# CONFLICTS OF INTEREST DISCLOSURE STATEMENT

Actual, potential, and perceived conflicts of interest exist in almost all business interactions. Newport Private Wealth Inc. (”Newport”) adheres to the highest ethical standards in our relationship with our clients. We work every day to provide you with trusted advice and personalized wealth management solutions that help you achieve your financial and personal goals.

With the introduction of Client Focused Reforms (“CFRs”), effective June 30, 2021, there is a new requirement that material conflicts must be addressed in the best interest of the client. CFRs are based on the fundamental principle that clients’ interests come first – which is also a core principle of Newport and foundational to the way we have always operated. The new CFRs are designed to enhance alignment of interests between you, our client, and Newport, a firm registered with provincial regulators across Canada. This enhanced alignment will result in a more consistent and higher standard of conduct for our investment industry.

In general, we deal with and address relevant conflicts as follows:

**Avoid:** By avoiding conflicts that are prohibited by law as well as conflicts that, in our view, cannot effectively be addressed.
**Control:** By managing acceptable conflicts through means such as developing and monitoring policies and procedures or restricting the internal exchange of information.
**Disclose:** By providing you with information about conflicts, you can assess independently their significance when evaluating our recommendations and any actions we take.

These new conflicts of interest rules require investment advisers (like Newport), to identify and disclose all material conflicts of interest (i.e., a conflict where the interests of a client and those of Newport are inconsistent or divergent). The material conflicts of interest identified include those that the provincial regulators identify as always giving rise to a conflict of interest and others unique to Newport’s business. The purpose of this Conflicts of Interest Disclosure Statement (the “Statement”) is to provide clients with a description of such conflicts Newport may encounter and the measures we have taken to control the conflict, and if necessary, provide you with the appropriate disclosures. We have not presented conflicts which we avoid.

Our goal is to address conflicts in a fair, equitable and transparent manner, consistent with the best interest of our clients. We will try to avoid conflicts where possible, and in all other cases disclose the conflict or manage it through internal controls and review processes. Conflicts deemed too significant to be addressed through controls or disclosures are avoided. Disclosures will be made in a timely, meaningful, and prominent manner and will be updated from time to time if new or potential conflicts arise and additional procedures have been adopted.

If you ever have any questions or concerns, whether they involve conflicts of interest or anything else, you should never hesitate to ask your portfolio manager or Newport’s Chief Compliance Officer for an explanation and more information.

| Category of Conflict | Conflict of Interest | Addressed By | How Conflict Is Managed |
|---|---|---|---|
| **Referral Arrangements** | Paid referral arrangements where the Newport pays or receives a referral fee for a client introduction. | Control/Disclose | Prior to Newport accepting a new referring partner:<br>• The individual or firm undergoes a compliance review.<br>• A standard referral agreement is put in place. Referral agreements are not exclusive.<br>• Training is provided to referral partners and is focused on Newport's marketing guidelines and its policies & procedures, with an emphasis on ensuring a common understanding of the respective roles of the referring partner and Newport in the client relationship.<br>• Ongoing compliance review and monitoring of the referral partner.<br>• Disclosure of the existence of the referral arrangement, the referral fee to be paid and the respective roles of the referring partner and Newport is contained in the Discretionary Managed Account Agreement which the client accepts, in writing.<br>• The referral fee is borne by Newport and not the client. |
| **Acting in a Different Capacity** | Newport or its employees may serve a client in more than one capacity; For example: acting as a portfolio manager and as an executor or power of attorney for a client. | Control/Disclose | • Newport and its employees will try to avoid these situations and will recommend alternative approaches to the client.<br>• If no other solution exists, Newport has policies and procedures which include a review and pre-approval process prior to any employee accepting any appointment from a client.<br>• The client must acknowledge the conflict in writing. |
| **Management Fees** | The compensation of Newport's portfolio managers is based on management fees earned on client portfolios. | Control/Disclose | • Newport has a standard fee schedule which is provided to all clients and is determined by the client's mandate and size of the portfolio, not the portfolio manager. Our fee is all inclusive.<br>• Portfolio managers' compensation is pooled and allocated based on assets under management, as well as contribution to the management and growth of Newport.<br>• The compensation levels and allocations are overseen by Newport's Compensation Committee comprised of the firm's senior management. |
| **Proprietary Products** | Newport acts as both Portfolio Manager for client accounts and Investment Fund Manager for its proprietary funds. | Control/Disclose | If a client has opened an account with Newport, after having been given clear disclosure that the strategy will be using proprietary products, the assumption is that the client has accepted the inherent conflict. |

| | | | |
|---|---|---|---|
| | | | At account opening, clients are provided with the following disclosure documentation:<br>• Related and Connected Issuers Disclosure and Certain Managed Account Transaction Disclosure.<br>• Investment Policy Statement - This document is developed with the client and creates the framework for determining the appropriate mix of assets including which types of investments, including proprietary funds will be permitted and within what ranges. This document is accepted by both the client, the portfolio manager, and Newport.<br>Newport also considered the following in the structure of its proprietary funds:<br>• Majority of the fund assets are professionally managed by third-party sub-advisors.<br>• Provides clients with access to investments otherwise not available to the general investor.<br>• Portfolio rebalancing is done at the fund level, not the client level, therefore reducing transaction and friction costs for the client.<br>• Tax efficiencies, not otherwise available to clients directly can be done at the fund level.<br>• Oversight by Newport's Investment Committee and the Asset Mix Committee and monitoring of third-party sub-advisors with the ability to hire and fire with no direct impact to our clients. |
| **Outside Business Activities** | Outside business activities ("OBAs") may present a conflict of interest, such as a Portfolio Manager acting as a director, officer, shareholder, owner, or partner of a corporation or charitable organizations. | Control/Disclose | • Newport's employees are prohibited from engaging in OBAs that would interfere or create conflict with their duties.<br>• Newport has policies and procedures in place for pre-approval, supervision, disclosure, or prohibition of any conflicts of interest relating to OBAs.<br>• Such arrangements are closely monitored monthly our Chief Compliance Officer. |
| **Gifts & Entertainment** | An employee may receive or give gifts or entertainment opportunities as a result of their relationship with a client. | Control/Disclose | • Newport's Code of Conduct and Personal Trading Policy (the "Code") sets forth standards of business conduct intended to prevent possible conflicts of interest, diversions of corporate opportunity or appearances of impropriety.<br>• The Code provides the guardrails around the provision and acceptance of gifts and business entertainment including the limits on what is deemed appropriate and acceptable gift and entertainment practices.<br>• Gifts and entertainment are subject to disclosure, review, and approval processes. |

| | | | |
|---|---|---|---|
| **Private Investments** | The valuation of private investments has inherent risks and gives rise to the potential for conflicts of interest. For example: if the security is overvalued or undervalued, this could potentially overvalue or undervalue Newport's proprietary funds, which impacts the price a client pays upon entry and exit into and out of the funds. An overvalued investment could result in higher management fees paid to Newport. | Control/Disclose | • Newport has a Private Valuation Committee, comprised of two non-investment individuals. including Newport's Chief Financial & Operating Officer who are responsible for the oversight of the private security monitoring and pricing process.<br>• Newport has valuation policies in place. Many of our private investments are subject to appraisals or valuations conducted by third parties.<br>• There is a working group which is comprised of members of the investment team who are very familiar with the private securities as well as the sector. The working group employs widely used and generally accepted valuation methodologies. The working group provides input in respect of the pricing, but it is the Private Valuation Committee which has the final say on the price recorded by the fund, based on the data provided and their due enquiry.<br>• The financial statements of the Newport funds are audited annually, |