



## **NatWealth Management (USA) Inc.**

Form ADV Part 2A  
Brochure

### **Institutional Client Research Services**

January 30, 2024

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This Brochure provides information about the qualifications and business practices of NatWealth Management (USA) Inc. relating to our investment research services. If you have any questions about the contents of this Brochure, please contact us at (833) 946-1589. The information in this Brochure has not been approved or verified by the United States Securities and Exchange Commission ("SEC") or by any state securities authority. Registration with the SEC does not imply a certain level of skill or training.

Additional information about NatWealth Management (USA) Inc. is also available on the SEC's website at <http://www.adviserinfo.sec.gov/> or <https://adviserinfo.sec.gov/firm/summary/310098>

## **Item 2. Material Changes**

This Brochure dated January 30, 2024 does not contain any material changes from the previous Brochure.

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## Item 4. Advisory Business

This Brochure relates to the Institutional Client Research Services offered by NatWealth Management (USA) Inc. (“NatWealth”, the “Firm”, “we”, or “us”). NatWealth is an investment adviser registered with the U.S. Securities and Exchange Commission (the “SEC”) and was founded in July 2020 as a wholly-owned indirect subsidiary of National Bank of Canada. For purposes of this Brochure, “you” or our “clients” refers to advisory clients of NatWealth Management (USA) Inc. who pay fees for the Institutional Client Research Services described below.

NatWealth is an indirect, wholly owned subsidiary of National Bank of Canada (“NBC”), a federally regulated bank in Canada. Founded in 1859, NBC offers financial services to individuals, businesses, institutional clients and governments across Canada and internationally, and is traded on the Toronto Stock Exchange (TSX:NA).

### INSTITUTIONAL CLIENT RESEARCH SERVICES

Our Institutional Client Research Services advisory business consists of providing impersonal investment advice to institutional clients through the publication of proprietary research reports. Our clients also receive access to the research analysts who prepare such reports, and other research-related services as described below (collectively, “Research Services”).

Research Services may include any or all of the following types of research products and services:

- Research reports produced by research analysts;
- Other research-related correspondence, communications, and analysis from research analysts and their team; and
- Access to research analysts in connection with research conferences, calls with clients, and client meetings.

Research Services do not include any services or communications provided by institutional sales associates or trading desk strategists (including any services or communications that may refer to or be based on Research Services) of our affiliates. Any such services provided by NatWealth affiliates are not part of Research Services, as further described below. NatWealth does not provide any such services.

The delivery of Research Services does not include trade execution, trading, or brokerage services provided to clients by our affiliates, including but not limited to trade ideas or similar advice. Our advisory relationship with Research Services clients is strictly limited to the provision of Research Services, and any trades, transactions or orders that may be executed, routed, or otherwise processed through affiliates on behalf of clients will be handled by our affiliates solely in a capacity as a broker-dealer. Research Services are limited only to the Research Services described above. If you engage in securities transactions with our affiliates, we (and they) will not be acting as an investment adviser to any person with respect to such transactions.

We are not providing any investment advice with respect to your investment portfolio or the management of assets. Research Services constitute impersonal investment advice, and we have no liability whatsoever for any investment decision, or results thereof, that you or any permitted user of our Research Services makes in connection with the use of Research Services (including any information or data provided therein

or otherwise obtained or derived therefrom). However, the limitation contained in this paragraph will not in any way constitute a waiver or limitation of any rights accorded to you under state or federal securities laws for the advisory services.

#### USE OF PARTICIPATING AFFILIATE

The Research Analysts and others who provide the Research Services or act as management persons of the firm are employed by our affiliate, National Bank Financial Inc. (“NBF”); each Research Analyst is deemed an associated person of NatWealth as part of the participating affiliate regime established by SEC Staff no-action letters, and NBF is deemed our participating affiliate.

NBF is a Canadian corporation that is registered as an investment dealer with the securities regulatory authorities in each of the provinces and territories in Canada and is a member of the Canadian Investment Regulatory Organization (“CIRO”). In addition to providing investment dealer services, NBF provides discretionary and non-discretionary investment management and supervisory services to retail and institutional clients in Canada. However, NBF is not registered as an investment adviser in the United States.

#### IMPERSONAL INVESTMENT ADVICE

Research Services do not include any evaluation or recommendation by us of the investment guidelines or security selection for a client’s investment portfolio or the management of assets. Research Services are solely impersonal investment advice.

#### WRAP FEE PROGRAMS

We do not make Research Services available through wrap fee programs.

#### ASSETS UNDER MANAGEMENT

There are no assets under management in connection with the provision of Research Services, whether discretionary or non-discretionary.

## **Item 5. Fees and Compensation**

Fees and other requirements may vary as a result your overall relationship with us, and clients make payments to us in their discretion in respect of research services received.

Research Analysts whose services we provide are not directly compensated based on the sale of securities that may occur following a client’s use of Research Services; however, the broader compensation pool from which Research Analyst compensation is paid is funded in part by compensation that we receive for Research Services, and by equity brokerage commission revenue and other revenues generated by us or our affiliates.

If you decide to execute trades through one of our affiliates, you will incur transaction costs such as commissions, markups, and/or spreads. Our affiliates and/or certain of their personnel will receive fees and compensation for these products and services, and the Research Analysts may indirectly receive compensation related to the same. You are not required to obtain such services from our affiliates. Such transaction costs are exclusive of any payments made to us in respect of Research Services.

Clients may but are not required to utilize any affiliated broker-dealer's brokerage services or any other affiliate's services. However, clients may elect to use other products or services available from or through a NatWealth affiliate. In each such case, the client would pay additional compensation to the relevant affiliate for these additional services. These practices create potential conflicts of interest that may give NatWealth and our affiliates' sales representatives an incentive to recommend other products and services based on the compensation received (whether by the individual making the recommendation, by the affiliate firm, or both), rather than on your needs. See section entitled *Participation or Interest in Client Transactions* for more information about the receipt of compensation by us or our affiliates for the sale of securities and other investment products. We address this conflict through disclosure in this Brochure.

We do not charge fees for Research Services in advance. We do not manage client assets and do not deduct fees from client assets.

#### CONDUCTING SECURITIES BUSINESS THROUGH OUR AFFILIATES

You are neither required to act on any of the information provided through Research Services, nor, as noted above, are you required to transact business with any affiliate of ours if you choose to utilize any information or implement any strategies, recommendations or other ideas contained in research reports or other research materials obtained in connection with Research Services.

Research Services are completed upon the delivery thereof. Thereafter, if you choose to effect any of the investment recommendations or strategies made in Research Services through our affiliates, our affiliate will be acting solely as a broker-dealer, not as an investment adviser.

#### LIMITATIONS ON NATWEALTH'S ROLE AND RESEARCH SERVICES

Your relationship with us is strictly limited to the provision of Research Services, and does not extend to any brokerage, or other investment advisory or other arrangements or services that you may have, or enter into, with us or any of our affiliates. If you desire to engage us or our affiliates for additional services, whether brokerage, investment advisory or otherwise, you should carefully consider the differences among these types of services before using them and must enter into a separate agreement for such services. Any such arrangement will be separate and apart from any relationship created in respect of Research Services.

Our affiliates include broker-dealers and offer brokerage services to clients, including trade execution. There are important differences between brokerage and investment advisory services, including the type of advice and assistance provided, the fees charged, and the rights and obligations of the parties. Brokerage services are regulated under different laws and rules than advisory services. Among our affiliates' many obligations as a broker-dealer, they will execute transactions upon your instruction, and deal fairly with you. As an investment adviser, we must act solely in your best interest, provide certain specific disclosures and generally act in accordance with the standards of a fiduciary as that term is interpreted under applicable law. Of course, the above is an exceedingly brief summary, and numerous laws and regulations apply to each capacity as well as to the specific products or services being provided. It is important for you to understand these differences, particularly when determining which service or services you might select.

Research reports are prepared solely as of the date indicated therein, and NatWealth does not undertake to update any written materials we provide to you in connection with our Research Services. We do not

provide continuous advice or supervision with respect to any securities that are the subject of our Research Services.

#### SOURCES OF REVENUE

In addition to the fees received in respect of the Research Services, we also receive fees in respect of our Wealth Management services, which are described in our Wealth Management Services Brochure.

### **Item 6. Performance-Based Fees and Side-by-Side Management**

NatWealth does not charge performance-based fees for Research Services, nor do any of its supervised persons. The investment recommendations made in connection with the Research Services do not raise the conflicts associated with the side-by-side management of accounts because we do not make or recommend investment decisions for any client.

### **Item 7. Types of Clients**

We provide Research Services to institutional clients, such as hedge funds, private equity funds, pension funds, mutual funds, certain governmental entities, insurance companies, trusts and banks, and/or their consultants and investment advisers. Research clients are not required to open or maintain an account with us, or to enter into any transaction with any affiliate of ours, in order to receive Research Services.

### **Item 8. Methods of Analysis, Investment Strategies and Risk of Loss**

Research Services are impersonal investment advisory services that cover a broad range of securities and are not tailored specifically for particular clients' investment profiles. Research Services, including research reports, are prepared by research personnel who identify and analyze both financial information and strategic issues that may affect companies, industries, and market. Research analysts perform analysis based on proprietary, and publicly available market, industry, and company data.

Research reports may express opinions or provide recommendations that are inconsistent with prior recommendations. Coverage of a particular security or particular issuer may also be terminated.

Information provided in connection with Research Services is for general use only. Neither the information nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or other investment or any options, futures, or other derivatives related to securities or investments. The Research Services do not provide personalized investment advice and the information provided by Research Services does not take into account the specific investment objectives, financial situation, or the particular needs of any specific person.

We, through businesses other than Research Services, or our affiliates may have issued and may in the future, issue trading ideas or issue market commentary that are inconsistent with, and reach different conclusions from the information presented in a Research Services report. Such ideas reflect the different time frames, assumptions, views and analytical methods of the persons who prepared them, and we are under no obligation to ensure that such other trading ideas are brought to the attention of any recipient of such research report.

## CLIENT RESPONSIBILITIES

Clients must make their own independent evaluation of the suitability of the Research Services and the recommendations contained therein to their specific investment objectives, and of the merits of any investment decisions that are based on the Research Services.

Any information relating to the tax status of financial instruments discussed in Research Services reports is not intended to provide tax advice or to be used by anyone to provide tax advice. You are urged to seek tax advice based on your particular circumstances from an independent tax professional.

## RISK DISCLOSURE

In providing Research Services, including research reports, we may rely on third party sources for information that we believe to be reliable. However, we cannot guarantee the quality, accuracy, and/or completeness of such third party information on which our Research Services rely, or of any other related information or data you (or any other authorized user or other person or entity) otherwise obtain or derive in connection with the use of Research Services. We make no express or implied warranties, and disclaim to the maximum extent permitted by applicable law all warranties of merchantability or fitness for a particular purpose or use, with respect to any part of Research Services or any other related information or data. Without limiting any of the foregoing, in no event will we or any of our partners, affiliates, employees, officers, directors, or agents have any liability for an indirect, punitive, special, or consequential damages (including lost profits) to you or any other person or entity, even if we have been notified of the possibility of such damages.

**Potential Loss of Investment.** The past results of the Research Analysts are not necessarily indicative of the future performance of our recommendations. As is true of any investment, there is a risk that an investment will suffer losses, including loss of principal. None of our recommendations is a complete investment program (nor do all recommendations constitute a complete investment program).

## MATERIAL RISKS FOR SIGNIFICANT INVESTMENT STRATEGIES

The following is a summary of the material risks associated with Research Services:

- As noted above, information provided in connection with Research Services is for general use only. Neither the information nor any opinion expressed constitutes an offer, or an invitation to make an offer, to buy or sell any securities or other investment or any options, futures, or other derivatives related to securities or investments. Research Services do not provide personalized investment advice and the information provided by Research Services does not take into account the specific investment objectives, financial situation, or the particular needs of any specific person.
- Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk, and liquidity risk. No security, financial instrument or derivative is suitable for all investors. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire



principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

- Equity Risk. The Research Services primarily focus on equity securities. Equities may involve substantial risks and may be subject to wide and sudden fluctuations in market value, with a resulting fluctuation in the amount of profits and losses. The values of equity securities will fluctuate and, as a result, a client's investment may decline suddenly or over a sustained period of time.
- We may change our views and opinions expressed in Research Services and our views and opinions are subject to change without notice. We have exclusive authority to determine our coverage of companies, markets and other subjects and topics of Research Services and we can terminate, limit or suspend coverage of any such company, market, subject or topic for any or no reason without notice to clients. We may limit, suspend or terminate the Research Services in connection with regulatory restrictions or our policies.
- We are aware that the implementation of the ideas expressed in the report may depend upon your ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "short selling" in many jurisdictions. You are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in the report.
- Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned in the report. Investors in such securities and instruments, including ADRs, effectively assume currency risk.
- Our affiliates are regular issuers of traded financial instruments linked to securities that may have been recommended in the Research Services report. We or our affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in the research report.
- Research reports are based on information that may not reflect information known to, professionals in other areas of our business, including investment banking personnel.
- Securities rated below investment grade are speculative investments.
- FX trading and strategies involve significant risk and investor must be able to absorb substantial losses.
- Employing any listed option strategy is a finite strategy. There are many risks, the most severe of which is the total loss of capital invested and delivery/assignment risk, all of which can occur in a short period.
- Research reports may contain discussions and/or investment opinions relating to securities, financial instruments and/or issuers that are no longer current.
- There is no guarantee or representation made that our recommendations will be successful or profitable.

## Item 9. Disciplinary Information

There are no legal or disciplinary events that are material to a client's or a prospective client's evaluation of our advisory business or the integrity of our management.

## Item 10. Other Financial Industry Activities and Affiliations

NatWealth (together with its affiliates, "NBC") is a cross-border financial services organization, and we have numerous affiliates engaged in financial services activities. NBC's indirect parent, National Bank Financial Inc. (NBF), is a Canadian investment dealer registered with the Canadian Investment Regulatory Organization (CIRO), among other affiliates providing financial services. NBC and its subsidiaries operate diversified financial services businesses, providing an array of services to a broad range of clients. As a result, there exist certain conflicts of interest with respect to companies or other issuers whose securities could be the subject of Research Services.

The Research Analysts and others who provide the Research Services or act as management persons of the firm are employed by our affiliate, NBF; each Research Analyst is deemed an associated person of NatWealth as part of the participating affiliate regime established by SEC Staff no-action letters, and NBF is deemed our participating affiliate. NBF is not registered as an investment adviser in the United States. Certain of these persons may be registered representatives of National Bank of Canada Financial Inc. ("NBCFI"), a SEC-registered broker-dealer.

Our affiliates directly and indirectly provide broker-dealer, investment banking, financing, and related products and services to customers that include our advisory clients. These products and services include securities brokerage, trading, and related activities. Clients may but are not required to use our affiliates as executing brokers for their securities transactions. Clients who decide to implement our recommendations may do so through affiliated or unaffiliated broker-dealers. If a client decides to trade on a recommendation, the client understands that an affiliated broker-dealer may act as principal for its own account or as agent for another person. Such activities could affect the prices and availability of the securities that NatWealth recommends, which could adversely impact the performance of our recommendations. The brokerage services and sales and trading products and services provided by our affiliates, even if such products and services are based on or derived from the Research Services, are separate from Research Services.

Sales representatives of our affiliates may suggest or recommend that clients, including Research Services clients, use an affiliate's securities account, execution, and custody or other services. Similarly, sales representatives may suggest or recommend that clients purchase NatWealth's products or products of an affiliate. Where you use or purchase NatWealth's or our affiliate's services or products, NBC and our affiliates will receive fees and compensation. Sales representatives may, as permitted by applicable law, receive compensation (the amount of which may vary) in connection with these products and services.

NBC may have business relationships with the officers, directors, or employees of a variety of clients, including corporations, pension, and retirement plans, and other entities. These business arrangements may create a conflict of interest to the extent that these individuals have any role or influence in the hiring or retention of NBC and its sales representatives or with respect to their compensation. It is your responsibility to determine whether any such NBC business relationship creates a conflict of interest, to implement appropriate policies and procedures for the disclosure and handling of such matters and to resolve any such conflicts in your best interest.

We address these conflicts in a variety of ways, including disclosure of various conflicts in this Brochure. In addition, we have established a variety of restrictions, procedures, and disclosures designed to address potential conflicts of interest - both those arising between and among client accounts as well as between client accounts and our business.

We do not recommend or select other investment advisers in connection with Research Services.

By reason of the advisory, investment banking, and/or other activities of our affiliates, we and our affiliates may acquire confidential or material non-public information or be restricted from providing Research Services regarding certain securities. We will not be free to divulge, or to act upon, any such confidential or material non-public information and, due to these restrictions, we may not be able to publish a research report or otherwise provide Research Services with respect to such securities.

Certain NatWealth management persons may be registered as registered representatives or associated persons of NBCFI in its capacity as a SEC-registered broker-dealer, or are associated persons of National Bank Financial Inc. (NBF), the CISO-member Canadian investment dealer. In the future, certain personnel may be considered management persons and, as such, may be registered, or have applications pending to register, as registered representatives and associated persons of NBCFI in its capacity of SEC-registered broker-dealer or NBF, to the extent necessary or appropriate to perform their job responsibilities.

## **Item 11. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading**

### CODE OF ETHICS

NatWealth's Code of Ethics (the "Code") applies to NatWealth's associated persons, including but not limited to NBF employees who are involved in NatWealth's business or engaged in offering or providing investment advisory products and/or services (collectively, the "Employees"). All Employees must pledge themselves to the Code as a condition of employment. The purpose of the Code is to prohibit Employees from engaging in securities transactions or activities that involve a material conflict of interest, possible diversion of a corporate opportunity, or the appearance of impropriety. Employees must always place the interests of the Firm's clients above their own and must never use knowledge of client transactions acquired in the course of their work to their own advantage or to the advantage of their friends or family.

Supervisors are required to use reasonable supervision to detect and prevent any violations of the Code by the individuals and departments that they supervise.

We have developed the Code, a compliance manual and internal policies. Among other things, these documents state that our Employees must never put their own interests ahead of their responsibilities toward clients or NatWealth. These documents also reinforce the fact that any material conflict of interest must be addressed in a manner that is fair, equitable, transparent and consistent with clients' best interests.

Here are some highlights from these documents:

- Confidential information: Our Employees are prohibited from using confidential information gained in the course of their duties for their personal benefit or for the benefit of a third party. This includes information related to clients, transactions or client accounts. Our Employees may not exploit any situation to obtain an advantage of any kind.

- Gifts, entertainment and compensation: Employees are prohibited from accepting gifts, entertainment or compensation that could influence the decisions they make in the course of performing their duties.
- Other business activities: Employees are prohibited from engaging in activities that could interfere or conflict with their duties. We will not permit any Employee to engage in business activities outside the scope of their duties without first ensuring that these activities do not compromise our clients' interests or harm our own reputation or that of the industry.
- Client best interests: The interests of clients must always be given priority over those of NatWealth and its Employees.
- Referrals: On occasion, third parties may refer clients to us for our products and services. We do not compensate for any referrals for Research Services.
- Private placements and personal investments: Employees who wish to participate in a private placement, as a buyer or promoter, must first go through our authorization and verification procedure to avoid or supervise any conflicts of interest. Our Employees' personal investments are also subject to our policies and supervision.
- Owning the same securities: Securities subject to a recommendation through Research Services may also be held by some of our Employees, officers or directors, or may come from our related or connected issuers. Our discretionary management services must comply with the applicable legislation and regulations.

A copy of the Code will be provided to any client or prospective client upon request.

#### CONFLICTS OF INTEREST AND INFORMATION WALLS

NBC engages in a wide range of activities and businesses across a broad spectrum of clients. As a result, we recognize actual, potential and perceived conflicts of interest may develop in the normal course of operations in various parts of the NBC organization. To address these potential conflicts, information walls are in place to allow multiple businesses to engage with the same or related clients at the same time while mitigating the conflicts which may arise from such a situation. For example, information walls are designed to prevent the unauthorized disclosure of material nonpublic information and allow public side sales, trading and research activities to continue while other businesses within NBC possess material nonpublic information.

Managing conflicts of interest is an integral part of NBC's risk management process. We believe that no organization can totally eliminate conflicts that exist explicitly or implicitly. NBC, including our Research Services business, evaluates its business activities and the actual and possible conflicts that may emerge from its activities on an ongoing basis. To the extent that existing or new business activities raise an actual conflict of interest, or even the appearance of a conflict, we endeavor to provide you with full and clear disclosure, in particular through this Brochure, or to take action to avoid them.

We may provide Research Services, including research reports, with respect to issuers that are also customers of NBC (for example, customers using our affiliates' investment banking or sales and trading services, including services offered by the participating affiliate that employs the Research Analysts), which may cause the Research Services (implicitly or otherwise) to view such issuers more favorably than would otherwise be the case.

We may also provide Research Services with respect to companies that are “related issuers” of NatWealth. A company or person is a “related issuer” if:

- The person or company is an influential security holder of NatWealth.
- NatWealth is an influential security holder of the person or company.
- NatWealth, and the person or company, are related issuer of the same third-party securities.

A company or person is a “connected issuer” if the issuer has a relationship with us that may lead a reasonable prospective purchaser to question whether we are independent from the issuer. This includes the issuer’s relationship with us, with one of our related issuers or with our directors, officers or partners or those of one of our related issuers.

The following are our related or connected issuers:

- National Bank of Canada: National Bank of Canada is a bank incorporated under the Bank Act (Canada) and is a reporting issuer that holds indirectly 100% of the voting and equity shares of NatWealth.
- Canadian Credit Card Trust II: This trust is a trust whose administrator is National Bank of Canada and whose securities are publicly distributed.
- NBI ETFs: National Bank Investments Inc. (“NBI”), a wholly-owned subsidiary of National Bank of Canada, is the investment fund manager of the NBI ETFs. National Bank Trust Inc. is the portfolio manager of the NBI ETFs. National Bank Financial Inc. acts as designated broker and broker of the NBI ETFs.
- NBI Funds: National Bank Investments Inc., a wholly-owned subsidiary of National Bank of Canada, is the investment fund manager of all NBI Funds (including, without limitation, the Meritage Portfolios, as listed in the NBI Funds prospectus, dated May 13, 2022 and updated annually).

#### Other Related Companies

National Bank Acquisition Holding Inc., an affiliate of NatWealth, owns or controls an equity interest in TMX Group Limited and has a nominee director serving on the board. From time to time, National Bank of Canada may enter into lending or financial arrangements with companies that are the subject of research reports or that are recommended by related entities. At the present date, National Bank of Canada is a lender to TMX Group Limited under its credit facilities. NatWealth is an indirect wholly owned subsidiary of National Bank of Canada. As such, NatWealth may be considered to have an economic interest in TMX Group Limited.

#### PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS

Our affiliates, including affiliates that employ the Research Analysts, act as broker (i.e., agent) for clients and as a dealer (i.e., principal) in the purchase and sale of securities traded on exchanges or in the over-the-counter markets, and may also conduct futures business and foreign exchange activities. As a result of the involvement in multiple business activities, we and our associated persons may have interests unrelated to Research Services clients which may give rise to potential conflicts of interest, including those discussed below. This discussion does not seek to identify all actual or potential conflicts. Information

about certain additional conflicts is described throughout this Brochure and in other documents we may provide you, including but not limited to research reports.

NatWealth may suggest or recommend that Research Services clients also use other NBC products or services. Where our affiliate's services are used or products are purchased by clients, our affiliates, including those employing the Research Analysts, will receive fees and compensation. Sales representatives may, as permitted by applicable law, receive compensation (the amount of which may vary) in connection with these products and services. Compensation received in connection with clients' purchase or sale of stocks, bonds, mutual funds, other securities or insurance products through our affiliates may include commissions, spreads, markups and markdowns, and distribution or other fees.

To the extent an affiliated broker-dealer effects transactions on behalf of clients, including those clients who receive Research Services, the affiliate may act as agent or as principal for its own account, as permitted by applicable law. Similarly, the affiliate may, in transactions involving such clients' securities, act as agent while also representing another client on the other side of the transaction. In addition, NatWealth's clients or those of our affiliates, or our affiliates themselves, may have a position in, or enter purchase or sale orders for, securities recommended to clients in the normal course of our business as a broker-dealer. NatWealth's clients and/or our affiliates may profit from these positions or transactions in securities.

We address these conflicts through disclosure in this Brochure. In addition, we have established a variety of restrictions, procedures and disclosures designed to address potential conflicts of interest - both those arising between and among client accounts as well as between client accounts and our business or between the business of our affiliates. For example, our personnel also are subject to personal trading restrictions as detailed in our policies and procedures and Code of Ethics. These policies and procedures and the Code of Ethics require our access persons to pre-approve certain securities transactions, disclose their investment accounts, and provide or cause NatWealth to receive annual holdings reports and quarterly transaction reports.

#### SECURITIES TRADING BY NATWEALTH AND OUR PERSONNEL

NatWealth and our affiliates act in a variety of capacities to a wide range of clients. From time to time in the course of those duties, confidential information may be acquired that cannot be divulged or acted upon for advisory or other clients. Similarly, we may give advice or take action with regard to certain clients, including Research Services clients, which may differ from that given or taken with regard to other clients. This includes the advice given or actions taken with respect to certain securities or investment managers. In some instances, the actions taken by affiliates with respect to similar services and programs may conflict with the actions taken by us. This is due to, among other things, the differing nature of the affiliate's investment advisory service and differing processes and criteria upon which determinations are made.

In addition, we or our affiliates may have a position in or enter into "proprietary" transactions in securities purchased or sold for clients in the normal course of our business as a broker-dealer. We or our affiliates may benefit from those securities positions or transactions.

Many of the conflicts related to participation or interest in client transactions and personal trading are less pronounced in the context of Research Services. We nevertheless attempt to address conflicts of interest through disclosure in this Brochure and other disclosure documents. In addition, we have established a variety of restrictions, procedures, and disclosures designed to address potential conflicts

of interest - both those arising between and among client accounts as well as between client accounts and our business. For example, our personnel also are subject to personal trading restrictions as detailed in our policies and procedures and Code of Ethics. These policies and procedures and the Code of Ethics require our access persons to obtain preapproval for certain securities transactions, disclose their investment accounts, and provide or cause NatWealth to receive annual holdings reports and quarterly transaction reports.

## **Item 12. Brokerage Practices**

This item is not applicable to our business because NatWealth does not engage in securities transactions in connection with Research Services and, as a result, does not select broker-dealers.

## **Item 13. Review of Accounts**

NatWealth does not manage client accounts and does not provide any personalized investment advice tailored to a client's investment objectives or existing portfolios with respect to Research Services. Accordingly, there are no client account reviews with respect to Research Services.

## **Item 14. Client Referrals and Other Compensation**

NatWealth does not compensate any person for client referrals to it in connection with Research Services.

### OTHER COMPENSATION

NatWealth and our affiliate may have a variety of banking, financial, or service relationships with the unaffiliated issuers of the securities covered by Research Services. These relationships may include acting as an underwriter for the issuers of the securities covered by Research Services. In such relationships, we or our affiliates may receive compensation. We disclose in our research reports, in accordance with applicable law and regulation, our conflicts of interest and those of our research analysts that are or may be material in the context of the relevant report. In addition, NBC has implemented suitable policies and procedures regarding potential conflicts of interest affecting the Research Analysts. Key provisions of the policies and procedures currently include the following:

- Purpose, Content, and Objectivity of Research. All research reports are required to be impartial and to be produced in conditions where conflicts that might impact on the objectivity of the Research Services are properly managed. Research Analysts are required to observe high standards of integrity and ethical behavior, to act at all times in the interests of clients and to report any attempt to influence their view.
- Identification of Conflicts. Applicable policies and procedures are designed to assist in identifying possible conflicts of interest that might affect or raise questions about the impartiality of research. This includes policies and procedures to regulate the flow of information between Research Analysts and other business groups.
- Supervision and Remuneration of Research Analysts. Evaluation and compensation of Research Analysts is determined based on a number of factors, including quality, accuracy and value of research, productivity, experience, individual reputation, and evaluations by investor clients and

employees in other parts of the Firm with whom analysts interact. Investment Banking personnel may not participate in the Firm's evaluation of research analysts and Research Analyst's contributions to investment banking business will not be considered as a factor in determining a Research Analyst's compensation.

- Restrictions on Research Analysts' Activities. Research analysts are restricted from activities that could prejudice, or appear to prejudice, the independence of their research.
- Inducements and Inappropriate Influences. Research analysts are not permitted to promise, imply, communicate, offer or accept any inducement in respect of their publication of research.
- Coverage Decisions. The decision as to whether to initiate, continue or terminate coverage resides solely with the Head of Research. We have adopted a policy that neither we nor any of our employees may, directly or indirectly, retaliate against a research analyst in respect of his or her decision to publish any research report or commentary or for the content of that research.
- Disclosure of Interests. Our research contains certain disclosures as required by various regulatory requirements.
- Research Analysts' Personal Interest and Personal Account Dealing. All securities transactions and investments by Research Analysts must be pre-cleared. Research Analysts are generally not permitted to engage in securities transactions in their sector of coverage and may not otherwise deal in a way where any transaction would constitute a conflict of interest with their production of research.

## **Item 15. Custody**

NatWealth does not have custody of client funds and securities in connection with the provision of Research Services.

## **Item 16. Investment Discretion**

NatWealth does not have or accept discretionary authority in connection with the provision of Research Services.

## **Item 17. Voting Client Securities**

NatWealth does not vote client securities.

## **Item 18. Financial Information**

NatWealth has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients and NatWealth has not been the subject of a bankruptcy proceeding. NatWealth does not require any payment in advance.