



**LIONRIDGE**  
capital management

# Lionridge Capital Management Inc. Relationship Disclosure Document

## ***What is the purpose of this document?***

The Canadian Securities Administrators, who govern our registration, require that we deliver to each of our clients a document which contains certain disclosures and identifies potential conflicts of interest that may arise between Lionridge Capital Management Inc. ('Lionridge') and its clients. Here at Lionridge Capital Management Inc. ('Lionridge') our goal is to be acting in our clients' best interests at all times.

We will update this Relationship Disclosure Document when there are material changes to it by referring you to our website at <https://lionridgecapital.com/> and provide you notice of any such changes. If you have any questions related to the contents of this document, or need to change your KYC information, please contact us at 204-957-1802. You will be provided with a copy of the KYC information that we receive from you at the time of account opening and when there are material changes to the information.

## ***About Lionridge Capital Management Inc.***

Lionridge is registered under the securities laws of Alberta, British Columbia, Manitoba, Ontario, Quebec and Saskatchewan as an adviser in the category of portfolio manager. Lionridge is also registered as an Investment Fund Manager in Manitoba, Newfoundland and Labrador, Ontario and Quebec and is registered as an Exempt Market Dealer in Manitoba, Ontario and Quebec. Lionridge was founded for the purpose of practicing fundamental value investing in an independent manner, free of the investment parameters and constraints typically placed on professional investors managing money at large institutions.

Lionridge is an organization which provides discretionary, fee-based portfolio management services to clients and is also the portfolio manager, investment fund manager and distributor of proprietary pooled funds. As a licensed portfolio manager, Lionridge has a fiduciary duty to act in your best interests at all times.

## ***Our Products and Services***

In Lionridge's view, the best way to build significant wealth over the long term is to concentrate on a small number of attractively valued, high-quality securities where the expected upside far outweighs the possible downside. Longer-term risk is mitigated in that the manager of the portfolio can know the companies to a level of detail that a manager holding a much larger number of stocks cannot.

For successful investing, it is not enough to take the time to identify and focus on companies that are fundamentally sound. A vital element to achieving outstanding returns in the long run is having the discipline to avoid investing in companies until their shares are available at a price that compares favourably to their intrinsic value. Just as importantly, buying at a discount provides a "margin of safety" to investors to account for unforeseen problems with the company or the industry it operates in, or lower company performance than originally forecasted.

By the combination of i) buying shares of companies at attractive prices; ii) limiting investments to companies which are fundamentally sound and run by competent people who act in the interests of shareholders; iii) having the discipline to hold investments despite short term volatility in market prices; and iv) limiting the number of investments so that all holdings can be monitored individually and thoroughly, Lionridge strives to achieve a fundamental objective; **protecting investors' capital from permanent losses.**

Discretionary portfolios may be constructed using segregated investments and/or Lionridge's proprietary funds as appropriate. Segregated portfolios are primarily constructed with individual stocks, bonds, exchange traded call options, and in some cases, ETFs. The securities held in your account are generally highly liquid and trade on recognized exchanges. These securities can usually be purchased and sold on the day an order is entered; with settlement of the trade occurring in two business days.

For smaller accounts, the portfolio may be constructed entirely from units of the Lionridge fund(s) until such time that they become large enough to be invested in securities of individual issuers on a basis that is economical for you. There are currently two funds managed by Lionridge, the Lionridge Total Equity Fund and the Lionridge Focused Plus Fund. The funds can be purchased or sold daily; with settlement of the trade occurring in three business days. These funds are not transferrable. Should you choose to terminate your management agreement with Lionridge, the funds will have to be sold as they are most likely not able to be transferred to another financial institution. Should this occur, you may incur losses or have to pay tax on capital gains that would otherwise not be incurred. You consent to the purchase of the Funds.

### ***Investment Responsibilities and Suitability***

If you have engaged Lionridge to manage your portfolio on a discretionary basis this means Lionridge has the authority to buy and sell securities within your account(s) without first asking your permission. Lionridge has an obligation at all times to assess whether a purchase or sale of a security in your account is suitable for you prior to executing a transaction on your behalf, and which places your interests first.

As a fiduciary, Lionridge is required to put your interests first and to act honestly, in good faith and always in your best interests. Lionridge collects information from you upon account opening to fulfill our "know your client" obligations under securities laws. In addition, we use and hold the information provided by you in your account documentation to, among other things, confirm your identity and assess areas of potential conflicts of interest.

Lionridge will review your financial affairs, which include information concerning your personal and financial circumstances, your investment needs and objectives, your risk profile, your investment knowledge and your investment time horizon. Based upon the information provided by you (which may include information about family members or related entities), will gain an understanding of your investment profile, risk profile, cash flow needs and your objectives in respect of the Account (and specified related accounts), and will prepare a summary and an investment plan. Pending completion of the investment plan, assets deposited into the Account will normally be invested in short term investments, provided that Lionridge may cause such assets to be invested in such other investments as it deems appropriate. Upon completion of the investment plan, Lionridge will implement the plan on a discretionary basis, unless you have otherwise instructed Lionridge in writing, and which will be suitable for you and place your interests first.

It is important that we have up-to-date information about you in order for us to provide you with the best possible service and advice. Please inform us of any significant changes in the information as soon as possible. We periodically update “know your client” information to ensure that we have current information regarding your investment objectives and financial circumstances and tolerance for risk. When we become aware of significant changes, we will update the investment plan to ensure it remains current.

### ***Custodian Information***

Your assets, unless otherwise indicated below, are held in Canada in a fully disclosed, segregated account at National Bank Financial (“NBF”) acting through its National Bank Independent Network division (“NBIN”), which is an indirect, wholly owned subsidiary of National Bank of Canada (“NBC”). NBIN’s offices are located at Suite 3000, 130 King Street West, Toronto, Ontario. NBC is a federally regulated Schedule A bank and a public company listed on the TSX. NBF is a member of and regulated by the Investment Industry Regulatory Organization of Canada (“IIROC”).

Your assets may also be held in Canada in a fully disclosed, segregated account at Credential Qtrade Securities Inc. (“CQSI”), operating as Credential Qtrade Correspondent Partners (“CQCP”), which is a wholly owned subsidiary of Aviso Wealth Inc (“Aviso”). Aviso is a wholly owned subsidiary of Aviso Wealth LP, which in turn is owned 50% by Desjardins Financial Holding Inc. and 50% by a limited partnership owned by five Provincial Credit Union Centrals and The CUMIS Group Limited. CQSI’s offices are located at 700 1111 West Georgia Street, Vancouver, British Columbia, V6E 4T6. CQSI is a member of and regulated by the Investment Industry Regulatory Organization of Canada (“IIROC”).

CQSI and NBF are qualified Canadian Custodians under applicable securities laws. CQSI and NBF are fully independent of Lionridge. The assets in your accounts are not co-mingled with other clients’ assets. CQSI and NBF are members of the Canadian Investor protection Fund (“CIPF”). CIPF, subject to condition and limits, safeguards your assets from the insolvency or bankruptcy of an IIROC member firm. You can find more information regarding CIPF at <https://www.cipf.ca>.

Your assets are subject to a risk of loss: (i) if CQSI or NBF become bankrupt or insolvent and CIPF coverage is insufficient to safeguard all your assets held; (ii) if there is a prolonged and/or unrecoverable breakdown in information technology systems; and, (iii) due to fraud, willful or reckless misconduct, negligence or error of the Custodian. Lionridge has reviewed the Custodians’ reputation, financial stability, relevant internal controls, and ability to deliver custodial services and has concluded that their systems of controls and supervision are sufficient to manage risks of loss to your assets in accordance with prudent business practice.

### ***Fees, Expenses and Other Charges***

**Fees charged by Lionridge.** Lionridge charges an Investment Management Fee, plus any applicable taxes, for its services, calculated on a monthly basis and payable on the first day of each calendar month, or on a pro rata basis for the remainder of the current month for deposits into new accounts. The fees that we charge are set out in Fee Schedule, attached to your Investment Management Agreement.

Assets in your Account(s) may be invested from time to time in proprietary investment funds, which are managed by Lionridge, and which are related and/or connected issuers to Lionridge. Certain management fees and operating expenses and other costs, inclusive of Goods and Services Tax, are paid by the investment funds. If the Account invests in investment funds managed by Lionridge, Lionridge will ensure that there is no duplication of management fees payable by you.

A performance fee applies to all classes of units of the Lionridge Focused Plus Fund. The performance fee will be charged to the fund and paid to the Manager, as described in the Fee Schedule, attached to your Investment Management Agreement.

From time to time, Lionridge may invest in ETFs as part of its Investment Management Services. Fees may also be charged within ETFs invested within the client's account, which fees will vary based upon the constituent ETFs invested within the account.

**Fees Charged for Custodial Services.** In addition to the management fees paid to Lionridge, you also pay fees to your Custodian for transactional and/or custody services, depending on the type of account you hold and are set out in the Fee Schedule attached to your Investment Management Agreement.

**Brokerage Fees.** You should be aware of costs associated with trading securities in your portfolio, including trade commissions and trade allocation fees. We execute trades primarily through the custodian where your accounts reside, however may execute trade through a number of different brokers.

**Impact of Fees on Investment Returns.** Ongoing fees can reduce the value of your investment portfolio. This is particularly true over time, because not only is your investment balance reduced by the fee, but you also lose any return you would have earned on that fee. Over time, even ongoing fees that are small can have an impact on the value of your investment portfolio.

### ***Risks you Should Consider***

Securities laws require us to disclose the risks that should be considered when making an investment decision. While we can utilize these types of investments in your portfolio – and would if/when we deemed them to have a positive impact, net of the risks - in reality we would not do so without first discussing and reviewing these items and their inherent risks directly with you and ensuring that you were comfortable with them and that they fit within your risk profile and investment objectives.

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

**Alternative asset classes.** Lionridge may from time-to-time invest a portion of your assets in alternative asset classes, including, but not limited to, hedge funds and private placements. These assets can be very risky, highly volatile, illiquid, and possibly subject to mispricing or improper valuation. As a result, these assets are typically limited to no more than 20% of your portfolio, in the aggregate.

**Volatility risk.** The value of securities in a portfolio may fluctuate, sometimes rapidly and unpredictably. The value of a security may fluctuate due to factors affecting markets generally or certain industries in particular. This volatility may impact a securities value and the market price of those securities. Securities may be subject to price volatility and the prices may be more volatile than the market as a whole. Events or financial circumstances affecting individual securities or sectors may increase the volatility of a portfolio.

**Derivatives.** Lionridge may from time-to-time employ the use of derivatives as part of its trading strategy. Derivative products are highly specialized instruments that require investment techniques and risk analyses different from those associated with stocks and bonds. Derivatives are subject to a number of risks, such as interest rate risk and market risk. They also involve the risk of mispricing or improper valuation, the risk that changes in the value of the derivative may not correlate perfectly with the

underlying reference security and, in over-the-counter transactions, the risk that the counterparty may not honour its obligation. Derivatives may be highly illiquid and the use of derivatives could result in a loss of more than the principal amount invested.

**Market Risk.** The market value of your investments may fluctuate due to general market conditions that have little or nothing to do with the investments themselves.

**Company-Specific Risk.** The market value of your equities or bonds may decline due to a deterioration in business fundamentals or investor sentiment.

**Concentration Risk.** An account that has a large proportion of its assets invested in securities issued by one issuer, asset class or sector will have risk relating to concentration. This concentration exposes the account to greater economic exposure to the underlying investments, and investor sentiment related to the outlook could cause the account to experience greater price fluctuations than a less concentrated account.

**Interest Rate Risk.** Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments such as bonds.

**Currency Risk.** An investment priced in a foreign currency is exposed to fluctuations between the exchange rate between the Canadian dollar and the foreign currency. These fluctuations can be unfavourable.

**Foreign Investment Risk.** Investments in foreign companies are influenced by economic and market conditions in the countries where the companies operate. Some countries have weaker accounting and reporting standards than is the case in Canada. Some countries may present political instability, the risk of nationalization or currency controls. It can be difficult to trade investments on foreign markets and the laws of some countries do not fully protect investor rights. U.S. investments are not considered to have foreign investment risk

**Lionridge Fund Risk.** If you are invested in a Lionridge Fund or Funds, the Funds may not be transferrable to other institutions. The sale of any Fund units may result in capital losses or capital gains.

### ***Conflicts of Interest***

In the course of providing services to you, there may be situations where a conflict arises between our interests and yours. We believe it is important that you are fully informed regarding these conflicts. Canadian securities laws require us to take reasonable steps to identify and respond to existing and potential material conflicts of interest.

Lionridge has developed policies and procedures in order to identify conflict and potential conflict of interest matters. Once a conflict has been identified Lionridge has developed guidelines that involve taking steps to remove the conflict, or, if not possible, to take steps to minimize the impact of the conflict and provide appropriate disclosure to all affected parties.

Lionridge's Conflict of Interest Policy can be found on Lionridge's website at [Home - Lionridge Capital Management Inc.](#)

### ***Fairness in Allocations***

In the event that securities are purchased for the accounts of more than one client of Lionridge and an insufficient number of securities are available to satisfy the purchase order, the securities available will be

allocated to the extent possible pro rata to the size of your accounts taking into consideration your investment plan.

### ***Trusted Contact Persons and Temporary Holds***

**Trusted Contact Persons.** By choosing to provide information about a trusted contact person, you authorize Lionridge to contact the trusted contact person and disclose information about your accounts to that person in the following circumstances:

- (a) possible financial exploitation of yourself;
- (b) concerns about your mental capacity as it relates to your financial decision making or lack of decision making;
- (c) the name and contact information of any of the following:
  - a. a legal guardian of yourself,
  - b. an executor of an estate under which you are a beneficiary;
  - c. a trustee of a trust under which you are a beneficiary, or
  - d. any other personal or legal representative of yourself; or
- (d) your current contact information.

**Temporary Holds.** A temporary hold means a hold that is placed by Lionridge on the purchase or sale of a security on your behalf or on the withdrawal or transfer of cash or securities from your account.

Lionridge will not place a temporary hold on your accounts unless we reasonably believe that:

- (a) you are a vulnerable client;
- (b) you have been financially exploited, financial exploitation is occurring, has been attempted or will be attempted; or
- (c) we reasonably believe that you do not have the mental capacity to make decisions involving financial matters.

Should a temporary hold be placed on your accounts we will provide you notice of the temporary hold and the reasons for the temporary hold as soon as possible. We will continue to review the relevant facts on an ongoing basis in order to determine if continuing the hold is appropriate. Within 30 days of placing the temporary hold and, until the hold is revoked, we will update you on a monthly basis to inform you if we have revoked the temporary hold or provide you with notice of our decision to continue the hold, and the reasons for that decision.

### ***Benchmarks***

Comparing your portfolio's performance to that of an appropriate benchmark may be a useful exercise for assessing how your investments are doing. Benchmark comparisons may help you determine if an investment approach is delivering our desired results. We do not use benchmarks in our reporting. For

more information about comparing your returns to a benchmark, please contact us.

### ***Account Reporting***

Lionridge will provide you with a written statement (the "Quarterly Statement") following each calendar quarter during the term of this Agreement which shall contain the name, quantity and total market value of each security held in your custodial account, along with the total market value of all cash and securities held in your custodial account; In addition to our report, your custodian will provide you with a monthly statement outlining your holdings and account activity during that period.

Lionridge will provide you with a written statement (the "Annual Statements") after the end of each

calendar year outlining the total amount of all compensation received by Lionridge over the course of the prior calendar year, along with a written statement outlining the money-weighted performance of each of your Accounts for the prior calendar year and prior periods.

### ***Confidentiality and Privacy Policy***

Protecting our clients' privacy is a priority for Lionridge. These Privacy Principles are adhered to by Lionridge to ensure that the information submitted to us will be treated with the utmost confidentiality and in compliance with the *Personal Information Protection and Electronic Documents Act of Canada* (PIPEDA) and provincial privacy legislation, where applicable.

#### Accountability

We are responsible for all personal information under our control and have designated a Privacy Officer who is accountable for our compliance with these following principles.

#### Identifying Purposes

We will identify and document the purposes for which we collect, use or disclose personal information at or before the time the information is collected.

#### Consent

The knowledge and consent of our clients are required for the collection, use or disclosure of personal information.

#### Limiting Collection

Only such information as is necessary for Lionridge's services will be collected from our clients. When personal information is needed, it will be obtained directly from our clients.

#### Limiting Use, Disclosure and Retention

Personal information will not be used or disclosed for purposes other than those for which it was collected, except with the consent of the individual or as required by the law. Personal information will be retained only as long as necessary for fulfilment of those purposes.

#### Accuracy

Personal information will be as accurate, complete and up-to-date as necessary for the purposes for which it is to be used.

#### Safeguards

We will protect personal information with security safeguards appropriate to the sensitivity of our client's personal information.

#### Openness

Lionridge will make available to client's specific information concerning the policies and procedures relating to the management of their personal information.

#### Individual Access

Upon your request, you will be informed of the existence, use and disclosure of your personal information

and shall be given access to that information. You may verify the accuracy and completeness of the information and may request that it be amended, if appropriate.

#### Handling Client Complaints and Suggestions

Any question, concern or complaint about any of these principles can be addressed to our Privacy Officer at [hbains@lionridgecapital.com](mailto:hbains@lionridgecapital.com).

#### ***Dispute Resolution***

We hope that your experience with us will be a positive one. However, if you feel that your expectations have not been met and have a complaint or dispute you wish to levy that cannot be resolved directly with us, we ask that you forward these to our Chief Compliance Officer, Hardev Bains. We will provide an initial written response within 5 days of receipt to acknowledge the receipt of your complaint, describe our obligations to you upon receipt of your complaint and the steps for you to take to utilize the Ombudsman for Banking Services and Investments ("OBSI"). We will provide you with a final decision or proposed resolution within 90 days of receipt. Should you not be satisfied with our decision or proposed resolution, you may be eligible to use OBSI, a free and independent dispute resolution service. OBSI may be contacted by email at [ombudsman@obsi.ca](mailto:ombudsman@obsi.ca) or by telephone at 1-888-451-4519. OBSI works confidentially, in an informal manner and a lawyer is not needed. OBSI will investigate your matter and may interview you and us. We will cooperate with OBSI's investigations. OBSI will then provide its recommendation which is not binding on us. For more information regarding OBSI, please view the OBSI website at [www.obsi.ca](http://www.obsi.ca).