskier than would be the case in the absence of such performance based fees. To control this conflict, Alitis has adopted constraints on the types and amounts of asset classes and investments that can be used in the Alitis Pools in order to minimize the potential for adopting riskier investment approaches.

### Differing Levels of Compensation

Different products and services available to Alitis have differing levels of compensation which could encourage us to promote those that offer a higher level of compensation. We try to avoid this issue by pricing our offerings in a similar manner so that the issue does not arise. As well, we are required by industry regulations and firm policy only to make

suitable investment recommendations that are appropriate for you. As well, our compensation paid to employees is not tied to the compensation earned by different types of products and services.

## Allocation of Investment Opportunities

Because we handle many accounts for many clients, there is the possibility that a client could receive preferential treatment and get access to investment opportunities ahead of other clients. To mitigate this concern, we allocate investment opportunities on a basis that is fair and equitable to all clients based on each client's investment objectives and policies. No individual shall be given preferential treatment in trade executions that represent the interests of more than one client. In determining which of your accounts should participate in a given investment opportunity, and in what amounts, the following shall be taken into consideration:

- Your Investment Policy Statement,
- Your portfolio's goals and intended risk policies,
- The intended structure of your portfolio,
- The size of your account and potential orders, and
- Settlement, compliance, credit and other practical considerations.

When a partial fill is received on a bulk order, we will generally attempt to make allocations pro-rata on the basis of the order size. We will also take into consideration the proportion of your portfolio that the security represents, the weight of the industry or security type in the portfolio and the cash reserve position in your portfolio.

## Confusion Regarding Roles in a Referral Relationship

If you have become a client of Alitis through a referral from another party, you may be confused about the respective roles of Alitis and this other party. We will ensure that you receive full disclosure of any applicable referral arrangement before you open an account with Alitis. This will include information about referral fees to be paid, the activities that the referring party is allowed to perform, and disclosure about how your personal information may be shared between the referring party and us. For clarity, Alitis will be responsible for all licensable, investment-related activities and all regulatory requirements to perform these activities. The referring party may perform other activities, such as financial planning and facilitating service requests, which do not require securities licensing.

## Investments from Firms with which We Have a Referral Relationship

Some firms with which Alitis has a referral relationship may also create their own investment products directly or through a related company. These products may be appropriate for use in the Alitis Pools or SMAs, but it could appear that their inclusion is a result of referral relationship rather than because of the investment merits of the product. To mitigate this risk, all investments in this situation will go through the same due diligence process as all other investments prior to approval by Alitis' Investment Committee. As well, Alitis' Chief Compliance Officer shall review and approve or reject the investment based on an assessment of the whole relationship between Alitis, the referring firm, and the investment product.

## Personal Trading of Alitis Employees

There is the possibility that an employee at Alitis may trade in securities in such a way as to gain an advantage over a client. To reduce this risk, all employees are subject to our personal trading policies which require trades in certain securities where potential conflicts of interest could arise to be reviewed and approved by compliance prior to execution. If any proposed trades could potentially be a conflict with our clients, the client's interest will take priority.

## Employee Involvement in Other Activities

Alitis' employees may have involvement in other activities which could negatively impact Alitis' operations. To mitigate these concerns, Alitis' employees shall devote as much time as is required for the effective management of your account, other clients' accounts, and the Alitis Pools. If an employee wishes to undertake other activities, these must be approved by Alitis and appropriate regulatory authorities before such activities are undertaken to ensure that there are no conflicts of interest.

### Some Services Provided by Alitis Insurance Services Inc.

Some products and services, such as financial planning or GICs, could be provided by either Alitis Investment Counsel Inc. or by our related company, Alitis Insurance Services Inc., which may cause confusion for you. To control this issue, we will only undertake discretionary investment management services and basic retirement planning services within Alitis Investment Counsel Inc. Should you want insurance products, advanced financial planning, or individual off-book GICs (not held by Qtrade), these products and services will be performed by Alitis Insurance Services Inc.

# Concerns or Complaints

We hope that you never have a concern or complaint about the services you have received from Alitis, however there may be times when such a situation may arise. The following is a summary of the process we have designed to help ensure that any concern or complaint is addressed quickly and effectively.

## Step 1: Talk to your adviser

Most concerns or complaints can be resolved simply by talking to your adviser and obtaining more information.

## Step 2: Contact the Chief Compliance Officer

If your concern or complaint cannot be resolved to your satisfaction, please contact Alitis' Chief Compliance Officer and outline what went wrong, when it happened, and what you expect (e.g. your money back, an apology, account correction). All complaints must be made in writing and sent to the following address:

101 - 909 Island Highway  
Campbell River, B.C.  
V9W 2C2  
Attention: Chief Compliance Officer

We will acknowledge your complaint in writing within five business days of receiving your complaint, and we may ask you to provide clarification or more information to help us resolve your complaint. Normally we will provide our decision in writing within 90 days of receiving your complaint. The decision will include a summary of the complaint, the results of our investigation, our decision to make an offer to resolve the complaint or deny it, and an explanation of our decision. If we cannot provide you with our decision within 90 days, we will inform you of the delay, explain why our decision is delayed, and give you a new date for our decision.

## Step 3: Utilize the Ombudsman for Banking Services and Investments ("OBSI")

If we have been unable to reach a satisfactory resolution to your issue or if we do not provide you with our decision within 90 days after you made your complaint, you may be eligible for the OBSI's free and independent dispute resolution service. The OBSI's service is available to clients of Alitis and they can recommend compensation of up to \$350,000. Using the OBSI's service does not restrict your ability to take a complaint to a dispute resolution service of your choosing at your own expense, or to bring an action in court. Keep in mind there are time limits for taking legal action.

You have the right to use the OBSI's service if your complaint relates to a trading or advising activity of our firm or by one of our representatives, if you brought your complaint to us within 6 years from the time that you first knew, or ought to have known, about the event that caused the complaint, and if you file your complaint with the OBSI within their prescribed time limits. These time limits are as follows: if we do not provide you with our decision within 90 days, you can take your complaint to the OBSI any time after the 90-day period has ended, or if you are not satisfied with our decision, you have up to 180 days after we provide you with our decision to take your complaint to the OBSI.

Should you wish to file a complaint with the OBSI, you can do so by calling them at 1-888-451-4519 or by emailing them at [ombudsman@obsi.ca](mailto:ombudsman@obsi.ca). Once the process has been started, the OBSI will investigate and provide its recommendations. The OBSI works confidentially and in an informal manner. It is not like going to court, and you do not need a lawyer. During its investigation, the OBSI may interview you and representatives of Alitis, and we are required to cooperate in the OBSI's

### **Help us resolve your complaint sooner**

*To resolve your complaint quickly, make your complaint as soon as possible, reply promptly if we ask you for more information, and Keep copies of all relevant documents, such as letters, emails and notes of conversations with us.*

### **Are you a resident of Québec?**

*The services of the OBSI are not available to residents of Québec, but you may consider the free mediation service offered by the Autorité des marchés financiers.*

### **A word about legal advice**

*You always have the right to go to a lawyer or seek other ways of resolving your dispute at any time. A lawyer can advise you of your options. There are time limits for taking legal action so delays could limit your options and legal rights later on.*

### **Information OBSI needs to help you**

*The OBSI can help you best if you promptly provide all relevant information, including: your name and contact information, Alitis' name and contact information, the names and contact information of any of our representatives who have been involved in your complaint, details of your complaint, and all relevant documents, including any correspondence and notes of discussions with us.*

investigations. Once the OBSI has completed its investigation, it will provide its non-binding recommendations to you and to us. The OBSI can recommend compensation of up to \$350,000. If your claim is higher, you will have to agree to that limit on any compensation you seek through the OBSI. If you want to recover more than \$350,000, you may want to consider another option, such as legal action, to resolve your complaint. For more information about the OBSI, please visit their website at [www.obsi.ca](http://www.obsi.ca).

# Privacy Policy

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Alitis Investment Counsel Inc. and Alitis Insurance Services Ltd. have created a joint privacy policy that applies to both firms and as such, you will see references to types of personal information (e.g. health information) that would not normally be required by a Portfolio Manager or Investment Fund Manager. With respect to this Privacy Policy, the term “Alitis” shall refer to both Alitis Investment Counsel Inc. and Alitis Insurance Services Ltd.

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Alitis is committed to protecting your privacy and maintaining the confidentiality of your personal, business and financial information. This commitment is fundamental to the way we do business and is reflected in our privacy policies.

Alitis is responsible for the personal information of its clients that it collects or that is under its control. Alitis has appointed a Privacy Officer who is responsible for overall privacy governance. The Privacy Officer may be contacted at the address set out at the end of this Privacy Policy.

## What is personal information?

Personal information means any information about an identifiable individual, including information such as your home address, phone number, date of birth, age, marital status, religious affiliation, employment history, social insurance number and credit history.

## What personal information do we collect?

Alitis collects your personal information for the purpose of establishing and servicing your account(s). The majority of your personal information is collected directly from you at the time your account is opened at Alitis. Alitis shall only collect the personal information of its clients that is necessary for the purposes that have been previously identified to the client.

Information essential for fulfilling most financial requests and applications includes:

- **Information establishing your identity**, such as your name, address, phone number, occupation, title, business phone number, email address, date of birth, social insurance number, citizenship, country of residence and account numbers. Alitis is required by law to verify your identity for purposes relating to the prevention of money laundering.
- **Information related to transactions** arising from your relationship with and through us, and from other financial institutions.
- **Information you provide on an application** for the provision of our products and services, such as your annual income, net worth, place of employment, marital status, number of dependents, investments, account balance, financial liabilities, transaction history, and banking information. Alitis is required by law to record your banking information for purposes relating to the prevention of money laundering.
- **Information about financial behaviour** such as your payment history and credit worthiness. In the event that your credit history is obtained, Alitis may collect personal information directly from a credit reporting agency.
- **Information about your health** may be collected for insurance products and services.
- **Information pertaining to business clients** will include your business name, business number, address, phone number, email address, industry type, financial status and detail(s) on the owner(s), operator(s) and director(s).

### **Personal Information Protection Act**

*The Personal Information Protection Act (“PIPA”) is a British Columbia law that defines how businesses in British Columbia, such as Alitis, must protect your personal information. PIPA is similar to the federal privacy law known as the Personal Information Protection and Electronic Documents Act (“PIPEDA”). Our privacy policy complies with both the BC and federal laws. Information about privacy is available on the website of the Office of the Information and Privacy Commissioner (“OIPC”), the provincial body empowered to administer PIPA.*

*Website: [www.oipc.bc.ca](http://www.oipc.bc.ca)*



- **Additional information** may be requested to help us determine your eligibility for products and services that we offer.
- **Other information** may occasionally be collected from a third party or relating to a third party, such as information from the executor of an estate or the name and address of your beneficiary.

Providing us with your information is always your choice. However, in dealings involving insurance and related financial services, your decision to withhold particular details may limit or prevent us from providing the products or services you have asked for. It may also make it difficult or impossible for us to advise you or suggest appropriate alternatives.

## How do we use your personal information?

We use your personal and financial information for the purposes communicated to you in your agreement(s) with us, for example to:

- Verify your identity.
- Understand your financial situation and determine the suitability of products and services we offer.
- Provide you with the financial products and services requested.
- Execute your transactions.
- Establish and administer your account(s), which involves determining, maintaining, recording, and storing account holdings and transaction information in your client record.
- Provide you with account statements, financial statements, tax receipts, proxy mailings, transaction confirmations and other information which may be requested or needed to service your account(s).
- Communicate to you any benefit, feature and other information about products and services you have with us.
- Ensuring the information in our records is accurate.
- Verifying previously given information when necessary.
- Respond to any special needs or inquiries you may have.
- Manage our risks and operations.
- Meet our regulatory and legal requirements.

Alitis will not sell your personal information. Sensitive information such as health records will never, under any circumstances, be shared or used for a purpose other than that of the original intent. We may use your information internally for general research in an effort to enhance our service and product offerings. We may communicate with you through various channels including telephone, computer or mail using the contact information you have provided. With your consent, we may use your information to promote our products and services and that of third parties we select, which we believe will be of interest to you.

If for any reason your information is required to fulfill a different purpose than that of your original intent, we will ask for your consent before we proceed.

## Who is your personal information shared with?

Under certain circumstances, your personal information may be shared among Alitis companies, employees, outside service providers, other third parties, or another firm due to corporate re-organization.

### Alitis companies

Sharing your personal and financial information among Alitis companies, will allow us to help you achieve your financial goals. It's part of building and maintaining a positive relationship with you. We may use this information to better understand your financial needs and to promote products and services we believe may interest you. This would only be done with your consent. However, if you would prefer that we not share your information among our group of companies or if you do not wish to receive information promoting products and services, kindly let us know by following the instructions outlined at the end of this Privacy Policy.

## Our employees

All employees of Alitis are bound under the policies and procedures of Alitis to maintain the confidentiality of your personal information and are available to address any questions or concerns you may have. Access to your information is restricted to authorized employees who have a legitimate business purpose for accessing it. Unauthorized access to and/or disclosure of client information by an employee of Alitis is strictly prohibited. All employees are required to maintain the confidentiality of client information at all times.

## Outside service providers

Alitis uses third-party service providers to perform services on our behalf such as custody of client accounts, unitholder recordkeeping, email and electronic document storage. Our service providers may at times be responsible for processing or handling personal information and are provided only the information necessary to perform the services.

At times we may use third parties outside of Canada, including in the United States, to perform services for us involving some of your personal information. This may require the transfer of information to those third parties. This information is subject to both the laws of Canada and the laws of the third-party's jurisdiction, including laws with respect to disclosure of such information.

Alitis ensures that all third-party service providers have a comparable level of protection for your personal information, and that the use of the personal information is limited to purposes set out in this policy.

## Other third parties

We will only share your information with other third parties as indicated under your account agreement and under the following special circumstances:

- As required under the rules and regulations of any regulator of Alitis or self-regulatory authority of which Alitis is a member.
- Other financial institutions and securities dealers when necessary to carry out your instructions, such as transferring funds.
- To respond to valid and authorized information requests from domestic and international authorities.
- As permitted or required by law, to comply with laws, regulations, subpoena or court order.
- To help prevent fraud.
- To identify, contact or bring legal action against someone who may be causing injury to or interference with (either intentionally or unintentionally) Alitis' rights or property or anyone else that could be harmed by such activities.
- To protect the personal safety of employees, clients or other third parties on Alitis property.

## Another firm due to corporate re-organization

We may also disclose your information in connection with:

- A corporate re-organization of Alitis in which case the information would only be shared with employees of the organization who have a strict need to know the information to evaluate the re-organization.
- A potential merger or amalgamation between Alitis and another third party or a sale of all or a substantial portion of our assets to enable that third party to evaluate the transaction and, in that case, the information would only be shared with members of that organization who have a strict need to know the information to evaluate the transaction.
- An actual merger, amalgamation or sale of all or a substantial portion of Alitis' assets where you would then become a client of a different organization

In all cases above, Alitis will only disclose the information if the third party has agreed to protect the information at least as well as we do under our Privacy Policy, only share it with members of their organization who have a strict need to know the information, and use it only for the purpose of the transaction and for no other purpose.

## How do we keep your personal information safe?

Alitis is committed to protecting the personal information of its clients and has implemented the necessary security safeguards that are appropriate to protect the sensitivity of such information. This commitment extends to our online services and any new technologies we employ.

The majority of your personal information is contained on your account documentation. Most account documentation is maintained at Alitis' head office or branch offices and is safeguarded by using a number of protective methods such as using locked, fire-resistant filing cabinets and restricting access to certain designated areas where your account documentation is stored. Alitis also stores account documentation offsite in a secure location.

Digital copies of your account documentation, along with other documents containing personal information, may be stored on employees' computers, Alitis' servers, or on cloud-based servers. Privacy, security and confidentiality are as important online as with all our other business functionality. Alitis has implemented industry standard methods of protecting your personal information that is available electronically or online from unauthorized access, disclosure, copying, use or modification. This includes the use of firewalls, encrypted passwords, anti-virus software, intrusion detection systems, file encryption, authentication and other appropriate means to protect your personal information.

Alitis may from time to time use cookies on its website to improve functionality and in some cases, to provide clients with customized access to our website. Cookies are not used to collect personal information that may reside on your personal computer and are not used to track the websites that you visited before or after you leave the Alitis site.

## How long do we keep your personal information?

In order to service your account and to meet regulatory and legal obligations, Alitis may be required to maintain information related to you and your account for a certain period of time. Personal information may be destroyed in a safe and secure manner once it is deemed that the information is no longer necessary for the above-mentioned purposes. How long we keep your information depends on the reasons for which it was collected. The type of product or service and the kind of information also affects the length of time we retain information. Your information may be kept even if you are no longer a client with us so long as it is legally necessary for us to have sufficient information to respond to any issues that may arise at a later date.

## How do we keep your personal information accurate?

Alitis is committed to keeping the personal information of its clients accurate, complete and up-to-date at all times. In order to maintain the accuracy and completeness of your personal information, you will need to update your account documentation from time to time. If your personal information changes, please notify us so we can update our records.

## How can you access your personal information?

Alitis is committed to providing its clients with information relating to the existence, use and disclosure of their personal information and clients shall be given access to such information where appropriate. You can request access to your personal information by contacting the Privacy Officer in writing at the address indicated at the end of this Privacy Policy. A request to access your personal information will only be accepted if received directly from you; requests received from, received via, or directed by other persons, companies, or organizations will not be accepted.

Alitis may not be able to provide you with full access to your information if it contains references to other persons, if it would have to disclose proprietary information confidential to Alitis or its affiliates, if it has been destroyed, or if it cannot be disclosed for legal or regulatory reasons. If we are unable to provide you with access to your personal information, we will give you an explanation.

Alitis may charge a minimal fee to process requests for personal information. An estimate of the fee will be provided to you before any work is undertaken. As well, a deposit may be required from you before any work is undertaken. Personal information collected by a request to access will only be delivered to you; your personal information will not be delivered to other persons, companies, or organizations.

## How do we obtain your consent?

Alitis shall only collect, use or disclose client information with your knowledge and consent except where inappropriate or as otherwise required or permitted by law. By completing our account forms, you are consenting to the collection, use, and disclosure of your personal information for the purposes set out in this Privacy Policy.

### How can you withdraw your consent?

You have the right to withdraw your consent to the use of your personal information that is not required for the purpose of establishing and servicing your account(s) and to fulfill our legal, regulatory and self-regulatory obligations in Canada and in some cases, abroad, or as otherwise permitted by law.

If you do not want Alitis to provide you with information relating to products and services that are available through other Alitis companies or other information which may be of interest to you or share your personal information with other Alitis companies so that they can provide you with such information directly, please notify Alitis of your decision in writing to the attention of the Privacy Officer at the address noted at the end of this Privacy Policy. Requests to withdraw consent will only be accepted if received directly from you; requests to withdraw consent received from, received via, or directed by other persons, companies, or organizations will not be accepted.

Please be advised that the withdrawal of your consent is not a condition of doing business with Alitis and you are free to withdraw your consent at any time.

### Further Consent May Be Required

In the event that Alitis would like to use your personal information in a manner that has not been previously identified, Alitis will notify you in advance and obtain your consent unless otherwise required or permitted by law.

## How can I make an inquiry or complaint?

If you have a privacy inquiry or complaint, please direct it in writing to the attention of the Privacy Officer at the address noted below. Telephone calls, faxes, and emails will not be accepted. Please be sure to include your name, address, phone number and information relating to the nature of your inquiry or complaint. Inquiries and complaints will only be accepted if received directly from you; inquiries and complaints received from, received via, or directed by other persons, companies, or organizations will not be accepted. In most instances, the Privacy Officer will investigate and reply to inquiries within 30 days. If the Privacy Officer is unable to respond to your inquiry within 30 days, you will be notified in advance of the end of such 30 day period of when you should expect to receive a response.

The Privacy Officer can be reached in writing at the following address:

101 - 909 Island Highway  
Campbell River, B.C.  
V9W 2C2  
Attention: Privacy Officer

# Other Information

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## Investment Performance Benchmarks

Investment performance benchmarks (market indices) can be used to assess the historical performance of your portfolio, both in terms of risk and return.

It is our opinion that a performance benchmark should reflect the investment mix and risk profile of the portfolio to which it is being compared. For example, the S&P/TSX Composite Index indicates how the largest companies listed on the Toronto Stock Exchange have performed in aggregate and would be a good benchmark for assessing the performance of a portfolio made up of larger Canadian companies. Conversely, it would be a poor benchmark for assessing the performance of a diversified portfolio that included a number of different asset classes, such as the Alitis Pools.

You cannot invest in market indices without incurring fees, expenses and commissions, which are not reflected in the benchmark return. Past performance is not necessarily indicative of future performance and the risk associated with a particular investment can change over time. As well, other quantitative and qualitative factors not captured by investment performance benchmarks may also be important when assessing the performance of your portfolio.

At present Alitis does not provide investment performance benchmark comparisons in our account reporting, but we expect to have them available in the near future.

## Alitis Insurance Services Inc.

As mentioned earlier, Alitis Insurance is an insurance agency related to Alitis Investment Counsel Inc. through which you may be offered other non-securities related products and services, such as financial planning, tax & estate planning, corporate & business succession planning and a complete range of insurance services. Specific products and services include:

- Low-cost mortgage insurance
- Family life insurance plans
- Disability and Critical Illness insurance
- Pension Maximization strategies
- Corporate Buy-Sell insurance
- Corporate Tax-Free Estate Planning strategies

If products and services from Alitis Insurance are required, we will ensure that chosen strategies dovetail with the products and services provided by Alitis Investment Counsel Inc.