

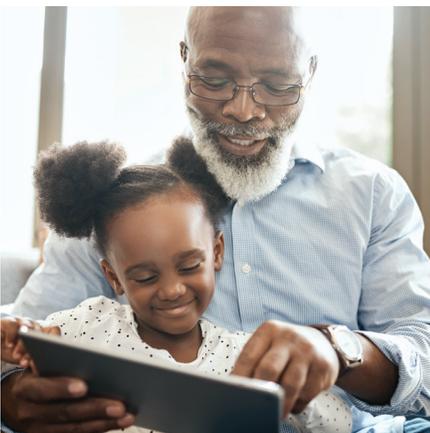
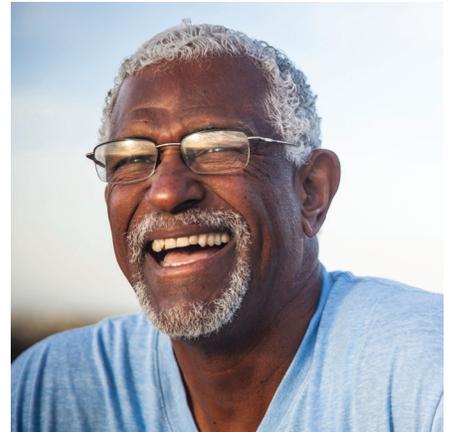
# Building your portfolio



Portfolio  
goals



Investment  
strategy



Long-term  
expectations



# A personalized approach to your investment portfolio

Investing is about more than money. You're investing for a reason — maybe it's retirement, your children's education, the desire to leave a legacy — or all of these things. We work to understand what's important to you, and together we can develop a personalized investment strategy to help get you where you want to be.



# Choosing a portfolio objective

Our primary focus is helping you achieve your financial goals. One of the most important steps in working toward your goals is choosing a portfolio objective. This helps determine the appropriate asset allocation — or mix of investments.

## **Before you select a portfolio objective, we want to discuss:**

- **Your goals**
- **How comfortable you are with risk**
- **When you'll need the money you've invested**

We believe that by understanding what's important to you, we can work together to review your options and help select an appropriate portfolio objective.

## **Your goals**

Before we recommend an investment strategy, we think it's important to get to know you and what you're working toward. Identifying and writing down your specific goals is the starting point. This goes beyond "I want to retire someday."

Your financial advisor will ask questions such as, when do you want to retire? How much money will you need to maintain your current lifestyle? How much do you want to contribute to a child's or grandchild's education savings? Do you want to leave a financial legacy for your heirs? Buy a vacation home? What else is important to you?

We have a systematic approach that helps you identify and prioritize your goals. Then, together you and your financial advisor can build a strategy to help achieve them.

## **Your comfort with risk**

Risk and return go hand in hand. When it comes to reaching your goals, appropriate risk is beneficial and serves a valuable purpose. The more risk you're willing to take, the greater potential returns you may receive. The key is striking the right balance for you.

That's where your comfort level with risk, or your risk tolerance, comes in. This simply means how you feel, personally, about taking investment risk. Generally speaking, the more stock investments you own, the more ups and downs you'll experience — but you'll also have the potential for higher returns.

We also want to understand how much risk you can take (which includes your time horizon) and how much risk you

actually need to take, which are both important factors when selecting a portfolio objective to help you reach your goals.

By knowing your comfort level with risk, you can set realistic expectations and stick with your strategy during the inevitable market declines that happen along the way.

### Your time horizon

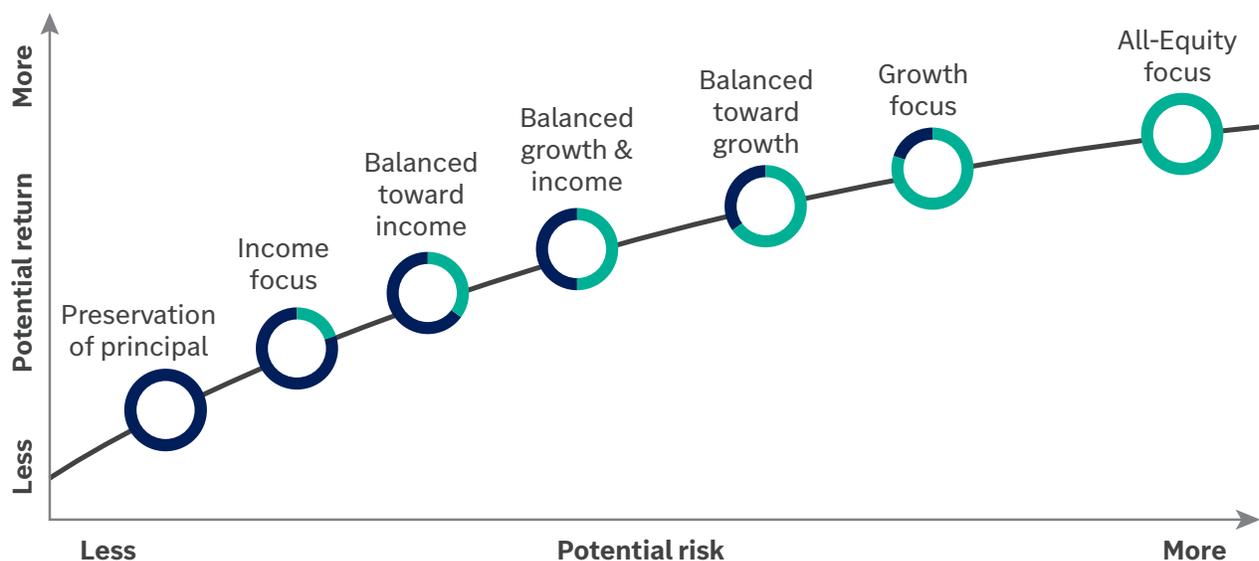
Another major factor to consider when selecting a portfolio objective is when you'll need the money. Typically, the longer you have to invest, the more you can handle short-term market swings, so you may have a larger allocation to stocks, stock mutual funds or ETFs. However, the closer you get to needing

the money for your goals, the more we recommend shifting to more conservative investments, such as bonds, GICs or bond funds, which may have smaller fluctuations in price.

Each of your goals will likely have a different time horizon. If your goal is retirement, when you want to retire (and how long you plan on spending in retirement) determines your time horizon. We refer to your retirement time horizon as your life stage. If one of your goals is to pay for your child's education however, your time horizon is based on when your child may be going to school and how many years of school you plan to pay for. Since each goal may have a different time horizon, each may have a different portfolio objective.

## The trade-off between risk and return

■ Fixed income ■ Equity



# The right mix for you

*So, which portfolio objective may be right for you?* The short answer — it depends. Portfolio objectives are designed to address the complete spectrum of an investor’s needs. It’s important for you to understand the characteristics and trade-offs associated with each one, including risks and returns.

## Income-oriented portfolio objectives

If you choose a more income-oriented portfolio objective, it will usually generate more income and experience less price volatility than a more growth-oriented portfolio objective. However, you give up some return potential and inflation protection.

### Income focus

This portfolio objective emphasizes current interest income with little long-term growth and rising dividend potential. Over the long term, it should have lower risk than portfolios with a more growth-oriented objective.



**Income & cash 72% - 88%**

International 35% - 55%  
Aggressive income 0% - 18%

### Balanced toward income

This portfolio objective emphasizes current interest income while providing modest long-term growth and rising dividend potential. Over the long term, it should have lower to moderate risk.



**Income & cash 57% - 73%**

International 40% - 60%  
Aggressive income 0% - 14%

### Balanced growth & income

This portfolio objective has a balanced emphasis between current interest income and long-term growth with rising dividend potential. Over the long term, it should have moderate risk.



**Income & cash 42% - 58%**

International 45% - 65%  
Aggressive income 0% - 12%

### Preservation of principal



**Income & cash 100%**

### Special circumstances portfolio objective

This Preservation of principal portfolio objective is designed to preserve the original amount invested with little or no opportunity for growth. This portfolio objective is reserved for special circumstances because it contains cash and short-term income securities only and may provide some current income, which can fluctuate.

Less potential risk ←

Your time horizon and comfort with risk will help provide a starting point for selecting your portfolio objective. But there are other factors you should discuss with your financial advisor, such as your income needs, existing savings and your desire to leave a legacy. Any of these factors may cause you to

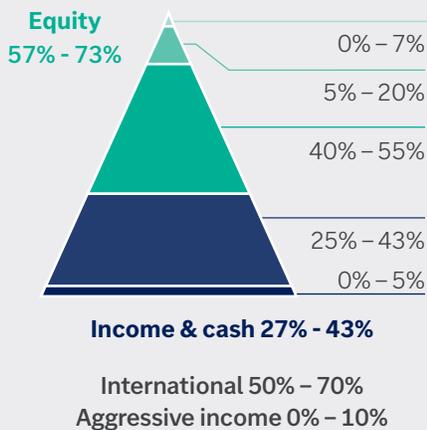
adjust your portfolio objective. And remember, each of your goals may have a different portfolio objective. Additionally, accounts that are tied to a goal may or may not all be invested the same way — the key is that, when combined, their overall allocation aligns with the portfolio objective for that goal.

## Growth-oriented portfolio objectives

The more growth-oriented portfolio objectives typically offer less current income but more potential for growth and inflation protection. They will be more volatile in price, which means the price and value of your investments will change more often and your risk of potential decline will be higher.

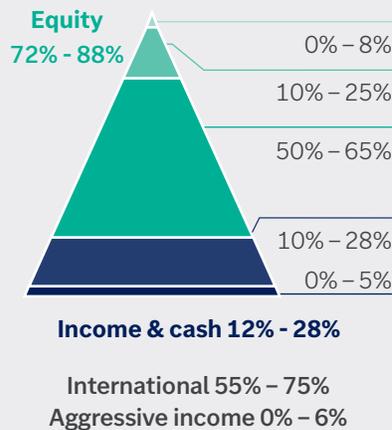
### Balanced toward growth

This portfolio objective emphasizes higher long-term growth and rising dividend potential, with a secondary goal of current interest income. Over the long term, it should have moderate to higher risk.



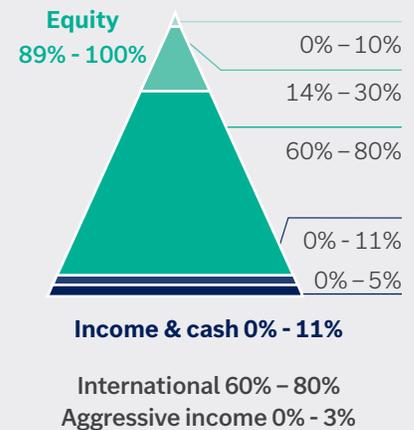
### Growth focus

This portfolio objective emphasizes higher long-term growth and rising dividend potential, while providing modest current interest income. Over the long term, it should have higher risk than portfolios with a more income-oriented objective.



### All-equity focus

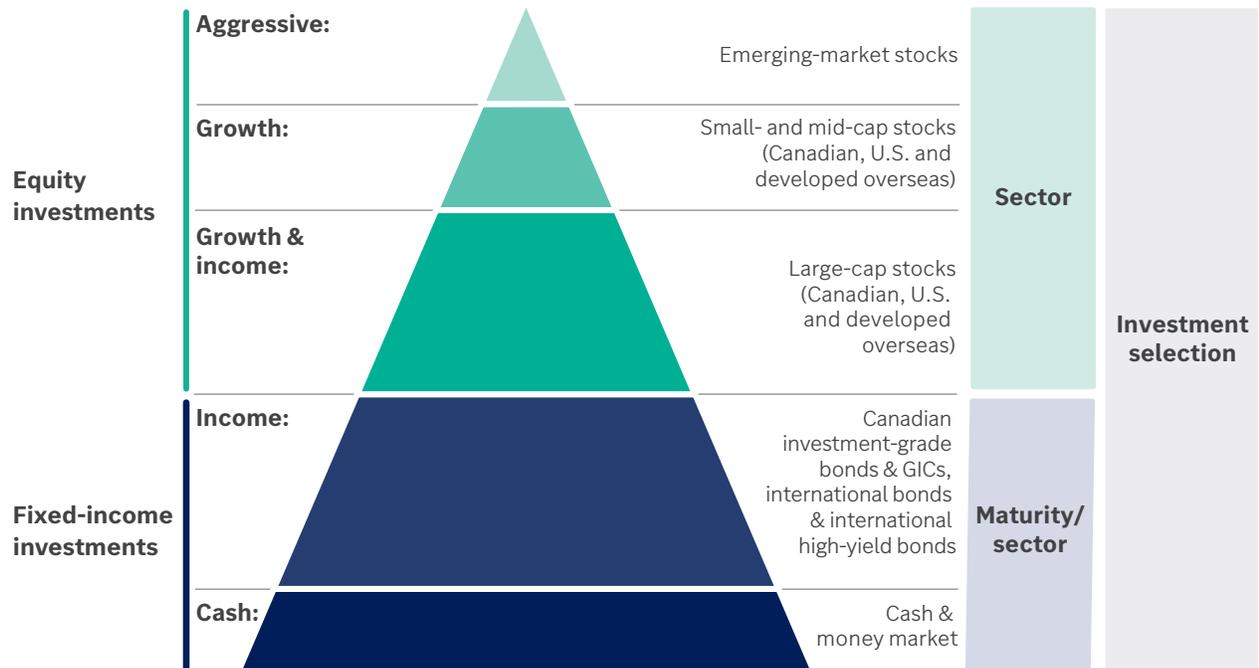
This portfolio objective offers the highest long-term growth and rising dividend potential. It focuses on long-term capital appreciation and provides very little to no current interest income. It also has the highest level of risk because it contains only equity investments.



Investment categories: ■ Aggressive ■ Growth ■ Growth & income ■ Income ■ Cash

# Portfolio construction

After selecting a portfolio objective, you and your financial advisor will work together to build a diversified portfolio with quality investments. This should align with your goals, comfort level with risk, time horizon and other important factors. You can expect the process to follow the progression of the image below, beginning with the mix between equity and fixed income and moving to the right, where you select the individual investments to build your strategy.



Canadian high-yield bonds, which align with the Income investment category, commodities, alternative investments, and stocks trading less than \$4, which align with the Aggressive investment category, are not displayed because they are not recommended.

Our long-term strategic asset allocation guidance can be used as a guide to build your portfolio, which represents our view of balanced diversification for the equity and fixed-income portions of a well-diversified portfolio, based on our global outlook over the next 30 years. Our recommended allocation to each asset class depends on the mix of equity and fixed-income investments you have chosen for your situation, as defined by our portfolio objectives.

# Strategic asset allocation guidance

## Equity diversification



## Fixed-income diversification



## Asset class definitions

<b>Cash</b>	Generally, the highest-quality and most liquid investment but tends to offer lower yields. Holding cash can result in a loss of purchasing power over time due to inflation.
<b>Canadian investment grade bonds</b>	Higher-quality Canadian bonds. They tend to be lower in risk, so they have lower growth potential and lower yield than other bonds.
<b>International bonds</b>	Higher-quality non-Canadian bonds that may or may not include exposure to foreign currencies. Those that have exposure to foreign currencies provide an additional source of diversification when combined with Canadian securities.
<b>International high-yield bonds</b>	Lower-quality non-Canadian bonds that may or may not include exposure to foreign currencies. Provide higher income potential but carry greater risk than higher-quality bonds, particularly those with foreign currency exposure.
<b>Canadian large-cap stocks</b>	Large-sized Canadian companies. Being large and well-established, they tend to be lower risk than other stocks but also tend to offer less growth potential.
<b>U.S. large-cap stocks</b>	Large-sized U.S. companies. Being large and well-established, they tend to be lower risk than other stocks but also tend to offer less growth potential.
<b>Developed overseas large-cap stocks</b>	Large-sized companies headquartered in developed countries outside of Canada and the U.S.. They tend to fluctuate less than developed small- and mid-cap stocks and emerging market stocks.
<b>Canadian small- and mid-cap stocks</b>	Small-to-medium-sized Canadian companies. They tend to offer more growth potential with higher risk than large-cap stocks.
<b>U.S. small- and mid-cap stocks</b>	Small-to-medium-sized U.S. companies. They tend to offer more growth potential with higher risk than large-cap stocks.
<b>Developed overseas small- and mid-cap stocks</b>	Smaller-sized companies headquartered in developed countries outside of Canada and the U.S. They tend to offer more growth potential with higher risk than large-cap stocks.
<b>Emerging-market stocks</b>	Stocks of companies headquartered in countries whose economies are less developed. They tend to have the highest growth potential and, therefore, carry the highest risk potential.

# Portfolio objectives for retirement

For retirement, we've identified five investing "life stages" to serve as the time horizon: three "accumulation" phases if you're saving for retirement and two "distribution" phases if you're already retired and using your investments to support your income needs.

While the guidance table on Page 11 is specific to retirement, we have different guidance tables for other goals, such as paying for education, because the time horizon for these goals is likely different.

Numerous factors can cause you to adjust your portfolio objective from those suggested in the table, including your:

- **Current and future income needs**
- **Amount of existing savings**
- **Investing time horizon**
- **Estate considerations**

Please note that if you adjust your portfolio objective, it does not mean your risk tolerance has changed.



## Portfolio objective guidance table: Retirement goal

Retirement time horizon					
Risk tolerance	Accumulation years (preparing for retirement)			Distribution years (living in retirement)	
	26+ years until retirement	16-25 years until retirement	15 years or fewer until retirement	Expect to spend more than 10 years in retirement	Age 80 or older (and/or expect to spend 10 years or fewer in retirement)
	Early investing years	Good earnings years	High income and savings years	Early retirement years	Late retirement years
High	Growth focus	Growth focus	Growth focus	Balanced toward growth	Balanced toward growth
Medium-high	Growth focus	Growth focus	Growth focus	Balanced toward growth	Balanced growth & income
Medium	Growth focus	Growth focus	Balanced toward growth	Balanced growth & income	Balanced toward income
Low-medium	Growth focus	Balanced toward growth	Balanced toward growth	Balanced growth & income	Balanced toward income
Low	Balanced toward growth	Balanced growth & income	Balanced growth & income	Balanced toward income	Income focus

Note: Age 72 is the oldest possible retirement age for portfolio objective guidance purposes. Portfolio objective recommendations within the accumulation years also assume that you'll spend more than 20 years in retirement.

### Accumulation stages

These are crucial wealth-building years, considering many investors will spend more than 20 years in retirement. Early investing years generally begin when you start your career. Good earnings years typically occur when you have 16 to 25 years until retirement. High income and savings years are usually after children are grown, but you may have up to 15 years until retirement.

This report is for education only and should not be interpreted as specific investment advice. Investors should make investment decisions based on their unique investment objectives and financial situation.

### Distribution stages

You may spend as much time in retirement as you did working. We separate the distribution years into early retirement and late retirement. Think about these phases in terms of how many years you may spend in retirement. In general, early retirement years are for investors who have more than 10 years to rely on their investments for income. There are many important considerations when estimating how long you'll need money from your portfolio, including age, health and your family's longevity.

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