



## CLIENT RELATIONSHIP DISCLOSURE STATEMENT

### A. INTRODUCTION

Securities legislation in Canada requires Deans Knight Capital Management Ltd. (“**Deans Knight**” or the “**firm**”) to provide you with certain information regarding your relationship with Deans Knight, including in relation to the conflicts of interest that may arise from time to time. This document informs you of the nature and extent of conflicts of interest that might be expected to arise between Deans Knight and its clients and informs you of additional information that is relevant to your relationship with Deans Knight. This document supplements the terms of the Discretionary Investment Management Agreement. Please read it carefully. Deans Knight will update and provide a copy of the information disclosed below if there is a significant change to this document or if otherwise required by law.

Deans Knight is based in Vancouver, British Columbia. We are currently registered with Canadian securities regulatory authorities in British Columbia, Alberta, Manitoba, Ontario, Quebec, Nova Scotia and Yukon as a portfolio manager and an exempt market dealer, and in British Columbia, Ontario and Quebec as an investment fund manager. In addition, Deans Knight is also registered as an investment adviser with the U.S. Securities and Exchange Commission.

At Deans Knight, we provide a unique approach to wealth management through our specialized investment focus and the highest standard of client care. We seek clients who understand our investment philosophy and who share our values, as we build a relationship that goes beyond managing money.

We offer our investment management services to clients through discretionary investment accounts managed by us and through investment funds for which we act as the manager and/or portfolio adviser. In addition, in reliance on our exempt market dealer registration, we also distribute securities of investment funds managed by us in reliance on exemptions from applicable prospectus requirements. We also act as the investment fund manager for investment funds created and advised by us.

### B. CONFLICTS OF INTEREST

It is important for you to be informed about how we identify and respond to conflicts of interest in order to minimize their impact. In addition, we are required by Canadian securities laws 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 and also to obtain your prior consent before we engage in certain types of transactions.

We consider a conflict of interest to be any situation where the interests of a client and those of Deans Knight are inconsistent.

**Deans Knight takes reasonable steps to identify all existing material conflicts of interest and those that we would reasonably expect to arise. Deans Knight determines the level of risk for each conflict. The firm avoids situations that would result in a serious conflict of interest that would be too high a risk for clients or market integrity. In other circumstances involving a conflict of interest, Deans Knight takes the appropriate steps to control the conflict of interest.**

The situations in which Deans Knight could be in a conflict of interest, and the way in which Deans Knight intends to respond to such conflicts, are described below.

**Business and Personal Relationships with Key Persons** - Deans Knight may invest in companies of which a client of Deans Knight is a director, officer or key member of management. It is disclosed on Deans Knight's website and in marketing materials that many of our clients are successful entrepreneurs who offer informed perspectives into their various industries, as well as provide access to exclusive investment opportunities.

Deans Knight invests in companies with proven management teams and strong expected future cash flows, which we believe have been mispriced by the market. This methodology is used at all times. Having a client as a board member or in senior management does not influence this decision.

By not allowing any one investment or client to become a significant component of our business, there is no economic dependence on any person or company. As such, an investment not meeting our criteria can be disposed of with limited risk to Deans Knight.

Deans Knight discusses the reasons for purchasing, holding and disposing of securities in our quarterly reports. As part of our commitment to client service, if any client wishes to know if their portfolio contains any investments where we also manage accounts of key persons, we are happy to share that information and our reasons for purchasing the investment.

**Related Registrants** – Affiliated Managers Group, Inc. (Prides Crossing, Massachusetts, USA) (“AMG”), through its indirect ownership in AMG Canada Corp. (Toronto, Ontario), holds a minority ownership position in Deans Knight. AMG is also the principal shareholder of certain dealers and advisers (“AMG Affiliates”), registered with securities regulatory authorities in Canadian jurisdictions or in the United States. Deans Knight does not have any business dealings with AMG Affiliates and does not conduct any joint operations with them. Representatives of AMG and AMG Affiliates may from time to time act as directors of Deans Knight and may also be directors of other AMG Affiliates. All AMG Affiliates have adopted policies and procedures that minimize the potential for conflicts of interest resulting from relationships of directors and the AMG Affiliates.

**Investments in Related or Connected Issuers** – In the course of providing services to you, we may from time to time advise you with respect to the purchase or sale of securities from or to, or issued by, persons or companies which are related or connected to us. These transactions and arrangements will give rise to conflicts of interest, and we

have adopted policies and procedures to identify and respond to these conflicts. We will only enter into these transactions or arrangements where they are permitted under applicable securities laws, where they are consistent with your investment objectives, policies and restrictions and where we believe they are in your best interests in the applicable circumstances.

We are the manager and/or adviser of various investment funds, including the following funds:

Deans Knight Equity Fund  
Deans Knight Equity 2 Fund  
Deans Knight Income Fund  
DK Capital Growth Master Fund Limited Partnership  
DK Strategic Yield Master Fund Limited Partnership  
Deans Knight Income Corporation  
First Asset Resource Fund  
Triax Diversified High-Yield Trust

**Personal Trading of Employees** – Deans Knight’s personnel may find themselves in situations where their personal interests are in conflict with those of a client.

Deans Knight’s Code of Conduct and related policies establish basic principles for employee conduct which, among other things, prohibit an employee from:

- using confidential information acquired in connection with his or her duties, for the purpose of obtaining an advantage;
- accepting gifts, entertainment and compensation that would influence decisions to be taken in the course of performing his or her duties; or
- engaging in activities that could interfere or conflict with his or her duties.

Deans Knight does not allow any of its personnel to engage in activities outside the scope of their duties, including serving as a director of a company or other entity, without first ensuring that such activities do not compromise the interests of Deans Knight’s clients.

When Deans Knight staff invests in the same securities as Deans Knight, including its funds, there is a perceived or potential conflict of interest that the staff person may benefit from opportunities at the expense of Deans Knight’s clients or its funds. All personal trades must be pre-approved by senior management as outlined in the Deans Knight Code of Conduct. Deans Knight independently obtains employees investment statements to allow monitoring of employee trades. These are preventative and detective controls to ensure that no one is putting their own interests ahead of our clients'.

In addition, Deans Knight has adopted certain policies and procedures concerning the misuse of material non-public information that are designed to prevent insider trading by

an officer or employee of Deans Knight. Employees are prohibited from utilizing material, non-public information for personal gain.

**Gifts and Business Entertainment** – When employees of Deans Knight give or accept gifts or business entertainment of more than minimal value in connection with the firm’s business they are required to disclose this to management. Deans Knight has an established policy for the provision and acceptance of gifts and business entertainment to or from persons or entities with which the firm has an existing or potential business relationship.

**Fair Allocation Amongst Clients** – Deans Knight is appointed to act as an advisor to many clients. It may aggregate orders for a number of client accounts for the purchase of a particular security. Unfair allocation of trades by Deans Knight is a potential conflict of interest. To avoid any potential conflicts of interest, Deans Knight has adopted trading policies designed to ensure fair allocation of securities amongst clients. Deans Knight allocates investment opportunities among client accounts in a fair and equitable manner over time, taking into consideration factors such as account type, client account objectives and preference, investment restrictions, account sizes, cash availability, and current specific needs.

**Broker Selection (Best Execution) and Soft Dollars** – When placing orders for and on behalf of clients’ accounts, Deans Knight will select those brokers and dealers from whom they reasonably can expect to obtain the best execution (after considering all transaction costs and research or other benefits). Deans Knight may, in the course of providing services to you, enter into arrangements with brokers or other third parties involving the use of brokerage commissions generated by client accounts (or “soft dollars”). Soft dollars create a perceived or potential conflict of interest to the extent that Deans Knight may use soft dollars for services that benefit Deans Knight but not necessarily all or any of their clients or Deans Knight funds. Deans Knight complies with Canadian and U.S. regulatory requirements for soft dollar practices.

**Cross Trading** – Deans Knight may affect a cross-trade, which is a sale and purchase of securities between accounts managed by Deans Knight. In affecting a cross-trade, the trade price must be equal to the current market price or the last sale price. For all non-exchange traded securities the portfolio manager is required to obtain a quote from an independent arm's-length purchaser or seller. The broker that executes the trades will be compensated. Deans Knight does not receive any additional compensation for effecting cross-trades. Cross Trades are overseen by an Independent Review Committee.

**Errors** – Deans Knight may have a potential conflict of interest when determining when and how to deal with a pricing error or other type account error, due to the time, processing cost and reimbursement of clients involved. Deans Knight has established policies for error corrections, which are designed to ensure that errors caused by Deans Knight or its vendors affecting client accounts are consistently resolved in the best interest of clients and to ensure that effort is made to prevent recurrence of the error.

**Valuation** – Valuation is a potential conflict of interest because Deans Knight’s interest in valuing a security to show good performance may conflict with the firm’s fiduciary responsibility to its clients to provide accurate performance calculations for investment-making purposes. Deans Knight is responsible for valuing assets of the Deans Knight Pooled Funds (the “**Pooled Funds**”). The Pooled Funds sell, redeem, and repurchase their units at a price based on the current net asset value (“**NAV**”) calculated before the receipt of an investor’s order to purchase or sell shares. The Pooled Funds generally calculate their respective NAVs at the close of business on a monthly basis, or as required for transactions to occur in the Pooled Funds. Deans Knight has valuation policies and procedures designed to mitigate any potential conflicts of interest.

**Proxy Voting** – Deans Knight generally has discretion in voting the portfolio securities purchased for clients. A perceived conflict of interest arises because of the opportunity for the firm to vote securities or to agree to certain corporate actions in its own interest. To minimize this potential conflict, Deans Knight maintains proxy voting policies and procedures which explain the firm’s process and controls for voting securities in the best economic interest of its clients. Deans Knight does not invest in securities of issuers in order to exercise control over, or participate in, the management of issuers.

**Other Conflicts of Interest** – From time to time, other conflicts of interest may arise. Deans Knight will continue to take appropriate measures to identify and respond to such situations fairly and reasonably and in the best interests of its clients.

### **C. ADDITIONAL RELATIONSHIP DISCLOSURE**

We want you to be fully informed about matters that are important to your relationship with Deans Knight and have included additional relationship information below.

**Common types of risk to consider when making an investment decision** –Even though you have authorized us to make all investment decisions Canadian securities laws require us to provide you with a description of risks that you should consider when making an investment decision.

Before making any investment decision, it is important to consider your investment goals and your level of risk tolerance and the risks associated with the investment you are considering. Investment risks vary depending on the type of investment.

“*Market risk*” arises where securities are traded on a stock exchange or other public market and become affected by general changes in the market. In a highly liquid market, the price of a security is set by the forces of supply and demand, which are affected by a number of factors including interest rate fluctuations and changes in market outlook. Prices of individual securities may be affected by an overall downward or upward movement in the market, regardless of the strength of the particular company or issuer.

“*Credit risk*” is the possibility that a borrower or issuer is unable or unwilling to repay the loan, obligation or interest payment, either on time or at all. An investor can lose money if the borrower or the issuer of a bond or other fixed income security can’t pay interest or repay principal when it’s due.

Changes in the general level of interest rates will have a significant influence on the value of investments in bonds and other fixed income securities. This is referred to as “*interest rate risk*”.

If the investments you purchase are held in another currency, any change in the exchange rate between that currency and yours can increase or reduce your investment return. This is referred to as “*currency risk*”.

Foreign investments are affected by global economic factors. Some foreign stock markets have less trading volume, which may make it more difficult to sell an investment or may make prices more volatile. Certain countries may also have foreign investment or exchange laws that make it difficult to sell an investment or may impose withholding or other taxes that could reduce the return on the investment. Different financial, political and social factors could hurt the value of foreign investments. Investments in foreign markets may be subject to change in currency exchange rates, the imposition of taxes or the expropriation of assets. Foreign investments may experience larger or more frequent price changes in the short term. The risk associated with investments in foreign markets is referred to as “*foreign market risk*”.

Many types of investments are not easily sold on the open market and you may not be able to buy or sell those investments quickly for a price that is close to the true value of the asset. Investments with these limitations are thought to have “*liquidity risk*”.

“*Business Risk*” is the risk inherent in the operations of the entity or industry in which you have invested.

“*Financial Risk*” is the risk associated with the amount of leverage or debt that the entity in which you have invested has used to finance assets.

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

Using borrowed money to purchase securities can magnify the gain or loss on the cash invested. It is also important that you are aware of the terms of any loan that is secured by securities or other investments. The lender may require that the amount outstanding on the loan does not rise above an agreed percentage of the market value of the securities or other investments. Should this occur, you will be required to pay down the loan or sell the investments so as to return the loan to the agreed percentage relationship.

**Information required to comply with “know-your-client” obligations** – When you open your account with Deans Knight, we are generally required to take reasonable steps to: (1) establish your identity; (2) establish whether you are an insider of any reporting issuer or issuer whose securities are publicly traded; and (3) ensure that we have sufficient information regarding your investment needs and objectives, financial circumstances and level of risk tolerance, to enable us to make suitable investments on

your behalf. Anti-money laundering laws also require us to take reasonable steps to determine whether you are a “politically exposed foreign person” within the meaning of those laws.

In order to comply with these requirements, we will obtain the information requested in our Client Information Form provided upon account opening. You are required to update us when there are changes to the information provided on account opening.

**Suitability** –Deans Knight has an obligation to you to assess whether a purchase or sale of a security is suitable for you prior to making a purchase or sale on your behalf. To meet this suitability obligation, we collect the “know-your-client” information described above, we update this information on a periodic basis, and we ensure that we are knowledgeable about the products that we buy and sell for you.

**Your role in our relationship** – It is important that you actively participate in our relationship. In particular, we encourage you to:

- Keep us fully and accurately informed regarding your personal circumstances, and promptly advise us of any change to information that could reasonably result in a change to the types of investments appropriate for you, such as a change to your income, investment objectives, risk tolerance, time horizon or net worth.
- Review the documentation and other information we provide to you regarding your Investment Account.
- Ask questions of and request information from us to address any questions you have about your Investment Account.

**Account Statements** – At least quarterly, Deans Knight, or the authorized custodian for an account, will provide an account statement and inventory of the investments in the Investment Account.

**Complaints and Dispute Resolution** – Client complaints are dealt with immediately on a case by case basis. Clients are encouraged to first address their complaint to the CCO. As soon as possible after learning of a client complaint, Deans Knight will provide the client with a written acknowledgment of the complaint noting:

- i. our obligations to the client under section 13.16 of N.I. 31-103,
- ii. the steps the client must take for an independent dispute resolution or mediation service to be made available to the client at the firm’s expense,
- iii. the name of the independent secede that will be made available to the client and how to contact it
  - a. this may include the Ombudsman for Banking Services and Investments (“OBISI”) dispute resolution services, or alternatively, if they are a Quebec resident, the free mediation services offered by the Autorite des Marches Financiers.

Prior to involvement of a dispute resolution service, Deans Knight will request that the client formalizes the complaint in writing. Deans Knight will respond to this formal complaint as soon as possible and no later than two weeks from the date of receipt. If, in our response, Deans Knight decides to reject the complaint or to make an offer to resolve the complaint, we should once again include the information noted in our original written acknowledgement of the complaint, as noted above.

If the client is not satisfied with our decision, we can provide access to the Ombudsman for Banking Services and Investments (OBSI) dispute resolution services. OBSI is Canada's trusted independent dispute-resolution service for consumers and small businesses with a complaint they can't resolve with their banking services or investment firm.

OBSI can look at your complaint if:

- your firm has had 90 calendar days to deal with your complaint, but has yet to provide you with its final response, or
- your firm gave you its final response on your complaint, but you are still unsatisfied. Once you receive the final response, you have 180 calendar days to bring your complaint to OBSI

For more information and how to submit a complaint, please visit <https://www.obsi.ca>.

If the client is a Quebec resident, they may consider the free mediation services offered by the Autorite des marches financiers – see <https://www.lautorite.qc.ca>.

**Annual Disclosure of Client Brokerage Commissions** - Deans Knight may direct certain transactions for execution to certain broker/dealers in recognition of brokerage and research services provided by those broker/dealers and/or other third-party providers ("soft dollar transactions"). Soft dollar transactions could cause clients to pay a commission rate higher than would be charged for execution only. Deans Knight will give trading preference to those broker/dealers that provide research products and services, either directly or indirectly, only so long as Deans Knight believes that the selection of a particular broker/dealer is consistent with Deans Knight's duty to seek best execution.

The products and services Deans Knight received during the last fiscal year through soft dollar transactions included: trade order communication software, order execution and data service from the Toronto Stock Exchange, trading and research information through Bloomberg, income and bond research memos and investment advice (either directly or through publications or writings) as to the value of securities, the advisability of investing in, purchasing, or selling securities, and analyses and reports concerning issues, industries, securities, economic factors and trends, portfolio strategy, and the performance of specific strategies.

The research products/services provided by broker/dealers through soft dollar arrangements benefit Deans Knight's investment process for client accounts and may be used in formulating investment advice for any and all clients of Deans Knight, including



accounts other than those that paid commissions to the broker/dealers on a particular transaction. Therefore, not all research generated by a particular client's trade will benefit that particular client's account. Research services obtained through soft dollar transactions may be used in advising all accounts, and not all such services would necessarily be used by Deans Knight in connection with the specific account that paid commissions to the broker/dealer providing such services.

Deans Knight maintains a series of internal controls and procedures relating to its brokerage practices, including its use of soft dollars. These controls and procedures are designed to mitigate the potential conflicts of interest associated with use of client brokerage commissions. Deans Knight periodically reviews the past performance of broker/dealers and consideration of the timeliness and accuracy of the research received is part of this review.

If a client wishes to obtain the name of any dealer or third party that provided a good or service listed above Deans Knight will provide such information directly. Please contact us at 604-669-0212 or [info@deansknight.com](mailto:info@deansknight.com) for requests related to use of client brokerage commissions.