

TULETT, MATTHEWS & ASSOCIATES



Integrated Wealth Management

PORTFOLIO MANAGEMENT | FINANCIAL PLANNING | TAX SERVICES

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.

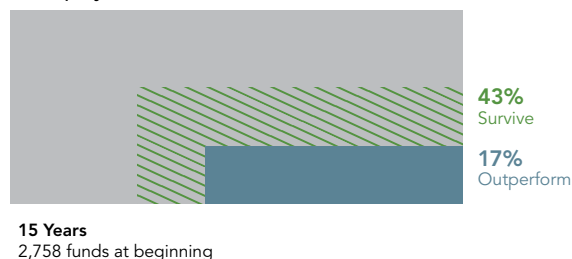
World Equity Trading in 2015

	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.

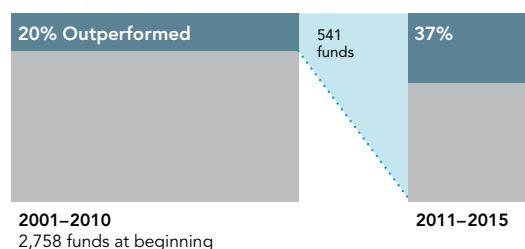
US Equity Mutual Fund Performance



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.

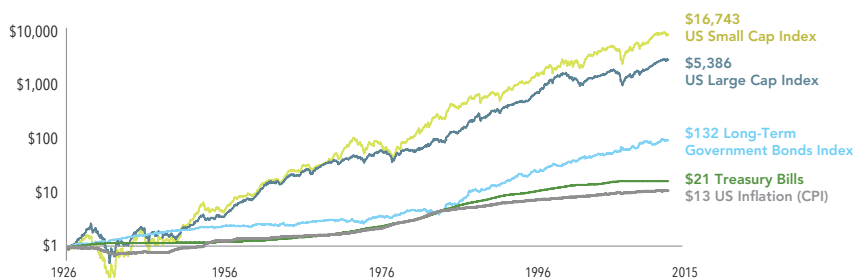
Do Outperforming US Equity Mutual Funds Persist?



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

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

FIXED INCOME

Term Term premium—longer vs. shorter maturity bonds
Credit 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)

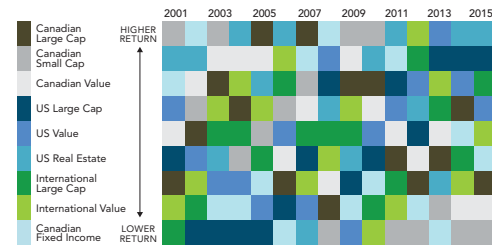
Global Model Diversified Equity Index Portfolio

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.

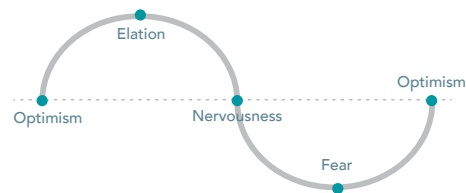
Annual Returns by Market Index



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



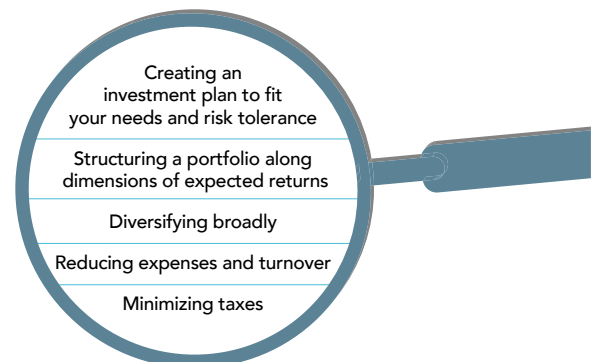
9 LOOK BEYOND THE HEADLINES

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.

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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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