



Investments 101

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Agenda

- CAP Guidelines
- Developing an Investment Menu
- Asset Classes
- Sample Funds
- Risk / Reward Relationship
- Maintenance of Investment Menu



Objectives Today

- Requirements of CAP Guidelines
- How to develop an investment menu
- Maintaining/reviewing investment menu
- Making changes to the fund lineup



CAP Guidelines

Intent of the CAP Guidelines

- To outline and clarify the rights and responsibilities of plan sponsors, service providers and members, and
- To ensure that members are provided the information and assistance they need to make investment decisions in a capital accumulation plan.

CAP Plan Sponsor



Is responsible for:

- Setting up the plan which includes selecting the investment options (section 2.2.1 of CAP Guidelines)
- Maintaining the plan by reviewing the investment options (section 6.3 of CAP Guidelines)

Selecting the Investment Options



Considerations

- Purpose of the CAP
- Number of available options
- Fees associated
- CAP Sponsor's ability to periodically review the options
- Diversity and demographics of CAP members



Reviewing Investment Options

Section 6.3 of CAP Guidelines

CAP Sponsor is responsible for reviewing investment options:

- At least annually
- Criteria should be developed for the review of each option
 - If it is a pension plan, the Statement of Investment Policy & Procedures (SIP&P) should address the review process
 - Same criteria used for selection of the options, and
 - Frequency and / or triggering events for the review
- Criteria to consider:
 - Consistently poor returns compared to industry benchmarks
 - Compliance issues
 - Personnel turnover
 - Investment style drift



Fund Line Up Changes

- Monitor for improvement
- Stop any further contributions
- Choose alternate similar investment option
- Map over existing assets
- Document, document, document
- Communicate, communicate, communicate



Selecting the Investment Options

- Degree of diversification among the investment options to be made available to members
- Liquidity of the investment options, and
- Level of risk associated with the investment option



Objective of Investment Menu

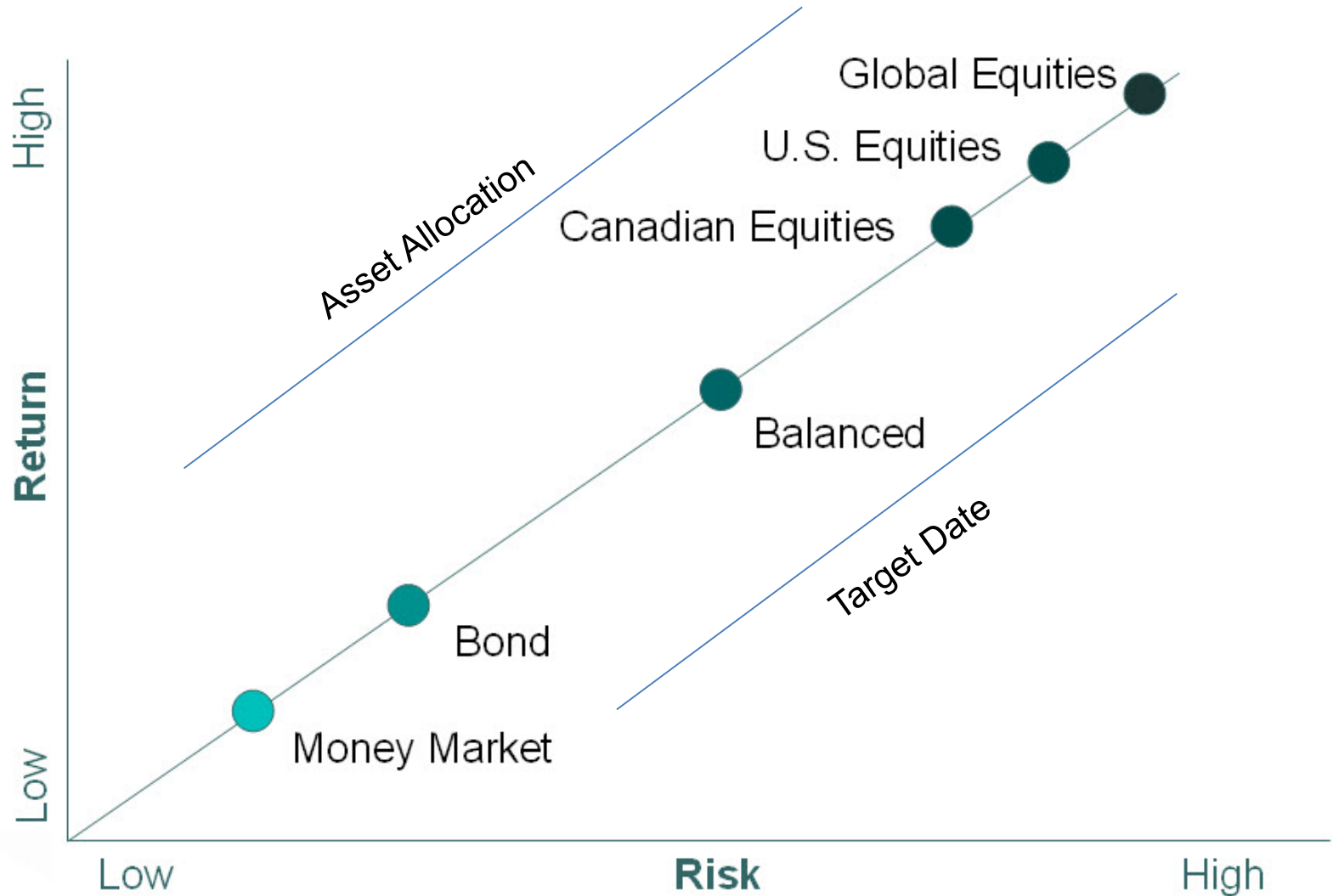
- Menu that is easy to communicate
- Provides meaningful choice
- Offers different investment mandates:
 - ✓ Differing investment styles
 - ✓ Range of risk and reward characteristics



Selecting the Investment Options

| Asset Classes | Recommended # of Funds |
|------------------------|-------------------------------------|
| Cash & Equivalents | 1 Daily Interest, 1,3, & 5 year GIC |
| Fixed Income | 1 Money Market, 2 Bond, 1 Mortgage |
| Asset Allocation Funds | 5 – 7 |
| Target Date Funds | 5 – 7 |
| Balanced Funds | 2 |
| Canadian Equity | 4 – 6 |
| Foreign Equity Funds | 2 Global, U.S. and International |
| Sector/Special Equity | Real Estate |

Risk / Reward Relationship





Asset Classes

Cash and Equivalents

- Most common is the Guaranteed Interest Account (GIA) or Guaranteed Interest Certificate (GIC) type of investment
- Fixed interest rate is applied on the date of the deposit and it does not change
- Interest rate applies to the term of the deposit, 1 year, 2 years, 3 years, 4 years or 5 years
- A market value adjustment may apply if the deposit is redeemed before maturity



Asset Classes

Equity Funds

Invest in the shares of incorporated companies that trade on a public stock exchange

- Specific countries – funds invest primarily in stocks in one country (Canada or the U.S.)
- International – funds invest in stocks in any country outside of North America
- Global – funds invest in stocks worldwide including North America



Asset Classes

Equity Funds

- Shares of companies offer greatest potential for long-term growth (compared to GIAs)
- More risky than other investments
- Market price of stock/share varies with the company's financial performance, general economic conditions, as well as investor perceptions

Asset Classes

Equity Funds

- Foreign Equity funds provide an opportunity to diversify across many markets and reduce the risks associated with the health of any one economy and its stock market
- Risks are associated with political and current market conditions, in addition to currency risk



Asset Classes

Sector or Special Equity

- Invest primarily in a specific industrial sector, such as:

- Technology
- Precious Metals
- Natural Resources
- Real Estate
- Health Sciences



- Carry greater risk than other equity funds
- Real Estate funds invest in income-producing real property





Equity Investment Styles

Growth Oriented

- Looking for companies that have superior growth prospects
- Higher P/E ratios, lower dividends
- Capital gains is the primary goal of this investment style
- Often involves buying young companies with high potential
- High turnover of portfolio



Equity Investment Styles

Value Oriented

- Looking for companies that are under priced relative to other companies in the same industry
- Generally have lower P/E ratios with higher dividends
- Buy and hold strategy



Equity Investment Styles

Blend

- Style neutral
- Mix of both growth and value styles

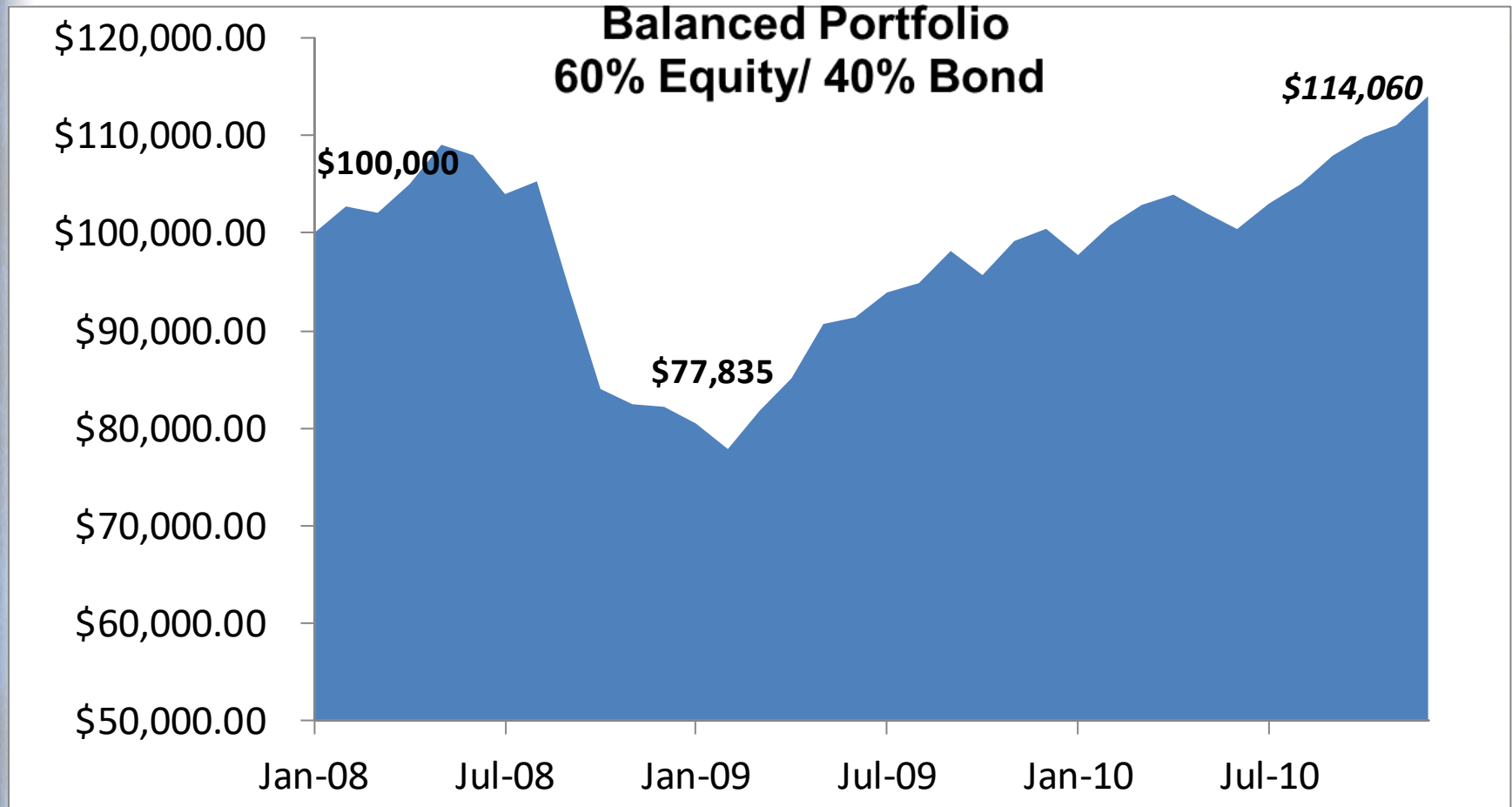
Core

- Managed around the index

Index

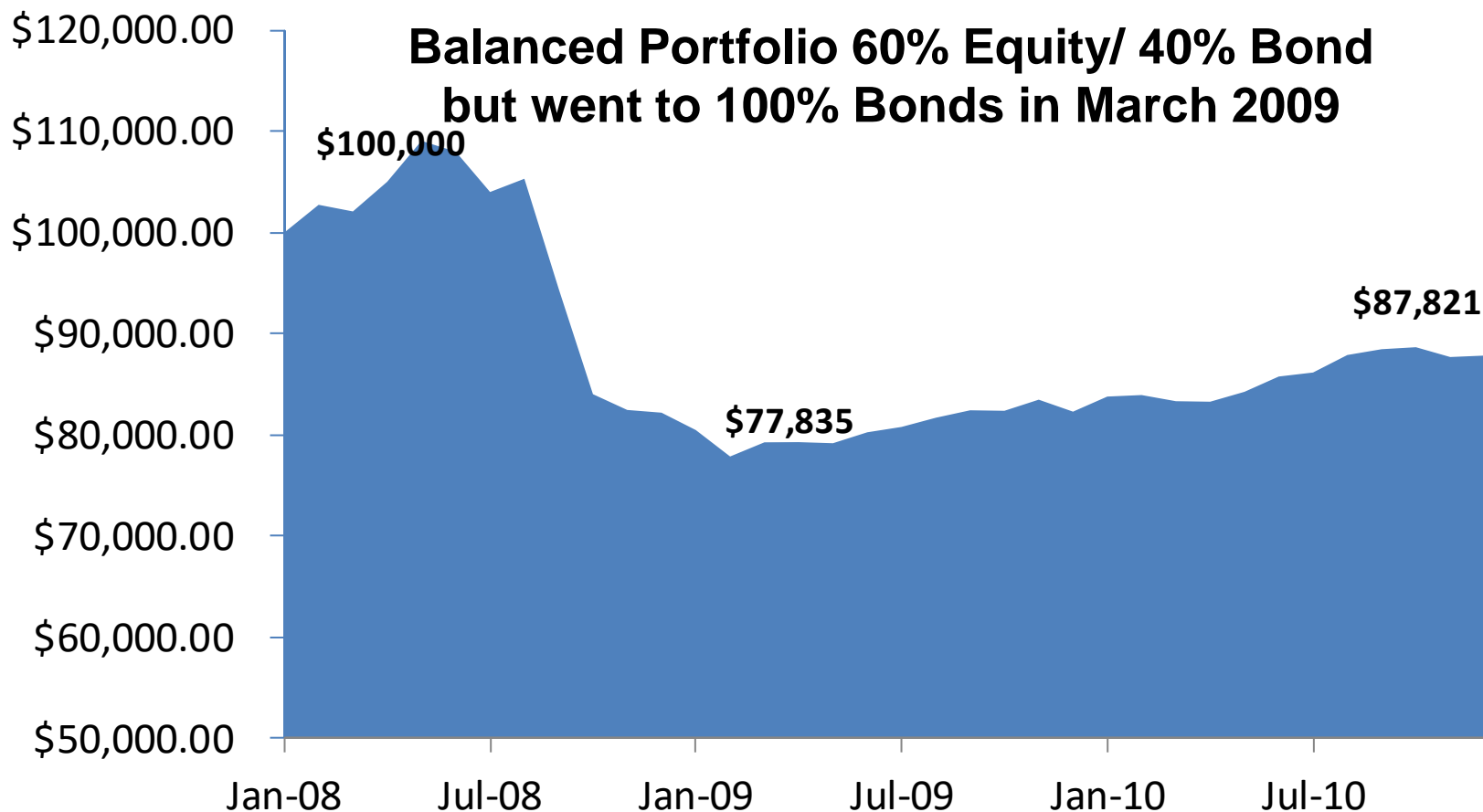
- Securities are bought and sold to replicate the underlying index or benchmark

Challenge: Investor emotion



Portfolio: January 2008 to December 2010- 60% S&P/TSX Composite, 40% DEX Bond Universe. For illustration purposes only.

Emotional risk



*Portfolio: January 2008 to February 2009 60% S&P/TSX Composite, 40% DEX Bond Universe
Portfolio from March 2009 to December 2010: 0% S&P/TSX Composite, 100% DEX Bond Universe. For illustration purposes only.*

Canadian Equities

| | | | | | | | | | | |
|------------|------------|------------|----------|--|---------|----------|----------|----------|----------|------|
| | | | | | | 2010 | | | | |
| | | | | | | 2006 | | | | |
| | | | | | | 2004 | 2005 | | | |
| | | | | | 2007 | 1997 | 2003 | | | |
| | | | | | 2000 | 1995 | 1996 | | | |
| | | | | | 1987 | 1991 | 1989 | | | |
| | | | | | 1986 | 1988 | 1985 | | | |
| | | | 2011 | | 1982 | 1977 | 1978 | 2009 | | |
| | | | 1998 | | 1973 | 1976 | 1972 | 1999 | | |
| | | | 1994 | | 1971 | 1975 | 1968 | 1993 | | |
| | | 2002 | 1992 | | 1965 | 1967 | 1964 | 1983 | | |
| | | 2001 | 1984 | | 1960 | 1963 | 1955 | 1980 | | |
| | | 1990 | 1970 | | 1959 | 1956 | 1951 | 1961 | | |
| | | 1981 | 1969 | | 1953 | 1948 | 1949 | 1958 | | |
| | | 1940 | 1966 | | 1952 | 1944 | 1936 | 1954 | | |
| 2008 | | 1937 | 1962 | | 1947 | 1943 | 1934 | 1945 | | |
| 1931 | 1974 | 1932 | 1946 | | 1941 | 1942 | 1926 | 1935 | 1979 | 1950 |
| 1930 | 1957 | 1929 | 1939 | | 1938 | 1924 | 1925 | 1928 | 1927 | 1933 |
| -40 to -30 | -30 to -20 | -20 to -10 | -10 to 0 | | 0 to 10 | 10 to 20 | 20 to 30 | 30 to 40 | 40 to 50 | > 50 |

Annual Rates of Return

Source: Canadian Institute of Actuaries (1924 to 1955); Toronto Stock Exchange (1956 to 2011)



Index or Benchmark

- A standard against which the performance of a security, mutual fund or investment manager can be measured.
- Generally broad market and market-segment stock and bond indexes are used for this purpose
- TSX / S&P Composite Index is the most widely followed benchmark of the Canadian market for large company stocks and the funds that invest in those stocks

Volatility meter

Low (1) High (25)



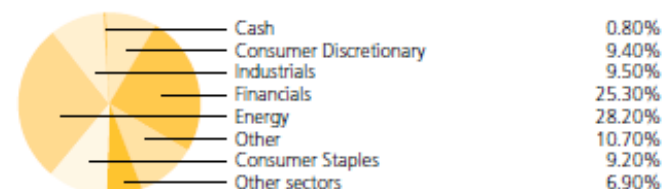
Based on 3 year standard deviation of the Fund

CANADIAN LARGE CAP EQUITY

Code 7241

Manulife Jarislowsky Fraser Canadian Equity Fund

How the underlying fund is invested



Top holdings within the underlying Fund

(As at March 31, 2012)

| | |
|----------------------------|-------|
| TD Bank | 6.90% |
| Royal Bank of Canada | 6.70% |
| Bank of Nova Scotia | 5.70% |
| Canadian Natural Resources | 3.90% |
| Enbridge Inc. | 3.80% |
| SNC-Lavalin Group | 3.50% |
| Metro Inc. | 3.50% |
| Cenovus Energy | 3.40% |
| TransCanada Corp. | 3.30% |
| Canadian National Railway | 3.30% |

UNDERLYING FUND -> JF Canadian Equity

Objective Jarislowsky Fraser's equity style emphasizes buying long-term growth at a reasonable price. Internal resources are primarily relied on to generate investment ideas. Each year, the investment professionals contact and interview more than 200 Canadian companies. The portfolio focuses on industry leaders with strong balance sheets and cash flow as well as depth and quality at the management level.

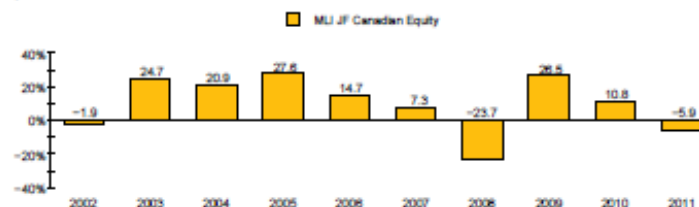
Managed by Jarislowsky Fraser Ltd.

Fund managers Jarislowsky Fraser - Mgmt. Team

Inception date April 1997 **Total assets** \$5,791.3 million

Historical gross returns

Gross rates of return are shown before investment management fees have been deducted. The solid area represents the gross returns of the Manulife Fund since its inception in October 2001.



* Only full calendar year returns are shown.

Primary investment process

Fundamental, Bottom-up

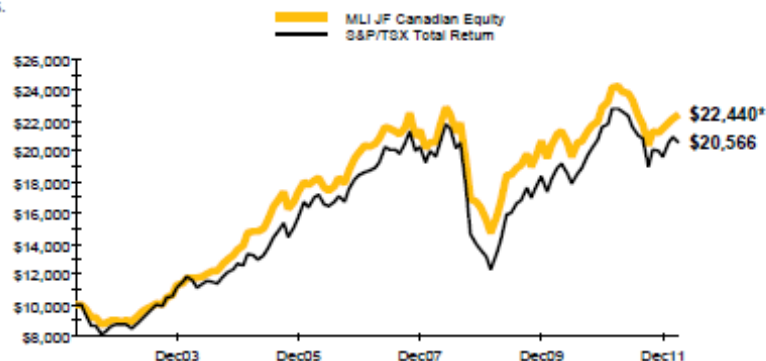
Equity style and capitalization

| | Value | Core/Blend | Growth | |
|--|-------|------------|--------|---------|
| | | ● | | Large |
| | | | | Medium |
| | | | | Small |
| | | | | All Cap |

Source: Manulife Investment Management Services

Overall past performance

This graph shows how a \$10,000 investment in this fund would have changed in value over time, based on gross returns.



* For illustration purposes only. Includes mutual/pooled fund performance as indicated. Actual fund performance could be expected to vary.

Annual compound returns (As at March 31, 2012)

This table shows the historical annual compound total return of the Fund compared with the S&P/TSX Total Return.

| | 1-year | 2-year | 3-year | 5-year | Since inception | Manulife inception date |
|------------------------|--------|--------|--------|--------|-----------------|-------------------------|
| MLI JF Canadian Equity | -7.39% | 3.04% | 12.57% | 1.79% | 9.67% | Oct 2001 |
| S&P/TSX Total Return | -9.76% | 4.24% | 15.59% | 1.66% | - | |

Rate of return expectation

Over the long term, this fund is expected to outperform the S&P/TSX Total Return Index.



Asset Classes

Fixed Income

- Funds that hold investments that pay interest or dividends
- Government bonds including municipal, provincial, federal and corporate bonds
- A bond holder can expect to receive interest once or twice per year and the full principal on maturity. Instrument may be purchased and sold on the bond market

Volatility meter

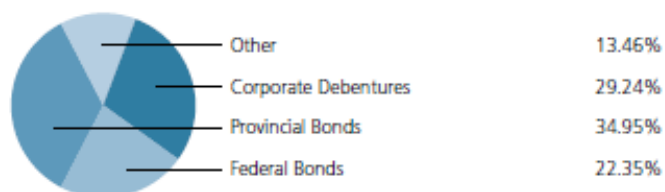


FIXED INCOME

Code 4401

Manulife Bond Fund (Addenda)

How the underlying fund is invested



Top holdings within the underlying Fund

(As at March 31, 2012)

| | |
|--|-------|
| Gov't of Canada, 1.50%, March 2017 | 5.81% |
| Province of Quebec, 3.63%, December 2013 | 5.42% |
| Province of Ontario, 4.50%, December 2012 | 4.97% |
| Province of Ontario, 4.75%, June 2013 | 4.49% |
| Canada Housing Trust, 3.60%, June 2013 | 2.97% |
| Province of Quebec, 4.25%, December 2021 | 2.85% |
| Canada Housing Trust, 2.70%, December 2013 | 2.67% |
| Gov't of Canada, 1.00%, February 2015 | 2.56% |
| Province of Ontario, 5.00%, March 2014 | 2.45% |
| Canada Housing Trust, 1.85%, December 2016 | 2.40% |

UNDERLYING FUND -> MLI Bond (Pensions)

Objective Investing in a diversified portfolio of bonds, the Fund provides investors with interest income and safety of principal along with opportunities for moderate capital growth.

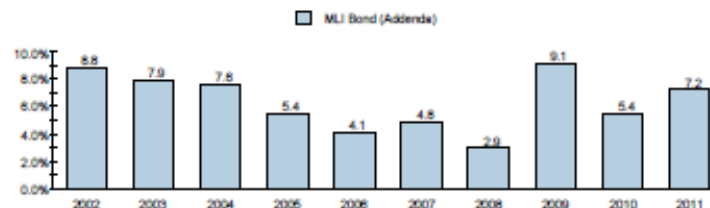
Managed by Manulife Financial

Fund managers Addenda Capital Inc. – Mgmt. Team

Inception date March 1988 **Total assets** \$253.0 million

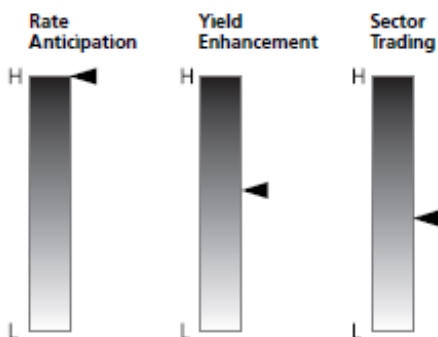
Historical gross returns

Gross rates of return are shown before investment management fees have been deducted. The solid area represents the gross returns of the Manulife Fund since its inception in March 1988.



* Only full calendar year returns are shown.

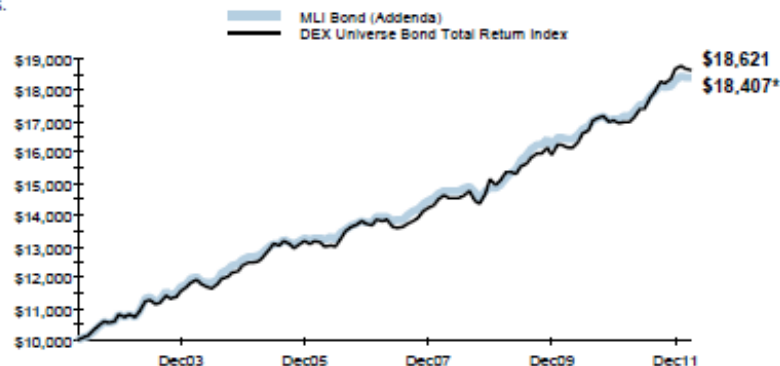
Fixed income style



Source: Manulife Investment Management Services

Overall past performance

This graph shows how a \$10,000 investment in this fund would have changed in value over time, based on gross returns.



* For illustration purposes only. Includes mutual/pooled fund performance as indicated. Actual fund performance could be expected to vary.

Annual compound returns (As at March 31, 2012)

This table shows the historical annual compound total return of the Fund compared with the DEX Universe Bond Total Return Index.

| | 1-year | 2-year | 3-year | 5-year | Since inception | Manulife inception date |
|--------------------------------------|--------|--------|--------|--------|-----------------|-------------------------|
| MLI Bond (Addenda) | 7.38% | 5.89% | 6.64% | 5.73% | 8.24% | Mar 1988 |
| DEX Universe Bond Total Return Index | 9.74% | 7.41% | 6.65% | 6.13% | – | |

Rate of return expectation

Over the long term, the Fund strives to outperform the DEX Universe Bond Index.



Asset Classes

Balanced Funds

- A fund that invests primarily in Canadian stocks, bonds and cash (typical split is 60 / 40)
- The goal of this type of asset is to provide balance between capital preservation and growth while minimizing risk

Volatility meter

Low (1) High (25)



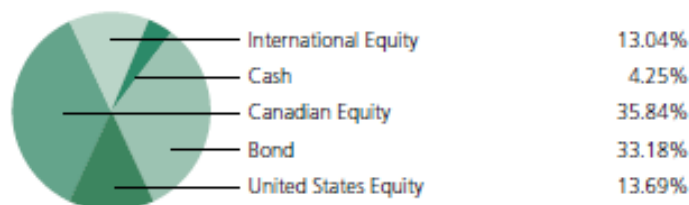
Based on 3 year standard deviation of the Fund

BALANCED

Code 5481

Manulife Greystone Balanced Fund

How the underlying fund is invested



Top holdings within the underlying Fund

(As at March 31, 2012)

| | |
|---|-------|
| Canada Housing Trust, 1.33%, September 2016 | 3.75% |
| TD Bank | 2.92% |
| Canada Govt, 0.75%, May 2014 | 2.56% |
| Bank of Nova Scotia | 2.05% |
| Suncor Energy | 1.82% |
| Bank of Montreal | 1.69% |
| Goldcorp Inc. | 1.66% |
| Canadian Natural Resources | 1.55% |
| TransCanada Corp. | 1.34% |
| National Bank of Canada | 1.31% |

UNDERLYING FUND -> Greystone Balanced

Objective The Greystone Balanced Fund seeks superior long-term total returns (current income and capital appreciation) by investing in a balanced portfolio of equity and fixed income asset classes, including foreign equities.

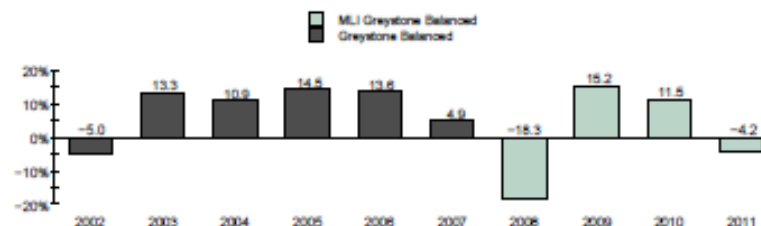
Managed by Greystone Managed Investments Inc.

Fund managers Greystone Mgd. Invest. – Mgmt. Team

Inception date January 1993 **Total assets** \$1,158.0 million

Historical gross returns

Gross rates of return are before investment management fees have been deducted. The solid area represents the gross returns of the Manulife fund since its inception in March 2007. To provide further historical information, the shaded area represents the returns of the underlying fund for the period before the start date of the Manulife fund.



* Only full calendar year returns are shown.

Primary investment process

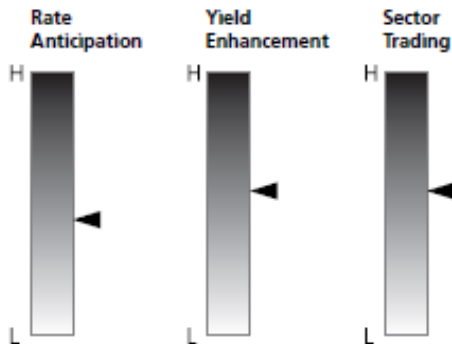
Fundamental, Bottom-up

Equity style and capitalization

| Value | Core/Blend | Growth | |
|-------|------------|--------|---------|
| | | ● | Large |
| | | | Medium |
| | | | Small |
| | | | All Cap |

Source: Manulife Investment Management Services

Fixed income style

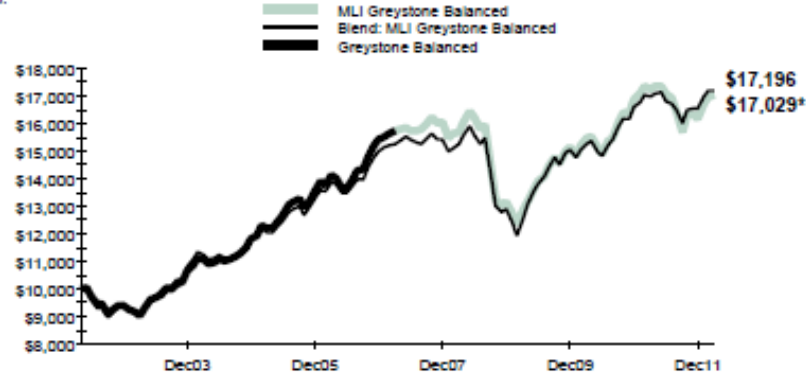


Source: Manulife Investment Management Services

Note: All rates of return are shown before investment management fees or taxes have been deducted.

Overall past performance

This graph shows how a \$10,000 investment in this fund would have changed in value over time, based on gross returns.



* For illustration purposes only. Includes mutual/pooled fund performance as indicated. Actual fund performance could be expected to vary.

Annual compound returns (As at March 31, 2012)

This table shows the historical annual compound total return of the Fund compared with the composite benchmark, as outlined in the Rate of return expectation below.

| | 1-year | 2-year | 3-year | 5-year | Since inception | Manulife inception date |
|-------------------------------|--------|--------|--------|--------|-----------------|-------------------------|
| MLI Greystone Balanced | -1.35% | 4.91% | 9.88% | 1.61% | 1.61% | Mar 2007 |
| Blend: MLI Greystone Balanced | 1.22% | 6.09% | 11.10% | 2.44% | - | |

Rate of return expectation

Over the long term, this fund is expected to outperform a benchmark comprised of the following:

- 37.0% DEX Universe Bond Index
- 35.0% S&P/TSX Composite Index
- 12.5% S&P 500 Index (\$ Cdn)
- 12.5% MSCI EAFE Index (\$ Cdn)
- 3.0% DEX 91-Day T-Bill Index



Asset Allocation Funds

- A single fund solution
- Provides diversification within the single fund
- Offers a spectrum of risk to satisfy conservative through aggressive investors
- The fund is systematically rebalanced to remain consistent with the asset mix strategy



Asset Allocation Funds

Benefits to Plan Members:

- Diversification within a single fund
- Easy to use and manage
- Maximizes long-term return balanced with personal investment objectives and risk tolerance
- Discourages emotion-based market-timing decisions
- Makes tracking performance easier with only one fund

Volatility meter

Low (1) High (25)



Based on 3 year standard deviation of the Fund

ASSET ALLOCATION

Code 2005

Manulife Aggressive Asset Allocation Fund

How the fund is invested



Top Target Allocation of the Fund

| | |
|-------------------------------------|--------|
| MLI Cdn Large Cap Value Eq (MAM) | 17.00% |
| MLI U.S. Large Cap Val (T. Rowe) | 8.50% |
| MLI U.S. Div Grwth Eq (Wellington) | 8.50% |
| MLI Pure Canadian Equity Grw (MAM) | 7.50% |
| MLI Canadian Equity (Greystone) | 7.50% |
| MLI Canadian Equity Value (SR) | 7.00% |
| MLI Cdn Large Cap Growth Eq (MB) | 7.00% |
| MLI World Investment (Mawer) | 5.50% |
| MLI Canadian Small Cap Value (FGP) | 5.00% |
| MLI Cdn Growth Opportunities (MAM) | 5.00% |
| MLI Emerging Market Value (DFA) | 5.00% |
| MLI International Eq (Templeton) | 5.00% |
| MLI Canadian Real Estate Investment | 4.00% |
| MAM US Equity Index Pooled | 3.00% |
| MAM EAFE Equity Index Pooled | 2.50% |
| MAM Canadian Equity Index Pooled | 2.00% |

Objective The Manulife Aggressive Asset Allocation Fund is managed to provide long-term growth of capital with no consideration given to current income. This fund is diversified by asset class and investment styles with the objective of achieving superior risk-adjusted returns over the long term. This fund will generally maintain 100% of its investments in equity funds though each segment may vary up to 10% from time to time.

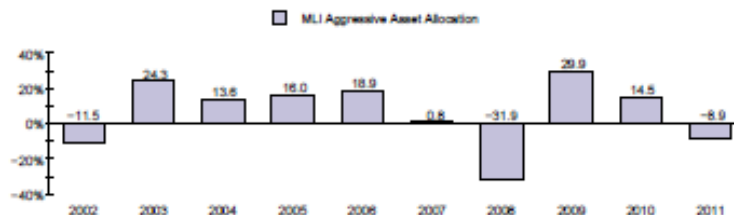
Managed by Manulife Financial

Fund managers Various (please refer to Top Target Allocation of the Fund on this page)

Inception date February 1999 **Total assets** \$460.8 million

Historical gross returns

Gross rates of return are shown before investment management fees have been deducted. The solid area represents the gross returns of the Manulife Fund since its inception in February 1999.



* Only full calendar year returns are shown.

Primary investment process

Multi-manager

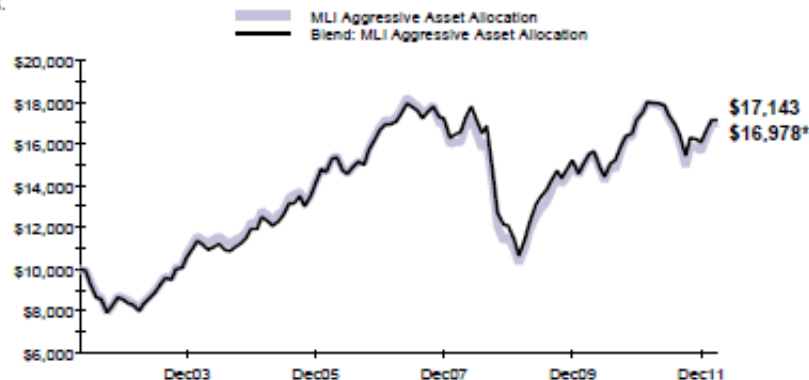
Equity style and capitalization

| Value | Core/Blend | Growth | |
|-------|------------|--------|---------|
| | | | Large |
| | | | Medium |
| | | | Small |
| | ● | | All Cap |

Source: Manulife Investment Management Services

Overall past performance

This graph shows how a \$10,000 investment in this fund would have changed in value over time, based on gross returns.



* For illustration purposes only. Includes mutual/pooled fund performance as indicated. Actual fund performance could be expected to vary.

Annual compound returns (As at March 31, 2012)

This table shows the historical annual compound total return of the Fund compared with the composite benchmark, as outlined in the Rate of return expectation below.

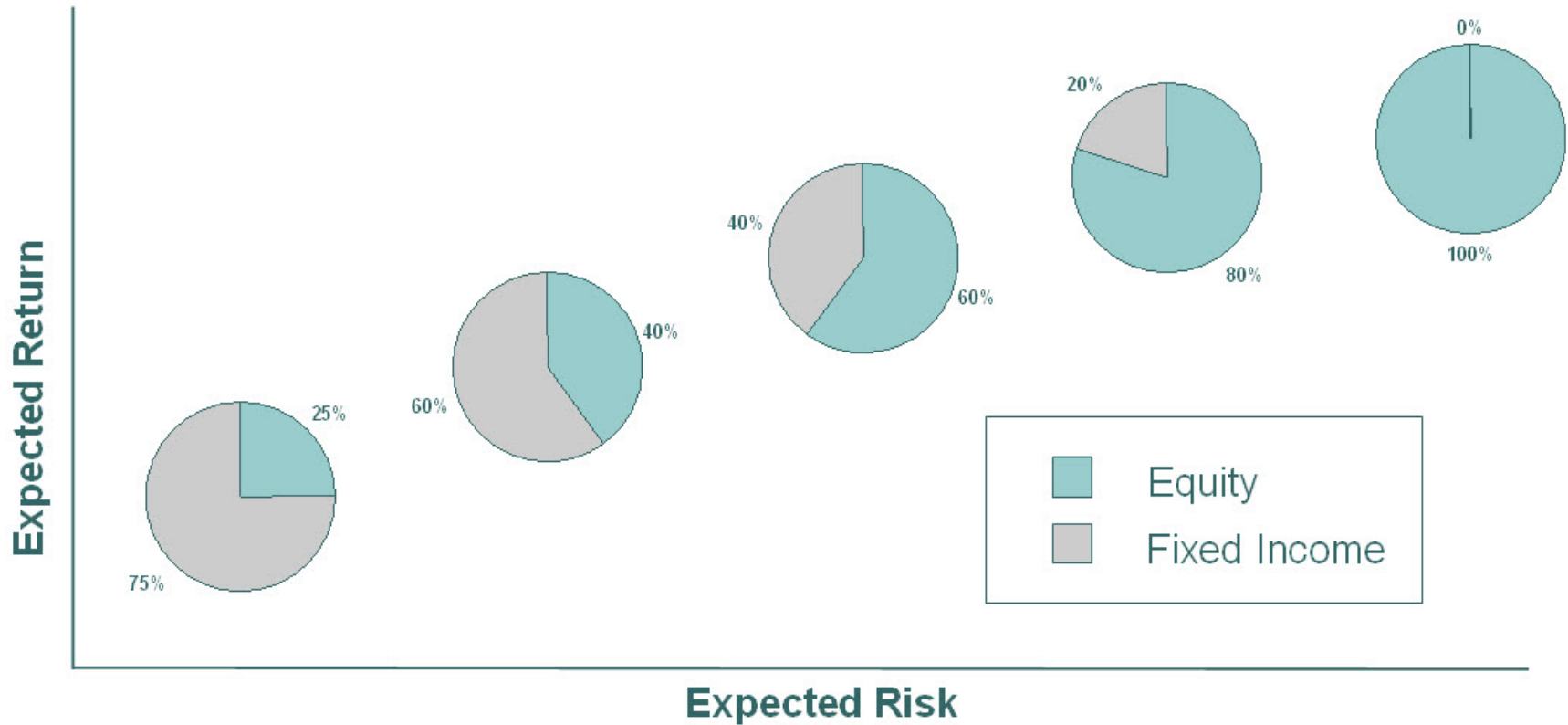
| | 1-year | 2-year | 3-year | 5-year | Since inception | Manulife inception date |
|--|--------|--------|--------|--------|-----------------|-------------------------|
| MLI Aggressive Asset Allocation | -5.16% | 4.81% | 15.67% | -0.36% | 6.42% | Feb 1999 |
| Blend: MLI Aggressive Asset Allocation | -4.26% | 5.23% | 14.44% | 0.06% | - | |

Rate of return expectation

Over the long term, the Fund attempts to outperform a benchmark portfolio that is comprised of the following:

- 60% S&P/TSX Total Return Index
- 20% S&P 500 Total Return Index (\$ Cdn)
- 20% MSCI EAFE Total Return Index (\$ Cdn)

Strategic Asset Mix





Target Date Funds

- A single fund solution
- Based on plan member's investment time horizon or retirement date
- Diversification within a single fund
- Fund allocation shifts to become more conservative as plan member approaches retirement (referred to as lifecycle movement)

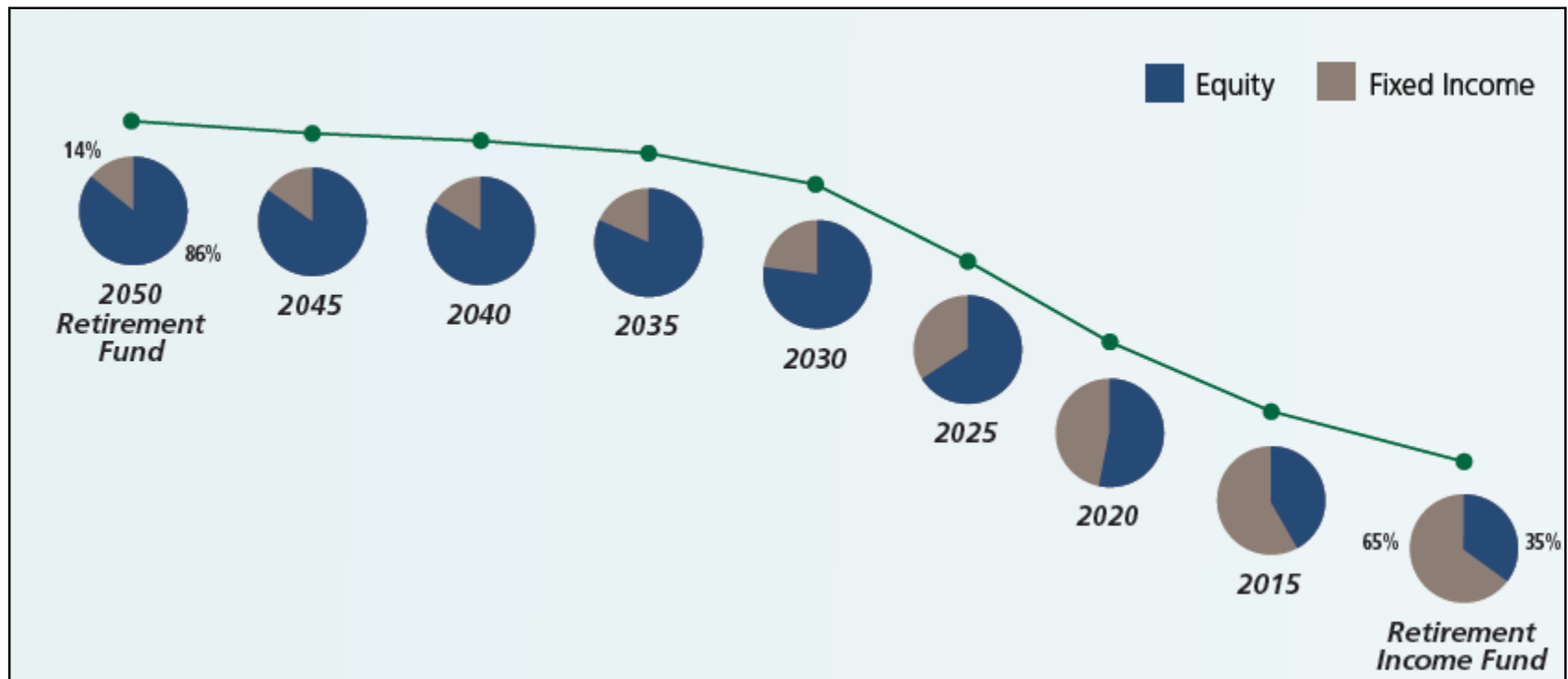


Target Date Funds

Benefits to Plan Members:

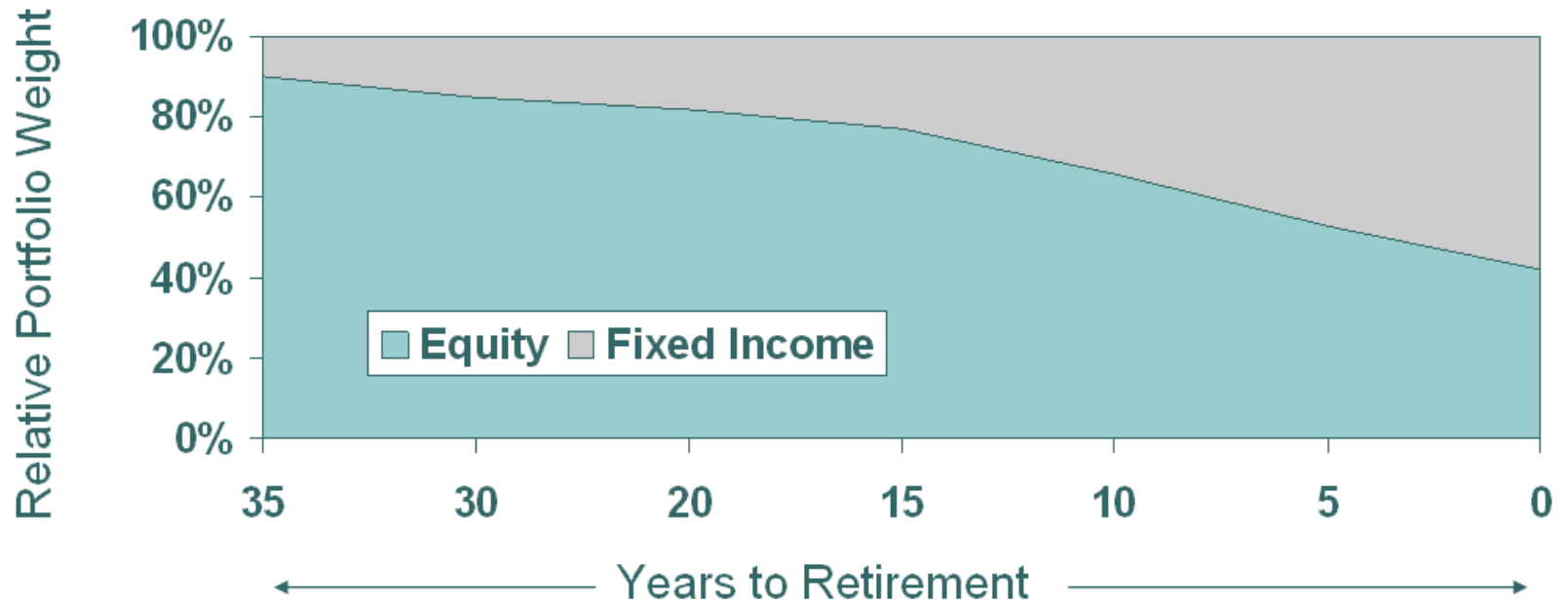
- Diversification within a single fund
- Easy to use and manage
- Maximizes long-term return balanced with target retirement date
- Discourages emotion-based market-timing decisions
- Makes tracking performance easier with only one fund

Automatic Rebalancing





Lifecycle Movement



Volatility meter

Low (1) High (25)

Insufficient history to produce a volatility rating

TARGET DATE

Code 2040

Manulife Retirement Date 2040 Fund

How the fund is invested



Top Target Allocation of the Fund

| | |
|-------------------------------------|--------|
| MLI Cdn Large Cap Value Eq (MAM) | 12.36% |
| MLI U.S. Large Cap Val (T. Rowe) | 7.90% |
| MLI U.S. Div Grwth Eq (Wellington) | 7.90% |
| MLI Canadian Equity (Greystone) | 6.48% |
| MLI Pure Canadian Equity Grw (MAM) | 6.48% |
| MLI Canadian Equity Value (SR) | 6.48% |
| MAM Strategic Income Pooled | 5.74% |
| MLI World Investment (Mawer) | 4.53% |
| MLI International Eq (Templeton) | 4.53% |
| MLI Emerging Market Value (DFA) | 4.18% |
| MLI Cdn Large Cap Growth Eq (MB) | 3.89% |
| MLI Canadian Small Cap Value (FGP) | 3.77% |
| MLI Cdn Growth Opportunities (MAM) | 3.77% |
| MAM US Equity Index Pooled | 3.49% |
| MLI Canadian Real Estate Investment | 3.18% |
| MLI Cdn Bond (MAM) | 2.67% |
| MAM Canadian Equity Index Pooled | 2.59% |
| MLI Mortgage Backed Fund (MAM) | 2.46% |
| MAM EAFE Equity Index Pooled | 2.09% |
| MLI Fixed Income Plus (AB) | 1.85% |

Objective The Fund is managed to provide a balance between current income and growth of capital, with emphasis on growth of capital. This fund is diversified by asset class and investment style with the objective of achieving superior risk-adjusted returns. The Fund will commence with approximately 85% in equities, while the remainder of the Fund will be invested in fixed income, mortgages and money market investments. The Fund's asset mix will gradually decline to approximately 35% in equities in the year 2040.

Managed by Manulife Financial

Fund managers Various (please refer to Top Target Allocation of the Fund on this page)

Inception date November 2005 **Total assets** N/A

Historical gross returns

Gross rates of return are shown before investment management fees have been deducted. The solid area represents the gross returns of the Manulife Fund since its inception in November 2005.

No graph based on inception date

* Only full calendar year returns are shown.

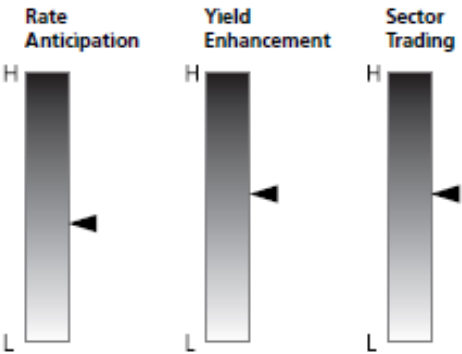
Primary investment process
Multi-manager

Equity style and capitalization

| Value | Core/Blend | Growth | |
|-------|------------|--------|---------|
| | | | Large |
| | | | Medium |
| | | | Small |
| | ● | | All Cap |

Source: Manulife Investment Management Services

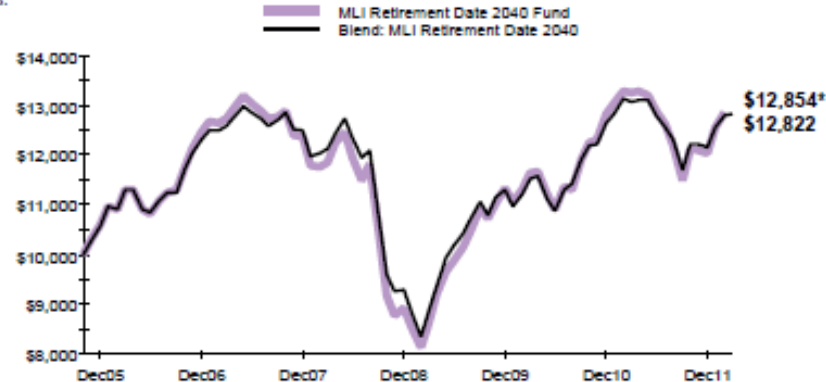
Fixed income style



Source: Manulife Investment Management Services

Overall past performance

This graph shows how a \$10,000 investment in this fund would have changed in value over time, based on gross returns.



* For illustration purposes only. Includes mutual/pooled fund performance as indicated. Actual fund performance could be expected to vary.

Annual compound returns (As at March 31, 2012)

This table shows the historical annual compound total return of the Fund compared with the composite benchmark, as outlined in the Rate of return expectation below.

| | 1-year | 2-year | 3-year | 5-year | Since inception | Manulife inception date |
|---------------------------------|--------|--------|--------|--------|-----------------|-------------------------|
| MLI Retirement Date 2040 Fund | - | - | - | - | - | Nov 2005 |
| Blend: MLI Retirement Date 2040 | -2.04% | 5.54% | 13.13% | 0.38% | - | |

Rate of return expectation

The benchmark for this fund is adjusted annually. As at January 1, 2012, the benchmark is as follows:

- 16.4% DEX Universe Bond Total Return Index
- 50.2% S&P/TSX Total Return Index
- 16.7% MSCI EAFE Total Return Index (\$Cdn)
- 16.7% S&P 500 Total Return Index (\$Cdn)