

# HughesLittle Investment Management Ltd.

## Conflicts of Interest

Canadian securities legislation requires HughesLittle Investment Management Ltd. (“HughesLittle”) to abide by securities legislation and regulations and to make, necessary disclosures. One requirement of the legislation and regulations requires HughesLittle to, prior to trading with, or advising persons to purchase securities, disclose any relevant relationships, connections, or Conflicts of Interest it may have.

As with many relationships there exist actual, potential, and perceived Conflicts of Interest in the relationships between HughesLittle and its Clients. Conflicts of Interest can exist between:

- HughesLittle(1) and its Clients
- Employees of HughesLittle and its Clients
- The Clients of HughesLittle

(1) Includes HughesLittle and related or associated companies of HughesLittle. The identified related or associated companies of HughesLittle are the personal holding companies of employees of HughesLittle that own the voting shares of HughesLittle and units in the HughesLittle Value Fund.

Conflicts of Interest may arise when:

- HughesLittle and or one of its employees have separate business or personal interests that differ from Clients’ interests.
- HughesLittle and or one of its employees may be influenced to put their own interests ahead of Clients’ interests.
- Monetary or non-monetary benefits or disadvantages to HughesLittle or one of its employees might compromise a reasonable Clients’ trust.
- There are differing interests between Clients, resulting in preferential treatment for some in the operation and management of their account and the execution of trades.

HughesLittle responds to Conflicts of Interest by any of the following three methods:

- 1) Avoidance - this method would include avoiding scenarios prohibited by law or those that cannot be effectively and efficiently managed;
- 2) Control - an example would be monitoring of employee personal trading accounts, blackout periods and having pre-approval requirements; and
- 3) Disclosure - HughesLittle will provide information on each conflict for Client’s to independently assess the recommendations and determine a course of action, if any

HughesLittle have identified the following Conflicts of Interest, determined the level of risks each raises, and have responded to each conflict of interest.

- Conflicts of Interests with Clients
  - Relationships
  - Dealings with Related or Connected Issuers
  - Ownership of HughesLittle
  - Boards of Directors

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- Conflicts of Interest between Clients
  - Allocation of trading opportunities
  - Shareholder Voting procedures (Proxy voting)
- Third-party compensation and Referral arrangements
  - Soft Dollar and Client-Directed Brokerage Commissions
  - Referral arrangements
  - Lending to clients
- Full control or authority over the financial affairs of a Client
- Outside business activities and miscellaneous
  - Outside business activities
  - Personal trading
  - Gifts
  - Errors
  - Related Party Ownership of HughesLittle Value Fund and HughesLittle Balanced Fund
  - Changing or adding related or connected issuers

## **CONFLICTS with CLIENTS**

### **Relationships**

HughesLittle is the Investment Manager for eleven separate, discretionally managed accounts (“Managed Accounts”).

- HughesLittle has a variety of potential or perceived conflicts as Investment Manager of the Managed Accounts in the day-to-day operation of these Managed Accounts. HughesLittle has implemented significant processes, procedures, and internal controls to mitigate as best as possible these potential or perceived conflicts.
- When trading under discretionary authority or advising with respect to investments in Managed Accounts, HughesLittle will act in accordance with its Client’s Investment Policy Statements and Investment Management Agreement. In all investment decisions, HughesLittle will deal fairly, honestly and in good faith with each of its Clients.

HughesLittle is the Investment Fund Manager and Exempt Market Dealer of the HughesLittle Value Fund and the HughesLittle Balanced Fund (the “Funds”).

- HughesLittle has a variety of potential or perceived conflicts as Investment Manager of the Funds. HughesLittle has implemented significant processes, procedures, and internal controls to mitigate as best as possible these potential or perceived conflicts.
- When trading under discretionary authority or advising with respect to investments in the Funds, HughesLittle will act in accordance with the Trust Deeds of the Funds. In all

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investment decisions, HughesLittle will deal fairly, honestly and in good faith with each of the Funds.

How HughesLittle is compensated has been identified as a material Conflict of Interest:

- As the Investment Manager of these Managed accounts, HughesLittle is compensated by a management fee that is based on the assets under management of each of these accounts, payable quarterly.
- As Investment Fund Manager of the Funds, HughesLittle is compensated by a management fee that is one percent of assets under management, payable monthly.
- HughesLittle does not get compensated for acting as the Exempt Market Dealer of the Funds. HughesLittle does not charge or receive any sales charge for any purchase or redemption of the Funds.

HughesLittle has extensive procedures and internal controls related to the valuation of securities held by portfolios and the calculation of management fees. These include review and approval by the Chief Compliance Officer. Additional disclosure on valuation procedures and controls is available upon request.

### **Ownership of HughesLittle**

HughesLittle is owned by the employees of HughesLittle or their personal holding companies (Joseph Little and Mark Hughes). All shareholders are active in the day-to-day operation and management of HughesLittle.

The shareholders of HughesLittle do not own shares in any other private companies.

### **Dealings with Related or Connected Issuers**

A related or connected issuer is:

- A related issuer is a person or company that influences or is influenced by another person or company.
- A connected issuer is an issuer of securities that has a relationship with HughesLittle that, in connection with the distribution of securities of the issuer, is material to a prospective purchaser of the securities. If such a relationship existed, the relationship may be material if it is likely that a reasonable prospective purchaser would consider it important under the circumstances to their decision to purchase.

A related registrant is a registered adviser or dealer under securities legislation that has a principal shareholder, director or officer that is a principal shareholder, director or officer of HughesLittle.

HughesLittle is related and connected to the Funds, due to it being the Investment Manager and Exempt Market Dealer of the Funds.

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The employees of HughesLittle are related and connected to the Funds, due to their ownership of units of the Funds and in some cases their ownership of HughesLittle.

HughesLittle or its employees have no direct related or connected issuer relationships with any of the securities that are owned by the Funds or owned by Managed Accounts.

### **Boards of Directors**

#### *Public Companies*

The employees of HughesLittle do not serve on the Board of Directors of any public companies.

#### *Private Companies*

Joseph Little and Mark Hughes are the sole Directors of their personal holding companies. These holding companies own units in the HughesLittle Value Fund. These holding companies do not own units in the HughesLittle Balanced Fund.

No employees of HughesLittle serve on the Board of Directors of any other private companies.

#### *Non-Profit Organizations*

One employee serves on the Board of Directors of two non-profit organizations. Neither of these organizations own units in the Funds. HughesLittle does not manage any monies for this non-profit organization.

No other employees of HughesLittle serve on the Board of Directors of any non-profit organizations.

### **CONFLICTS between CLIENTS**

#### **Fair Allocation of Investment Opportunities**

HughesLittle expressly recognizes the need for the fairness in the allocation of investment opportunities among the Funds or other investment accounts that HughesLittle may manage or may manage in the future. In addition, the directors, officers, and employees of HughesLittle are subject to a personal trading code, which governs their personal investment activities. In compliance with the Personal Trading Policy, directors, officers, and employees may invest in the Funds and also securities that may be owned by the Funds and Managed Accounts.

HughesLittle's policies are that any director, officer, and employee shall:

- Ensure that they deal fairly in the allocation of investment opportunities among Clients;
- Always have a reasonable and adequate basis for investment recommendations made to clients supported by appropriate research and investigation;
- Exercise diligence, thoroughness and independent professional judgment in making any recommendations to Clients and in taking investment action for them;
- In the event of limited availability of any particular security, such as an initial public offering, or in the event of a limited market for any particular security, allocate the

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opportunity on an equitable pro rata basis having regard to such factors as we consider relevant in the circumstances;

- Ensure that any trades done on a bulk basis are allocated amongst Clients' accounts fairly and equitably; and
- Seek best execution with respect to brokerage transactions, taking into account, both the ease and timeliness of the trade and cost of such execution.

### **Shareholding Voting Procedures (Proxy Voting)**

HughesLittle has discretion in voting the portfolio securities purchased on behalf of Clients. A perceived conflict arises given the opportunity to vote securities in HughesLittle's own interest or agree to certain corporate actions, including for the purpose of getting or maintaining certain issuers as Clients. To minimize such conflicts, HughesLittle maintains records of how they vote securities. HughesLittle does not invest in securities of issuers for the purposes of exercising control over or participating in management of issuers.

HughesLittle's Shareholding Voting Policy is:

*Owners of common stock in publicly traded companies have the right to vote on a wide variety of company policies and practices. HughesLittle's basic shareholder voting policy is to only support resolutions that are likely to enhance and increase a company's long-term financial health.*

To support this policy, all shareholder voting proposals will be reviewed on a case-by-case basis by the HughesLittle's Portfolio Managers. Where votes are controversial or against Management, the Portfolio Manager will discuss the voting proposal with the Chief Compliance Officer to determine whether additional action is required;

- unless specifically asked by unit holders or Managed Account holders, HughesLittle will not disclose its voting intentions on specific proxy items;
- HughesLittle will not delegate share-voting responsibilities to others; and
- HughesLittle's shareholder voting record will be maintained.

The Chief Compliance Officer reviews, Shareholder Voting on a quarterly basis to ensure that the votes have been made in accordance with these policies.

### **THIRD PARTY COMPENSATION and REFERRAL ARRANGEMENTS**

#### **Soft Dollar and Client-Directed Brokerage Commissions**

HughesLittle does not participate in any soft dollar arrangements or Client-directed brokerage commission plans. HughesLittle's obligation is to achieve the best execution of all trades, for Clients. By not participating in soft dollar or directed brokerage arrangements, this will ultimately result in lower commission costs for Clients.

#### **Referral Arrangements**

HughesLittle does not participate in any referral arrangements with third parties.

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## **Lending to Clients**

HughesLittle and the Funds do not lend money, extend credit, or provide margin to Clients.

If HughesLittle were to recommend that a Client borrow money from an third party to finance any part of a purchase of a security, in addition to disclosing whether HughesLittle has a relationship with this third party, HughesLittle would provide disclosure to the Client regarding the risks and responsibilities related to the borrowing of money to make investments.

The employees of HughesLittle, other than to close family members who may or may not be Clients, do not lend, extend credit, or provide margin to Clients.

## **FULL CONTROL OR AUTHORITY OVER THE FINANCIAL AFFAIRS OF A CLIENT**

### **Full control over financial affairs of a client**

With the exception of, full control over the financial affairs of close family members, who may also be a Client of HughesLittle, none of the employees of HughesLittle have full control over the financial affairs of a Client.

### **Authority over the financial affairs of a client**

By entering into Investment Management Agreements with a person or entity, HughesLittle has partial authority over the financial affairs of a client. This authority is limited to the assets held in a custodial account, maintained by an independent Third-Party Custodian. For these Managed type accounts, HughesLittle must act in accordance with the person or entity's Investment Policy Statement and Investment Management Agreement. At times when HughesLittle has authority over financial affairs and investment decisions, HughesLittle will deal fairly, honesty and in good faith with each Client.

## **OUTSIDE BUSINESS ACTIVITIES AND MISCELLANEOUS**

### **Outside business activities**

With the exception, of the management of the Holding Companies of Mark Hughes and Joseph Little, none of HughesLittle's employees have any outside business activities. The Chief Compliance Officer's approval is required prior to the commencement of any such activities.

### **Personal Trading**

HughesLittle has implemented a Personal Trading Policy to eliminate the Conflicts of Interest that could arise if employees trade in their own accounts (or those over which they have influence) the same securities held by HughesLittle or those securities to be potentially held by HughesLittle.

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HughesLittle upholds its responsibilities to Clients by:

- not allowing employees to trade until all Client trades are completed.
- by having blackout periods and pre-approval requirements as a standard practice.
- by having the Chief Compliance Officer review all employee brokerage statements on a monthly basis.

HughesLittle's employees have invested the majority, of their investable financial assets in the Funds. They are not required by the terms of their employment to do this.

## Gifts and Business-Related Entertainment

The acceptance of gifts can be perceived as a conflict of interest. HughesLittle has established written policies that are consistent with CFA Institute guidelines that limit the acceptance of gifts:

- HughesLittle does not allow its employees to accept gifts that can be reasonably expected to compromise the employee's independence or objectivity
- all gifts are required to be reported to the Chief Compliance Officer

In the last five years, no employees have received a gift or entertainment as a result of their employment with HughesLittle, from any third party in excess of \$150 on one occasion.

From time-to-time employees participate in ordinary business-related entertainment paid for by third parties. Employees participate in these types of activities if their purpose is not to influence or reward employees. Non-business-related entertainment to be paid for by third parties must be reported to the Chief Compliance Officer prior to their commencement for approval.

## Errors

HughesLittle may have a potential Conflict of interest with regards to any errors committed by the HughesLittle or any third parties it employs. An error may arise with pricing of accounts and may involve additional time, processing, and reimbursement cost to the HughesLittle or Client. HughesLittle will act in the best interest of its Clients to ensure a fair and equitable resolution of the error is handled in a proper and timely fashion. HughesLittle will take steps to ensure that such an error will not reoccur in the future.

## Related Party ownership of the Funds

As of December 31, 2020, and 2019 related party ownership of the Funds was:

	Percentage of units owned 2020	Percentage of units owned 2019
HughesLittle Value Fund	4.4%	4.4%
HughesLittle Balanced Fund	12.1%	12.3%

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The Funds' external auditors KPMG perform extensive audit procedures on the Related Party ownership of the Funds. For financial statement disclosure purposes, the definition of related parties is extended to include close family members of the employees of HughesLittle.

### **Changing or adding related or connected issuers**

If HughesLittle relationships change to add related or connected issuers:

- Where HughesLittle acts as Investment Manager of the Fund, it will inform Unit holders of the relationship before performing any of the management services of the Fund; and
- Where HughesLittle acts as Investment Manager of a Managed Account, it will obtain the Client's specific and informed written consent to such investment direction prior to exercising discretion with respect to investments in those issuers.

### **CLIENT COMPLAINTS**

HughesLittle has extensive procedures for the handling of Client Complaints. More information on how to make a complaint is included on the HughesLittle website: [www.hugheslittle.com](http://www.hugheslittle.com) under the "Investment Options" tab.

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