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## CONFLICTS OF INTEREST

On June 30, 2021, the conflict of interest-related changes of the Canadian Securities Administrators' "Client Focused Reform" initiative came into effect. One of the requirements under this reform is that registrants such as Waypoint Investment Partners Inc. ("**Waypoint**," "**us**" or "**we**") must disclose in writing all material conflicts of interest that we have identified to a clients whose interests are affected by the conflicts of interest if a reasonable client would expect to be informed of those conflicts. The disclosure must include a description of the nature and extent of the conflict, the potential impact on, and the risk that the conflict could pose to the client and how the conflict has been, or will be, addressed. This document is being provided to you in order to meet this disclosure requirement. If we identify any new, previously undisclosed conflicts, we will update this disclosure and let you know.

As a portfolio manager, exempt market dealer and investment fund manager, Waypoint faces conflicts between its own interests and those of its clients, or between the interests of one client and the interests of another. Waypoint has adopted certain policies to minimize the occurrence of such conflicts or to address conflicts in the best interests of clients where those conflicts cannot be avoided. In no case will Waypoint put its own interests ahead of those of its clients. Waypoint maintains a register of material conflicts of interest it has identified as well as conflicts that are reasonably foreseeable between Waypoint and its clients or between any individual acting on Waypoint's behalf and its clients. This register is reviewed regularly by management. All individuals acting on Waypoint's behalf are required to report any such conflicts to the Chief Compliance Officer ("**CCO**") or Ultimate Designated Person ("**UDP**"). The CCO is responsible for periodic testing of the conflicts management framework. Waypoint will provide prior written disclosure of an existing or reasonably foreseeable material conflict of interest to a client before account opening or when a new previously undisclosed conflict is identified, if the client's interests are affected and a reasonable client would expect to be informed of the conflict.

Below is a list of conflicts of interest that have been identified by Waypoint. They are presented in alphabetical order.

### Compensation Practices

Firms have an inherent conflict of interest when they create incentives through their compensation practices for their representatives to sell or recommend certain products or services over others. For example, a representative could be paid a higher commission to sell a product where the firm would earn higher management or performance fees. Waypoint seeks to mitigate these conflicts by designing compensation programs that are product agnostic. Our sales representatives are not compensated differently based on which products or services they sell, nor is the variable portion of their compensation determined by such factors. Our portfolio managers are paid compensation based on the management fees and performance fees of the fund that they manage. As such, they are incited to increase the assets of the fund and improve the fund's performance. In order to mitigate the conflicts that arise from performance-based compensation, the firm's compliance department monitors each fund's exposures on a daily basis against limits established by regulation and by the funds' documents. Investment decisions must be backed by a thorough investment analysis. In addition, Waypoint does not engage in short-term, speculative trading as part of its investment strategies.

Conflicts related to compensation can also occur in supervisory positions, such as compliance, where supervisory staff compensation is tied to sales or revenue. This could cause these individuals to act



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in a manner that puts their own interests above those of clients. Waypoint does not use any variable compensation tied to sales or revenue in compensating compliance staff.

It should also be noted that Waypoint offers its services only through proprietary products. See below under Proprietary Products.

### **Cross-trading and Interfund Trading**

Waypoint, in exercising its authority as a portfolio manager, may determine that in certain circumstances, it is appropriate for a fund or managed account for which it is acting to buy a security from the portfolio of another fund or account. While this is not a frequent occurrence, there is an inherent conflict of interest in such transactions, where the interests of one client are balanced against the interests of the other. Some cross-trades or interfund trades are prohibited under securities legislation. Waypoint has obtained an exemption from certain regulatory prohibitions to permit it to make certain cross-trades and interfund trades, and to permit in specie transactions for subscriptions and redemptions. The regulatory relief specifies that the price used for cross-trades and interfund trades must be the last traded price of the security, where such a price is available. In specie transactions must be carried out at the value determined for the security when calculating the net asset value of the related fund. All interfund trades, cross-trades and in specie transactions require the consent of the independent review committee (when a mutual fund is involved in the trade), the accountholder (for a managed account) and the CCO (in all cases). In addition, the portfolio manager must attest that all such trades are in the best interests of both accounts or funds, and that the security is a suitable investment for the purchasing portfolio.

### **Expense Allocations**

Waypoint, in exercising its authority as an fund manager and portfolio manager, has a conflict of interest in determining what expenses to allocate to the funds and accounts it manages, since the expense would likely otherwise be payable by Waypoint. In order to address this conflict, Waypoint has detailed an expense allocation policy to determine which expenses would be chargeable, and how to allocate such expenses between funds and managed accounts, if applicable:

- Only expense types that have been previously disclosed to clients or included in fund disclosure documents will be chargeable. Any new expense types will require at least 60 days' notice (or the required noticed under any applicable fund document, if longer)
- Where an expense is directly invoiced to a fund by a third party, the expense will be charged to the related fund
- Where an invoice covers more than one fund and/or managed account, the expense will be allocated to the fund/account to ensure fairness in the allocation. The allocation driver will be based on the relative size or activity of the fund or account (e.g., net asset value, number of accounts, activity volume)
- At this time, Waypoint does not allocate any indirect (e.g., overhead, rent, salaries) costs to any funds or accounts
- Third party expenses, such as custody and trading costs are charged directly to the funds and managed accounts by the custodian or invoiced

## **Fairness in Allocating Securities**

Waypoint, in exercising its authority as a portfolio manager over various client accounts and funds, has a conflict of interest in determining both (i) to which accounts and funds an investment may be allocated and (ii) the price at which such allocations are made once the trade is executed. The number of securities and the prices of such securities can impact the performance of one client account over another. Waypoint, in order to address this conflict, has adopted certain policies that must be followed in allocating trades.

Waypoint shall exercise diligence and thoroughness on taking an investment action on behalf of each of its clients, including any fund, and shall have a reasonable and adequate basis for such actions, supported by appropriate research and investigations. Before initiating an investment transaction for a client, Waypoint will consider its appropriateness and suitability. Waypoint will manage each account within the guidelines established between Waypoint and the client. Waypoint shall ensure that each client account is supervised separately and distinctly from other clients' accounts. Waypoint owes a duty to each client and, therefore, has an obligation to treat each client fairly.

Whenever Waypoint proposes to make an investment, the investment opportunity will be allocated in full on a pro rata or rotational basis, to accounts for which the proposed investment would be within such account's investment objectives.

It may be determined that the purchase or sale of a particular security is appropriate for more than one client account, (i.e., that particular client orders should be aggregated, such that in placing orders for the purchase or sale of securities, Waypoint may pool one client's order with that of another client or clients). Simultaneously placing a number of separate, competing orders may adversely affect the price of a security. Therefore, where appropriate, when bunching orders and allocating block purchases and block sales, it is Waypoint's policy to treat all clients fairly and to achieve an equitable distribution of bunched orders. All new issues of securities and block trades of securities will be purchased for, or allocated amongst, all applicable accounts of Waypoint's clients pro rata and at average price where possible.

In the course of managing a number of discretionary accounts including funds, there may arise occasions when the quantity of a security available at the same price is insufficient to satisfy the requirements of every client, or the quantity of a security to be sold is too large to be completed at the same price. Similarly, new issues of a security may be insufficient to satisfy the total requirements of all clients. Under such conditions, as a general policy, and to the extent that no client will receive preferential treatment, Waypoint will ensure:

- where orders are entered simultaneously for execution at the same price, or where a block trade is entered and partially filled, completed fills are allocated pro rata in a fair and consistent method to client's accounts;
- where a block trade is filled at varying prices for a group of clients, fills are allocated on an average price basis;
- in the case of hot issues and IPOs, participation is split equally between clients based proportionately on the equity of each account, subject to the suitability of the investment for the client account, available liquidity in the account and any other account-specific factors;

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- in the case of a new security issue, where the allotment received is insufficient to meet the full requirements of all accounts on whose behalf orders have been placed, allocation is made on a pro rata basis. However, if such prorating should result in an inappropriately small position for a client, the allotment would be reallocated to another account. Depending on the number of new issues, over a period of time, every effort will be made to ensure that these prorating and reallocation policies result in fair and equal treatment of all clients; and
- trading commissions for block trades are allocated on a pro rata basis, in accordance with the foregoing trade allocation policies.

Whichever method is chosen, it must be followed in the future where similar conditions exist. Where it is impossible to achieve uniform treatment, every effort shall be made by Waypoint and its employees to compensate at the next opportunity in order that every client, large or small, over time, receives equitable treatment in the filling of orders.

In allocating aggregated orders, Waypoint will use several criteria to determine the order in which participating client accounts will receive an allocation thereof. Criteria for allocating bunched orders will include the current concentration of holdings of the industry in question in the account, and, with respect to fixed income accounts, the mix of corporate and/or government securities in an account and the duration of such securities.

Waypoint may purchase or sell securities from or to other managed accounts provided that the transaction is effected through an independent broker at the current market price of the security or at the mid-point of the current market bid/ask price. See Cross-Trading and Interfund Trading.

Transactions for clients shall have priority over personal transactions so that Waypoint's personal transactions do not act adversely to a client's interest.

## **Fees**

While many of Waypoint's clients invest in Waypoint funds through their independent advisers, Waypoint offers fee-based accounts for some clients. These separately managed accounts pay fees directly to Waypoint and may invest in a non-fee paying series of a Waypoint fund to avoid double-charging fees, or invest in a no-load series since they do not have an external adviser. Some clients may negotiate a fee with Waypoint based on the size of their account.

The use of performance fees in a strategy may influence Waypoint's decision-making as a fund manager. The portfolio manager may invest in riskier investments with the intention to increase the performance fee in the short-term. In order to mitigate this conflict, investment decisions must be backed by a thorough investment analysis. In addition, Waypoint does not engage in short-term, speculative trading as part of its investment strategies.

## **Gifts and Entertainment**

The giving or receiving of gifts and entertainment can compromise independence and objectivity, as it may cause individuals to act in anticipation or because of a gift instead of the best interests of Waypoint clients. While Waypoint recognizes that the practice of giving and receiving gifts and entertainment is an established part of the asset management industry, it has policies in place to limit such activity to a modest



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amount and to ensure that it does not affect the decision making of its representatives. Waypoint keeps track of gifts and entertainment as part of its monitoring of this type of activity.

### **Large Unitholders**

Large inflows or outflows from a fund or strategy due to large unitholder concentration could impact the fund's or strategy's ability to produce a return. Large redemptions could cause the portfolio manager to have to liquidate assets it otherwise would not, at terms that are not as favourable. Alternatively, large inflows could result in a cash drag on fund's or strategy's performance where appropriate investments aren't immediately available. This causes a conflict of interest between different clients' interests. As Waypoint has launched new funds, this risk is greater. In order to address this conflict, Waypoint has, when designing each fund's strategy, determined whether redemption limits or gates may be necessary to limit this risk, such as where a strategy is invested in illiquid securities.

### **Marketing Practices**

Marketing materials are used in various fora to advertise Waypoint's products and services. All marketing materials are reviewed by the CCO and approved prior to distribution. Marketing policies are in place governing the preparation and dissemination of marketing materials, including prohibiting material misstatements or omissions, including required disclosures, complying with National Instrument 81-102 *Investment Funds*, requirements for hypotheticals and CCO approval.

### **Outside Business Activities**

Individuals representing Waypoint may be involved in other activities outside of the firm that pose a conflict with the firm or its clients. Conflicts could arise due to the time involved with the outside activity, leaving insufficient time to devote to Waypoint, potential client confusion in dealing with the representative or access to material non-public information about securities issuers. The potential conflict of interest inherent in an outside activity must be analyzed by the employee and the firm prior to the outside business activity being approved by the CCO of Waypoint. This will include considering: whether the individual will have sufficient time to properly carry out their Waypoint activities; whether the individual will be able to properly service clients (including a fund); the risk of client confusion and what controls there are to mitigate this risk; whether the activity places the individual in a position of power or influence over clients or potential clients (in particular vulnerable clients); whether the activity provides the individual access to privileged, confidential or insider information relevant to their registerable activities (if so, the individual or the entire firm may be restricted from trading in or participating in decisions relating to securities of the issuers involved)

Waypoint is wholly owned by Chesswood Group Limited ("**Chesswood**"), a public company trading on the TSX (CHW). As such, some of the firm's employees may spend a portion of their time working on tasks or projects related to Chesswood. Compliance and the CEO of Waypoint monitor these activities to ensure that sufficient resources are allocated to Waypoint and its clients.

### **Ryan Marr's Roles with Waypoint and Chesswood**

Ryan Marr, the Chief Investment Officer and Portfolio Manager of Waypoint, is also the Chief Executive Officer of Chesswood. There are potential conflicts of interest associated with Mr. Marr's roles with both Waypoint and Chesswood. This includes potential time commitments, conflicts related to



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investments in Chesswood, transactions between Chesswood and a Waypoint portfolio and Mr. Marr's access to material non-public information about Chesswood, which is a public issuer. These conflicts will be managed and mitigated by implementing the following controls:

- Investments by a Waypoint fund in Chesswood shares are prohibited. In addition, any transactions with Chesswood as a counterparty are prohibited in a fund sold through a prospectus, unless approved by the fund's independent review committee.
- Investments may be made in Chesswood through a separately managed account if the client has consented and certain other conditions are met, including that no Waypoint staff is the recommending portfolio manager, and that Mr. Marr or Waypoint is not in possession of material non-public information about Chesswood.
- If a Waypoint fund that is sold through an offering memorandum or similar document (a "**Private Fund**") will enter into a transaction with Chesswood or an affiliate of Chesswood, this fact, and the related conflicts, must be disclosed in the offering document of the Private Fund. Any such transactions will be conducted on market terms. Waypoint and Mr. Marr, in his role as Chief Investment Officer and Portfolio Manager of Waypoint, will at all times act in the best interest of the related Private Fund.

#### Portfolio Managers and Waypoint staff as directors of public companies

One or more of our portfolio managers or other staff members may be asked by a public company to become a member of the company's board of directors. In these cases, each situation is evaluated case by case. Such appointments may create conflicts of interest associated with such dual roles, including conflicts related to time commitments, the potential receipt of material, non-public information by Waypoint or its staff, the potential for investments in the company by a Waypoint client, including a Waypoint fund. In these cases, the following policies are followed:

- The public company involved will be added to Waypoint's list of related and connected issuers and disclosed to Waypoint clients.
- Such appointments must be approved by the CCO and the board of directors of Waypoint and the independent review committee of any funds issued under a prospectus. Such approval will be contingent on the demonstration that the conflicts inherent in such an appointment can be addressed in the best interests of Waypoint clients.
- Any fund offered under a prospectus will generally be prohibited from investing in such an issuer.
- If a Private Fund wishes to enter into a transaction in the securities of such an issuer, this must be disclosed in the offering document of the fund. Any such transactions will be conducted on market terms.
- The portfolio manager or staff member involved will be required to follow certain protocols to prevent the dissemination or receipt of material non-public information by Waypoint or its other staff members, and to ensure the confidentiality of both Waypoint's and the issuer's information.

## **Personal Trading**

Employee personal trading can create a conflict of interest because employees with knowledge of Waypoint's trading decisions could use that information for their own benefit. Waypoint has adopted a policy to limit, monitor and, in certain instances, restrict personal trading by the employees of Waypoint in order to ensure that there is no conflict between such personal trading and the interests of Waypoint's clients. Each of Waypoint's employees, officers and directors are required to put the interests of clients first, ahead of their own personal self-interests. In particular, any individual who has, or is able to obtain access to, non-public information concerning the portfolio holdings, the trading activities or the ongoing investment programs of the funds or other clients of Waypoint, is prohibited from using such information for their direct or indirect personal benefit or in a manner which would not be in the best interests of clients. These individuals also must not use their position to obtain special treatment or investment opportunities not generally available to Waypoint's clients. The policy includes a requirement to obtain prior approval from the CCO prior to executing any personal trades. Failure to comply with this policy is cause for disciplinary action up to, and including, immediate dismissal.

## **Pricing and Account or Fund Errors**

The valuation of investments held in Waypoint accounts and funds is the responsibility of Waypoint. There is an inherent conflict in this position, as Waypoint may have the incentive to inflate asset values in order to improve performance or increase fees payable to Waypoint.

Waypoint addresses this by engaging an independent third party to conduct valuations for all funds and accounts it manages, and by ensuring that such party conducts such valuations in accordance with valuation principles established by Waypoint, including Waypoint's fair valuation policy.

For Waypoint's public funds (those offered through a prospectus), the majority of the investments are traded in public markets. A third party has been engaged to calculate the net assets value of the public funds, using Waypoint's valuation policy. For example, publicly traded equities are valued at the last available traded price on the valuation date. Where a security does not have a quoted price or other third party determined price, Waypoint, or a third party engaged by the Waypoint, may use certain valuation techniques, including but not limited to discounted cash flows, in estimating the fair value of such private investments. The process of valuing investments for which no published market exists will inevitably be based on inherent uncertainties and the resulting values may differ from values that would have been used had a ready market existed for the investment. Determination of fair value will take into consideration a variety of factors including, but not limited to, the economic value of an investee company, the dividend policy of an investee company, the estimated cash flows produced by a company, the term to maturity of a loan or fixed income security, the market interest rate or value of similar instruments, the value of any participation rights, whether the investment has a fixed or floating rate, any known impairment, the creditworthiness and status of a borrower, including its payment history and the value of any property securing the investment, any limitations on the liquidity of the investment, overall economic conditions and other conditions specific to the underlying holding.

Where an error has been made in a fund or client account, Waypoint has policies in place to determine whether to correct the error (i.e., if the error is material) and what reporting should be conducted (e.g., any net asset value error in a public fund must be reported to the fund's independent review committee).



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## **Proprietary Products**

Waypoint uses proprietary products in the provision of its services. The firm also offers strategies that mirror its funds' trading strategies through separately managed accounts. The use of proprietary products has inherent conflicts of interest, as representatives generally consider a limited range of available investments. In order to ensure that Waypoint's products and services are suitable for its clients, each client has a personalized investment policy statement prepared summarizing the investor's personal financial circumstances and how the Waypoint product will be allocated in the client's portfolio.

## **Referral Arrangements**

While Waypoint currently has no referral arrangements in place offering and nor does it receive any referral fees, Waypoint may in the future, in its sole discretion, enter into referral arrangements whereby it pays a fee for the referral of a client to Waypoint or to one of the funds it manages. No such payments will be made unless the referred investors are first advised of the arrangement and all applicable securities laws in connection with the referral arrangements are complied with.

## **Related and Connected Issuers**

Securities laws require securities dealers and advisers, when they trade in or advise with respect to their own securities or securities in certain other issuers to which they, or certain other parties related to them, are related or connected, to do so only in accordance with particular disclosure and other rules. These rules require dealers and advisers, prior to trading with or advising their customers or clients, to inform them of the relevant relationship and connections with the issuer of the securities. Clients and customers should refer to the applicable provisions of these securities laws for the particulars of these rules and their rights or consult with a legal adviser.

Waypoint is registered to carry on business as an investment fund manager, portfolio manager and exempt market dealer. As a result, potential conflicts of interest could arise in connection with Waypoint acting in all of these capacities. As an exempt market dealer, Waypoint intends only to sell interests in funds managed by Waypoint. Accordingly, there is no opportunity for a potential conflict to arise as there would be if, for example, Waypoint also sold or sought investors for, securities of unrelated issuers.

Waypoint may from time to time be deemed to be related or connected to one or more issuers for purposes of the disclosure and other rules of the securities laws referred to above. Waypoint is prepared to act as an adviser and as a dealer in the ordinary course of its business to and in respect of securities of any such related or connected issuer. In any such case, these services shall be carried out by Waypoint in the ordinary course of its business as an adviser and a dealer in accordance with its usual practices and procedures and in accordance with all applicable disclosure and other regulatory requirements.

Any fund managed by Waypoint is a related and/or connected issuer of Waypoint. Waypoint acts as the manager of such funds and earns fees for managing the funds. Waypoint acts as an exempt market dealer in connection with the marketing and sale of units of the funds to some clients. However, no commissions are paid to Waypoint in connection with the sale of units of the funds. Where funds are organized as limited partnerships, an affiliate or subsidiary of Waypoint may act as the general partner of the fund.

Chesswood, as the ultimate parent company of Waypoint is a related issuer of Waypoint. Waypoint has policies that prohibit the purchase of Chesswood securities in its public funds, and require disclosure





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of related conflicts in privately offered funds. In a separately managed account, Chesswood securities can only be traded on client instructions. Recommendations to buy or sell Chesswood securities will not be made by Waypoint employees.

## **Sales Practices**

Certain sales practices raise conflicts of interest. In addition to the conflicts discussed under Compensation Practices, Gifts and Entertainment and Marketing Practices, Waypoint also is exposed to conflicts of interest related to the sales of units of its funds. Waypoint has staff who interact with investment advisers who are in turn dealing with end-clients, who are unitholders of one of Waypoint's funds. Conflicts may arise when dealing with such advisers:

- The provision of gifts, meals or entertainment to advisers may influence their decisions with regard to the investment of client money. Waypoint has policies that limit the amount of monetary or non-monetary benefit that can be provided to advisers, including through meals, entertainment, services, training or other benefits.
- The compensation of advisers, through trailing and other commissions, can influence adviser decisions. If the Waypoint fund pays a higher trailing commission than other funds, then an adviser may be influenced to recommend Waypoint funds over other funds. Waypoint currently has 3 different classes of its public funds, designed for different adviser models:
  - Series A, where advisers and clients negotiate an up-front commission, and a trailing commission is paid to advisers. This commission is paid as long as the investor owns the fund and is paid out of the management fee that Waypoint earns. This series is for advisers who are on a commission-based business model. This adviser model carries certain conflicts, which you should ask your adviser about.
  - Series F, where no trailing commission is paid from the fund. This series is for clients who have fee-based advisers. Advisers and their clients will agree to a fee rate separate from the decision to invest in a Waypoint fund.
  - Series I, where no trailing commission is paid from the fund. This series is for institutional clients who are separately negotiating the management fee and performance fee of a fund. These clients are generally not using an adviser.

## **Soft Dollar Arrangements**

All decisions as to the purchase and sale of portfolio securities and all decisions as to the execution of these portfolio transactions, including the selection of market and dealer and the negotiation of commissions, where applicable, will be made by Waypoint. In effecting portfolio transactions, Waypoint will seek to obtain best execution of orders as required by applicable securities regulations.

Soft dollar arrangements occur when brokers have agreed to provide other services (relating to research and trade execution) at no cost to Waypoint in exchange for brokerage business from Waypoint's managed accounts and funds. Although the brokers involved in soft dollar arrangements do not necessarily charge the lowest brokerage commissions, Waypoint may nonetheless enter into such arrangements when it is of the view that such brokers provide best execution and/or the value of the research and other services exceeds any incremental commission costs.



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To the extent that the terms offered by more than one dealer are considered by Waypoint to be comparable, Waypoint may, in its discretion, choose to purchase and sell portfolio securities from and to or through dealers who provide research, statistical and other services to Waypoint in respect of its management of client accounts. Waypoint will only enter into such arrangements in accordance with industry standards when it is of the view that such arrangements are for the benefit of its clients, however not all brokerage arrangements will benefit all clients at all times.

Waypoint intends to limit soft dollar arrangements but will enter into such arrangements in accordance with applicable law when it is of the view that such arrangements are for the benefit of its clients. Names of the dealer(s) that provided Waypoint with such research services in connection with the portfolio transactions for clients during the last financial year will be provided on request by contacting Waypoint.

### **Sub-Advisory Agreements**

Where Waypoint is engaged as a sub-advisor for a third-party fund or account, Waypoint is given control over assets of that fund or account. This is an inherent conflict of interest, similar to the conflicts between clients or funds. Waypoint may have the incentive to favour the third-party fund or account over the account of a Waypoint client depending on the compensation structure. Where such arrangements are in place, the portfolio managers responsible for the sub-advisory activities must follow all of Waypoint's existing policies with respect to such third-party funds and accounts, including cross-trading, expense allocation and fairness in allocating securities, where appropriate.