

Tradex Management Inc. Client Relationship Disclosure Document

1. Introduction

This document provides clients with an overview of the nature of the relationship they are entering into when they deal with Tradex and the nature of the products that we distribute. It also provides information on a number of specific aspects of how Tradex conducts its business and how this affects our clients.

2. Nature of the Products and Services We Offer

Tradex offers to clients the following investment and insurance products:

A. Manager of the Tradex Family of Mutual Funds

Tradex is the Manager of the Tradex family of mutual funds, which are offered for sale through registered dealers in every jurisdiction of Canada. (In this regard, we are registered by the Ontario Securities Commission and l'Autorité des marchés financiers as an Investment Funds Manager.)

B. Distributor of Mutual Funds in Ontario, Quebec and B.C.

In Ontario, Quebec and B.C., Tradex is a full fledged mutual fund dealer (regulated by the provincial securities commissions and the Mutual Fund Dealers Association of Canada). As such, investors living in these provinces can purchase directly through Tradex the three Tradex funds as well as hundreds of other funds offered by other fund companies. This includes funds offered by TD Bank, Royal Bank, Franklin Templeton, Beutel Goodman--- to name just a few.

C. Distributor of GICs and other Deposit Instruments in all Provinces

Tradex distributes deposit products including the Tradex Investment Savings Account, Guaranteed Investment Certificates (GICs), Principal Protected Notes (PPNs) and term deposits to its clients. Except³ for PPNs these products are subject to insurance coverage by the Canadian Deposit Insurance Corporation or similar provincial deposit insurance arrangements. Tradex is a Member of the Registered Deposit Brokers Association of Canada.

D. Distributor of Life Insurance Products in Ontario

Tradex offers a wide range of life insurance products in Ontario, acting as an agent for a number of leading Canadian insurance companies.

With respect to investment products (non life insurance products), we offer the following types of accounts:

i) Open (non-registered) Accounts

We act as both the distributor and the manager of the Tradex Funds. Therefore, for these Funds your account will be held directly with Tradex and all confirmations, statements, tax slips, etc. will be issued directly by our registrar (currently CIBC Mellon). There are no administrative fees with these accounts.

When you purchase through Tradex funds issued by a different investment fund manager (for example, RBC, Mackenzie or Franklin Templeton Funds) you will receive your confirmations, statements, tax slips etc. from that investment fund manager (for example, directly from RBC Investment Management). Tradex will also mail to you a quarterly annual account statement that includes all of your transactions for the period. (Alternatively for clients authorizing/ requesting, Tradex provides electronic monthly statements) Tradex charges no administrative fees with these accounts.

ii) Registered Retirement Savings Plans (RRSP) and Registered Retirement Income Fund (RRIF) Accounts

Similar to open accounts, if you hold only Tradex mutual funds, your RRSP or RRIF account will be held directly with Tradex and CIBC Mellon, the Trustee for these accounts. Tradex absorbs any administrative fees for these accounts.

We also arrange self-directed RRSP/RRIF/TFSA Non-Registered accounts with different intermediaries (currently B2B Bank). These plans permit multiple investment options within one account. Tradex pays the annual administrative fees for these accounts where the relationship with the client provides sufficient revenue to Tradex to cover the costs charged by the Trustee.

iii) **Tax-Free Savings Accounts (TFSA) and Registered Education Savings Plans (RESP)**

Tradex distributes its own proprietary TFSAs whereby the client may hold any combination of the three Tradex mutual funds and the Tradex Investment Savings Account. There are no administrative fees charged for these accounts. We also distribute TFSAs offered by other investment fund managers. While Tradex charges no fees on these accounts, clients will be subject to any fees that the provider of the account charges.

With respect to RESPs, Tradex does not offer clients its own proprietary plan. However, we distribute the plans for a number of the leading firms in Canada, including Mackenzie, Northwest-Ethical and TD Bank. While Tradex charges no fees on these accounts, clients will be subject to any fees that the provider of the account charges.

3. **Nature of the Advisory Relationship with Clients**

The Tradex employees who deal with clients are all trained and licensed to provide investment advice to clients (they are referred to as “Approved Persons” by our regulator). In this regard, they have a fiduciary responsibility to act honestly, in good faith and in the best interests of our clients and to exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in the circumstances.

Our employees (Approved Persons) also have the responsibility to ensure that the advice they give is suitable based on the client’s investment needs and objectives, including the client’s risk tolerance and investment time horizon.

In this relationship, it is important to note that the client is responsible for making the actual investment decisions. Our employees will not initiate a transaction on your behalf until after you make the formal decision to proceed.

In a nutshell, our role is to provide professional advice based on the needs and objectives of the client whereas it is the client’s responsibility make the actual decision with respect to making the actual investment decision.

4. **Nature of Compensation to Tradex**

All Tradex employees (Approved Persons) are salaried employees. They receive no commissions---or other monetary incentives--- whatsoever for the transactions that they initiate on behalf of clients. At Tradex, we charge the client no account set-up fees, no RRSP fees, no redemption fees and no sales commission or deferred sales charges (DSC) on most purchases of regular mutual funds. (See Part B below). Moreover, Tradex absorbs certain annual administration fees charged by intermediary account providers. Tradex also reimburses administrative transfer fees charged by relinquishing institutions for assets being transferred into a Tradex account.

Tradex Management Inc. receives compensation for the services it provides as follows:

A. **As Manager of the Tradex Family of Mutual Funds**

Tradex receives a management fee from the three proprietary Tradex funds for directing the business, operations and affairs of the funds. This fee ranges from 60-70 basis points per fund (\$6-7 per \$1,000 investment) per annum.

B. **As Distributor of Mutual Funds in Ontario, Quebec and B.C.**

When we distribute the mutual fund offered by another investment fund manager, we receive a “trailing commission” for as long as you own that fund through us. It is for the services and advice that we provide you. This trailing commission is paid out of the management fee charged by the other firm. Since the trailing commissions we receive from non-Tradex funds are already included in the funds’ management expense ratio, holding these funds through Tradex does not add to your costs (i.e., Tradex receives this amount rather than another fund company or dealer). The trailing commission may vary anywhere from 0% to 1.25% per annum as outlined in the prospectus and Fund Facts for each series of fund that we distribute.

In rare instances, commissions may be received when special individual circumstances prohibit our ability to stop DSC purchases. We may also receive a portion of performance fees from certain funds as disclosed in the associated offering documents. In conjunction with our role as a Prestige Sponsor of the Government of Canada Workplace Charitable Campaign, Tradex promotes a program wherein you have the option to contribute to a Registered Education Savings Plan using the Deferred Sales Charge (DSC) version of RESP-eligible mutual funds. Such a contribution generates a sales commission, the equivalent of which Tradex donates to a charity in your name. There may be a redemption fee if you redeem from these DSC funds within a certain time frame, the exact amount and schedule being contained in the Fund Facts of the mutual fund in question which your advisor will review in detail with you in advance of your investment.

C. As Distributor of Savings Accounts, GICs and other Deposit Instruments

Tradex receives a fee of 25 basis points per annum from Manulife Bank of Canada for funds held in the Tradex Investment Savings Account. This amounts to \$2.50 for every \$1,000 held in the account for a full year. The fees paid for distributing GICs typically amount to 20-25 basis points (bps) per year of term selected by the client, paid in advance. For example, for a GIC with a two year term this would typically amount to \$4.00 to \$5.00 per \$1,000 invested. The fees paid to us when we distribute Principal Protected Notes vary according to the individual offering, but they are typically considerably higher than for regular GICs.

D. As Distributor of Life Insurance Products in Ontario

Tradex receives the standard commission based upon a percentage of the annual premium and total premiums payable over the life of the policy.

E. Referral Arrangements

Tradex has two referral arrangements. First, we receive a referral fee (currently \$400) and an on-going 10bps trailer fee if we refer a client to Manulife Financial Corporation for a mortgage. Second, we have an arrangement with Qtrade discount brokerage such that Tradex will receive 3% of the net trading fees paid by Tradex Members. **If you would like more information regarding the compensation that Tradex receives please ask any of our Officers or Advisors.**

5. We Operate on an “at-cost” Basis and Return Any Extra Revenue to our Funds

In dealing through Tradex it is very important to know that we are unique among Canadian investment fund companies in that Tradex is 100% investor owned. We operate on an “at-cost” basis with any revenue in excess of operational requirements and prudential capital needs going back to the three Tradex mutual funds. When available, excess revenue is returned to one or more of the Tradex Funds at mid-year while any surplus funds for the year are rebated to the three Funds at year-end on a pro-rated basis based on the amounts paid to Tradex by such Funds.

6. “Know your Client” (KYC) and Investment Suitability Requirements

In dealing with clients, Tradex staff (Approved Persons) have an obligation to ensure that each order accepted or recommendation we make for any account is suitable for the client. To do so, we require all clients to complete a KYC form, which the client must date and sign. The key information we gather so that we know enough about you and are therefore able to advise you are as follows:

- Your household income
- Your household net worth
- Your primary objective (for each type of account)
- Your risk tolerance (for each type of account)
- Your time horizon (for each account)
- Your degree of comfort in investing in various types of funds.

The back page on our “Know your Client” form provides a description of the definitions for the standard categories of primary investment objective and risk tolerance (please refer to the actual form).

We will ask you to update your information each year if there has been a change or if an Approved Person is aware of a change. We are also required to have you confirm any changes each time you transfer assets into an account with Tradex. In this regard, it is extremely important that clients provide us with up-to-date information so that we can ensure that the advice we provide matches the needs and objectives of our clients.

In order to ensure that our advisors (Approved Persons) are only processing purchase and sales orders that are appropriate to your needs we conduct regular “suitability” reviews of trades made and we will review your

overall portfolio when KYC information changes. This ensures that there is a “cross-check” that we are providing you with advice that is consistent with your objectives and risk tolerance.

7. Important Administrative Items

A. Handling Your Money

An important thing for you to know in dealing with us is the way in which we handle your money. Here’s a summary:

- First, we do not accept cash nor will we pay you in cash. We only transact business through cheques and electronic transfers of funds to and from your deposit taking institution.
- If you pay for a purchase by issuing a cheque payable to Tradex, Tradex In Trust or a specific fund company, the cheque will be deposited in a trust account specifically set up to handle client transactions. This trust account earns a variable rate of interest of prime minus 2%, which we are required to allocate based on cash flows. As the vast majority of these cash flows involve the Tradex proprietary products, the nominal amount of short term interest earned is paid into Tradex Funds
- By completing the appropriate forms, you may also authorize us to transfer funds in and out of your deposit taking account with a bank, trust company or credit union. If we withdraw money from your bank account (in every case we need your authorization) it will be placed in a trust account until the transaction is completed.
- Similarly, if you make a redemption, you will be issued a cheque in your name or we will authorize the funds to be deposited directly into the bank account that you have on record with Tradex.

B. Trade Confirmations

- For “client name accounts”, each time you complete a transaction, you will receive a trade confirmation in the mail confirming the trade details include dates, price and units/shares transacted. The trade confirmation will be sent by the investment fund manager that manages the fund. For example, if you purchase/sell a Tradex fund the confirmation will be sent by the registrar for Tradex Funds. (Currently CIBC Mellon) Similarly, if you purchase/sell a RBC fund the confirmation will come from RBC.
- For “intermediary accounts” (including self directed RRSP/RRIF/TFSA Non-registered accounts). These accounts are administered by an intermediary company and the funds are held for you in trust. Depending on the particular arrangements we have in place, you may or may not receive a confirmation for each individual transaction. In this regard, in all cases you will be able to view the activity in the account through the trust company’s secure web site and or on their statements.

C. Account Statements

Clients will receive a quarterly account statement that includes the opening and closing market values and all of your transactions for the period. (Statements are issued monthly for clients who have signed up for electronic statements). Clients will also receive the following statements:

- If they hold, in client name, funds issued by another investment fund company they will also receive a periodic statement from that fund company (at least annually).
- If they hold funds in an intermediary account (such as a self directed RRSP) they will receive a quarterly statement (electronic or physical) from the intermediary administering the account.

D. Performance Benchmarks

An investment performance benchmark is a standard against which the performance of your investments is compared, providing investors a point of reference upon which to make informed decisions about their investment options. When comparing your investment returns to the returns of an investment performance benchmark, keep in mind that: (1) the composition of your investment portfolio reflects the investment strategy you have agreed upon, which may result in the composition of the investment performance benchmark differing; (2) investment

performance benchmarks do not generally include charges and other expenses. We may use investment performance benchmarks to assess the performance of your investments and to allow you to assess their performance against an index of securities reasonably reflective of the composition of your investment portfolio. If you wish further information about investment performance benchmarks please call or e-mail.

Tradex believes in tailoring individual portfolios to the unique requirements of each member and in allocating assets appropriately at the total portfolio level for an individual member's goals, needs, objectives and risk tolerances. The allocation amongst accounts is based upon other considerations such as tax minimization, cost minimization, accessibility and liquidity requirements; hence we will not be providing benchmarks as dealer at the account level. We will continue to provide the 3 benchmarks commonly utilized for investments in the three main asset classes of Canadian equities, Canadian bonds and global equities in our Quarterly newsletter and Management Reports of Fund Performance for the Tradex Funds.

E. Terminating your Relationship with Tradex

A client may terminate his/her relationship with Tradex at any time. Tradex charges no redemption fees, transfer fees and any other type of fee when the client decides to terminate his/her relationship with Tradex.

Clients that hold a self-directed RRSP/RRIF/TFSA/Non-Registered intermediary account who terminate their relationship with the intermediary for the account (and for example, move their RRSP business to another trustee) may face RRSP and transfer fees imposed by the intermediary company that they are leaving. Similarly some RESP plan sponsors impose a fee for cancelling an RESP.