

Cadence Select Equity Investment Pool FAQs

Contents

Frequently Asked Questions	3
What is an investment pool?	3
What will the pool invest in?	3
What are the main advantages of investing in the pool?.....	3
What are other considerations?	3
Will the management fee change?	4
What are the investment return expectations?.....	4
Are there any tax consequences for transitioning my existing investments to the pools?	4
How do I know you're investing my assets in the same securities I currently hold? What oversights are there?	4
What will I see on my investment statements?	4
Will I be able to see the buys/sells made within the pool? Transparency?.....	5
What is the most important factor in deciding whether to participate in the equity pool?	5
What is the Cadence team doing with their investment holdings?	5
Is the pool considered riskier than my current equity holdings in the Cadence portfolio?.....	5
Can you explain why there are greater income opportunities and how you can better manage risk in the pool?.....	5
Income Generation	5
I've heard that derivatives, like options, are risky, so why are you telling me they are not?.....	5
What are some of the drawbacks of holding the pool?	6
Will I be charged more than what I am currently paying?	6
What if I change my mind about investing in pools?	6
I prefer not to participate in the pool; what are my options?.....	6
What happens on the day I transition my investments to the pool?	6
I have more questions.....	6
Term Sheet	7

Frequently Asked Questions

[What is an investment pool?](#)

Investment pools are like mutual funds. They allow investors to "pool" assets to acquire financial instruments and benefit from economies of scale.

An investment pool differs from individual stocks in that the pool invests in a variety of stocks and other securities, while a stock represents fractional ownership in a particular company.

The Cadence Select Equity investment pool will hold the identical securities (stocks) we purchased for you, which are held in a Separately Managed Account (SMA) at Raymond James Canada Ltd.

[What will the pool invest in?](#)

We focus on North American large-cap dividend-paying companies. If you are invested in either our Income Growth or Select portfolios, the pool holdings will be identical to the existing equity positions held in your account.

[What are the main advantages of investing in the pool?](#)

Improved efficiencies. Tired of searching for all those tax slips in April or figuring out your capital gains and losses? With pools, there is one tax slip, so you're not pulling your hair out a tax time.

Currency. The scale gained from pools will allow for value-added pricing on foreign exchange transactions, which means you benefit from reduced costs. We will also be able to hold multiple currencies rather than always converting back to Canadian dollars, saving on unneeded or excessive foreign conversion exchanges.

More Income. Again, the scale gained from pools will allow us additional income opportunities through simple options strategies. We anticipate that additional income opportunities will enhance returns.

Cash balances. Not to dwell on the subject, but scale will allow us to negotiate better rates on cash balances with money market providers.

Reduced risk. Simple options strategies can mitigate some market risks.

Win-win. Investing in the pool will allow us (your Cadence team) to reduce the additional fees and charges Raymond James applies to household accounts under \$500,000 and small value trades (individual stock trades under \$2,500). You have not been directly impacted by these costs to date, as we absorbed the charges to avoid passing them to you.

[What are other considerations?](#)

Distributions. Companies pay dividends monthly, quarterly or sometimes infrequent special distribution. By investing in pools, we can more efficiently set up a regular distribution tailored to your cash management needs. This also means we don't need to rebalance your entire account when withdrawals happen.

Small accounts (under \$500,000). Some investments are difficult and/or impractical to hold in small accounts such as TFSAs, given the share value of some companies. For example, adding shares BlackRock with a share price of ~\$700 makes trading in the shares impracticable in small accounts as they may not be able to purchase one full share.

Will the management fee change?

No. Your management fee remains the same and will be charged outside the pool directly in the account, just as you see it now.

What are the investment return expectations?

The Cadence Select Equity portfolio's annualized return since inception (January 2013) is 8.5% gross of fees but net of transaction costs. While we cannot predict the future, we aim to achieve mid-single-digit returns over the long run.

Are there any tax consequences for transitioning my existing investments to the pools?

Registered accounts have no tax implications (RSP, SRSP, RIFs, LIFs, TFSAs).

For non-registered accounts (cash, margin), CRA considers the transition as a deemed disposition. Any capital gain/loss will be triggered in the event of transitioning the investments to the pool. These gains or losses can be applied against past (up to 3 years), current or future gains and losses.

For non-resident investors, you should consult with your tax professional to ensure no additional tax consequences are incurred for investing in a pool.

How do I know you're investing my assets in the same securities I currently hold? What oversights are there?

Over the past year, we have worked with our partners at Raymond James Canada to outline the guidelines we will adhere to when investing your assets. We have also attached a Raymond James approved term sheet.

Once the pools are launched, Raymond James' Compliance Department will continuously monitor the investments to ensure we are operating with the agreed-upon guidelines. In fact, operating an investment pool involves greater scrutiny, including audited financials by a third-party accounting firm (BDO Canada LLP).

Your assets remain in the custody of Raymond James Ltd. and you are welcome to ask for a list of current holdings within the pool at any time.

What will I see on my investment statements?

Your Raymond James monthly investment statement shows the total number of units you hold in the Cadence Select Equity investment pool and any other securities held.

The investment pool is held with Raymond James Canada Ltd., a member of the Canadian Investor Protection Fund, which provides coverage of the cash and securities held on your behalf (see Raymond James [How We Protect Your Investments](#)).

Will I be able to see the buys/sells made within the pool? Transparency?

At any time, you can request pool holdings and transactions.

What is the most important factor in deciding whether to participate in the equity pool?
The decision to invest or remain in the SMA comes down to preference. If you wish to monitor and see all the individual stocks held rather than one line item for the pool, you may prefer to remain in the existing SMA version.

Of course, this preference has a cost, as you will forgo the benefits by investing in the pool which we've outlined above.

What is the Cadence team doing with their investment holdings?

We eat what we cook. On the launch date, we will move our investments into the equity pool.

Is the pool considered riskier than my current equity holdings in the Cadence portfolio?
No, we had Raymond James Compliance and their new product team conduct an in-depth review of our investment strategy, investment process and past SMA performance to determine the pool's riskiness.

The conclusion was our strategy was medium to low risk (Raymond James uses three risk ratings: low, medium, and high). We mutually agreed with Raymond James to use a medium risk rating.

Can you explain why there are greater income opportunities and how you can better manage risk in the pool?

Within the pool, we can enact simple options strategies to collect additional income (premiums) and reduce risk, which was operationally impractical to implement using our existing SMA structure.

Income Generation

Let's say we own 100 shares of Apple Inc., and we believe the shares are expensive at \$150. Instead of selling the stock outright at \$150, we can use an options strategy (covered call) to generate additional income. We could sell a call option that expires in one month at a \$150 strike price. In doing so, we collect a premium of \$2. If shares of Apple close below \$150 on the expiry date, we keep the \$2 premium and the original 100 shares of Apple. However, if Apple trades above \$150 on the expiry date, we must sell at \$150 (which we were going to anyway) and retain the \$2 premium.

I've heard that derivatives, like options, are risky, so why are you telling me they are not?
Derivatives on their own and used to speculate are risky. However, derivative products used within the context of an overall investment strategy can enhance income and reduce the portfolio's overall risk.
We will only use derivatives on a portion of the portfolio to ensure adequate liquidity.

What are some of the drawbacks of holding the pool?

Statements. Client statements will not show every position (stock) held in the pool on their monthly statements, only one line item for the pool. However, we can always share the current holdings with you anytime.

Costs. With any new product, there are start-up costs. These costs will not impact your investments, as Cadence will cover them. There is an ongoing cost of the pool of 15 basis points (bps). To put 15 bps into perspective, it is equivalent to 15 cents for every \$100 dollars invested. We believe the value-added benefits of the pool will more than offset the ongoing cost.

Liquidity. If you wish to redeem units, this can be done on a weekly liquidity basis.

Will I be charged more than what I am currently paying?

No. The fee structure remains the same. Although the Cadence team covers many fixed start-up costs and some ongoing variable costs, such as third-party auditor and administration, the Fund does have a modest fee to cover some variable costs.

The cost to clients, charged to the pool, is no more than 15 basis points or 15 cents per \$100 invested. We firmly believe the 15 cents per \$100 invested can easily be made up through improved foreign exchange rates, higher rates of return on cash balances and additional income opportunities.

What if I change my mind about investing in pools?

The decision is ultimately in your hands. If you wish to redeem the pool units and reinvest the proceeds in the SMA version, we can do that.

I prefer not to participate in the pool; what are my options?

Should you not wish to take advantage of the pool, we will continue to manage your assets in the SMA accounts. However, if your account value is less than \$75,000, we intend to move this account to the pool.

What happens on the day I transition my investments to the pool?

In the coming weeks, if you have confirmed your interest, we will move your assets into the pool over the weekend. As part of the transition, you will temporarily see your account value go to zero and subsequently see pool units appear in the account, reflecting the total value of your assets.

I have more questions.

Ask us anything. We have tried to think of any questions you might have. If we left something out, just ask. We intend to provide as much information as needed to make an informed decision. Send us an [email](#) or call (778) 650-4906.

RAYMOND JAMES®

INVESTMENT COUNSEL LTD.

Term Sheet

**Cadence
Select Equity
Fund**

Investment Objective

To provide long-term capital appreciation by investing primarily in companies that have demonstrated a history of sustainable growth and industry-leading financial metrics. Over the long term, the portfolio management team will maintain a meaningful allocation to positions defined as "Core" with the balance allocated to tactical opportunities.

The Select mandate invests primarily in North American investments. The mandate's primary objective is to grow the portfolio by way of capital gains, with some consideration for dividends and interest income.

The portfolio is diversified and managed across multiple market sectors to reduce overall risk, with market volatility similar to its benchmark. The Fund may invest directly or indirectly through investment in one or more exchange-traded funds or certain other investment funds, all of which are independent of the Manager and Raymond James.

Suitability

This Fund may be suitable for investors who:

- Want exposure primarily to North American equities
- Are investing for the medium and/or long term
- Can tolerate medium risk and market volatility

General Information

Fund Manager: Raymond James Investment Counsel Ltd. ("RJIC")

Adviser and Custodian: Raymond James Ltd. ("RJL")

Portfolio Managers: Seth Allen, Jason Castelli & Wayne Nikituk

Fees: No fees will be paid to the Manager by the Funds

Expenses: Fund expenses will be borne by the Fund

Legal Structure: Unit Trust

Qualified Investors: Managed Account Clients of Seth Allen, Jason Castelli & Wayne Nikituk

RRSP Eligible: Yes **Purchases/Redemptions:** Weekly*

Fiscal Year End: December 31

Distributions: at the discretion of the Manager

** While we strive to offer weekly liquidity during times of extreme market volatility, we may be forced to temporarily suspend redemptions if we are unable to redeem or liquidate the underlying assets held by the Fund. Please be assured it is always our intention and goal to honour your request in a timely and efficient manner.*

This term sheet is provided for discussion only, and it does not constitute either an offer or the solicitation of an offer to enter into a securities transaction. It is not intended to set forth a final expression of the terms and conditions of any transaction, and it may be amended, superseded or replaced in its entirety by subsequent term sheets or other summaries of terms and conditions. This term sheet does not purport to identify or suggest all of the risks (direct or indirect) which may be associated with the investment.

Important Disclosures

Related and Connected Issuers

The Fund is a connected issuer as the Fund Manager, RJC, is a wholly-owned subsidiary of the adviser and custodian, RJL. RJC is registered as a Portfolio Manager and Investment Fund Manager. Its principal regulator is the British Columbia Securities Commission.

The management of the Fund's portfolio (setting the Fund's investment objectives, holdings and trading) has been delegated to RJL, in particular to the Cadence Financial Group, which are agents of RJL.

RJL may earn fees to act as a custodian. The assets of the Fund are held in an account at RJL in the name of RJC. You will be holding units of the Fund in your investment account(s), similar to how you would hold a mutual fund.

Conflicts of Interest

This section is in addition to the conflicts of interest section in the Terms and Conditions booklet you were provided when you opened your account.

1. Between you and RJL/Cadence Financial Group

RJL and Cadence Financial Group are in conflict with you because:

- You are a client and will now be holding the pooled Fund, an RJL product, in your account(s);
- You have given RJL/portfolio manager discretion to invest in the Fund on your behalf; and
- In order for the Fund to be successful, a minimum amount of assets must be invested in the Fund.

However, your portfolio manager and RJL must ensure the Fund is suitable for your financial situation, risk tolerance and investment objectives. RJL has policies and procedures in place to ensure your account(s) are invested as per your agreed-upon Investment Policy Statement. Portfolio Managers will

not be compensated for acting as a portfolio manager for the Fund and will continue receiving part of the discretionary management fees already charged to your account(s).

Between you and RJIC	Prospectus
<p>RJIC will not be compensated for acting as Fund Manager for the Fund.</p> <p>Fees you will pay</p> <p>As a client with managed accounts, you already pay a management fee.</p> <p>The Pooled Fund will incur expenses such as administrative, legal and auditing costs. The expenses that can be charged to the Fund are prescribed by securities regulations. Those fees will be paid directly by the Fund. However, it will have an impact on the Fund's rate of return. For example, if a Fund incurs costs of 0.15% and had a return of 6%, the Fund would have a net return of 5.85%. The fees of the Fund will be capped at 15 bps or 0.15%.</p> <p>In Specie Transfer (applicable at launch of the Fund only) [IF APPLICABLE]</p> <p>In order to facilitate the launch of the Fund, we will be proceeding by what is called an <i>in specie</i> transfer. This means that all of your securities will be exchanged for units of the Fund. This procedure bypasses the risks and friction costs involved in selling the shares on the stock market to put cash into the Fund. It also means that you will receive the full current value for your shares in terms of units of the Fund received.</p> <p>This transfer, just like if you sold the securities to purchase units of the Fund, may trigger a capital gain or loss for non-registered accounts. Your portfolio manager will explain the transaction and provide you with an estimate of the potential impact on your account(s).</p>	<p>Under securities legislation, the Fund is not a reporting issuer and does not offer its securities under a prospectus. Only clients of RJL that hold managed account(s) with the named Portfolio Managers will be invested in the Fund. Investors in the Fund are entitled to, but may choose not to, receive annual audited and semi-annual unaudited financial statements regarding the Fund. Clients may choose to have the financial statements delivered only to their adviser. Please talk to your adviser about your preference. The Fund will continue to follow any standing instructions until you inform Raymond James Investment Counsel otherwise by contacting your portfolio manager. Even if you have elected not to receive financial statements, you may request a copy of any financial statements at a later date. For further information, contact Seth Allen, Jason Castelli or Wayne Nikitiuk.</p>