

## **Relationship Disclosure (Managed Accounts)**

The purpose of this Relationship Disclosure is to help you better understand the nature of the managed account services that Haywood Securities Inc. provides and what you can do to help ensure a satisfactory ongoing relationship with us.<sup>1</sup>

### **1. The services and types of accounts we offer.**

In a **managed account** a portfolio manager is given the discretion to make and implement investment decisions for you in accordance with your written investment objectives. In this type of account you do not have any decision-making role for individual trades.

Managed accounts are strictly **fee-based accounts**.

A **fee-based account** is an account in which you will be charged a monthly fee (plus any applicable taxes) based on a percentage of the value of securities held in the account. Rates are established by you and your portfolio manager in accordance with industry standards and our firm's policies.

You may have one or more of the following managed accounts:

- Cash Account
- Margin Account
- Registered Retirement Savings Plan Account (including Locked-In and Spousal)
- Registered Retirement Income Fund Account (including Locked-In and Spousal)
- Registered Education Savings Plan Account
- Tax Free Savings Account

All accounts may be denominated in Canadian or US currency and, except for cash accounts, may also be approved to trade options.

Please consult your portfolio manager about how each of these accounts operate and which one(s) best meet your investment objectives.

### **2. The types of products we offer.**

We offer a wide range of investment products, including stocks, bonds, money market, listed equity options, exchange traded funds, mutual funds, and new issues. Your portfolio manager can explain these investment products to you, as well as how they work, their risks and potential returns, and whether they are appropriate for you.

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<sup>1</sup> We will notify you of any update to this Relationship Disclosure and will post the updated Relationship Disclosure in the **Client Agreement and Notices** menu located on the home page of our website [www.haywood.com](http://www.haywood.com).

### 3. How we determine what investments are suitable for you.

Before we make investment decisions for your account(s) we will first determine that they are suitable for you according to our understanding of the information you have given us when you completed or last updated your account documentation. This information is commonly referred to in the securities industry as “Know Your Client Information” or KYC Information. That is why keeping your KYC Information up to date and accurate is very important.

The main factors that guide us in determining whether an investment is suitable for you are:

- **Your Financial Situation:** We learn about your fixed and financial assets, current and long-term liabilities and the sources and amount of your income.
- **Your Investment Knowledge:** We assess the level of your investment knowledge.
- **Your Investment Needs and Objectives:** We learn about your financial goals to help us determine your need to keep your money safe, earn income, or increase your capital through growth in the market value of your investments.
- **Your Time Horizon:** We learn about when you expect to need your financial assets (for example, to buy a house, pay for education, or enter retirement) and how important it is for you to have the ability to quickly and easily convert to cash all or a portion of your investments without experiencing a significant loss in their value.

**Your Risk Tolerance:** We assess your ability to tolerate fluctuations in the value of your account(s) and the potential for the temporary and permanent loss of your investment.

- **Your Risk Capacity:** We assess your ability to sustain temporary and permanent losses of capital. A person’s risk capacity will depend on their overall level of savings, their ability to generate income in the future, and their future expected expenses. The higher a person’s risk capacity, the better they are able to sustain temporary and permanent losses of their invested capital.
- **Your Investment Portfolio Composition and Risk Level:** We assess how the purchase or sale of particular securities affects the composition of your account(s) in terms of allocation of holdings between debt, equity and other investment classes, the risk of the assets held, and the overall diversification of your investments.

We use the above factors to establish your investment profile. Our understanding of your profile is critical because it will help us suggest the allocation of your financial assets and their risk level.

Your investment profile will also enable us to determine (for each account you open) whether you have a low risk, medium risk, medium-high risk, or high to very high risk tolerance. We will then recommend an appropriate risk rating for your account that best corresponds with your profile and the type of investing you want to undertake (A = Income/Low Risk; B = Balance/Medium Risk; C = Growth/Medium-High Risk; D = Aggressive Growth/High to Very High Risk).

For investors with higher risk tolerance, your profile will specifically enable us to determine the degree of concentration in one or more securities or sectors your account can be invested in.

The risk associated with each account (A to D) is the overall investment risk of the account portfolio and not its specific holdings. We rate investments from low to very high risk. For example, a GIC is low risk whereas investing in stock in a junior exploration company is very high. We consider all stocks to be at least a medium risk investment.

We will conduct a suitability determination when making transactions for your account(s); if securities are deposited or transferred to or out of your account(s); your portfolio manager changes; when we become aware that there has been a material change in your personal or financial circumstances or objectives, and in the absence of any of the above triggering events, at least once every 12 months. If during our suitability determination we identify any concerns, we will discuss them with you.

Ongoing suitability of your account is provided as part of our managed account services, and your portfolio manager is ready to discuss the effect of market fluctuations on your portfolio with you when you request. We also encourage you to speak with your portfolio manager if you anticipate the need to convert your assets to cash in the near future or there has been any other material change in your financial or personal information which may affect your investment objectives or risk tolerance.

4. **The ways we will avoid, manage or disclose conflicts of interest which may arise as we serve the interests of you and others.**

In the course of our usual activities, we assume a responsibility to act fairly, honestly and in good faith with our clients. Given the nature of our business, conflicts of interests may arise between you and our firm, its employees, or our other clients.

We have policies and procedures in place to address the handling of conflicts of interests. Under these policies and procedures we avoid all conflicts prohibited by law as well as material conflicts which we cannot address in the best interests of our clients.

In all other situations when our interests may compete or conflict with yours, your interest is always given priority by our acting in one of two ways:

- We control or manage acceptable conflicts by taking such actions or instituting procedures that will adequately control or manage the conflict of interest.
- We disclose information about any remaining conflicts in order that you can assess independently the materiality of the disclosed conflict(s) when you evaluate our recommendations and actions.

A more detailed explanation of our Conflicts of Interest policy can be found in the **Client Agreement and Notices** menu on the [www.haywood.com](http://www.haywood.com).

5. **The reports we will provide to help you monitor your financial assets and their performance, as well as the fees and charges you pay us or to third parties through us.**

**Confirmation of transactions:** We will provide you with written confirmation of the details of every purchase and sale made for your account(s) either electronically or by mail in the manner you elect when you open your account(s). Your trade confirmation will be sent to you no later than the next business day following the date of your transaction.

**Account statements:** For your account(s), a monthly statement will be provided for each month there is any account activity and in any event, on a quarterly basis. If you wish to receive a monthly statement otherwise, please contact your portfolio manager. Your account statement confirms all account activity, including purchases and sales of securities, contributions and withdrawals, dividends, interest earned and paid, transfers, and any other transactions that occurred in your account(s) over the previous period. Account statements also list your current holdings and the value of your portfolio. The value of most securities you hold is calculated with reference to the closing price of the last day of the month in the reporting period of the statement. In the case of securities that have ceased trading, where the company is bankrupt, or in other circumstances where a reliable market value cannot be ascertained, no valuation is given.

**Performance reporting:** Quarterly, yearly and/or monthly annualized performance summaries will be available on request and provided without charge. At a minimum, we are obliged to send you a performance report on your account every 12 months. This annual performance report will include your annualized returns over one, three, five, and ten year periods from January 1, 2016. We are always looking for ways to improve the manner in which we can report to you and we will keep you informed on the timing of these changes and how to understand any new reporting formats we may utilize.

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

We do not provide benchmark comparisons in our monthly account reporting, however comparisons to the major North American composite indices are available upon request and may be periodically provided to you by your portfolio manager. Please speak to your portfolio manager if you have questions about the performance of your portfolio.

**Fees and charges paid:** Our fees are recorded on your monthly account statement in accordance with rates you establish with your portfolio manager.

If you make a trade involving a security which is denominated in a currency other than the currency of the account in which the trade is to settle, a conversion of currency is required. In such instances, we will act as principal with you in converting the currency at rates established by us. We may earn revenue in addition to managed account fees applicable to such a trade based on the difference between the applicable bid and ask rates for the currency and the rate established in the market.

If you purchase a security using margin, or in the event you do not timely settle a trade for your account, you will be charged interest until the trade is fully paid for. In such instances your account will be charged interest at rates established by us in accordance with industry standards.

All other fees for our services are published in the **Administration Fee Schedule** located in the **Client Agreement and Notices** menu on the [www.haywood.com](http://www.haywood.com) home page.

## 6. What you can do and other helpful information.

**Provide complete information:** We cannot emphasize enough how important it is for you to provide us with complete and accurate KYC Information.

**Keep us up to date:** You should promptly inform us of any change to the information you have provided that could reasonably result in a change to the types of investments appropriate for you. Such information includes a material change in your income, investment needs and objectives, risk tolerance, risk capacity, time horizon, or net worth.

**Remain informed:** Keep current and review all account documentation and other information we provide or make available to you including the documentation located in the Client Agreement and Notices menu on our [www.haywood.com](http://www.haywood.com) home page.

**Ask us questions:** Ask questions and request information from us to resolve any questions you have about your account(s), transactions or investments, or your relationship with us.

**If you have a complaint:** We are committed to providing you with the level of service our clients have come to expect of us, including the prompt and fair resolution of any concern or complaint. If you are unable to satisfactorily resolve with your portfolio manager any complaint or other concern you may have about the handling of your account(s), we would ask you to direct them to the Branch Manager of the branch where your portfolio manager is located or to the attention of our Chief Compliance Officer. We encourage you to take the additional time to put any complaint or other concern you have in writing as it will form an accurate record and expedite a resolution.

Our **Branch Manager** or **Chief Compliance Officer** will promptly undertake an initial review of your concern or complaint and will either attempt to deal with or resolve it directly with you or refer it for investigation and resolution in accordance with our Complaints Handling Policy, a summary is in the **Client Agreement and Notices** menu on the [www.haywood.com](http://www.haywood.com) home page.

## 7. A checklist of documents to be provided to you.

In connection with your new (updated) account(s) the following documents are available in the **Client Notices and Agreements** menu on the [www.haywood.com](http://www.haywood.com) home page:

### For All Accounts

- ✓ Client Agreement
- ✓ Relationship Disclosure (Managed Accounts)
- ✓ Conflict of Interest Statement
- ✓ Electronic Funds Transfers - Terms & Conditions
- ✓ Administration Fee Schedule
- ✓ Strip Bonds and Strip Bond Packages Information Statement
- ✓ Trading of Canadian Listed Securities – Best Execution Procedures
- ✓ Escheatment of Physical Securities

### For Option Accounts

- ✓ Risk Disclosure Statement (Exchange Contracts)
- ✓ Allocation of Investment Opportunities

### **Keeping You Informed (Regulatory Disclosure)**

- ✓ Privacy and Protection of Personal Information Policy
- ✓ Explanation of the Limitation of Benefits Article & Treaty Statement
- ✓ Impacts on Certain Clients Under US Withholding Tax Rules
- ✓ Communication with Beneficial Owners of Securities
- ✓ Institutional Trade Matching Statement
- ✓ Business Continuity Plan
- ✓ How IIROC Protects Investors

### **Handling Complaints**

- ✓ Complaint Handling Policy
- ✓ IIROC Guide - An Investor's Guide to Making a Complaint
- ✓ Ombudsman for Banking Services and Investments - Investor Brochure
- ✓ Agent for Service Information

**After your Client Account Application has been formally approved and processed, a copy of your completed Application along with a Welcome to Haywood Letter will be mailed to you.<sup>2</sup> Please carefully review the completed Client Account Application to ensure the accuracy of the KYC Information and that your Account selection (A to D) accurately reflects your investment objectives and risk tolerance.**

Thank you for choosing Haywood Securities Inc.

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<sup>2</sup> If you have opened a Tax-Free Savings Account, Registered Education Savings Plan Account or Self-Directed Disability Savings Plan, copies of the application and Declaration of Trust will be included in the Welcome Letter.