



GUIDANCE ON CONFLICT OF INTEREST

1. Introduction

This Conflicts of Interest (“COI”) guidance is adopted by Black Swan Dexteritas, Inc. (“BSD”).

The overarching principle is that regulated entities within BSD are required to take all reasonable steps to identify and manage conflicts of interest between them and their clients, or between one client of BSD and another; with respect to client focused reforms mandated conflicts of interest disclosure.

It is BSD policy that all employees, their Associates, Directors and others acting on BSD’s behalf must be free from CoI that could adversely influence their judgment, objectivity or loyalty to the company in conducting BSD’s business activities. Where a CoI does arise, it must be promptly reported. BSD recognizes that employees may take part in legitimate financial, business, charitable and other activities outside their roles at BSD, but any potential CoI raised by these activities must be disclosed promptly to management/compliance.

Even the appearance of a CoI can damage the interests of BSD and therefore should be avoided where possible. BSD encourages a culture of openness – disclosure of CoIs should not be ignored.

2. What is a Conflict of Interest?

With guidance from the Canadian Securities Administration, BSD considers a conflict of interest to be any circumstance where the interests of different parties, such as the interests of a client and those of a registrant, are inconsistent or divergent. Conflicts of Interest which carry a material risk of damage to the interests of a client may include situations where BSD or any person directly or indirectly linked to the BSD:

1. is likely to make a financial gain or avoid a financial loss at the expense of a client, or as a result of a BSD fund, in which the client has an investment, entering into a transaction;
2. has an interest in the outcome of a service provided to, or of a transaction carried out on behalf of, a client which is distinct from the client’s interest in that outcome;
3. has a financial or other incentive to favour the interests of another client or group of clients over the interests of the client;
4. carries on the same business as a client;
5. receives, or will receive, from a person other than a client an inducement in relation to the service provided to that client in the form of monies, goods or services, other than the declared standard commission or fee for that service;
6. designs, markets or recommends a product or service without properly considering all the BSD’s other products and services and the interests of its clients and makes the fees payable in such product clear to the client; or
7. where there is non-disclosure of BSD or BSD employees having an interest or position in an outcome of a transaction that is at odds with the outcome sought by the client.

3. Conflicts of Interest Identified by BSD

National Instruments 31-103CP provides that generally, there are three methods to respond to conflicts of interest: (i) avoidance; (ii) control and (iii) disclosure. Registrants must avoid conflicts of interest prohibited by law and should avoid a conflict if it is sufficiently contrary to the interests of a client that there can be no other reasonable response. The regulated activities conducted by BSD are detailed above. BSD notes that a principal area where conflicts of interest could arise are between employees (and their Associates) and BSD's clients.

4. Managing conflicts of interest

Employees of BSD are expected to conduct themselves in a way that avoids CoI wherever possible. When a CoI is identified or where a potential CoI may arise, all employees have a duty to ensure the fair treatment of all related parties and to make the appropriate disclosures to senior management including compliance. Accordingly, BSD has procedures for managing conflicts of interest, see below:

- **Personal account dealing requirements**

BSD operates personal account dealing requirements which, among other things, prohibit employees from undertaking dealing in circumstances where such dealing would conflict with duties owed by its clients (those with segregated, and those directly invested into BSD Funds).

- **Outside business activities (OBAs)**

Outside business activities of employees of BSD conflicting with BSD's interests and the interests of BSD's clients are prohibited, unless senior management (including Compliance) approval has been sought in writing and obtained.

- **Independence policy**

Where BSD, or an individual employed by BSD has an interest, arrangement or relationship which may be considered likely to influence any exercise of discretion or sales practices.

- **Ethical walls**

This term used for established arrangements, which prevent the unauthorised flow of confidential information from one part of BSD, to another.

- **“Need to Know” Policy**

BSD operates a “need to know” policy. Confidential and/or price sensitive information should only be passed to other people within BSD when there is a clear “need to know” on the part of the recipient and the information transfer is in accordance with the best interests of the client.

- **Restriction on access to information/electronic data**

In order to minimise the risk of accidentally disseminating confidential information, access to computer drives and to files located within drives can be and is restricted by the use of passwords and user IDs.

- **Gifts and inducements log**

BSD maintains a gift log registering the solicitation, offer or receipt of benefits > \$100/person/event.



- **Separation of function**

Job roles are designed to limit the potential for conflicts of interest. Where appropriate, controls exist to prevent employees from undertaking roles where such a conflict may exist.

- **Anti-Bribery and Corruption Procedures**

BSD's committed to adhering to the highest ethical and legal standards.

6. Action to be taken when a CoI is identified

BSD's procedure is to recommend the following allocation methodology to the Investment Manager:

Restricted Portfolio Allocation Policy: Where a percentage allocation is recommended, it must be recommended for all portfolios with the same or near similar, risk/return mandates.

In the specific case where an employee has an interest in the outcome of a decision by BSD, this interest must be declared to the Chief Compliance Officer and the employee must withdraw from the investment decision making process.

7. Disclosure

Where a conflict of interest arises in circumstances where BSD's arrangements for managing conflicts of interest are insufficient to ensure the prevention of risks of damage to a Client's interests as per the above conflicts of interest identified by BSD, BSD will consider making further disclosures to the Clients of the existence of the conflict and seek the permission of interested parties to act, notwithstanding the existence of the conflict.

The disclosure must include sufficient detail to enable a client to take an informed decision with respect to granting permission. In managing conflicts of interest, BSD will pay due attention to the Client's investment objectives, the content of their portfolios/underlying fund make up (for BSD Funds) and BSD Funds investors' objectives.

8. Further information

Questions or requests for further information should be addressed to your Black Swan Dexteritas Inc. representative or to BSD's Chief Compliance Officer.