

YOUR GUIDE TO

# Investment Funds

Winter 2017

Understand your investments and secure your future.

**Are you preparing financially for retirement?**

**What is an investment fund?**

**It's your money: Find out more.**

**Understanding services and fees**

**Understanding investment returns**

PLUS:  
**Directory of**  
investment fund providers and  
related professionals

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Investments IN A CHANGING WORLD

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Research shows that investors who work with an advisor accumulate **3.9 times more** assets than those who don't\*.

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[dynamic.ca/Advice](https://dynamic.ca/Advice)

**Dynamic Funds®**  
*Invest with advice.*

\**Econometric Models on the Value of Advice of a Financial Advisor*, CIRANO Institute, 2016.

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## Guest Editorial

### Be a knowledgeable investor

**2017** is an important year for Canadian investors. If you have already started investing, you are receiving two new personalized reports about your investments for the first time. One will tell you how well your investments performed over the past year based on the timing of your deposits and withdrawals. The other will indicate how much you paid over the year for services that your investment dealer provided.



These new reports will help you become a more knowledgeable investor. You'll be able to have better discussions with your financial advisor and make more informed decisions about your investments. We have produced *Your Guide to Investment Funds* to help you down this path.

If you are reading this Guide because you're just starting to save, it will help you to understand investment funds a little better – what funds are, the benefits of working with a financial advisor, the services you can expect to receive – along with important information on how investors are protected.

No matter what stage of life you are at, and how much financial knowledge you have, there is material in this Guide that will be helpful to you.

#### Paul Bourque

Paul C. Bourque, Q.C. is president and CEO of The Investment Funds Institute of Canada. He is the former executive director of the British Columbia Securities Commission and a member of the Law Societies of British Columbia and Upper Canada. Paul has held senior positions with several securities regulators and law enforcement agencies, including the Investment Industry Regulatory Organization of Canada, the Alberta Office of the Attorney General and Alberta Department of Justice and the Ontario Securities Commission.

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# IT'S ALWAYS SUNNY AFTER A STORM

Even when markets turn volatile,  
it pays to stay invested. Our Sun Life  
Granite Managed Solutions can help  
you navigate all kinds of weather.

## THE POWER OF THE BRIGHT SIDE

[sunlifeglobalinvestments.com/brightside](http://sunlifeglobalinvestments.com/brightside)



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## The mutual funds industry in Canada

### Strengthening Canada's Economy

**\$568**  
BILLION

More than 1,129 mutual funds, with \$568 billion in assets, invest in the Canadian economy.<sup>1</sup>

**\$17**  
BILLION

Canada's mutual funds industry has an economic footprint of \$17 billion and supports 192,600 jobs.<sup>2</sup>

**\$7**  
BILLION

In 2012, our economic activity contributed \$4 billion to federal government balances and \$3 billion to provincial governments.<sup>2</sup>

### Providing Investors with Financial Advice

**95%**

95% of mutual fund investors trust their advisor to provide them with sound advice.<sup>3</sup>

**89%**

89% of investors said their trust in their advisor is strong.<sup>4</sup>

**70%**

70% of investors used their investment advisor as a source of investing information.<sup>5</sup>

<sup>1</sup> IFIC, 2016

<sup>2</sup> Conference Board of Canada, 2013

<sup>3</sup> Pollara, 2016

<sup>4</sup> British Columbia Securities Commission, 2015

<sup>5</sup> Canadian Securities Administrators, 2016

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# Steady as the portfolio goes: The place for balanced funds

*Balanced investment funds combine asset allocation and active management in one steady solution*

*For investors, balance matters. Investors need portfolios to work for them throughout the market cycle: when markets are volatile or steady; when the global economy is sluggish or robust. That's why balance matters in helping investors achieve their financial goals.*

A balanced investment fund can serve as an effective core holding in a diversified portfolio. Balanced funds invest in stocks, bonds and cash, and can focus on domestic and/or international markets. A portfolio manager continually monitors risks to the fund and rebalances positions. Through their asset mix and active management, balanced funds are solutions for Canadians looking for income, less volatility and steady capital appreciation.

"Mackenzie creates balanced fund portfolios with high-conviction holdings of stocks and bonds which our portfolio managers believe will meet the growth and income objectives of investors," says Michael Schnitman, senior vice president, product, at Mackenzie Investments in Toronto. Mackenzie's suite

of high-performing balanced funds is designed to align with various time horizons, risk tolerances and goals of investors.

Mackenzie's balanced funds are managed to navigate today's volatile global markets. A popular choice of more risk-averse investors at or near retirement age is the **Mackenzie Income Fund**. The portfolio is comprised roughly 30% equities and 70% fixed-income securities and cash to generate a stable income stream while aiming to preserve capital. The Fund has a track record of steady income generation for investors focused on asset preservation.

If you prefer equal asset allocation, the **Mackenzie Strategic Income Fund** and **Mackenzie Global Strategic Income Fund** offer a mix of 50% equity and 50% fixed-income holdings.

Equity-oriented funds include **Mackenzie Ivy Global Balanced Fund** and **Mackenzie Ivy Canadian Balanced Fund**. They're designed for Canadians wanting low-volatility, high-quality investments. If you're young or less risk averse, **Mackenzie Canadian Growth Balanced Fund** allocates about 65% to stock holdings to drive capital

growth.

A financial advisor can help match you with a balanced fund aligned with your risk profile and investment objectives. Brian Gooding, Mackenzie's head of distribution, says achieving financial success is challenging for any investor. Success requires discipline and organization, which is why an advisor can be invaluable.

"Professional advice can definitely help Canadians maintain their discipline as investors and grow their assets," says Mr. Gooding. "An advisor is capable of maximizing the returns on your investment, be it a large, medium or small." He cites a 2016 survey by the Centre for Interuniversity Research and Analysis on Organizations in Montréal which found that the value of assets for households with an advisor for 15 years or more was almost four times that of equivalent non-advised households.

Mackenzie offers holistic asset-management solutions to advisors to help their clients meet their long-term goals. Ask an advisor how Mackenzie's balanced funds can help you feel more confident along your investor journey.

*"Professional advice can definitely help Canadians maintain their discipline as investors and grow their assets"*

*Brian Gooding, head of distribution, Mackenzie Investments*



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What's your vision of the perfect retirement? Whatever it might be, retiring on your terms requires a comprehensive plan and actively Investing for What's Next™.

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and visit [franklintempleton.ca/whatsnext](http://franklintempleton.ca/whatsnext)

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# It's your money: Find out more.

## Your investment statement contains new information

Take a closer look at the statements you receive from your investment dealer this year. You will find two reports with new, personalized information about how well your investments have performed and how much you paid directly or indirectly in the past year for the services that your

dealer provided to you.

Taking the time to read and understand these reports will put you on the path to being a more knowledgeable investor. You'll be able to have better discussions with your financial advisor and make more informed decisions about your investments.

Articles on the following pages provide some basic information to help you get started. If you have questions, speak to your financial advisor.

Once you read these new reports, we encourage you to add the "I Read Mine" badge to your Twitter or Facebook profiles. You can access the

badge at <https://twibbon.com/Support/its-your-money>



**IT'S YOUR MONEY. FIND OUT MORE.**  **C'EST VOTRE ARGENT. INFORMEZ-VOUS.**

## Glossary

**Benchmark:** Information that helps you compare the performance of different investments. (*Learn more on page 21.*)

**Book value:** 1) The value of net assets that belong to a company's shareholders, as stated on the balance sheet of the company. 2) The price you paid for your investment plus any adjustments, such as distributions, that have been reinvested to buy more units.

**Diversification:** The investment in a number of different securities. This reduces the risks inherent in investing. Diversification may be among types of securities, companies, industries or geographic locations.

**Dividends:** A payment made by a company to its shareholders from the company's profits (or surplus).

**Emerging market:** An economy (usually of a country) that is

growing rapidly and becoming more advanced, which might make it an attractive place to invest.

**Investment dealer:** The firm where your financial advisor is registered. (*Learn more on page 19.*)

**Investment fund:** A pool of money owned by many individuals that is invested by a fund manager in stocks, bonds or other securities.

**Investment fund manager:** The company that manages the investment funds that you buy. (*Learn more on page 19.*)

**Market value:** The price at which an investment can be sold at a specific point in time. The market value of your investment funds changes daily. Therefore, the market value of your funds will always be linked to a specific date, such as the beginning of a statement period or the date of purchase.

**Mutual fund:** The most common type of investment fund, held by one-third

of Canadian households.

**Portfolio:** A group of investments held by an investor. (The investor could be a person, a company or an investment fund.)

**Portfolio manager:** A person who decides which securities (stocks, bonds and money market instruments) to purchase for a portfolio and in what quantities, and when to buy and sell the securities. The portfolio manager makes these choices based on the strategy/plan that has been outlined in the prospectus in the case of a mutual fund.

**Trailing commission:** A fee paid on an ongoing basis by the fund manager to the dealer for services and advice provided to the client while the client invests in the fund. This amount is included in the price of the mutual fund that you purchase.

# Financial advice: More important than ever

*Advisors help their clients choose the right investments, choose the right financial strategies and perhaps most importantly, define – and stay with – long-term goals*



**Mark Brisley**

Managing director and head of Dynamic Funds

It's getting complicated out there.

Whether it's investing or planning, it's never been more complicated than now.

Think about it.

In the 1980's, Guaranteed Investment Certificates and Canada Savings Bonds were the popular forms of savings for the general public, with some venturing into individual securities. Today, there are over 3,000 mutual funds in Canada, hundreds of index funds, managed funds and exchange-traded funds.

When it comes to planning there often used to be one, singular goal: retirement. Now we find ourselves planning for the purchase of a home, a child's education, a parent's elder care or our own critical illness and disability. An additional layer of complexity comes from today's extended families where there could

be second marriages, half-brothers, stepsisters or adopted children.

Against this backdrop, financial advice has become more important than ever. But don't take my word for it. Consider the following research<sup>1</sup> when comparing those who work with a financial advisor versus those who don't:

- Advised households saved at double the rates of non-advised households at 8.6% compared to 4.3%
- Investors who worked with a financial advisor for 15 years or more accumulated 3.9 times more assets compared to those who didn't
- Investors who worked with an advisor enjoyed a net median return on investments that was 3% higher than those who didn't

As you can see, getting professional financial advice may lead to greater financial security. Advisors help their clients choose the right investments, choose the right financial strategies and perhaps most importantly, define – and stay with – long-term goals. The fundamental philosophy of **Dynamic Funds** is captured in our tagline – “**Invest with advice**” – because



we believe investors are better off on any reasonable measure when working with a financial advisor.

Now more than ever.

**Dynamic Funds®**  
Invest with advice.

**Mark Brisley**

Mark Brisley is managing director and head of Dynamic Funds, one of Canada's largest asset management companies. With over 20 years of experience in the industry, he is responsible for the firm's strategic execution, day-to-day operations, and business development.

[www.dynamic.ca](http://www.dynamic.ca)

<sup>1</sup>The Gamma Factor and the Value of Financial Advice, Claude Montmarquette and Nathalie Viennot-Briot, 2016; An Econometric Analysis of the Value of Advice in Canada, 2012, Claude Montmarquette. CIRANO.

# FundGrade A<sup>+</sup> Awards: The evolution of achievement



**Reid Baker**

The Fundata FundGrade A<sup>+</sup>™ Awards were announced at a special gala presentation on Jan. 25 at Fundata's annual "Evening of Excellence" held at the Art Gallery of Ontario.

The FundGrade A<sup>+</sup> Awards are designed to highlight the best of the best in the investment fund industry, and are a mark of rare and singular achievement.

The FundGrade A<sup>+</sup> Rating identifies funds with not only the best risk-adjusted returns but also those demonstrating the highest level of consistency through an entire calendar year. Very simply, the FundGrade A<sup>+</sup> Rating is awarded

annually to funds that achieve consistently high FundGrade scores through the year. It is a mark of true distinction and readily identifiable by advisors and their clients as a symbol of excellence within the Canadian fund universe.

In determining the FundGrade A<sup>+</sup> winners, mutual funds and ETFs are graded together, while segregated funds are graded amongst themselves. Fundata also awards the top-performing Responsible Investing (RI) funds separately, with the top RI funds in Equity, Balanced, and Fixed Income categories receiving the A<sup>+</sup> Award.

The FundGrade A<sup>+</sup> Rating is calculated by using a fund's FundGrades throughout the calendar year. The monthly A-grade is highly coveted, owing to the objective, quantitative nature of the grading system. Because FundGrade uses risk-adjusted performance measures – the Sharpe, Information, and Sortino ratios – funds that achieve an A grade for past performance are more likely to outperform their peers in the future.

Fundata undertook analysis of the funds' performance after they had achieved the FundGrade A grade, and the results are compelling.

Taking a snapshot of FundGrades as of Oct. 31, 2011, we found that the returns over the next five years (period ending Oct. 31, 2016)

were significantly higher than the first-quartile funds over the same period. The following tables show how the FundGrades compare to the quartiles in terms of five-year returns.

## 5 year returns

FundGrade Oct. 2011	5-year return since Oct. 2011
A	10.1%
B	9.2%
C	6.6%
D	5.6%
E	4.7%

## 5 year returns

5-year quartile Oct. 2011	5-year return since Oct. 2011
1	8.4%
2	7.1%
3	6.5%
4	5.0%

The results show that risk-adjusted returns, while accounting for performance versus benchmarks, volatility, and tracking error, are much more effective in identifying funds with staying power.

Be sure to check the list of 2016 FundGrade A<sup>+</sup> Award winners at:

[www.fundgradeawards.com](http://www.fundgradeawards.com)

## Reid Baker

Reid Baker is director, analytics and data, at Fundata Canada Inc. This article is not intended as personalized investment advice. Securities mentioned are not guaranteed, involve risk of loss, and are subject to commissions.

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# Are you preparing financially for retirement?

*In your Golden Years, do you expect your life to be golden? What will your financial needs be? What can you do now to make sure you will be able to relax and enjoy yourself later?*

You are never too young to think about these questions. Money set aside and invested wisely will help you prepare for this milestone. For many Canadians, a Registered Retirement Savings Plan (RRSP) is the best savings option available.

Studies have found that few Canadians have an accurate handle on what their needs will be and a plan to meet them.

Your financial institution may have on-line tools to help you answer these important questions.

Another way to prepare is to talk to a financial advisor. No one has a crystal ball, and there are no guarantees but research has found that people with financial advisors are more likely to feel confident they will have enough money to retire comfortably than people who do not receive advice. That's because people with financial advisors are more likely to save. And the longer they receive advice, the study found, the more they are able to save and the more interest they earn.

## Is an RRSP right for you?

*An RRSP is a personal savings plan registered with the Canadian government.*

*Your RRSP can hold many types of investments. When putting together your RRSP, you should choose investments that are suited to your financial goals. A financial advisor can help you understand the features of different products so that you can make an informed choice.*

*RRSPs are attractive to many people because they allow you to save money (up to a certain amount) without paying income tax. As your investment grows, you do not pay income taxes on your gains until you withdraw your money.*

*If you are under 72 and earn income, you should talk to your financial advisor to find out if an RRSP is right for you.*



Will our retirement plan  
provide a bright future?

When you have questions,  
we'll be there with answers.

Scotiabank Investment Specialists are experienced advisors focused on building a financial plan that reflects your goals. They're committed to providing advice when and where it makes the most sense for you. Because, our office is your life.

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You're richer than you think.®



# What is an investment fund?

*An investment fund is a pool of money owned by many individuals that is invested by a fund manager in stocks, bonds or other securities.*



Mutual funds **save you the time and energy** it would take to choose and maintain your own portfolio of stocks or bonds.

Investment funds come in different forms. The most common type of investment fund is a mutual fund. In Canada, there are more than 3,000 mutual funds designed for small, medium and large investors.

About 33% of Canadian households invest in mutual funds, and 86% of Canadian mutual fund investors say that mutual funds will help them meet their financial goals.

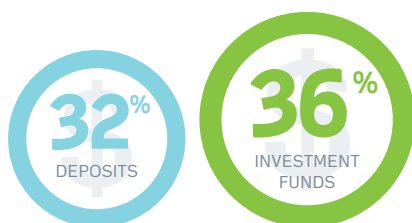
Mutual funds offer easy, convenient access to a wide variety of securities that would be difficult and expensive for individual investors to acquire for themselves. They also offer a wider choice of investment

opportunities and management expertise at a lower cost than most investors could obtain on their own. For example, investing in global funds can give you access to investments in over 40 countries. Canadians have more than \$600 billion in assets invested internationally through mutual funds.

Funds save investors the time and energy required to build their own portfolios. They are highly regulated and more transparent than many other financial products.

A mutual fund account can be started for as little as

**CONTINUED ON PAGE 13**



Canadians place **more money in investment funds** than in deposits.<sup>1</sup>

<sup>1</sup>IFIC; Strategic Insight.

Mutual funds are a **cornerstone** of Canadians' **retirement savings**.

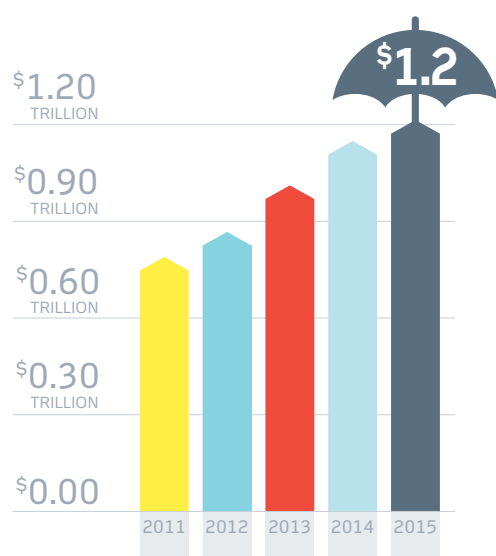
as at December 31, 2015



<sup>4</sup>Benefits Canada Top 100 Pension Funds, June 2016.

\$25/month. The most popular way for Canadians to purchase mutual funds is through a financial advisor who provides professional advice and support to help their clients make informed investment decisions and stay on track with their plan.

All this means that Canadians – even those with small amounts to invest – can pursue their financial goals with confidence through well-regulated diversified investments at a reasonable cost.



Canadians are building financial security with

**\$1.2 trillion**  
in mutual funds.<sup>5</sup>

<sup>5</sup> IFIC, January 2016.

## Behind the scenes

*How does a mutual fund actually work? Here is a glimpse behind the scenes.*



*Every mutual fund has an investment strategy and a fund manager. The investment strategy can range from rapid growth, which carries some risks, to a safety strategy where the focus is on protecting the investment.*

*Part of the fund manager's job is to ensure that the fund's investment strategy is followed.*



*This involves choosing securities (stocks, bonds and money market instruments) and deciding when to buy and sell them and in what quantities. The people who are trained to do this are called “portfolio managers”. They must be well educated and have a high level of professional qualifications and experience.*



*The portfolio manager's decisions are based on the stated objective and strategy of the fund. Any investment carries some level of risk, and part of the portfolio manager's role is to take into account and manage that risk.*





# We care for your dreams—not just your investments.

Your investments, like your dreams, need care. At HSBC Global Asset Management, our disciplined approach to investing and global reach connects you to opportunities at home and abroad. Our fixed income and equities expertise in emerging and developed markets enable us to provide a comprehensive range of investment solutions to meet your needs in today's connected world. We can help you make your dreams a reality.

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Global Asset Management

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# HSBC sees signs of emerging markets regaining momentum



**Nick Timberlake, Head of Equities at HSBC Global Asset Management (UK) Limited,** sees reasons for optimism over emerging market growth prospects. Timberlake and his team make the case that fundamentally, emerging market equities continue to be attractive and long term investment opportunities remain intact.

These views are supported by HSBC's global network of 200 dedicated emerging markets professionals who live and work in the same markets as the funds they manage. Between 2005 and 2016, the amount of emerging markets assets managed by HSBC increased almost two and a half times to more than US\$110 billion.

**Q: After years of stellar returns, emerging markets seem to have stalled. Why are you still bullish on them?**

Our analysis points to four key themes to support our cautiously optimistic view. Unlike Europe, Japan and many other aging societies, emerging markets are seeing their working-age populations continue to grow, which should drive demand. Secondly, we think increasing urbanization will create demand for infrastructure investment and support an expanding workforce with a higher consumption potential. Thirdly, industrialization is increasing, as evidenced by growing electricity consumption. Finally, institutions are becoming more robust – put another way, it is getting easier to do business in emerging markets.

**Q: What is the outlook for profit growth in emerging markets?**

The relatively flat profit growth of emerging markets masks positive underlying trends at the sector level. The financial sector contributes the most to profits generated in emerging markets, while technology and healthcare

are also driving profit growth. Softer commodity prices saw energy and materials lose their leadership position when it comes to profit growth. However, the growing potential for rising commodity prices could reduce this headwind to overall emerging market profit growth.

**Q: What role can emerging markets play for yield-hungry investors?**

Even with upward pressure on US interest rates, we are still in a fundamentally low interest-rate environment. Meanwhile, emerging markets have been offering attractive dividend yields relative to developed market equities. Not only are the yields attractive by themselves, they also show many of these companies are taking a disciplined approach to their cashflow management.

**Q: What could a Trump administration mean for emerging markets?**

More protectionist policies in the US could be negative. And if Trump's policies are inflationary, we expect to see the long end of the US yield curve steepen and the dollar further appreciate, resulting in pressure on emerging market

currencies. But, there is the longer-term possibility that infrastructure spending and a pick-up in demand in the US could have positive implications for global growth, which would be good for export-oriented emerging markets.

**Q: Emerging markets are seen as riskier by many investors. How do you view the risk profile of emerging markets?**

Investors instinctively understand that there is greater fundamental risk for good reason. Emerging markets do come with higher volatility, but our fundamental research aims to understand and consider specific company risks. However, perspective is everything. Looking at economic development trends and the outlook for company profits, we believe emerging markets continue to offer compelling investment opportunities, and the key thing to remember is over the long term investors are being paid to take on risk in emerging market equities.

To learn more, visit [www.global.assetmanagement.hsbc.com](http://www.global.assetmanagement.hsbc.com).

This article has been prepared by HSBC Global Asset Management (Canada) Limited (AMCA). Opinions expressed herein are subject to change without notice and is not intended to provide professional advice. This article is not an offer to sell or the solicitation of an offer to purchase or subscribe for any investment.

Investments in emerging markets are by their nature higher risk and potentially more volatile than those inherent in established markets. Economies in emerging markets generally are heavily dependent upon international trade and, accordingly, have been and may continue to be affected adversely by trade barriers, exchange controls, managed adjustments in relative currency values and other protectionist measures imposed or negotiated by the countries with which they trade. These economies also have been and may continue to be affected adversely by economic conditions in the countries in which they trade.

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# Tips for a healthy mind and portfolio

*Taking control of your investments is critical when it comes to your financial, physical and mental wellbeing*

*Record high personal debt coupled with choppy markets can significantly increase stress. Managing your money doesn't have to be nerve-wracking. We asked the experts to reflect on how remaining calm, cool and collected can have a positive impact on your investments.*

*Cindy Crean, managing director of private client at Sun Life Global Investments, sits down with Dr. Marie-Hélène Pelletier assistant vice-president, workplace mental health, at Sun Life Financial.*



**Cindy Crean** is managing director, private client, at Sun Life Global Investments. Cindy holds a BA in Economics from Wilfrid Laurier University and the Certified Financial Planner (CFP) designation.



**Dr. Marie-Hélène Pelletier** is assistant vice-president, workplace mental health at Sun Life Financial. She holds a Ph.D. in counselling psychology from UBC and an MBA from the UBC Sauder School of Business.

**Cindy Crean:** I've helped many clients over the years untangle their emotions from their investments. I remember one client who was particularly anxious. She was so afraid to invest that she left most of her money sitting in a savings account. Once I showed her the impact this was having on her retirement plan and some appropriate investment solutions, she was ready to take action. I was able to show the client how fear impacted her long-term financial goals. This situation is far from unique! There is a very real connection between financial stress and mental and physical health.

our finances can have an impact on our wellness. According to our most recent Canadian Health Index, Canadians said that their top three drivers of stress are related to finances and 42% of Canadians rank "money" as their number one stressor. More importantly, we know that financial health is interconnected with mental and physical health, with poor financial health at times correlating with mental health challenges and physical pain. With this integrated understanding, we have the opportunity to positively impact all aspects of our health when improving our financial health.

**Dr. Marie-Hélène Pelletier:** It's true that how we feel about

**CONTINUED ON PAGE 17**

## CONTINUED FROM PAGE 16

**CC:** What are the key causes of financial stress?

**MP:** Financial stress can come from a variety of sources: insufficient income or precarious work and the challenges of day-to-day budgeting, debt – Canadians are among some of the most indebted in the world – or a major life event such as an illness or divorce that can throw off any financial plan. It may also simply come from the perception one has of his or her own financial situation.

**CC:** How does financial stress affect overall health?

**MP:** Research points to a material link between financial stress and symptoms of depression and anxiety – we saw in the 2008 financial crisis that as housing prices crashed, the use of antidepressants spiked. Financial stress has also been linked to physical health conditions, such as higher blood pressure and back pain.

**CC:** What do you believe is a key solution available to help reduce the impact of financial stress?

We need to understand that it's normal human behaviour to avoid things that make us stressed. Once we acknowledge this, we can look for ways to fight this tendency. When it comes to finances, many Canadians feel they don't have

the knowledge to take charge. People need to empower themselves with information and take advantage of all the financial literacy tools and resources that are available.

**MP:** Financial literacy is a key building block – a national survey by the Financial Consumer Agency of Canada found that 60% of Canadians rate their financial knowledge as either “fair” or “poor.” Respondents scored an average of 62% on a battery of questions designed to test basic financial knowledge and skills. There is clear opportunity for change. Research indicates that training must move beyond just facts to application – so that people are equipped to take action – otherwise financial

literacy training can fall flat.

**CC:** People don't have to go through financial stress situations alone. Having someone as a guide to help review your finances, make decisions and create a long-term plan has many benefits. A good way to start is to take a look at the resources available to you. Do you or your spouse have access to workplace savings or retirement programs? Do you have access to an Employer Assistance Program or financial counselling services at work? Have you ever met with a financial advisor? An advisor can help you create a financial plan tailored to your family's specific circumstances.

**MP:** Just like physical health,

there's a human element at play. Knowledge, opportunity and advice do not ensure good financial decisions or behaviours – but they can help lead to better choices aligned with an individual's values. And, like starting a new nutrition plan or staying on an exercise program, lasting behaviour is the great challenge with financial health. That said, it is within your control and comes with broad health benefits. It's worth investing in creating the healthy financial habits that will work for you.

**CC:** Thanks very much for your time, today Marie-Hélène. It's good to know that investors can be in driver's seat when it comes to financial, physical and mental wellbeing.



# Understanding services and fees

## The services you receive

When you buy a mutual fund, you receive services from your dealer (the firm where your advisor is registered) and from the fund manager. The new annual report that you are receiving focuses on the fees you pay for the services that you receive from

your dealer, which include:

- Understanding and reviewing your financial situation and needs, including how much risk you are willing and able to handle,
- Guiding you to build and maintain your financial plan,
- Buying and selling units of

a fund for you, based on your needs and your ability to handle risk,

- Providing you with account statements and other information, keeping detailed records about your account, and providing you with information and access to your

account online.

In addition, your dealer belongs to an investor protection fund and to regulatory organizations that ensure the industry operates to high regulatory standards.

## The costs that you pay

Your new annual report will tell you, in dollar amounts, what you paid over the previous year to your dealer, both directly and indirectly, based on when you bought or sold all or parts of your investments.

Your account could include stocks, bonds, mutual funds and GICs, as well as insurance products that have an investment feature.

The costs could include general administration and service charges, commissions, trading fees or referral fees.

**If you don't understand some of the charges, ask your advisor for more information.**

There are some costs not reflected in the new report, such as amounts paid to your investment fund manager(s).

Your fees pay for services provided by:

- **Your fund manager** – the company that manages the mutual funds that you buy.
- **Your dealer** – the firm where your financial advisor is registered. Some dealers charge an additional fee to you directly.

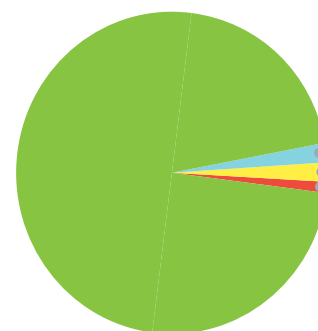
...and for **taxes** to federal and provincial governments.

## Did you know?

*Most mutual fund investors pay for the services they receive through their purchase of their investments or by direct withdrawal from their account. For these investors, the rate of return shown on their regular investment statement is calculated after the costs are deducted. In other words, your rate of return is what your account actually earned for you after expenses have been removed.*

*Some mutual fund investors pay some or all of their costs through a separate fee to their dealer. For these investors, the rate of return on their regular investment statement shows what the account earned before these separate costs have been paid. To understand how much you earned after costs, you would have to deduct these separate fees.*

Your Money - Invested to Grow



- Your Money - Invested to Grow
- Your Manager Fees
- Dealer Fees
- Taxes

## Value for your mutual fund fees

### FUND MANAGER SERVICES



Sets the **strategy and goals** for a fund



Keeps **records** for the fund and for all clients, including tax reporting

Chooses and monitors **experts who buy and sell** investments to match the fund's goals



Provides or arranges for **legal, accounting, audit and custodial services**, and ensures the fund meets regulatory requirements



### DEALER SERVICES

Your dealer firm provides these services to you directly or through your advisor, and works to ensure your advisor meets government rules and regulations:



Understands and reviews **your financial needs** and **how much risk** you are willing and able to handle

**Keeps detailed records** about your account



Delivers **account statements** and other information to you

**Guides you** to build and maintain your financial plan



Provides you with **information and access** to your account online



**Buys/sells units** of a fund for you, based on your needs and your ability to handle risk



Is a member of **investor protection funds** and **regulatory organizations**

### TAXES

**GST** and **HST** are charged on fees and services







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# Understanding returns

## Your personal rate of return

One of the new investment reports you will start to receive this year provides new detailed information about how well your investments performed after costs have been deducted. To locate this information on your statement, look for the term “Personal Rate of Return”. Some firms will use the more technical term: “Money-Weighted Rate of Return”.

Your personal rate of return is unique to you because it is based on:

- The timing of when you deposited money into and withdrew money from your account,
- Dividends and interest that you earned within the account, and
- Changes in the market value of the securities held within your account.

Since each investor has a different combination of deposits and withdrawals, each investor may have a different personal rate of return.

## Your target rate of return

A “target rate of return” is a goal that some investors set, often with the help of a financial advisor. For example, an investor might set a goal of saving ‘x’ dollars by a certain year in order to retire comfortably. To achieve that goal, based on the investor’s current and planned savings,

the investor will aim to earn a certain rate of return – the target rate – each year.

You may wish to compare your personal rate of return to your target rate of return to see whether you are on track to meet your investment goals.



## Comparing performance

### What is a benchmark?

*A benchmark is information that helps you compare the performance of different investments.*

*Students compare their marks to the class average to understand how well they did. In the same way, an “investment benchmark” helps you understand how well your investments performed compared to other similar securities.*

### Choosing the right benchmark

*There are many different benchmarks and it is important to use the right one. You would not compare your math mark to the class average on an English test. In the same way, it would not make sense to compare your equity fund to a benchmark for bond funds.*

*A fund that uses a benchmark will identify the fund in its Management Report of Fund Performance, which you can find online or obtain through your advisor.*

### Comparing apples to apples

*Investment benchmarks are usually a group of securities known as a “market index”. One common example is the S&P/TSX Composite Index.*

*A market index provides good historic information but it isn’t a perfect comparison to your investment for three reasons:*

1. *A market index does not reflect the costs of managing and operating a mutual fund. To compare your mutual fund to a benchmark, subtract the fund costs from the benchmark.*
2. *A market index measures performance over a specific time period. If you held the mutual fund over a different time period, it will not be a perfect match.*
3. *Benchmarks use a “time-weighted” formula to calculate performance. The statement that you will receive after 2016 will use a “money-weighted” formula to calculate your return.*

*For these reasons, your return will not usually mirror the benchmark for the fund.*

# Who oversees the mutual funds industry?

*Mutual funds are highly regulated and more transparent than many other managed investment products. Securities commissions in each province and three self-regulatory organizations ensure that the individual investor's interests are well guarded. They set rules governing everything from how and when information about a fund must be provided to investors to the standards that advisors must meet.*



## Securities commissions

Each province and territory in Canada regulates the distribution and sale of mutual funds and other securities in its jurisdiction through a government agency, usually known as a securities commission.

The securities commissions across the country have formed a voluntary organization, the Canadian Securities Administrators (CSA) to improve, coordinate and harmonize regulation of the Canadian capital markets.

## Self-regulatory organizations

Some securities commissions have delegated regulation of mutual fund dealers to the Mutual Fund Dealers Association of Canada (MFDA). All mutual fund dealers in these provinces must be a member of the MFDA. The MFDA's functions include:

- Setting regulatory standards for its members,
- Auditing members for compliance with those standards,
- Investigating complaints, and

- Taking enforcement action when necessary.

The MFDA and IIROC are not government agencies. They operate under the authority and supervision of the securities commissions. They have the power to impose standards that are higher than the minimum standards set by securities laws.

## Registration and education requirements

People who sell or give advice about mutual funds must be registered, through the sponsorship of a dealer, with the provincial securities commission in each province where they want to sell mutual funds.

A dealer must be registered with the appropriate securities commission(s) and, depending on the jurisdiction and the types of securities the dealer can sell, it may have to be a member of MFDA or IIROC. The advisors sponsored by a dealer are also regulated by the MFDA or IIROC, except in Quebec where they are regulated by the *Chambre de la sécurité financière*.

Firms that act as investment fund managers, and firms and individuals that act as portfolio managers must be registered with the securities commissions. In order to register, they must meet educational and experience requirements.

- Taking enforcement action when necessary.

Investment dealers are required to be members of the Investment Industry Regulatory Organization of Canada (IIROC). IIROC is responsible for regulating its members by:

- Setting regulatory standards,
- Confirming advisors and sales representatives meet education and qualification standards to be licenced,
- Auditing members for compliance with those standards,
- Investigating complaints, and



# Investment fund providers and related professionals

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### Mackenzie Investments

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Website: [mackenzieinvestments.com](http://mackenzieinvestments.com)

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For more information, visit  
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Email:  
[customer.support@td.com](mailto:customer.support@td.com)

Text us: TDHELP (834357)

Social Media: Message us on Facebook Messenger or Twitter

## Data provider

### Fundata Canada Inc.

38 Lesmill Road  
Toronto, ON  
M3B 2T5

Phone: 416-445-5534

Email: [sales@fundata.com](mailto:sales@fundata.com)

Contact: Jocelyn Courcelles

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## Resources

### The Investment Funds Institute of Canada (IFIC)

11 King Street West, 4th Floor  
Toronto, Ontario  
M5H 4C7

Phone: 416-363-2150

Email:  
[member-services@ific.ca](mailto:member-services@ific.ca)

IFIC is the voice of Canada's investment funds industry. Our 150 member organizations include fund managers, dealer firms and industry service organizations – all dedicated to fostering a strong, stable investment sector where investors can develop the financial capability and access the products and services that will enable them to realize their financial goals.

Visit our online Investor Centre at [www.ific.ca](http://www.ific.ca) to learn more.

### Other Resources for Investors:

Many of the IFIC member firms found in this Guide offer investor education on their websites. In addition, Canada's national and provincial securities regulators offer information, tools, advisor registration listings, and links to other organizations covering a wide range of financial topics:

Canadian Securities Administrators – <https://www.securities-administrators.ca/>

Financial Consumer Agency of Canada – <http://www.fcac-acfc.gc.ca/>

Investment Industry Regulatory Organization of Canada – [www.iiroc.ca](http://www.iiroc.ca)

Mutual Fund Dealers Association – [www.mfda.ca](http://www.mfda.ca)

Ontario Securities Commission – [www.getsmarteraboutmoney.ca](http://www.getsmarteraboutmoney.ca)

Autorité des marchés financiers – <http://www.lautorite.qc.ca/en/>

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