

Relationship Disclosure Information

Our firm's client relationships are built on a strong foundation of transparency and clarity. It is important for all of our clients to understand the services we provide, our investment philosophy, and how we are compensated. This document outlines all of these important issues.



TYPES OF SERVICES OFFERED

Tulett, Matthews & Associates Inc. is an independent firm offering private clients a sophisticated approach to wealth management. We provide discretionary investment management services including taxable accounts, RRSPs, RRIFs, TFSA's, RESPs, trust accounts and corporate investment accounts – all tailored to meet specific objectives.

We base all decisions on the risks and rewards associated with different markets and stay within the parameters of the client's Investment Policy Statement. Specifically, each portfolio is built in the following way:

- by choosing the right mix of equity, fixed income and short-term investments to generate optimal returns while minimizing risk
- by focusing on high quality short and mid-term government and corporate bonds within the fixed income component for capital preservation and portfolio stability
- by taking a global approach within the equity component to enhance diversification and provide participation in growth opportunities worldwide
- by 'tilting' equities toward an appropriate amount of value (stocks with low price-to-book valuations) and small-company stocks to increase expected rates of return
- by using passively managed investments with highly diversified positions to capture the returns of entire asset classes

ENSURING WE KNOW OUR CLIENTS

Your portfolio is constructed based on information gathered during our meetings, discussions, completion of our "know your client" questionnaire and from brokerage application forms.

Security regulators require us to keep up-to-date information on your personal financial situation such as:

- personal income
- employment information
- approximate net worth
- investment experience
- corporate profile
- investment objectives and goals
- risk tolerance
- financial circumstances

This personal information gathered during our Discovery Meetings and our Know Your Client information gathering process allow us to develop a personalized Investment Policy Statement for our clients.

Find clarity and transparency in the investment process

INVESTMENT POLICY STATEMENT

All clients of Tulett, Matthews & Associates have an Investment Policy Statement (IPS). This document is your personal “investment road map.” It integrates your goals and financial situation with key investment principles and themes so that the strategies are most likely to work for you. We also use the IPS to communicate important Relationship Disclosure information.

The IPS integrates much of the information found in the “know your client” information gathering process. With this information, we will put together an IPS that will help you:

- identify your objectives and establish investment guidelines for achieving them
- incorporate your time horizon and your personal wealth components into your investment strategies
- clarify your risk tolerance and incorporate it into your investments
- build an asset allocation that is right for you
- establish realistic expectations
- establish tax-efficient strategies
- better understand how we will work with you
- lay the groundwork for how we will monitor and report your portfolio performance

UNDERSTANDING RISKS

There are many types of risk for investors. We go to great lengths to discuss these risks with our clients. Here are a few that we highlight:

- **Volatility:** the magnitude of the losses and gains that all portfolios will experience over time. (In financial terms, volatility is the standard deviation of returns.) Markets do not move in a straight line, and investors must understand how much downward movement they can tolerate, both financially and emotionally.
- **Financial risk:** the dollar or percentage amount of decline you can accept, given your needs for capital preservation, income and your overall level of wealth.
- **Emotional risk:** the amount of decline you can accept without being tempted to abandon your strategy. This risk will vary based on your personality and previous experience with investments.
- **Purchasing power risk:** the risk that your investment returns will not keep pace with inflation over time. This risk is typically higher with bond and GIC investments.
- **Longevity risk:** the risk that an investor outlives his or her portfolio. Implementing a sustainable annual draw down is one way to help manage this risk.

Your investment strategy should strike a balance between these risks. Asset mix is a key component of long-term success and peace of mind. Stocks are typically much more volatile than bonds, so a risk-averse investor will favor fixed income over equities. Conversely, the asset mix of a risk-tolerant investor will favor stocks.

We believe that portfolio risk can be reduced substantially over the long-term by being well diversified across several different asset classes, as well as geographically.

OUR REGISTRATION AND OUR REGULATORS

Tulett, Matthews & Assoc. Inc. is registered in the category of Portfolio Manager in all provinces of Canada under the national passport system and in Ontario under that province's own regulatory regime. We are registered to provide discretionary portfolio management services in all ten provinces. Our head office is located in Kirkland, Quebec, and accordingly our principal regulator is Quebec's Autorité des marchés financiers (www.lautorite.qc.ca).



INVESTMENT SELECTION AND SUITABILITY

Tulett, Matthews & Associates Inc. has a *fiduciary responsibility* to our clients. As members of the Investment Counsel Association of Canada, we are *professionally and legally bound* to act in the best interest of our clients. This means we must:

- exercise the due care, skill, diligence, analysis and judgment that a prudent portfolio manager would exercise in making decisions regarding the inclusion or exclusion of securities or asset-class investments within each client account
- diversify the investments in the account to the extent that is appropriate and within legal and regulatory parameters for which you have advised us of in writing in your Investment Policy Statement.

USING BORROWED MONEY TO PURCHASE SECURITIES

TMA will not use leverage unless the client specifically acknowledges in writing that this strategy should be employed. This is typically only permitted for a short-term special-needs basis. We do not endorse the ongoing use of borrowed money to purchase securities, as this strategy involves greater risk. If leverage is used, it is the client's responsibility to repay the loan and the interest required by its terms, even if there is a decline in the value of the portfolio.

OFFSHORE INVESTING

Tulett, Matthews & Associates has never recommended or endorsed the use of offshore investment accounts or strategies for any of their clients.

HOW TMA AVOIDS CONFLICTS OF INTEREST

As an independent and licensed portfolio manager, *we are compensated solely by our clients* in the form of portfolio management fees. No fund management or brokerage fees (outlined below) are shared with our firm. Those fees or commissions compensate specific service providers for the financial services that they provide our clients.

Our compensation is the same regardless of which investment products we select for our clients' portfolios. Our client-centred compensation model ensures that *all investment decisions are unbiased and always made in the client's best interests*.

Tulett, Matthews & Associates is a completely independent firm: we are not related in any way to any other firm, individual or related issuer where a potential conflict could develop. We do not manufacture or create any investment products which could be used in a client portfolio.

Find clarity and transparency in the investment process

COSTS OF MAINTAINING YOUR ACCOUNT

The following three types of costs are associated with managing your account:

- **TMA portfolio management fee.** This fee covers the portfolio services rendered by TMA and is paid directly by our clients.

The following phrase will appear in each of our clients' personal Investment Policy Statement under the heading "Portfolio Management Fees": Your account will be debited automatically each month in arrears at a rate of X.XX% per annum (plus applicable taxes).

Our standard fee schedule is as follows:

Assets under management	Fee rate
On the first \$500,000	1.25%
On the next \$1.5M	1.00%
On the next \$3.0M	0.50%
Thereafter >	0.25%

Portfolio management fees paid to TMA for the management of non-registered investment accounts may be tax-deductible for Canadian residents.

TMA will waive our investment management fee on all Tax Free Savings Accounts (TFSAs) and Registered Education Savings Plans (RESPs) accounts until further notice.

- **Custody and brokerage fees.** TD Waterhouse Institutional Services (TDWIS) charges each TMA client account an annual *TD Custodian Fee* of \$200 plus taxes. This fee will be divided equally and billed quarterly directly to all account in arrears (\$50 plus taxes per quarter).



There are no trading commissions/fees charged on transactions. This includes all buy/sell transactions of Canadian & US equities, Exchange Traded Funds, bonds, and all mutual funds including the F & I Class Dimensional Fund Advisors Funds.

The TDWIS is tax deductible for all non-registered accounts.

TDWIS and TMA review the business relationship on a periodic basis to ensure that the business economics are equitable and fair for all parties and therefore TDWIS fees are subject to change.

- **Management fees of asset-class investments.** TMA uses F-Class and I-Class funds from Dimensional Fund Advisors (DFA) and exchange-traded funds (ETFs) in all client portfolios. When structuring portfolios, our objective is to gain exposure to various asset classes using investment products that combine the broadest diversification along with other benefits to our clients. Both DFA and ETFs funds have embedded fees that are deducted by the fund companies and subtracted from the returns received by investors. Details of these management fees are outlined in the table in the next page.

Management Expense Ratio of Asset Class Investments (as of Dec 31 st, 2011*)



Asset Class Investment	Asset Class Represented	Managed by	Fee**
Canadian Bonds			
Individual Cdn. gov't bonds	Short term Cdn. gov't bonds	Tulett, Matthews & Associates Inc.	0.00%
Individual high quality corporate bonds	Short term Cdn. corporate bonds	Tulett, Matthews & Associates Inc.	0.00%
DFA 5 Year Variable Maturity Fund	Short term High quality bonds (variable maturity)	Dimensional Fund Advisors	0.39%
iShares DEX Short Term Bond Index Fund (ETF)	Short term Cdn. bonds	Blackrock Asset Management	0.26%
iShares I-5 Yr Laddered Corporate Bond (ETF)	DEX I-5 Yr Corporate Bond Index	Blackrock Asset Management	0.28%
iShares DEX Universe Bond Index Fund (ETF)	Cdn. bond universe	Blackrock Asset Management	0.32%
DFA Investment Grade Fixed Income	Cdn. & Foreign Investment Grade	Dimensional Fund Advisors	0.40%
iShares Real Return Bond Fund (ETF)	Cdn. Govt. & Corp Inv. Grade Real Return Bonds	Blackrock Asset Management	0.37%
Canadian Equity			
iShares S&P/TSX 60 Index Fund (ETF)	Cdn. large cap stocks defined by the S&P*/TSX* 60 Index	Blackrock Asset Management	0.17%
DFA Canadian Core Fund	Cdn. market exposure including value and small cap companies	Dimensional Fund Advisors	0.38%
DFA Canadian Vector Fund	Canadian targeted value & small companies	Dimensional Fund Advisors	0.45%
U.S. Equity			
Vanguard® S&P 500 Index Fund (ETF)	U.S. large cap stocks, defined by the Standard & Poor's 500 Index	The Vanguard Group Inc.	0.06%
iShares S&P 500 Index Fund (ETF)	U.S. large cap stocks, defined by the Standard & Poor's 500 Index	Blackrock Asset Management	0.09%
DFA U.S. Core Fund	U.S. market exposure including value and small cap companies	Dimensional Fund Advisors	0.42%
DFA U.S. Vector Fund	U.S. targeted value & small cap companies	Dimensional Fund Advisors	0.48%
International Equity			
Vanguard MSCI EAFE Fund (ETF)	Int'l large cap. co's defined by MSCI EAFE® Index	The Vanguard Group Inc.	0.12%
iShares MSCI EAFE Index Fund (ETF)	Int'l large cap. companies defined by MSCI EAFE Index.	Blackrock Asset Management	0.34%
DFA International Core Fund	Int'l market exposure including value and small cap companies	Dimensional Fund Advisors	0.57%
DFA Int. Vector Fund	Int'l targeted value and small cap companies	Dimensional Fund Advisors	0.68%
Emerging Market Companies			
Vanguard® Emerging Market Index Fund (ETF)	Emerging mkt. companies defined by MSCI Emerging Markets Index	The Vanguard Group Inc.	0.22%
iShares MSCI Emerging Markets Index Fund (ETF)	Emerging mkt. companies defined by MSCI Emerging Markets Index	Blackrock Asset Management	0.67%

Source: Blackrock Asset Management, Dimensional Fund Advisors, Vanguard Corp.

Disclaimer: TMA client portfolios are customized on an individual basis. Client portfolios may be managed by using various asset class investments within the overall portfolio. The MER stated in this report does not include the TMA asset management fee.

* iShares fees as of Dec. 31 st. 2010 ** taxes not included

Find clarity and transparency in the investment process

CLIENT REPORTING

Our custodian will regularly send you position statements and record of transactions: these will be sent monthly if there has been activity in the account, or every quarter as a minimum. Our custodian will also send you a trade confirmation for all transactions that occur in your account.

Semi-annually (or as otherwise agreed) we will provide you either by mail or electronic means a Portfolio Position Statement and a Portfolio Performance Statement for the period.

Online access to your account is also available through TD Waterhouse WebBroker.

We maintain the strictest confidence with regard to your account in accordance with our Privacy Policy. A copy of our policy is available upon request or on our website: www.tma-invest.com.

REBALANCING AND ALLOCATING FAIRLY

TMA has adopted a Fairness of Allocation Policy that provides an equitable system to do periodic reviews and portfolio rebalancing, pricing of security transactions and the allotment of securities in a way that is fair for all clients. This policy is available for viewing upon request.

Should you have any questions regarding this Relationship Disclosure Information, please don't hesitate to contact us.

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