

TULETT, MATTHEWS  
& ASSOCIATES

BUILD AND PROTECT YOUR WEALTH  
BRING CLARITY TO YOUR FINANCES  
STOP WORRYING ABOUT THE FUTURE



# Be Financially Secure Forever

Investment and retirement strategies for today, tomorrow, and the future



## WHAT MAKES US DIFFERENT

### FOUR UNIQUE VALUE PROPOSITIONS

### BENEFIT TO OUR CLIENTS

1

#### INDEPENDENT & CONFLICT FREE ADVICE:

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1. Independent firm
2. Client-focused
3. Fiduciary responsibility

Confidence in trusted advice. No commissions, no in-house built investment products, no commercial affiliation with product manufacturers.

2

#### INTEGRATED WEALTH MANAGEMENT:

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1. Portfolio management
2. Financial and estate planning
3. Tax services

Peace of mind, comfort & security that comes from having a personalized action plan which provides a clear and transparent path forward.

3

#### EVIDENCE BASED INVESTMENT PHILOSOPHY:

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1. Liberating investment philosophy
2. Asset class investing
3. Global diversification

Liberation & freedom from stress and worry that comes from “active money management”. Evidence-based investing takes a weight off your shoulders.

4

#### PERSONALIZED BOUTIQUE SERVICE:

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1. High personal touch service
2. A responsive team service approach
3. Clients do not feel like a number

Satisfaction and comfort that comes from boutique experience with caring and professional service

## OUR SERVICES:

### CASH FLOW REVIEW

- Review personal cash flow & savings rate
- Manage contributions (RRSP, TFSA, RESP)
- Execute cash requests & withdrawals (RRIF, LIF)
- Savings through holding company & family trust
- Savings through individual pension plan (IPP)
- Review budgeting & debt management
- Stock option analysis

### PORTFOLIO MANAGEMENT

- Understand your goals & objectives
- Review your willingness to bear risk
- Review your financial capacity to bear risk
- Review target portfolio allocations
- Create investment policy statement
- Build, monitor and manage your portfolio
- Quarterly rebalancing
- Cash flow rebalancing
- Managing investment costs (including trading expense ratios)
- Seeking tax efficient strategies

### INVESTMENT REPORTING

- Monthly custodian reporting
- Quarterly investment reporting
- Asset class performance and benchmarking report
- Annual capital gains and loss report
- Annual management fee report

### TAX SERVICES

- Tax planning
- Federal & provincial tax preparation
- Federal & provincial tax filing
- Annual portfolio tax loss harvesting
- Tax installments payments
- Prepare tax package for client's accountant
- Coordinate with client's external tax advisors

### RETIREMENT PLANNING

- Retirement asset projections
- Retirement plan & cash flow projections
- Retirement sustainability drawdown review
- Pension plan analysis

### INDEPENDENT INSURANCE REVIEW

- Review your insurance needs
- Recommend insurance solutions

### WILLS AND ESTATE PLANNING

- Review your will and mandate (power of attorney)
- Review the 5 W's of estate planning
- Recommend changes and will updates
- Prepare a will memo for your notary or lawyer

### COMMUNICATION

- Highly responsive & available team
- Annual in person meeting
- Additional service meetings as needed
- Special reports & quarterly newsletters

# OUR INVESTMENT PHILOSOPHY: EVIDENCE-BASED INVESTING

## EVIDENCE-BASED INVESTING (EB)

Long-term market history  
Peer-reviewed academic evidence  
Practical application  
Patient participation

VS.

## TRADITIONAL ACTIVE INVESTING (TA)

Near-term market forecasting  
"Expert" opinions  
Speculative venture  
Rapid reaction

EB investors understand near-term market swings are unpredictable; they ignore the "noise."

WE SEE THE FUTURE DIFFERENTLY

TA investors believe they can successfully predict when and how to trade on breaking news.

EB investors assume that time is on their side; they give their plan time to grow.

WE WORK ON DIFFERENT TIMELINES

TA investors feel a sense of urgency to make the "right" calls to beat the market.

EB investors are guided by peer-reviewed academic inquiry (for "steady as she goes" resolve).

WE ARE GUIDED BY DIFFERENT DETERMINANTS

TA investors act on "expert" opinions (which are vulnerable to biases, blind spots and changeable conditions).

EB investors define success as being able to comfortably fund their personal financial goals.

WE DEFINE "SUCCESS" DIFFERENTLY

TA investors define success as outperforming others or making a lot of money.

EB investors manage market risk factors (and their expected returns) and diversify away concentrated risks.

WE USE RISK DIFFERENTLY

TA investors don't distinguish between *market* risks (factors that are expected to yield extra returns) and *concentrated* risks (which just add more risk).

EB investors focus on minimal trading, understanding that the costs involved are among the biggest drags on their end returns.

WE CONSIDER COSTS DIFFERENTLY

TA investors focus on cleverly timed trades over the costs, commissions and taxes they incur.

EB investors participate in the market to earn expected long-term returns according to time-tested academic evidence, their personal goals and individual risk tolerances.

**Bottom Line**  
EVIDENCE-BASED INVESTORS APPROACH INVESTING DIFFERENTLY

TA investors try to **beat** the market through clever stock-picking and market-timing.

That's why, when it comes to your time, your money, your future AND YOUR FAMILY...  
WE CHOOSE **EVIDENCE-BASED INVESTING**

# CRITICAL FACTORS FOR LONG TERM SUCCESS

## 1 EMBRACE MARKET PRICING

The market is an effective, information-processing machine. Millions of participants buy and sell securities in the world markets every day, and the real-time information they bring helps set prices.

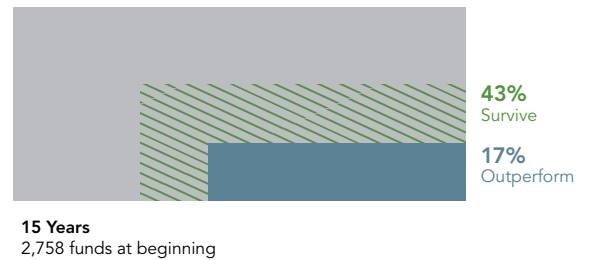
World Equity Trading in 2015

	Number of Trades	Dollar Volume
Daily Average	98.6 million	\$447.3 billion

## 2 DON'T TRY TO OUTGUESS THE MARKET

The market's pricing power works against mutual fund managers who try to outsmart other participants through stock picking or market timing. As evidence, only 17% of US equity mutual funds have survived and outperformed their benchmarks over the past 15 years.

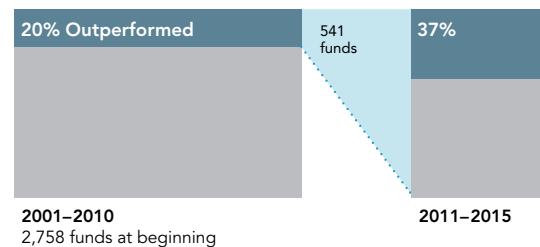
US Equity Mutual Fund Performance



## 3 RESIST CHASING PAST PERFORMANCE

Some investors select mutual funds based on past returns. However, funds that have outperformed in the past do not always persist as winners. Past performance alone provides little insight into a fund's ability to outperform in the future.

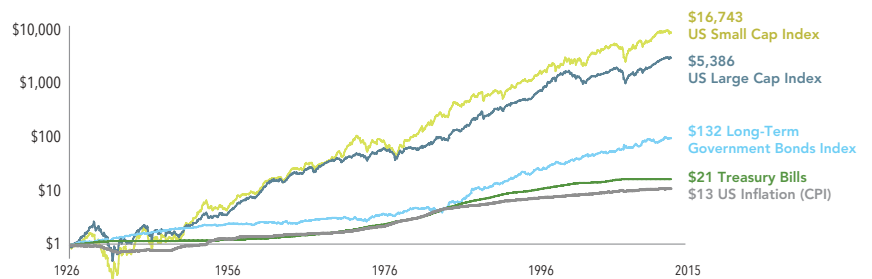
Do Outperforming US Equity Mutual Funds Persist?



## 4 LET MARKETS WORK FOR YOU

The financial markets have rewarded long-term investors. People expect a positive return on the capital they supply, and historically, the equity and bond markets have provided growth of wealth that has more than offset inflation.

Growth of a US Dollar, 1926-2015 (Compounded monthly)



## 5 CONSIDER THE DRIVERS OF RETURNS

Academic research has identified these equity and fixed income dimensions, which point to differences in expected returns. These dimensions are pervasive, persistent, and robust and can be pursued in cost-effective portfolios.

Dimensions of Expected Returns

### EQUITIES

<b>Market</b> Equity premium—stocks vs. bonds
<b>Company Size</b> Small cap premium—small vs. large companies
<b>Relative Price</b> Value premium—value vs. growth companies
<b>Profitability</b> Profitability premium—high vs. low profitability companies

### FIXED INCOME

<b>Term</b> Term premium—longer vs. shorter maturity bonds
<b>Credit</b> Credit premium—lower vs. higher credit quality bonds

## 6 PRACTICE SMART DIVERSIFICATION

Diversification helps reduce risks that have no expected return, but diversifying within your home market is not enough. Global diversification can broaden your investment universe.

### S&P/TSX Composite (1991–2015)

Canadian Model Equity Index Portfolio

Annualized Return (%)	8.26
Annualized Standard Deviation (%)	16.51

### Globally Diversified Portfolio (1991–2015)

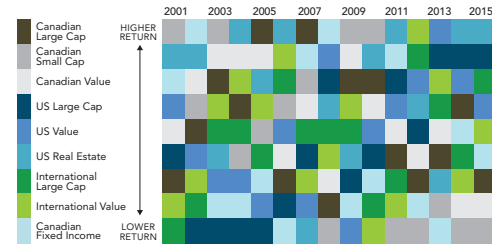
Global Model Diversified Equity Index Portfolio

Annualized Return (%)	9.91
Annualized Standard Deviation (%)	13.55

## 7 AVOID MARKET TIMING

You never know which market segments will outperform from year to year. By holding a globally diversified portfolio, investors are well positioned to seek returns wherever they occur.

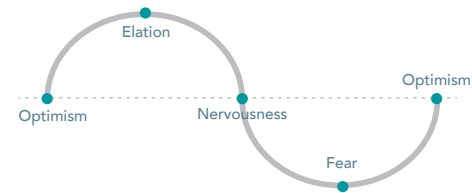
### Annual Returns by Market Index



## 8 MANAGE YOUR EMOTIONS

Many people struggle to separate their emotions from investing. Markets go up and down. Reacting to current market conditions may lead to making poor investment decisions at the worst times.

### Avoid Reactive Investing



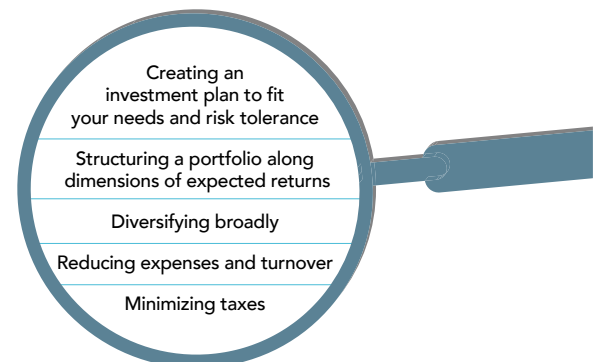
## 9 LOOK BEYOND THE HEADLINES

Daily market news and commentary can challenge your investment discipline. Some messages stir anxiety about the future while others tempt you to chase the latest investment fad. When tested, consider the source and maintain a long-term perspective.



## 10 FOCUS ON WHAT YOU CAN CONTROL

A financial advisor can create a plan tailored to your personal financial needs while helping you focus on actions that add value. This can lead to a better investment experience.



Past performance is no guarantee of future results. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

Diversification does not eliminate the risk of market loss. There is no guarantee investment strategies will be successful. This information is for illustrative purposes only. Refer to last page for additional information.



## TRANSPARENCY & INTEGRITY

### HOW WE ARE COMPENSATED

The sole compensation Tulett, Matthews & Associates (TMA) receives is an investment management fee, calculated monthly in arrears as a percentage of each client's assets. We do not accept any other source of remuneration, thereby avoiding any potential conflicts of interest and ensuring our interests always are fully aligned with our clients. We are a completely independent firm and we are not related in any way to any other firm, individual or related issuer where a potential conflict could develop.

TMA is NOT compensated (does not receive any front end, back end, trailer, underwriting commission or any other form of commission) by any other party. TMA is compensated 100% by the clients they serve. This helps to ensure complete transparency and lays the foundation for you to receive unbiased advice.

## REGISTRATION, CUSTODY OF ASSETS & COMPLIANCE

### OUR FIRM'S REGISTRATION



Tulett, Matthews & Assoc. Inc. is registered in the Province of Quebec in the category of *Portfolio Manager*. Our principal regulator is Quebec's Autorité des marchés financiers (AMF). We are also registered in the category of Portfolio Manager through the regulatory passport system in each of the following provinces: Alberta, British Columbia, Manitoba, New Brunswick, Nova Scotia, Ontario, Saskatchewan & PEI. Portfolio managers meet the highest conditions of registration with the securities commissions.

### CUSTODY OF OUR CLIENTS' ASSETS



Tulett, Matthews & Associates is an independent investment counselor. All client accounts are held at either the National Bank Independent Network (NBIN) or Credential Securities Inc. in their name only. Administration of client accounts is performed by these custodians. National Bank Independent Network is a fully-owned subsidiary of National Bank Financial, itself a fully-owned subsidiary of National Bank of Canada. Credential is 50% owned by Cumi's Group and 50% by Provincial Credit Union Centrals.

### OUR AUDITOR

BDO is one of the leading accounting and advisory firms in Canada and the fifth largest in the world with over 1,400 offices in more than 154 countries. BDO has been our external auditors since 1995.

TULETT, MATTHEWS  
& ASSOCIATES

## OUR INVESTMENT PARTNERS

### PORTFOLIO MANAGEMENT ASSOCIATION OF CANADA (PMAC)



Our firm is a member in good standing with PMAC, the representative organization for portfolio managers in Canada. Members are comprised of both large and small portfolio management firms managing Canadians' pensions and retirement savings. PMAC was established in 1952 and its 240 current members are responsible for managing in excess of \$1.5 trillion of client assets.

### DIMENSIONAL FUND ADVISORS



Tulett, Matthews & Associates works closely with Dimensional Fund Advisors. Their investment researchers are well known in the global investment industry for their pioneering work in portfolio construction concepts and capital market research. Their institutional asset class strategies have been used since 1981 and they currently manage \$673 billion (as of June 2017).

### VANGUARD GROUP AND BLACKROCK INC.



Vanguard and Blackrock each manage a series of exchange traded funds. Exchange traded funds (ETF's) are flexible asset class investment tools that empower portfolio managers and financial advisors to gain asset class exposure in a low-cost, transparent and tax efficient manner. Vanguard and Blackrock currently manage and oversee \$4 and \$5.2 trillion respectively (as of Dec 2016).

### FINAL FRONTIER ADVISORY STUDY GROUP

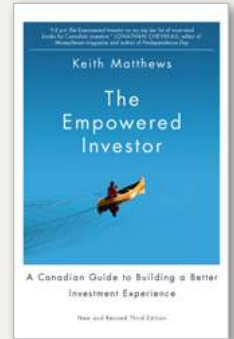


Founded in 2006, the Final Frontier Group (FFG) is an independent group of six private client advisory groups across Canada who meet on a regular basis to share "best practice" ideas. The advisors in the FFG oversee more than \$1.5 billion worth of private client assets.

## RECOGNIZED EXPERTS

### PUBLISHED BOOK

Rethink the way you invest. You can improve your investment experience and it's not as hard as you would imagine. In Keith Matthews' national best selling book entitled:



The Empowered Investor: A Guide to Building Better Portfolios, he lays out a set of Ten Principles to help increase the odds of a successful investment experience.

### RECOGNIZED EXPERTS

TMA are recognized Canadian wealth management & investment management experts. Their views on asset allocation strategies, portfolio management investment tools and trends in the financial services industry have appeared frequently in a variety of Canadian and International media sources.

- The Montreal Gazette
- National Post
- The Globe & Mail
- Morningstar Canada
- Investment Executive
- IE Money
- The Wall Street Journal
- Money Talk on BNN
- Moneysense



## OUR TEAM:

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Disclosures:

Exhibit 1: In US dollars. Global electronic order book (largest 60 exchanges). Source: World Federation of Exchanges.

Exhibit 2: Beginning sample includes US equity mutual funds as of the beginning of the 15-year period ending December 31, 2015. Survivors are funds that were still in existence as of December 31, 2015. Non-survivors include funds that were either liquidated or merged. Outperformers are funds that survived and beat their respective benchmarks over the period.

Exhibit 3: The graph shows the proportion of US equity mutual funds that outperformed and underperformed their respective benchmarks (i.e., winners and losers) during the initial 10-year period ending December 31, 2010. Winning funds were re-evaluated in the subsequent five-year period from 2011 through 2015, with the graph showing winners (outperformers) and losers (underperformers). Fund count and percentages may not correspond due to rounding.

Data Source (Exhibits 2 and 3): Analysis conducted by Dimensional Fund Advisors using data on US-domiciled mutual funds obtained from the CRSP Survivor-Bias-Free US Mutual Fund Database, provided by the Center for Research in Security Prices, University of Chicago. Sample excludes index funds. Benchmark data provided by MSCI, Russell, and S&P. MSCI data © MSCI 2016, all rights reserved. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. The S&P data are provided by Standard & Poor's Index Services Group. Benchmark indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Mutual fund investment values will fluctuate, and shares, when redeemed, may be worth more or less than their original cost. Diversification neither assures a profit nor guarantees against a loss in a declining market.

Exhibit 4: In US dollars. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. US Small Cap Index is the CRSP 6–10 Index; US Large Cap Index is the S&P 500 Index; Long-Term Government Bonds Index is 20-Year US Government Bonds; Treasury Bills are One-Month US Treasury bills; US Inflation is the Consumer Price Index. CRSP data is provided by the Center for Research in Security Prices, University of Chicago. The S&P data is provided by Standard & Poor's Index Services Group. Bonds, T-bills, and inflation data provided by Morningstar. Past performance is no guarantee of future results.

Exhibit 5: Relative price is measured by the price-to-book ratio; value stocks are those with lower price-to-book ratios. Profitability is a measure of current profitability, based on information from individual companies' income statements.

Exhibit 6: In Canadian dollars. Portfolios are for illustrative purposes only. Diversification neither ensures a profit nor guarantees against loss in a declining market. Globally Diversified Portfolio is equally weighted with the following asset groups: Canadian (Large, Small, and Value); US (Large, Small, and Value); US Real Estate; International (Large, Small, and Value). Index descriptions: Canadian Large Cap is the S&P/TSX Composite Index; Canadian Small Cap is the MSCI Canada Small Cap Index (gross dividends), January 1999–present, and Barra Canada Small Cap Index (gross dividends) for December 1998 and before; Canadian Value is the MSCI Canada Value Index (gross dividends), US Large Cap is the S&P 500 Index; US Value is the Russell 3000 Value Index; US Small Cap is the CRSP 6–10 Index; US Real Estate is the Dow Jones US Select REIT Index; International Large Cap is the MSCI EAFE Index (net dividends); International Value is the MSCI EAFE Value Index (net dividends), International Small Cap is the Dimensional International Small Cap Index. MSCI data © MSCI 2016, all rights reserved. Canadian Barra data provided by MSCI Barra. S&P data provided by Standard & Poor's Index Services Group. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Dow Jones US Select data provided by Dow Jones indices. CRSP data provided by the Center for Research in Security Prices, University of Chicago. Dimensional Index data compiled by Dimensional and an index description is available upon request. 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. Date range selected for the model portfolios is the longest common time series of whole years of data available. Rebalanced quarterly. Not to be construed as investment advice. Returns of model portfolios are based on backtested model allocation mixes designed with the benefit of hindsight and do not represent actual investment performance.

Exhibit 7: In Canadian dollars. Chart is for illustrative purposes only. Diversification neither ensures a profit nor guarantees against loss in a declining market. Canadian Large Cap is the S&P/TSX Composite Index. Canadian Small Cap is the MSCI Canada Small Cap Index (gross dividends). Canadian Value is the MSCI Canada IMI Value Index (gross dividends). US Large Cap is the S&P 500 Index. US Value is the Russell 3000 Value Index. US Real Estate is the Dow Jones US Select REIT Index. International Large Cap is the MSCI EAFE Index (net dividends). International Value is the MSCI EAFE Value Index (net dividends). Canadian Fixed Income is the FTSE TMX Canada Universe Bond Index. S&P/TSX data provided by S&P/TSX. MSCI data © MSCI 2016, all rights reserved. S&P data provided by Standard & Poor's Index Services Group. Frank Russell Company is the source and owner of the trademarks, service marks, and copyrights related to the Russell Indexes. Dow Jones US Select data provided by Dow Jones indices. FTSE data published with the permission of FTSE. 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.

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