

# Rethink the Way You Invest

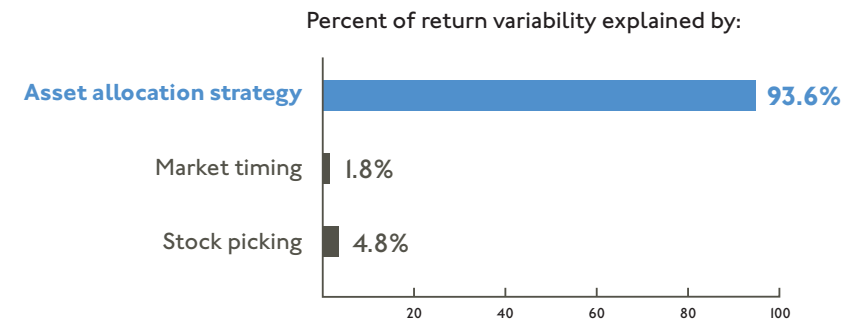
## Critical factors you must consider

### Planning to a goal provides a much better financial outcome



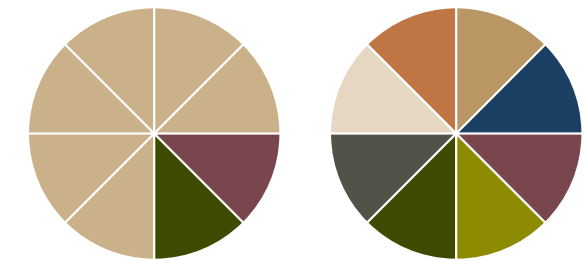
Are you on track to financial independence? Knowing which actions are required to reach your goals is half the battle. Implementing your action plan completes the planning process.

### Asset class allocation & market exposure are the dominant drivers of portfolio variability<sup>1</sup>



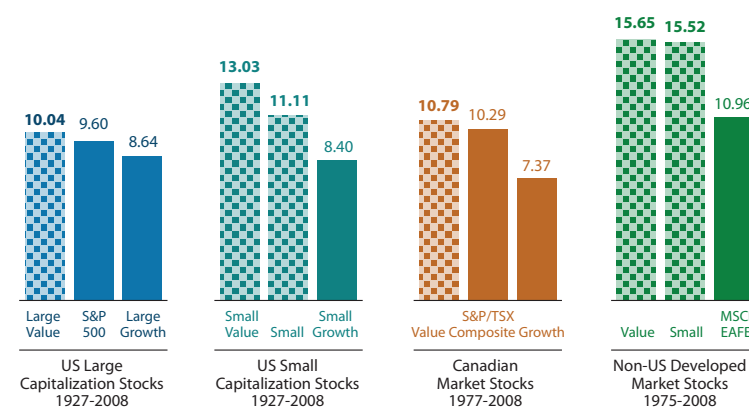
Asset class investing is the most prudent and successful investment management strategy and yet much of the financial media's noise or "investment hype" is focused on risky strategies with low rates of return.

### Understand the difference between good & bad diversification



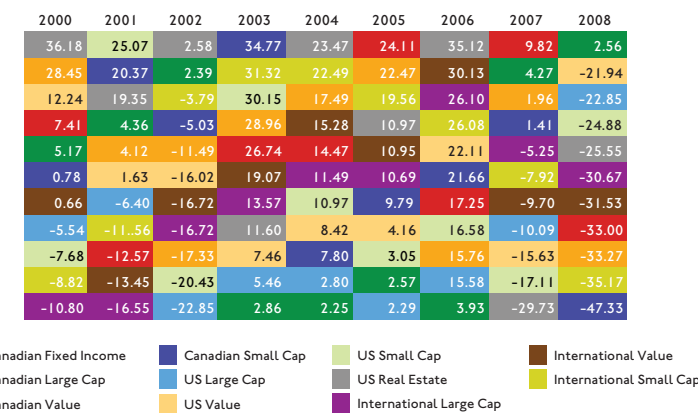
Many investors & some advisors don't seem to fully appreciate and understand this concept. They believe that because they own 15 stocks or 10 mutual funds that they are diversified. Too much overlap results in bad diversification, which can be costly.

### Value & small cap stocks have outperformed growth & large cap stocks over the long-term<sup>2</sup>



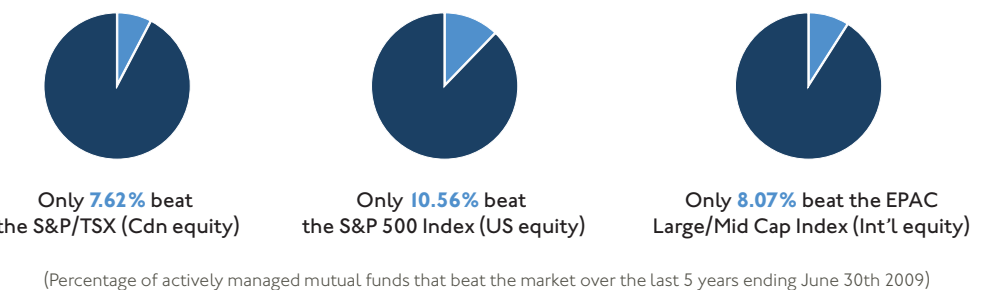
Annualized Compound Returns (%)

### Markets often move in a random & unpredictable fashion<sup>3</sup>



Investors often regret bold portfolio moves that had relied on previous forecasts and predictions.

### Index or passive management often outperforms active management<sup>4</sup>



Over the long-term, few actively managed strategies have been able to match index or asset class returns. The good news is that Asset Class strategies & ETFs that track indices are available to private client investors around the world.

### Strategies that don't "survive" are typically not rewarding investment experiences<sup>4</sup>



Only 43.81% of Canadian equity funds survived a 5 year period. 56.19% did not survive and were merged, liquidated or ceased to exist.

Only 39.75% of U.S. equity funds survived a 5 year period. 60.25% did not survive and were merged, liquidated or ceased to exist.

Only 58.06% of International equity funds survived a 5 year period. 41.94% did not survive and were merged, liquidated or ceased to exist.

Investing in Asset Class Strategies or ETFs that track indices can significantly reduce "survivorship" risks in your portfolio and can produce a more consistent investment experience.

### Understand and be aware of the most common obstacles and investment pitfalls



Common obstacles and pitfalls include: conflicts of interest in the financial services industry; building portfolios based on forecasts; miscalculating your time horizon; lack of an investment plan; timing the market; buying high & selling low; lack of proper diversification.

### Human emotions and cognitive biases can be very disruptive to your long-term wealth



Humans are not "hard wired" to be good at investing. Emotions and cognitive biases often get in the way. Some of these emotions include: fear, greed, stubbornness, hindsight and over-confidence biases, which can often lead very smart people to make costly investment mistakes.

<sup>1</sup> Determinants of Portfolio Performance, Brinson, Singer and Beebower, Financial Analysts Journal, May 1991. <sup>2</sup> US indices in US dollars; all others in Canadian dollars. Developed markets value and growth data provided by Fama/French. The S&P data are provided by Standard & Poor's Index Services Group. US Small is the CRSP 6-10 Index, provided by the Center for Research in Security Prices, University of Chicago. Non-US Small data compiled by Dimensional from Bloomberg, Style Research, London Business School, and Nomura Securities data. MSCI EAFE Index (net dividends) copyright MSCI 2009, all rights reserved. S&P/TSX data provided by S&P/TSX. Emerging Markets data simulated by Fama/French from countries in the IFC Investable Universe; simulations are free-float weighted both within each country and across all countries. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. <sup>3</sup> In Canadian dollars. Charts are for illustrative purposes only. Canadian Fixed Income is Canadian One-Month Treasury Bills, Canadian Large Cap is the S&P/TSX Composite Index, Canadian Value is the MSCI Canada Value Index (net dividends), and Canadian Small Cap is the MSCI Canada Small Cap Index (price only). US Large Cap is the S&P 500 Index. US Value is Russell 3000 Value Index. US Small Cap is CRSP 6-10 Index. US Real Estate is the Dow Jones Wilshire REIT Index. International Large Cap is the MSCI EAFE Index (net dividends), and International Value is the MSCI EAFE Value Index (net dividends). International Small Cap is compiled by Dimensional from Style Research securities data; includes securities of MSCI EAFE countries in the 10%-1% of ME range; market-capitalization weighted; each country capped at 50%; value defined as the top 30% of book-to-market; rebalanced semiannually. Canadian T-bills provided by Scotia Capital Inc. S&P/TSX data provided by S&P/TSX. MSCI data copyright MSCI 2009, all rights reserved. The S&P data provided by Standard & Poor's Index Services Group. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. <sup>4</sup> Source: Standard & Poor's June 30 2009 report "Indices vs Active Funds Scorecard".