# 2021 Quick Reference Guide

AGF SOUND CHOICES

FOR ADVISOR USE WITH INVESTORS

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**Sound Choices provides resources to meet the evolving needs of investors and advisors.**

The program offers resources related to:

- Investing best practices (including working with a financial advisor)
- Personal finance education – helping investors understand various aspects of investing
- Financial planning strategies for different life phases

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**Financial Advisors can find the full suite of resources at AGF.com/SoundChoices**

# Investing Concepts

**Investing best practices that help investors meet their goals, both during the accumulation and decumulation phases**

# Table of Contents

# Understanding Volatility

Volatility refers to the price fluctuations of a particular item, such as an individual stock or a whole market or portfolio.

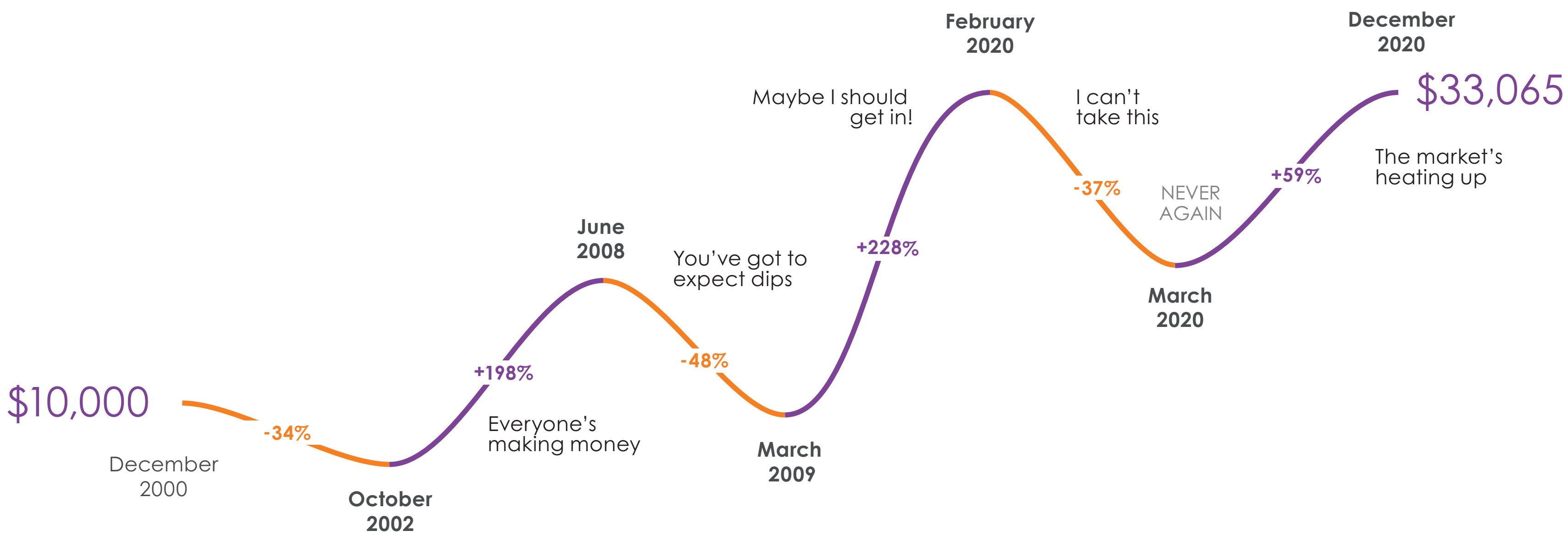
It's important to remember that no one can predict exactly when the markets will rise or fall – or precisely how significant that change will be.

But what we ***can*** control is how we react to those market events.

# Don’t Get Caught on an Emotional Rollercoaster

Watching markets go up and down can be trying. Staying focused on the long term rewards investors.

For example, $10,000 invested at the end of December 2000 would have grown to **$33,065** at the end of December 2020, an annualized return of **6.16%.***



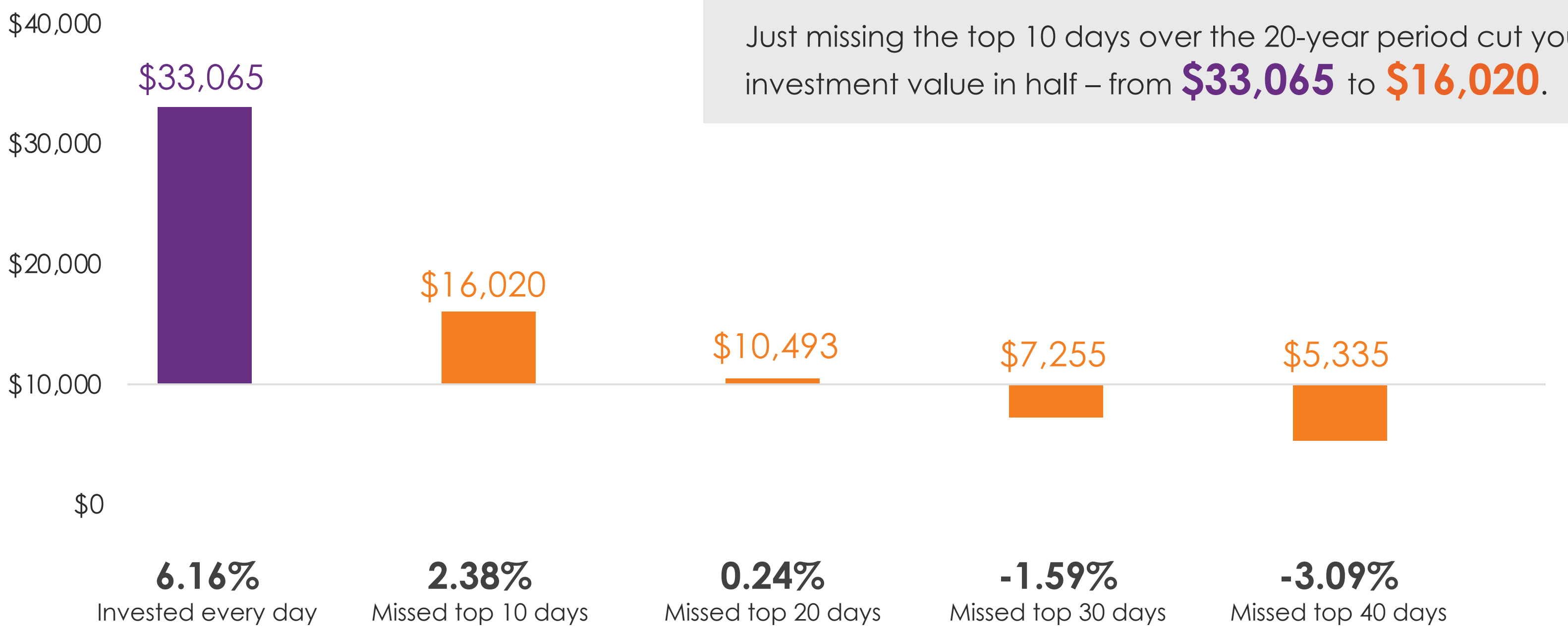

Sources: Morningstar Direct and AGF Investments Inc. S&P/TSX Composite Total Return Index data to December 31, 2020. The information provided is for illustrative purposes only and is not meant to provide investment advice. You cannot invest directly in an index. *Annualized return for S&P/TSX Composite Total Return Index. Source: Morningstar Direct data to December 31, 2020. **This information is for illustrative purposes only.** Past returns are not indicative of future results.

# Market Timing is a Guessing Game

When market volatility occurs, it may be tempting to pull your money out of the market. But that can have a significant impact on your investments.

**$10,000 investment in the S&P/TSX Composite Total Return Index for the 20 years ended December 31, 2020**

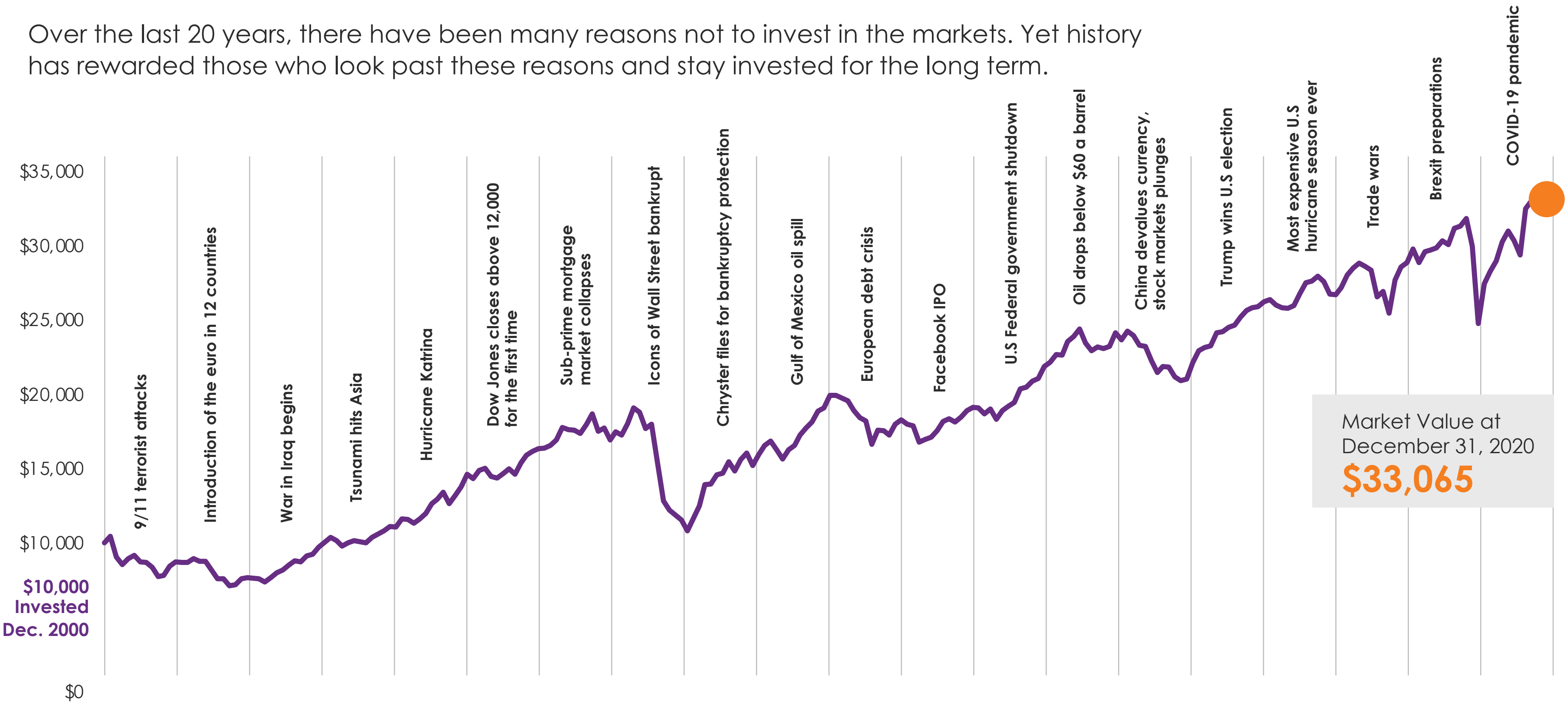
Just missing the top 10 days over the 20-year period cut your investment value in half – from **$33,065** to **$16,020**.




Source: AGF Investment Operations as at December 31, 2020. **For illustrative purposes only.** You cannot invest directly in an index. Past returns are not indicative of future results.

# One Good Reason to Stay Invested

Over the last 20 years, there have been many reasons not to invest in the markets. Yet history has rewarded those who look past these reasons and stay invested for the long term.




| Year ended Dec. 31 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Calendar returns | -12.6% | -12.4% | 26.7% | 14.5% | 24.1% | 17.3% | 9.8% | -33.0% | 35.1% | 17.6% | -8.7% | 7.2% | 13.0% | 10.6% | -8.3% | 21.1% | 9.1% | -8.9% | 22.9% | 5.6% |

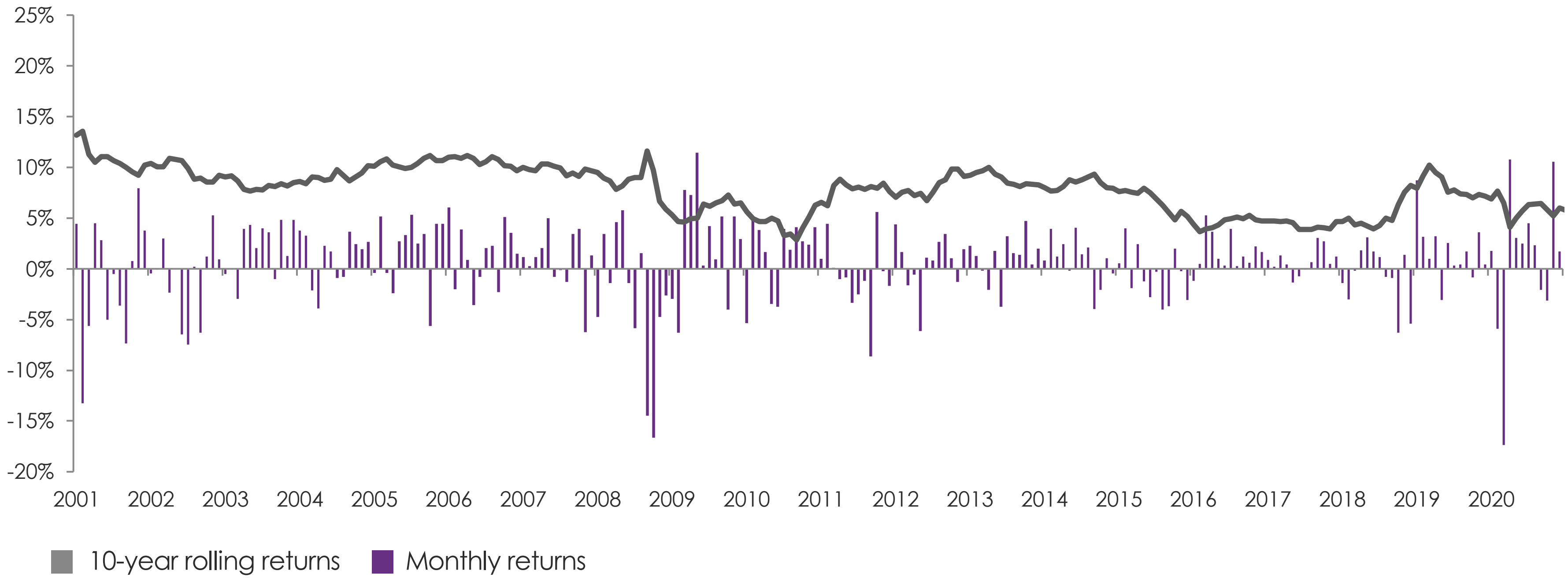
Source: Morningstar Direct, S&P/TSX Composite Total Return Index, as at December 31, 2020 (compounded monthly). All information in Canadian dollars unless otherwise stated. **The information provided is for illustrative purposes only and is not meant to provide investment advice.** You cannot invest directly in an index.

# Focusing on the Short Term vs. Long Term

**Monthly swings:** it can be quite scary to figure out when to invest or redeem. There is no pattern.

**10-year rolling returns:** you can feel more secure knowing you would have not lost money over any of the 10-year periods.

## Returns of the S&P/TSX Composite Total Return Index (2001-2020)




Source: AGF Investment Operations. January 1, 2001 to December 31, 2020. **The information provided is for illustrative purposes only and is not meant to provide investment advice.** You cannot invest directly in an index.

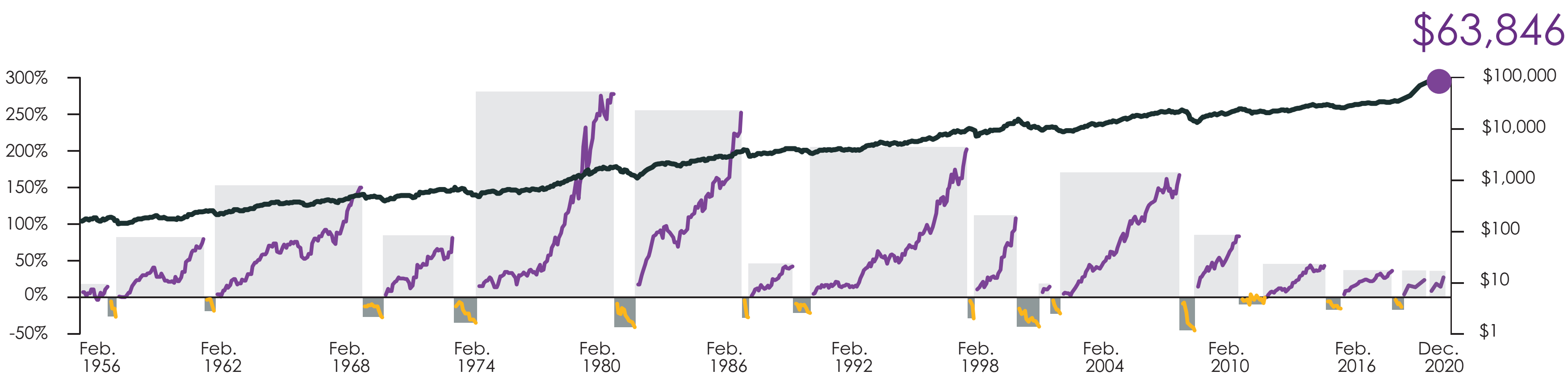


**Visit AGF.com/Volatility for more information.**

# Bull and Bear Markets

Throughout history, bull markets are, on average, longer and more intense than bear markets. Not only do they last longer, their percentage swings are more significant. In the end, the results speak for themselves.

Since 1956, a **$250 investment** into the S&P/TSX Composite Total Return Index would have grown to **$63,846** by the end of December 2020.




**Bull market:**
a prolonged period in which market prices move upwards over an extended period of time.

Average length: **40.8 months**

Average gain: **101.5%**

**Bear market:**
a prolonged period in which market prices move downwards over an extended period of time.

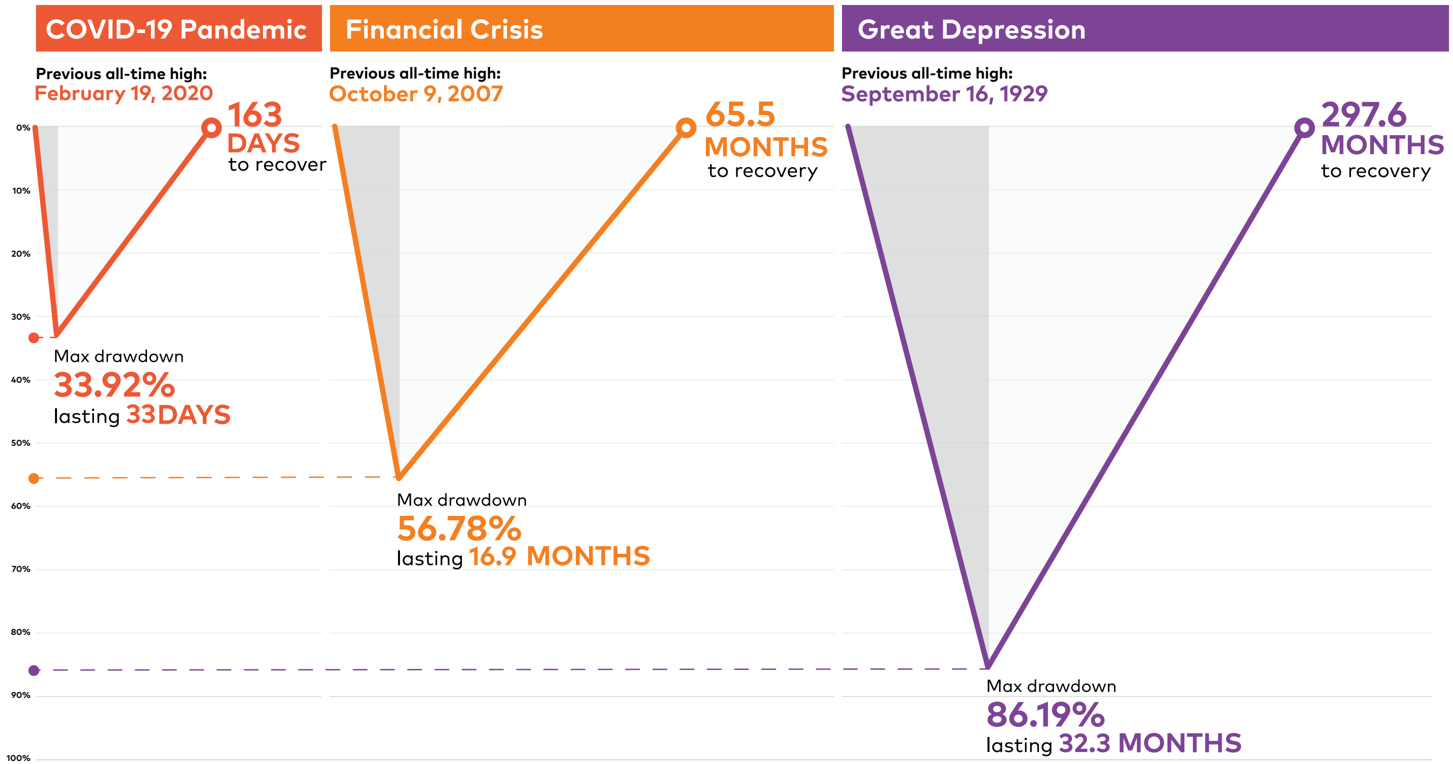
Average length: **8.2 months**

Average drop: **-24.57%**

Source: Bloomberg and Morningstar Direct, S&P/TSX Composite Total Return Index, February 1, 1956 – December 31, 2020. **The information provided is for illustrative purposes only and is not meant to provide investment advice.** You cannot invest directly in an index.

# Bear and Back Again

The U.S. equity market has never spiralled into bear market territory as swiftly as it did in 2020. Nor has it ever recovered as quickly to reach new all-time highs.




Source: Bloomberg LP and Cornerstone Research Inc. as of October 31, 2020. **The information provided is for illustrative purposes only and is not meant to provide investment advice.** You cannot invest directly in an index.

# Market Correction or Bear Market?

Market corrections can be unnerving to investors trying to understand if the decline is a shorter-term pullback or the beginning of a sustained downturn. Shorter-term declines or 'market corrections' happen frequently and can trigger the fear of a bigger market decline – but most don't actually result in a bear market, a decline of 20%.

## 75%

**The percentage of corrections of more than 10% that have NOT led to bear markets**

### 5%

**318** Corrections of 5% or more

**3.4** Mean number of occurrences per year

**35** Mean number of days of correction

### 10%

**99** Corrections of 10% or more

**1.1** Mean number of occurrences per year

**100** Mean number of days of correction

### 15%

**45** Corrections of 15% or more

**0.5** Mean number of occurrences per year

**186** Mean number of days of correction

### 20%

**26** Corrections of 20% or more

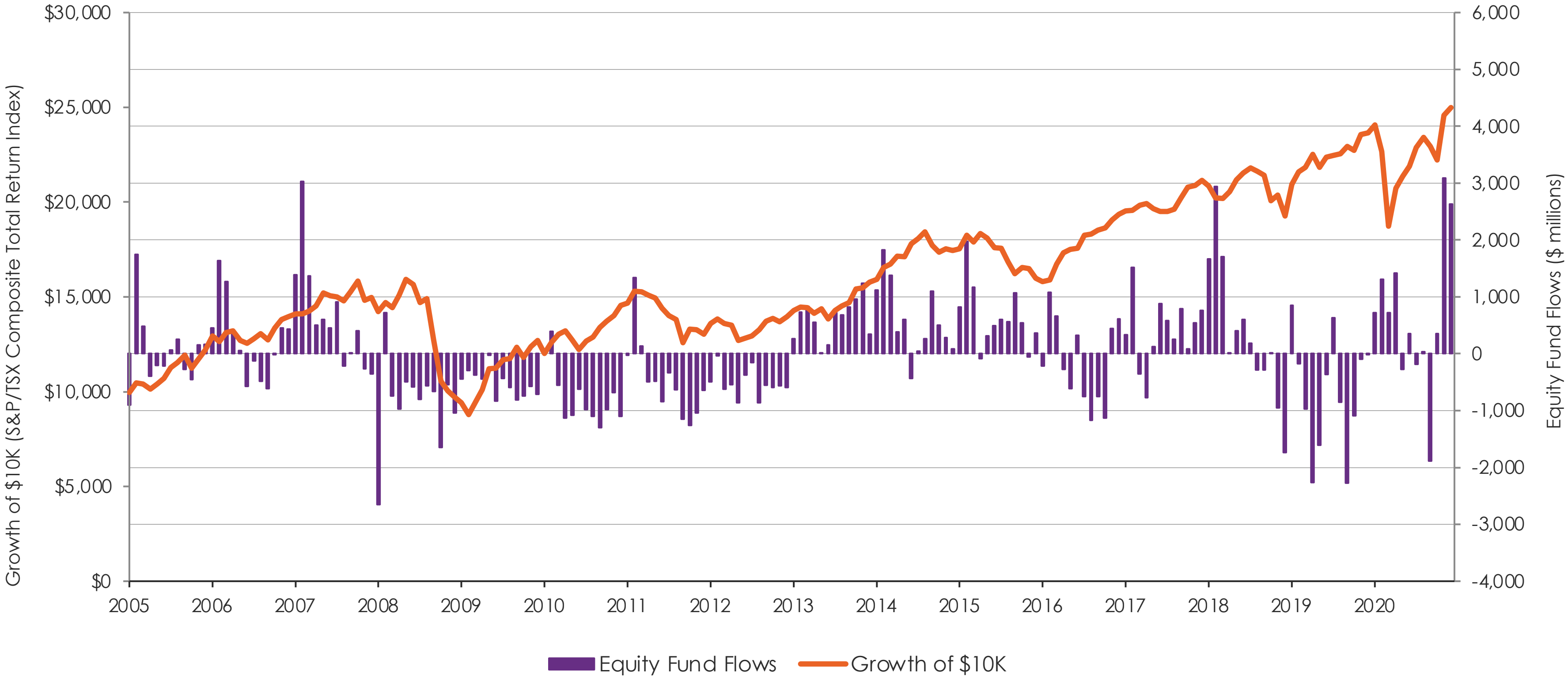
**0.3** Mean number of occurrences per year

**289** Mean number of days of correction

* Based on Ned Davis Research data of S&P 500 Index performance between January 3, 1928 and February 8, 2021.

# So Why Do Some Investors Still Buy High And Sell Low?

Investors know intuitively to buy low and sell high – but even the most seasoned investors can find their own emotions affect the decision-making process. Market volatility or declines often make people nervous and they can react by pulling their money out of the market. Similarly when markets have persistently gone up, investors often buy in at the wrong time. Staying focused on the long term can help investors tune out the noise.




Source: IFIC Primary View and Morningstar Direct, as of December 31, 2020. **This is a hypothetical example, for illustrative purposes only.** All values are in Canadian dollars. You cannot invest directly into an index.

# Understanding Investments

There are many investment options available. To be a successful investor, it helps to know:

- What type of financial investment it is – for example, a mutual fund or an ETF
- What fees might be charged
- How is it managed
- Is it environmentally friendly
- How are the investments taxed

# What is a Mutual Fund?

Mutual funds are professionally managed investments, providing investors access to a portfolio of assets (for example, bonds, stocks) that many people wouldn't be able to afford by themselves.

## How Does It Work?

When you put your money into a mutual fund

It's combined with the money from all the other investors in that fund

And invested according to the fund's investment objective and strategy

## Top 10 Reasons to Invest in Mutual Funds

### 1. Diversification

Because mutual funds hold a basket of investments, they provide instant diversification, which can minimize portfolio risk and volatility.

### 2. Little Time Commitment

You can build diversification into your own portfolio of investments but it takes time and expertise to research which investment are likely to best complement each other. With mutual funds, the research and monitoring are done for you.

### 3. Professional Advice

Each mutual fund's holdings are chosen by professional investment managers based on a sophisticated investment approach, so you automatically have access to this expertise.

### 4. Low Minimum Investment

In addition to being time consuming, creating your own basket of diversified holdings can be expensive because you have to invest a minimum amount in each stock/bond you want to own. With mutual funds, your money is pooled with that of a large group of investors, which keeps your minimum investment amount down.

### 5. Lower Trading Costs

The trading costs of buying and selling dozens of individual investments as markets change can be very high. Every investor that holds a piece of a mutual fund shares its trading costs, making these costs more affordable.

### 6. Investing Discipline

With a mutual fund, your investment decisions are made for you, so you're not being driven by fear in a down market or euphoria in an upmarket.

### 7. Dollar Cost Averaging (DCA)

When you invest in a mutual fund, you can invest a set amount at regular intervals. With DCA, you can potentially buy more units when prices are low and buy fewer units when prices are high, which may result in a reduced purchase price over time.

### 8. Convenient Reinvestment

When a mutual fund distributes income such as dividends to investors, you can automatically reinvest the income in more units of the fund with no transaction fees. Over time, the power of compounding can lead to significant growth of your investment.

### 9. Liquidity

Mutual funds are relatively easy to buy and sell at any time, and are available through most banks and investment firms.

### 10. Range of Options

From pure equity funds that maximize returns but carry higher risk to money market funds that minimize risk but offer significantly lower returns, there's a mutual fund for virtually every type of investor.

# What is an ETF?

Exchange Traded Funds (ETFs) are investment funds, providing investors access to a basket of securities that trade on an exchange like a stock. They deliver a combination of benefits shared by stocks and/or mutual funds.

**Mutual Funds:**

Diversified Portfolio Building Blocks

**ETFs:**

Diversified Portfolio Building Blocks
+ Intra-day Trading
+ Transparency

**Stocks:**

Intra-day Trading and Transparency

## ETFs are Delivered in a Variety of Investment Styles

Exchange-traded funds (ETFs) were first introduced to Canadian investors nearly 30 years ago, with traditional ETFs being passively managed, simply mirroring a particular index.

The ETF market has matured since then, offering a wide variety of options from active to passive and covering all asset classes from equity to fixed income, alternatives and portfolio solutions. There's also been growth in thematic ETFs that provide exposure to specific themes like ESG or infrastructure.

**Passive to Active Spectrum**

| Index (Passive) | Smart/Strategic Beta | Active |
|---|---|---|
| Index Tracking | Index Tracking | Non Index Tracking |
| Market Cap Weighted | Non Market Cap Weighted | Discretionary Strategies |
| Rules-based | Rules-based | Rules-based, Strategic, Tactical |
| Fully Transparent* | Fully Transparent* | Potentially Less Transparent* |

**Typically, Lowest to Highest Cost**

* Transparency: "Fully" refers to the daily disclosure of all holdings; some actively managed ETFs may only disclosure holdings monthly while other firms may be fully transparent.

# Understanding MERs

The costs associated with having professionals manage your money vary*, but generally fall into these categories:

## Investment Management Fee

**Portfolio managers with the appropriate expertise:**

- Research, choose, monitor and sell investments that reflect the product's investment strategy
- Rebalance the portfolio for optimal asset mix
- Manage risk for the portfolio (including sector allocation, currency management)
- Consider tax efficiency

## Operating Expenses

**The fund's administrators:**

- Maintain records for the fund and its investors
- Arrange for custodial services for the fund's assets
- Provide accounting services, including calculating the fund's value – and its unit pricing as well as tax reporting
- Ensure the fund meets its regulatory requirements, including required audits

## Sales Tax

HST/GST are charged on all fees and services

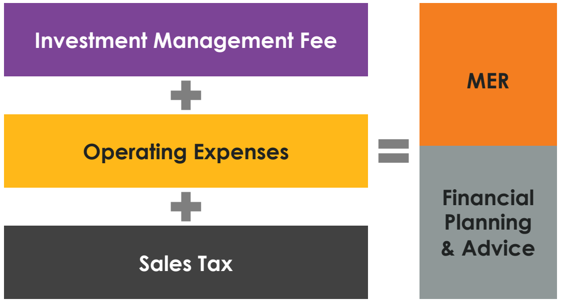
## Financial Planning & Advice

**Your financial advisor:**

- Develops a financial plan that aims to help you meet your goals
- Provides tax planning and estate planning that reflects your needs and family situation
- Puts together an investment portfolio – including registered plans (RRSPs, RESPs, TFSAs) – reflecting your goals, risk tolerance, time frame
- Conducts due diligence and research on the investments in your portfolio
- Rebalances and reallocates your portfolio when necessary based on the markets or changes in your life

* The costs associated with a particular fund can be found in its prospectus.

## Management Expense Ratio (MER)




A fund's MER includes the management fee, operating expenses and sales tax. The MER is expressed as a percentage of the fund's average net assets for the year.

Depending on how your financial advisor is paid, the financial planning and advice cost may be embedded in the fund's MER or paid separately.

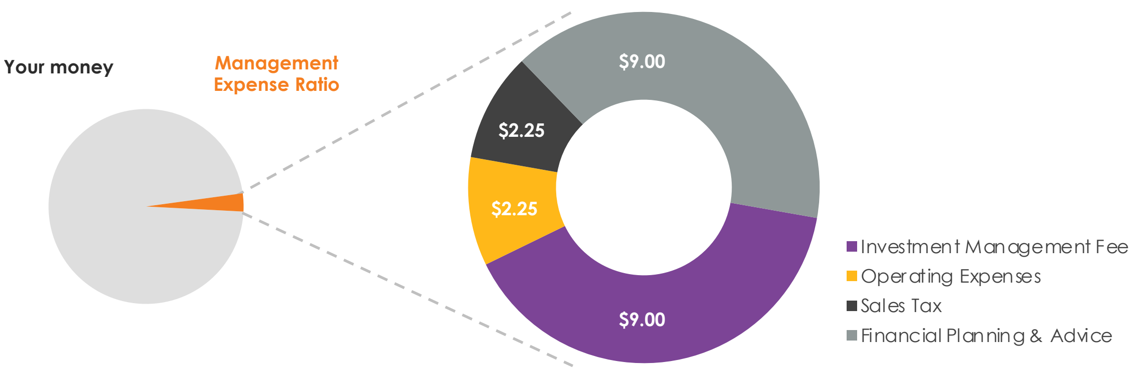
### Ways a financial advisor can be compensated for the valuable services they provide include:

1. **Commission-based –** the advisor is paid for every transaction they do on your behalf.
2. **Fee-based –** the advisor charges an annual fee based on the assets they manage for you.
3. **Blend of fees and commissions –** For example, the advisor may charge a flat fee for a basic financial plan and then earn a commission when they execute investment-related trades.
4. **Salary –** on top of an annual salary from their company, an advisor may earn bonuses based on criteria set out by the company as an incentive for financial advisors to grow their business.

### Each investor pays a portion of the costs

Let's say a fund's average assets for the year are $10 million and its expenses are $225,000. The fund's MER would be 2.25%. If you have $1,000 invested in the fund, your share is $22.50.

### MER breakdown




**This values referenced in this example are hypothetical and for illustrative purposes only.**

# The ABCs of ESG

Sustainable investing or responsible investing refers to investment strategies that consider environmental, social and governance (ESG) issues as part of the investment decision-making process.

## Environmental

Impact on the environment, which can include water usage, pollution, waste management, energy efficiency, gas emissions and climate change.

## Social

Human rights, health and safety, employee working conditions, community impact, diversity, population and demographics change, consumption patterns and shareholder reputation.

## Governance

Board independence and diversity of board members, alignment of shareholders and executives, compensation, shareholders rights, transparency/disclosures and business ethics/culture.

## Investment Approaches

### Exclusionary Screening

**Definition**
Excludes companies, sectors, or countries based on ethical, moral or religious beliefs.

**Purpose / Objective**
Eliminates exposure to a group of securities while pursuing a traditional investment objective (e.g., growth, income, etc.).

### ESG Factor Integration

**Definition**
Combines ESG data, research and analysis together with traditional financial analytics in the decision-making process. May not explicitly exclude investing in undesirable countries, companies, etc.

**Purpose / Objective**
Incorporates ESG risks into analysis of all holdings, with two primary objectives, to reduce risk or improve performance alongside pursuing a traditional investment objective (e.g., growth, income, etc.).

### Shareholder Engagement

**Definition**
Uses the power of shareholder and stakeholders to influence corporate behaviour.

**Purpose / Objective**
Influence corporate behaviour in order to move forward an issue related to Environment, Social or Governance initiatives.

### Thematic Investing

**Definition**
Invests in sustainable businesses that are related to and likely to benefit from specific impact themes (e.g., energy efficiency, green infrastructure, clean fuels, low-carbon transportation infrastructure, etc.)

**Purpose / Objective**
Provides investors exposure to a specific theme, linked to one or more issue areas where social or environmental need has the opportunity to create growth opportunities.

### Impact Investing

**Definition**
Investments made into companies, organizations, and funds with an intent to generate a measurable, beneficial social & environmental impact alongside a financial return.

**Purpose / Objective**
Focus on generating a measurable impact in one or more issue areas.

# Fundamental vs. Quantitative Investing


## Fundamental

Focus on aspects that are qualitative and subjective in nature in order to get an “edge”

### Fundamental Analysis Approaches:

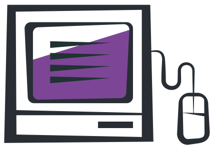
| Top Down | Bottom Up |
|---|---|
| ▪ Begins by looking at the “big picture” and examining the broader market, sector, or industry<br>▪ Then narrows down to a specific security | ▪ Begins with examining the fundamental factors of a specific security, like the financials or management of a company<br>▪ Then considers the overall market |

### Key Steps:

1. Determine a value for a security by examining factors that could affect its price.
2. This value is then compared to the security’s price, determining if the security is overvalued or undervalued.
3. The goal is to buy each stock when it’s undervalued and sell when it’s overvalued.



Visit AGF.com/Fundamental for more information.



## Quantitative ("quant")

Employs a computer-based model to guide investment decisions

### Key Steps:

1. Model is used to identify patterns in large quantities of stock and trading data that could potentially form the basis of an investment strategy.
2. An algorithm is developed to determine the optimal time to buy or sell a set of securities (within a set of parameters and according to various factors).
3. Model is vigorously stress-tested in different market environments to ensure that it performs in the way that it was programmed to.
4. Model is constantly reviewed in order to assess its ability to generate excess returns.

### Can be a mixture of both

- The investment industry is increasingly data-driven
- Many investment managers looking to integrate computer modelling and algorithms into their investment processes



**Visit AGF.com/Quant for more information.**

# What's the Alternative?

Alternative investments differ from traditional long-only equity, fixed income or cash investments and can refer to either alternative asset classes or alternative strategies (approaches to investing).

## Alternative Asset Classes

- **Real estate / REITS** – residential, office, specialty
- **Infrastructure** – airports, highways
- **Precious Metals** – gold, silver, copper
- **Commodities** – oil, agricultural products
- **Private Equity** – companies that have not been listed on a public exchange
- **Private Debt** – debt investments that are not issued or traded in an open market

## Alternative Strategies

- **Long/Short** – Take both long and short positions while maintaining net-long exposure
- **Market Neutral** – Take both long and short positions in equal weights
- **Managed Futures** – Take long or short positions using derivative products
- **Multi-Strategy** – Combine a portfolio of different alternative strategies

# Why Consider Alternative Investments?

## Diversification through low to non-correlated return sources

- Long-term diversifiers within a portfolio
- Tend to have low correlation to traditional asset classes

## Reduced volatility and risk

A portfolio containing a variety of alternatives may offer reduced risk and volatility without a proportionate reduction in expected return.

## Downside protection and capital preservation

Employing alternatives within a portfolio may help to shield investors from a decline in value when markets are stressed.

## Greater risk-adjusted returns

Alternatives have been shown to offer opportunities to enhance the risk-adjusted returns of well-diversified portfolios.

## Hedging against rising interest rates or inflation

Alternatives can provide a hedge against inflation or rising interest rates due to their uncorrelated risk and return profiles relative to these economic variables.



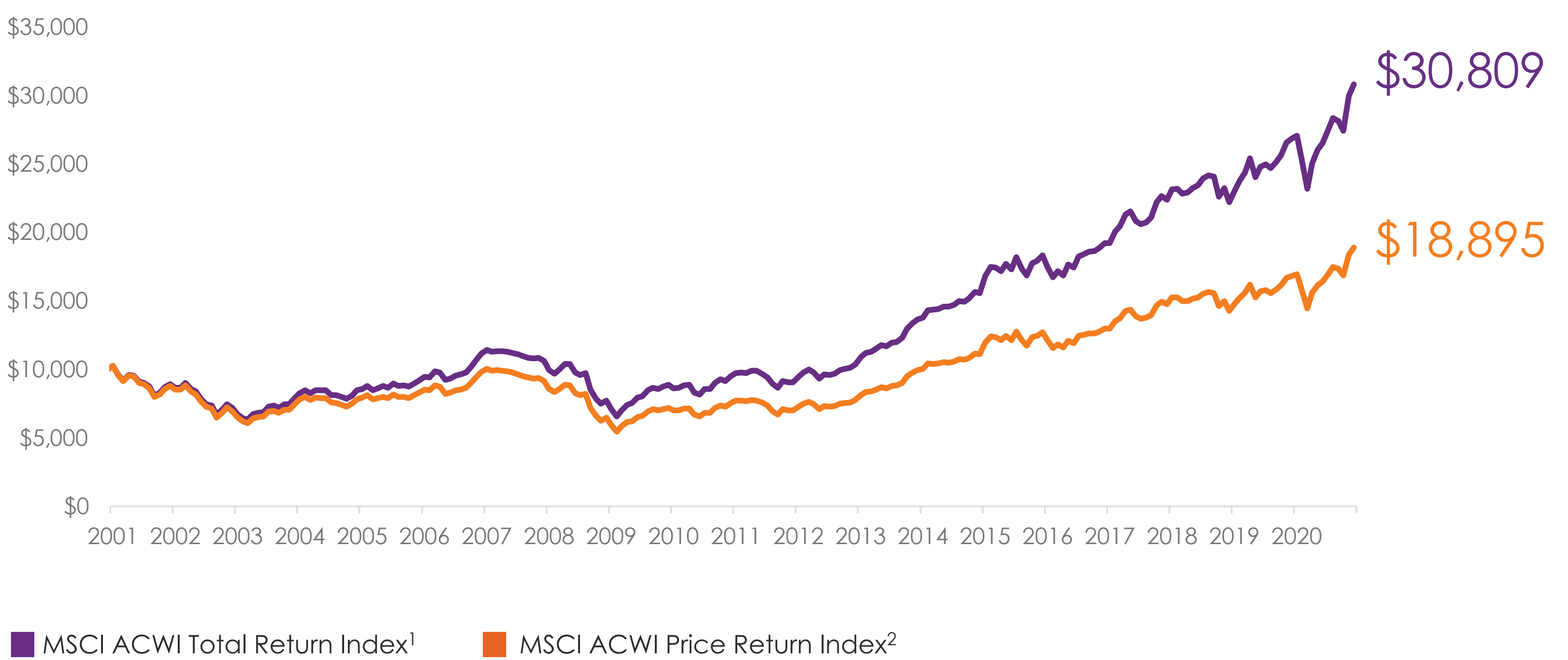
Visit AGF.com/Alternative for more information.

# Dividends Matter

## Why? Your Money Can Work Harder For You

Dividends can help you meet your investment goals sooner. This chart shows the value of stocks that pay dividends versus stocks that don't. Over time, there is a difference in the returns generated.

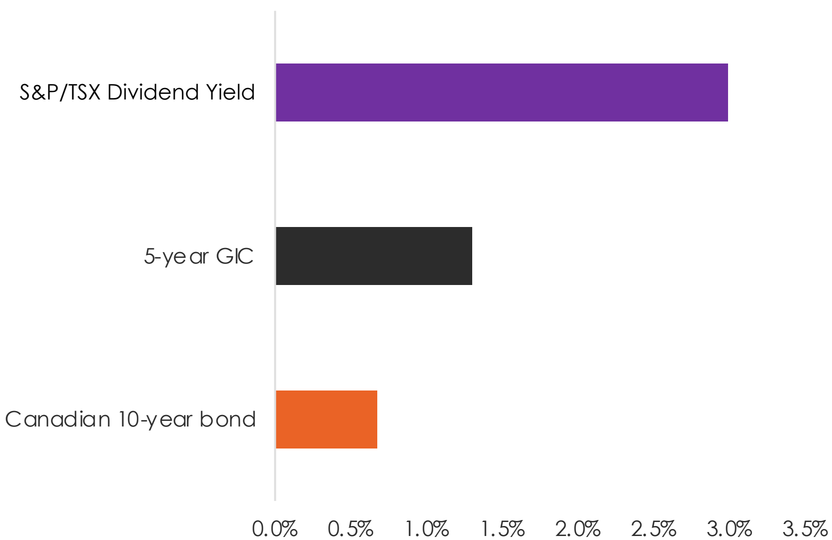
**Hypothetical $10,000 investment in global equities. Index returns with dividends vs. returns without dividends**




Source: Morningstar Direct, December 31, 2000 to December 31, 2020. [1]MSCI ACWI Total Return Index (C$). [2]MSCI ACWI Price Return Index (C$).
**The information provided is for illustrative purposes only and is not meant to provide investment advice.** You cannot invest directly in an index.

## Dividends Can Help Generate Income

With interest rates remaining low, dividends can be an attractive form of generating income.




## "Distributions" and "Dividends" Are Not The Same

### Distributions:

- payments from a fund to the investor
- derive from multiple sources from securities held within the underlying funds as well as return of capital
- can be comprised of dividends, earned interest, realized net capital gains and return of capital

### Dividends:

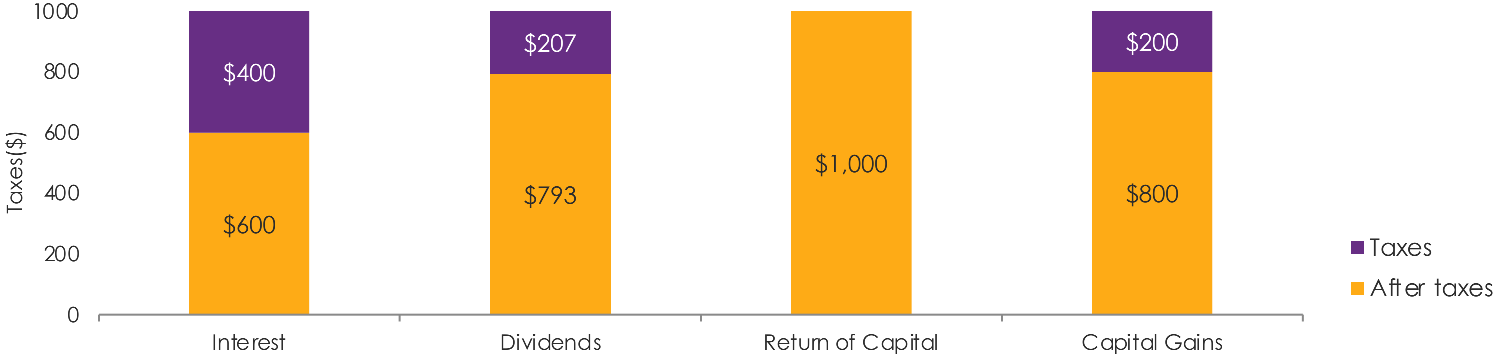
- are only a component of a fund distribution
- can be earned by a fund holding Canadian or foreign companies paying a dividend per share

For more information on distributions, read "The 411 on distributions" on AGF.com.

Sources: 5-year GIC average rate on February 16, 2021 from ratehub.ca/gics/gic-rates/non-registered/5-year. Canadian 10-year government treasury bond yield and S&P/TSX Dividend Yield, Bloomberg as of December 31, 2020. **The information provided is for illustrative purposes only and is not meant to provide investment advice.** You cannot invest directly in an index.

# Is All Cash Flow Created Equal?

Here are four different sources of cash flow, each paying $1,000. Within a non-registered portfolio, each has very different tax implications, which can affect the value of the portfolio after tax.




| Interest Income | Dividend Income | Return Of Capital (ROC) | Capital Gains |
|---|---|---|---|
| **Received from:** GIC, bonds, treasury bills | **Received from:** Corporations - dividends are distributions from a company's earnings to its shareholders | **Received from:** Your invested principal | **Received from:** Selling an investment at a price higher than what you paid for it |
| **Tax treatment:** 100% taxable | **Tax treatment:** Tax-preferred if it's a Canadian corporation | **Tax treatment:** No immediate tax due on the ROC, given it is the capital you invested. Will increase your capital gain in the future | **Tax treatment:** Taxable at 50% |

**This information is for illustrative purposes only.** A hypothetical marginal tax rate of 40% is used for this illustration. **Assumptions: Interest:** Fully taxable. $1,000 in interest will return $600 after tax. **Dividends:** (Assuming the individual is taxed in Ontario and the dividend is eligible) a $1,000 dividend gets grossed up by 38% in 2020 to $1,380. Then the assumed 40% marginal tax is applied to result in taxes of $552 (40% × $1,380). The $552 in taxes are reduced by the provincial and federal tax credit of 10% (including surtax) and 15.02%, respectively (10% × $1,380 + 15.02% × $1,380), which creates a tax credit of $345. This amount is subtracted by the taxes otherwise payable to give $207 tax payable ($552 – $345). Therefore, a $1,000 Canadian dividend would provide an after-tax value of $793. **Return of Capital:** The returned capital amount is not taxable in the year received, but reduces the adjusted cost base of the investment, which generally results in a larger capital gain when the investment is sold, hence taxes are effectively deferred. **Capital Gains:** Have preferential tax treatment where only 50% of the gain is taxable. Only 50% of a $1,000 capital gain is taxable, which means that only $500 would be subject to the 40% marginal tax. $500 × 40% = $200 taxes payable, therefore a $1,000 capital gain would result in an $800 after-tax return. This information is provided as a general source of information and should not be considered personal investment or tax advice. Investors should consult with their financial and tax advisors before making any investment or tax-planning decisions.



**Visit AGF.com/TaxInfo for more information.**

# The Impact of an Interest-rate Increase

The following table outlines monthly payments over time.*

Even a small increase in interest rates can translate into a significant difference to your monthly budget and on the cash you have available for other purposes.

For example, if you have a $100,000 mortgage with a 25-year amortization period and the interest rate increases from **3.50%** to **5.00%**, your monthly payment would increase from **$499.27** to **$581.60**. This translates into an additional **$82.83** monthly or **$987.96** a year!

## $100,000 Mortgage

| Interest rate | 5 years | 10 years | 15 years | 20 years | 25 years | 30 years |
|---|---|---|---|---|---|---|
| **3.00%** | $1,796.04 | $ 964.75 | $ 689.69 | $553.67 | $473.25 | $420.60 |
| **3.25%** | $1,807.03 | $ 976.18 | $ 701.61 | $566.09 | $486.17 | $434.01 |
| **3.50%** | $1,818.04 | $ 987.68 | $ 713.64 | $578.66 | **$499.27** | $447.64 |
| **3.75%** | $1,829.09 | $ 999.25 | $ 725.79 | $591.38 | $512.56 | $461.47 |
| **4.00%** | $1,840.17 | $1,010.89 | $ 738.04 | $604.25 | $526.02 | $475.52 |
| **4.25%** | $1,851.27 | $1,022.60 | $ 750.40 | $617.25 | $539.66 | $489.77 |
| **4.50%** | $1,862.41 | $1,034.38 | $ 762.87 | $630.41 | $553.47 | $504.22 |
| **4.75%** | $1,873.58 | $1,046.23 | $ 775.44 | $643.70 | $567.46 | $518.86 |
| **5.00%** | $1,884.77 | $1,058.15 | $ 788.12 | $657.13 | **$581.60** | $533.69 |
| **5.25%** | $1,896.00 | $1,070.14 | $ 800.91 | $670.69 | $595.92 | $548.71 |
| **5.50%** | $1,907.26 | $1,082.19 | $ 813.80 | $684.39 | $610.39 | $563.91 |
| **5.75%** | $1,918.54 | $1,094.32 | $ 826.79 | $698.22 | $625.02 | $579.28 |
| **6.00%** | $1,929.86 | $1,106.51 | $ 839.88 | $712.19 | $639.81 | $594.82 |
| **6.25%** | $1,941.20 | $1,118.77 | $ 853.08 | $726.28 | $654.74 | $610.53 |
| **6.50%** | $1,952.57 | $1,131.09 | $ 866.37 | $740.50 | $669.82 | $626.40 |
| **6.75%** | $1,963.98 | $1,143.48 | $ 879.76 | $754.84 | $685.05 | $642.43 |
| **7.00%** | $1,975.41 | $1,155.94 | $ 893.25 | $769.31 | $700.42 | $658.60 |
| **7.25%** | $1,986.87 | $1,168.46 | $ 906.83 | $783.90 | $715.92 | $674.92 |
| **7.50%** | $1,998.35 | $1,181.05 | $ 920.51 | $798.60 | $731.55 | $691.39 |
| **7.75%** | $2,009.87 | $1,193.70 | $ 934.29 | $813.42 | $747.32 | $707.98 |
| **8.00%** | $2,021.42 | $1,206.41 | $ 948.15 | $828.36 | $763.21 | $724.71 |
| **8.25%** | $2,032.99 | $1,219.18 | $ 962.11 | $843.40 | $779.23 | $741.56 |
| **8.50%** | $2,044.59 | $1,232.02 | $ 976.16 | $858.56 | $795.36 | $758.54 |
| **8.75%** | $2,056.22 | $1,244.92 | $ 990.29 | $873.82 | $811.61 | $775.63 |
| **9.00%** | $2,067.87 | $1,257.89 | $1,004.52 | $889.19 | $827.98 | $792.83 |
| **9.25%** | $2,079.56 | $1,270.91 | $1,018.83 | $904.66 | $844.45 | $810.14 |
| **9.50%** | $2,091.27 | $1,283.99 | $1,033.23 | $920.23 | $861.03 | $827.55 |
| **9.75%** | $2,103.00 | $1,297.13 | $1,047.71 | $935.90 | $877.71 | $845.06 |
| **10.00%** | $2,114.77 | $1,310.34 | $1,062.27 | $951.66 | $894.49 | $862.67 |

* The principal amount of the mortgage is the amount borrowed or still owing on a mortgage loan. Source: Financial Consumer Agency of Canada. https://itools-ioutils.fcac-acfc.gc.ca/MC-CH/MCReport-CHSommaire-eng.aspx

## $300,000 Mortgage

| Interest rate | 5 years | 10 years | 15 years | 20 years | 25 years | 30 years |
|---|---|---|---|---|---|---|
| **3.00%** | $5,388.13 | $2,894.25 | $2,069.07 | $1,661.00 | $1,419.74 | $1,261.81 |
| **3.25%** | $5,421.09 | $2,928.53 | $2,104.83 | $1,698.27 | $1,458.50 | $1,302.03 |
| **3.50%** | $5,454.13 | $2,963.03 | $2,140.93 | $1,735.99 | $1,497.81 | $1,342.91 |
| **3.75%** | $5,487.27 | $2,997.74 | $2,177.36 | $1,774.15 | $1,537.67 | $1,384.42 |
| **4.00%** | $5,520.50 | $3,032.66 | $2,214.12 | $1,812.74 | $1,578.06 | $1,426.56 |
| **4.25%** | $5,553.82 | $3,067.79 | $2,251.20 | $1,851.76 | $1,618.98 | $1,469.30 |
| **4.50%** | $5,587.23 | $3,103.14 | $2,288.60 | $1,891.22 | $1,660.42 | $1,512.65 |
| **4.75%** | $5,620.73 | $3,138.69 | $2,326.33 | $1,931.09 | $1,702.37 | $1,556.57 |
| **5.00%** | $5,654.32 | $3,174.45 | $2,364.37 | $1,971.38 | $1,744.81 | $1,601.07 |
| **5.25%** | $5,688.00 | $3,210.41 | $2,402.73 | $2,012.07 | $1,787.75 | $1,646.12 |
| **5.50%** | $5,721.77 | $3,246.58 | $2,441.39 | $2,053.17 | $1,831.17 | $1,691.72 |
| **5.75%** | $5,755.63 | $3,282.96 | $2,480.37 | $2,094.67 | $1,875.07 | $1,737.84 |
| **6.00%** | $5,789.57 | $3,319.53 | $2,519.65 | $2,136.57 | $1,919.42 | $1,784.47 |
| **6.25%** | $5,823.60 | $3,356.30 | $2,559.23 | $2,178.84 | $1,964.22 | $1,831.60 |
| **6.50%** | $5,857.72 | $3,393.28 | $2,599.11 | $2,221.50 | $2,009.47 | $1,879.21 |
| **6.75%** | $5,891.93 | $3,430.45 | $2,639.28 | $2,264.53 | $2,055.15 | $1,927.28 |
| **7.00%** | $5,926.22 | $3,467.82 | $2,679.75 | $2,307.93 | $2,101.25 | $1,975.81 |
| **7.25%** | $5,960.60 | $3,505.38 | $2,720.50 | $2,351.69 | $2,147.76 | $2,024.77 |
| **7.50%** | $5,995.06 | $3,543.14 | $2,761.54 | $2,395.81 | $2,194.66 | $2,074.16 |
| **7.75%** | $6,029.61 | $3,581.09 | $2,802.86 | $2,440.27 | $2,241.96 | $2,123.95 |
| **8.00%** | $6,064.25 | $3,619.23 | $2,844.46 | $2,485.07 | $2,289.64 | $2,174.13 |
| **8.25%** | $6,098.96 | $3,657.55 | $2,886.33 | $2,530.21 | $2,337.69 | $2,224.69 |
| **8.50%** | $6,133.77 | $3,696.07 | $2,928.47 | $2,575.68 | $2,386.09 | $2,275.62 |
| **8.75%** | $6,168.65 | $3,734.77 | $2,970.88 | $2,621.47 | $2,434.84 | $2,326.89 |
| **9.00%** | $6,203.62 | $3,773.66 | $3,013.56 | $2,667.57 | $2,483.93 | $2,378.50 |
| **9.25%** | $6,238.67 | $3,812.72 | $3,056.49 | $2,713.98 | $2,533.35 | $2,430.43 |
| **9.50%** | $6,273.80 | $3,851.97 | $3,099.68 | $2,760.69 | $2,583.08 | $2,482.66 |
| **9.75%** | $6,309.01 | $3,891.40 | $3,143.12 | $2,807.70 | $2,633.12 | $2,535.19 |
| **10.00%** | $6,344.31 | $3,931.01 | $3,186.81 | $2,854.99 | $2,683.46 | $2,588.00 |

## $500,000 Mortgage

| Interest rate | 5 years | 10 years | 15 years | 20 years | 25 years | 30 years |
|---|---|---|---|---|---|---|
| **3.00%** | $ 8,980.22 | $4,823.75 | $3,448.44 | $2,768.34 | $2,366.23 | $2,103.01 |
| **3.25%** | $ 9,035.14 | $4,880.89 | $3,508.05 | $2,830.46 | $2,430.83 | $2,170.06 |
| **3.50%** | $ 9,090.22 | $4,938.38 | $3,568.22 | $2,893.32 | $2,496.35 | $2,238.18 |
| **3.75%** | $ 9,145.45 | $4,996.23 | $3,628.93 | $2,956.91 | $2,562.78 | $2,307.37 |
| **4.00%** | $ 9,200.83 | $5,054.44 | $3,690.19 | $3,021.23 | $2,630.10 | $2,377.59 |
| **4.25%** | $ 9,256.37 | $5,112.99 | $3,752.00 | $3,086.27 | $2,698.30 | $2,448.84 |
| **4.50%** | $ 9,312.05 | $5,171.90 | $3,814.34 | $3,152.03 | $2,767.36 | $2,521.08 |
| **4.75%** | $ 9,367.89 | $5,231.15 | $3,877.22 | $3,218.48 | $2,837.28 | $2,594.29 |
| **5.00%** | $ 9,423.87 | $5,290.75 | $3,940.62 | $3,285.63 | $2,908.02 | $2,668.45 |
| **5.25%** | $ 9,480.00 | $5,350.69 | $4,004.55 | $3,353.45 | $2,979.59 | $2,743.54 |
| **5.50%** | $ 9,536.28 | $5,410.97 | $4,068.99 | $3,421.96 | $3,051.96 | $2,819.53 |
| **5.75%** | $ 9,592.71 | $5,471.59 | $4,133.95 | $3,491.12 | $3,125.11 | $2,896.40 |
| **6.00%** | $ 9,649.29 | $5,532.55 | $4,199.41 | $3,560.94 | $3,199.03 | $2,974.12 |
| **6.25%** | $ 9,706.01 | $5,593.84 | $4,265.38 | $3,631.41 | $3,273.71 | $3,052.66 |
| **6.50%** | $ 9,762.87 | $5,655.47 | $4,331.85 | $3,702.50 | $3,349.12 | $3,132.01 |
| **6.75%** | $ 9,819.88 | $5,717.42 | $4,398.80 | $3,774.22 | $3,425.25 | $3,212.14 |
| **7.00%** | $ 9,877.04 | $5,779.70 | $4,466.25 | $3,846.55 | $3,502.08 | $3,293.02 |
| **7.25%** | $ 9,934.33 | $5,842.30 | $4,534.17 | $3,919.49 | $3,579.59 | $3,374.62 |
| **7.50%** | $ 9,991.77 | $5,905.23 | $4,602.57 | $3,993.01 | $3,657.77 | $3,456.93 |
| **7.75%** | $10,049.36 | $5,968.48 | $4,671.44 | $4,067.11 | $3,736.61 | $3,539.92 |
| **8.00%** | $10,107.08 | $6,032.05 | $4,740.76 | $4,141.79 | $3,816.07 | $3,623.56 |
| **8.25%** | $10,164.94 | $6,095.92 | $4,810.55 | $4,217.02 | $3,896.14 | $3,707.82 |
| **8.50%** | $10,222.94 | $6,160.12 | $4,880.79 | $4,292.80 | $3,976.82 | $3,792.70 |
| **8.75%** | $10,281.09 | $6,224.62 | $4,951.47 | $4,369.11 | $4,058.07 | $3,878.15 |
| **9.00%** | $10,339.36 | $6,289.43 | $5,022.59 | $4,445.95 | $4,139.89 | $3,964.16 |
| **9.25%** | $10,397.78 | $6,354.54 | $5,094.15 | $4,523.30 | $4,222.25 | $4,050.71 |
| **9.50%** | $10,456.33 | $6,419.96 | $5,166.13 | $4,601.15 | $4,305.14 | $4,137.77 |
| **9.75%** | $10,515.02 | $6,485.67 | $5,238.53 | $4,679.50 | $4,388.54 | $4,225.32 |
| **10.00%** | $10,573.85 | $6,551.68 | $5,311.35 | $4,758.32 | $4,472.44 | $4,313.34 |



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# Diversification – Why and How?

The markets can be unpredictable and last year's performance winners may not be the best place to invest today.

One way to manage this is to invest in a managed solution – a professionally managed portfolio in one convenient package.

# The Case For Diversification

Guessing the markets – and being consistently right year after year – can be difficult. A balanced portfolio diversified across multiple asset classes and regions can help protect portfolios from the unpredictable swings of the market.

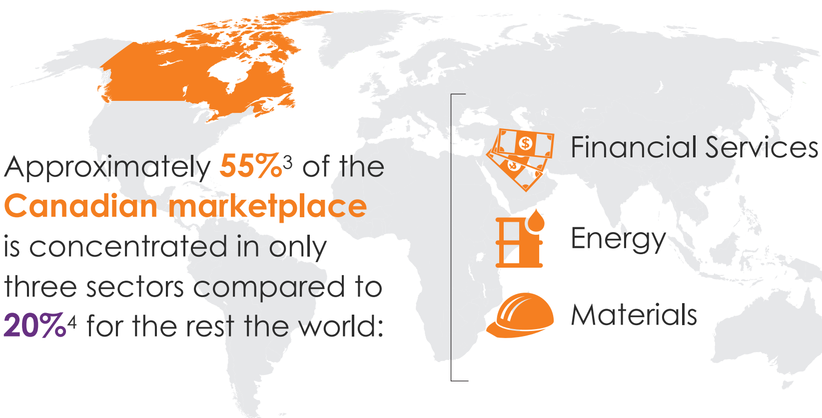
| 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cdn. Bonds 8.08% | Global Bonds 15.32% | Cdn. Stocks 26.72% | Cdn. Stocks 14.48% | Cdn. Stocks 24.13% | Int'l Stocks 26.37% | Cdn. Stocks 9.83% | Global Bonds 31.07% | Cdn. Stocks 35.05% | Cdn. Stocks 17.61% | Cdn. Bonds 9.67% | Int'l Stocks 15.29% | U.S Stocks 41.27% | U.S Stocks 23.93% | U.S Stocks 21.59% | Cdn. Stocks 21.08% | Int'l Stocks 17.36% | Global Bonds 7.70% | U.S Stocks 24.84% | U.S Stocks 16.32% |
| Global Bonds 7.95% | Cdn. Bonds 8.73% | Int'l Stocks 13.84% | Int'l Stocks 11.91% | Int'l Stocks 11.16% | Global Stocks 20.19% | Cdn. Bonds 3.68% | Cdn. Bonds 6.42% | Int'l Stocks 12.49% | U.S Stocks 9.06% | Global Bonds 8.26% | Global Stocks 13.96% | Global Stocks 35.91% | Global Stocks 15.01% | Global Stocks 19.55% | U.S Stocks 8.09% | Global Stocks 14.99% | U.S Stocks 4.23% | Cdn. Stocks 22.88% | Global Stocks 14.45% |
| Balanced Portfolio -3.77% | Balanced Portfolio -5.56% | Global Stocks 9.41% | Global Stocks 6.85% | Global Stocks 7.27% | Cdn. Stocks 17.26% | Balanced Portfolio -3.44% | Balanced Portfolio -6.40% | Global Stocks 11.07% | Cdn. Bonds 6.74% | U.S Stocks 4.64% | U.S Stocks 13.43% | Int'l Stocks 31.57% | Balanced Portfolio 12.11% | Int'l Stocks 19.46% | Balanced Portfolio 4.88% | U.S Stocks 13.83% | Cdn. Bonds 1.41% | Global Stocks 21.91% | Balanced Portfolio 10.40% |
| U.S Stocks -6.35% | Cdn. Stocks -12.44% | Cdn. Bonds 6.69% | Cdn. Bonds 7.15% | Cdn. Bonds 6.46% | U.S Stocks 15.35% | Int'l Stocks -5.32% | U.S. Stocks -21.20% | Balanced Portfolio 8.02% | Global Stocks 6.48% | Balanced Portfolio 0.94% | Balanced Portfolio 8.32% | Balanced Portfolio 19.17% | Cdn. Stocks 10.55% | Global Bonds 16.15% | Global Stocks 4.41% | Cdn. Stocks 9.10% | Balanced Portfolio 1.15% | Int'l Stocks 16.45% | Cdn. Bonds 8.68% |
| Global Stocks -11.28% | Int'l Stocks -16.53% | Balanced Portfolio 6.52% | Balanced Portfolio 6.37% | Balanced Portfolio 5.47% | Balanced Portfolio 13.95% | Global Bonds -7.00% | Global Stocks -25.37% | U.S Stocks 7.39% | Balanced Portfolio 6.24% | Global Stocks -2.67% | Cdn. Stocks 7.19% | Cdn. Stocks 12.99% | Global Bonds 9.65% | Balanced Portfolio 12.74% | Cdn. Bonds 1.66% | Balanced Portfolio 8.46% | Global Stocks 0.06% | Balanced Portfolio 14.41% | Global Bonds 7.29% |
| Cdn. Stocks -12.57% | Global Stocks -20.37% | U.S Stocks 5.26% | U.S Stocks 2.81% | U.S Stocks 2.29% | Global Bonds 6.23% | Global Stocks -7.08% | Int'l Stocks -28.78% | Cdn. Bonds 5.41% | Int'l Stocks 2.56% | Cdn. Stocks -8.71% | Cdn. Bonds 3.60% | Global Bonds 3.94% | Cdn. Bonds 8.79% | Cdn. Bonds 3.52% | Global Bonds -1.45% | Cdn. Bonds 2.52% | Int'l Stocks -5.55% | Cdn. Bonds 6.87% | Int'l Stocks 6.38% |
| Int'l Stocks -16.26% | U.S Stocks -22.91% | Global Bonds -7.97% | Global Bonds 1.31% | Global Bonds -6.88% | Cdn. Bonds 4.06% | U.S Stocks -10.53% | Cdn. Stocks -33.00% | Global Bonds -9.19% | Global Bonds 0.04% | Int'l Stocks -9.55% | Global Bonds 2.01% | Cdn. Bonds -1.19% | Int'l Stocks 4.12% | Cdn. Stocks -8.32% | Int'l Stocks -2.00% | Global Bonds 0.34% | Cdn. Stocks -8.89% | Global Bonds 1.44% | Cdn. Stocks 5.60% |

Source: AGF Investments Inc., December 31 2020. Canadian Stocks represented by S&P/TSX Composite Total Return Index, U.S. Stocks – S&P 500 Total Return Index (C$), International Stocks – MSCI EAFE Index (C$), Global Stocks – MSCI World Index (C$), Canadian Bonds – FTSE Canada Universe Bond Index, Global Bonds – Barclays Global Aggregate Bond Index (C$). Balanced Portfolio made up of 15% Cdn. Stocks / 45% Global Stocks / 10% Cdn. Bonds / 30% Global Bonds. **The information provided is for illustrative purposes only and is not meant to provide investment advice.** You cannot invest directly in an index. Calendar-year returns in Canadian dollars.

# Thinking of Investing Only in Canada?

The Canadian market represents less than **4%** of the world's market capitalization.[1]

Of the top **500** companies in the world – **only 13 are in Canada**[2]



Approximately **55%**[3] of the **Canadian marketplace** is concentrated in only three sectors compared to **20%**[4] for the rest the world:

- Financial Services
- Energy
- Materials

Diversification across various countries can be an optimal way to reduce risk and improve overall performance. Elements that drive the performance of one market may not for another.

| 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Egypt 104.84% | Argentina 73.46% | Qatar 30.68% | Greece 45.79% | Korea 35.87% |
| Peru 55.61% | China 55.04% | Saudi Arabia 19.16% | Ireland 40.00% | Taiwan 32.15% |
| Pakistan 39.93% | Turkey 49.91% | Russia 16.69% | Russia 37.54% | Denmark 31.92% |
| Brazil 36.76% | Austria 39.05% | Brazil 16.27% | New Zealand 37.36% | China 28.10% |
| Hungary 36.27% | Peru 38.39% | U.S. 3.51% | Netherlands 34.28% | U.S. 18.61% |

[1] Source: AGF Investment Operations. MSCI World Index, as at January 29, 2021.
[2] Fortune Global 500 (companies ranked by revenue as at March 31, 2020, fortune.com/global500).
[3] Source: AGF Investment Operations. S&P/TSX Composite Total Return Index, as at January 29, 2021.
[4] Source: AGF Investment Operations. MSCI World Index, as at January 29, 2021.
MSCI World is used as a proxy for the "Rest of the World" as Canada represents only 3.1% of the Index.

Source: Morningstar Direct. Annual Country returns represented by MSCI Country Indexes in CAD. Top 5 countries as represented in MSCI ACWI. The MSCI ACWI captures large and mid-cap representation across 23 Developed Markets (DM) and 27 Emerging Markets (EM) countries. **For Illustrative Purposes Only.** You cannot invest directly into an index.

# Taking an Active Approach to Fixed Income

In order to increase yield potential, mitigate risk and combat volatility, an active, diversified approach to fixed income, that incorporates a range of fixed income securities, is increasingly necessary.

| 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|
| Global HY Bonds 14.27% | Global Conv. Bonds 16.06% | Canadian Gov't Bonds 1.53% | Global Conv. Bonds 13.66% | Global Conv. Bonds 34.50% |
| Floating Rate Loans 10.16% | Global HY Bonds 10.43% | Global DM Bonds 1.12% | EM Bonds 13.11% | Global Bonds 9.20% |
| EM Bonds 9.88% | EM Bonds 8.17% | Canadian Corp. Bonds 1.10% | Global HY Bonds 12.56% | Canadian Corp. Bonds 8.74% |
| Global Conv. Bonds 7.20% | Global Bonds 7.39% | Floating Rate Loans 0.44% | U.S. Bonds 8.72% | Canadian Gov't Bonds 8.69% |
| Canadian Corp. Bonds 3.73% | Floating Rate Loans 4.12% | U.S. Bonds 0.01% | Floating Rate Loans 8.64% | U.S. Bonds 7.51% |
| U.S. Bonds 2.65% | U.S. Bonds 3.54% | Global Conv. Bonds -1.15% | Canadian Corp. Bonds 8.05% | Global HY Bonds 7.03% |
| Global DM Bonds 2.63% | Canadian Corp. Bonds 3.38% | Global Bonds -1.20% | Global Bonds 6.84% | EM Bonds 6.52% |
| Global Bonds 2.09% | Canadian Gov't Bonds 2.18% | EM Bonds -2.46% | Canadian Gov't Bonds 6.42% | Global DM Bonds 4.88% |
| Canadian Gov't Bonds 0.89% | Global DM Bonds 1.07% | Global HY Bonds -4.06% | Global DM Bonds 4.75% | Floating Rate Loans 3.12% |

Source: Morningstar Direct, December 31, 2020 in local currencies. **For illustrative purposes only.** Canadian Corporate Bonds represented by FTSE Canada All Corp Bond Index, Canadian Government Bonds = FTSE Canada All Government Bond Index, Global Developed Market Bonds = S&P Global Developed Sovereign Bd TR LCL Index, EM Bonds = BBgBarc EM USD Aggregate TRD USD Index, Floating Rate Loans = S&P/LSTA Leverage Loan TR Index, Global Bonds = BBgBarc Global Aggregate TR USD Index, Global Convertible Bonds= ICE BofAML Global 300 Convt TR USD Index, Global High Yield Bonds = BBgBarc Global High Yield TR USD Index, US Bonds = BBgBarc US Agg Bond TR USD Index.



**Visit AGF.com/Income for more information.**

# Keeping Up With Inflation

**Inflation:**

- can have a negative impact on your purchasing power
- is a reason you should consider having growth-oriented investments in your portfolio

For example, if you were earning $75,000 a year, after 20 years you would need to earn **50% more** a year – or **$111,446** – to maintain the same purchasing power.

**Amount of income required to maintain purchasing power with 2% annual inflation***

| Current Income | 5 Years Later | 10 Years Later | 20 Years Later | 30 Years Later |
|---|---|---|---|---|
| $ 50,000 | $ 55,204 | $ 60,950 | $ 74,297 | $ 90,568 |
| $ 75,000 | $ 82,806 | $ 91,425 | **$111,446** | $135,852 |
| $100,000 | $110,408 | $121,899 | $148,594 | $181,136 |
| $150,000 | $165,612 | $182,849 | $222,892 | $271,704 |

* Annual average inflation rate from 2001 to 2020 = 1.8%. Source: https://www.bankofcanada.ca/rates/related/inflation-calculator, January 2021.

# The GIC Dilemma – Will You Have Enough?

Many investors like the safety and predictability that a GIC offers. However, while GICs can fill a specific need in an investor's portfolio, it is important to consider both inflation and tax implications into your real after-tax return.

## The GIC Rate Needed To Break Even With Inflation And Taxes

| Inflation | 1.0% | 1.2% | 1.4% | 1.6% | 1.8% | 2.0% | 2.2% | 2.4% | 2.6% | 2.8% | 3.0% | 3.2% | 3.4% | 3.6% | 3.8% | 4.0% |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Tax rate at 20%** | 1.25% | 1.50% | 1.75% | 2.00% | 2.25% | 2.50% | 2.75% | 3.00% | 3.25% | 3.50% | 3.75% | 4.00% | 4.25% | 4.50% | 4.75% | 5.00% |
| **Tax rate at 22%** | 1.28% | 1.54% | 1.79% | 2.05% | 2.31% | 2.56% | 2.82% | 3.08% | 3.33% | 3.59% | 3.85% | 4.10% | 4.36% | 4.62% | 4.87% | 5.13% |
| **Tax rate at 24%** | 1.32% | 1.58% | 1.84% | 2.11% | 2.37% | 2.63% | 2.89% | 3.16% | 3.42% | 3.68% | 3.95% | 4.21% | 4.47% | 4.74% | 5.00% | 5.26% |
| **Tax rate at 26%** | 1.35% | 1.62% | 1.89% | 2.16% | 2.43% | 2.70% | 2.97% | 3.24% | 3.51% | 3.78% | 4.05% | 4.32% | 4.59% | 4.86% | 5.14% | 5.41% |
| **Tax rate at 28%** | 1.39% | 1.67% | 1.94% | 2.22% | 2.50% | 2.78% | 3.06% | 3.33% | 3.61% | 3.89% | 4.17% | 4.44% | 4.72% | 5.00% | 5.28% | 5.56% |
| **Tax rate at 30%** | 1.43% | 1.71% | 2.00% | 2.29% | 2.57% | 2.86% | 3.14% | 3.43% | 3.71% | 4.00% | 4.29% | 4.57% | 4.86% | 5.14% | 5.43% | 5.71% |
| **Tax rate at 32%** | 1.47% | 1.76% | 2.06% | 2.35% | 2.65% | **2.94%** | 3.24% | 3.53% | 3.82% | 4.12% | 4.41% | 4.71% | 5.00% | 5.29% | 5.59% | 5.88% |
| **Tax rate at 34%** | 1.52% | 1.82% | 2.12% | 2.42% | 2.73% | 3.03% | 3.33% | 3.64% | 3.94% | 4.24% | 4.55% | 4.85% | 5.15% | 5.45% | 5.76% | 6.06% |
| **Tax rate at 36%** | 1.56% | 1.88% | 2.19% | 2.50% | 2.81% | 3.13% | 3.44% | 3.75% | 4.06% | 4.38% | 4.38% | 4.69% | 5.31% | 5.63% | 5.94% | 6.25% |
| **Tax rate at 38%** | 1.61% | 1.94% | 2.26% | 2.58% | 2.90% | 3.23% | 3.55% | 3.87% | 4.19% | 4.52% | 4.84% | 5.16% | 5.48% | 5.81% | 6.13% | 6.45% |
| **Tax rate at 40%** | 1.67% | 2.00% | 2.33% | 2.67% | 3.00% | 3.33% | 3.67% | 4.00% | 4.33% | 4.67% | 5.00% | 5.33% | 5.67% | 6.00% | 6.33% | 6.67% |

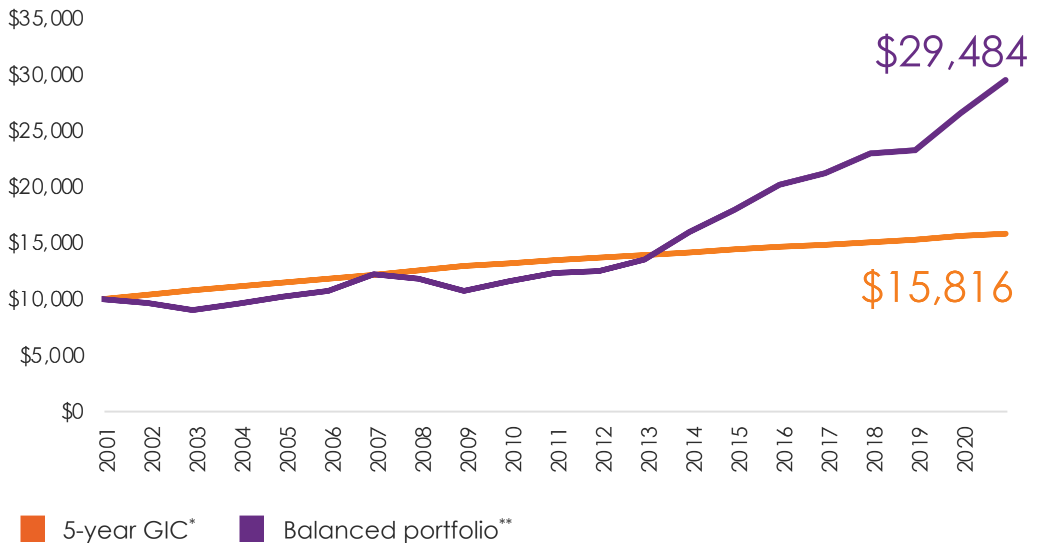
For example, if the inflation rate is **2.0%** and your tax rate is **32%**, you'd need a GIC paying **2.94%** annually to break even.

Source: AGF Investments Inc. **For illustrative purposes only**. All rates referenced above are hypothetical.

# Balanced Investing vs. GICs

So how can you stay ahead of inflation? Although the returns of balanced mutual funds aren't guaranteed, the returns have been considerably stronger than those of GICs over longer periods of time.

### Growth of $10,000 investment on January 1, 2000 until December 31, 2020




Source: Morningstar Direct, December 31, 2020. **For illustrative purposes only.** You cannot invest directly in an index. All information in Canadian dollars unless otherwise stated.
* Five-year average GIC Rate Index. ** The hypothetical portfolio weights and rates of return are for illustrative purposes only and should not be interpreted as a guarantee of future rates of return. The hypothetical portfolio is based on pre-determined investments in the following indexes with the portfolio weights rebalanced monthly. The hypothetical portfolio is comprised of 30% Barclays Global Aggregate Bond Index, 10% FTSE Canada Universe Bond Index, 45% MSCI World Index and 15% S&P/TSX Composite Index.

### Calendar Return

| Year | Balanced Portfolio** | GIC rates* |
|---|---|---|
| **2001** | -3.77% | 4.05% |
| **2002** | -5.56% | 3.91% |
| **2003** | 6.52% | 3.13% |
| **2004** | 6.37% | 2.92% |
| **2005** | 5.47% | 2.70% |
| **2006** | 13.95% | 3.16% |
| **2007** | -3.44% | 3.30% |
| **2008** | -6.40% | 3.00% |
| **2009** | 8.02% | 1.95% |
| **2010** | 6.24% | 1.96% |
| **2011** | 0.94% | 1.87% |
| **2012** | 8.32% | 1.65% |
| **2013** | 19.17% | 1.63% |
| **2014** | 12.11% | 1.92% |
| **2015** | 12.74% | 1.43% |
| **2016** | 4.88% | 1.42% |
| **2017** | 8.46% | 1.39% |
| **2018** | 1.15% | 1.69% |
| **2019** | 14.41% | 2.07% |
| **2020** | 10.40% | 1.28% |



**Visit AGF.com/Balanced for more information.**

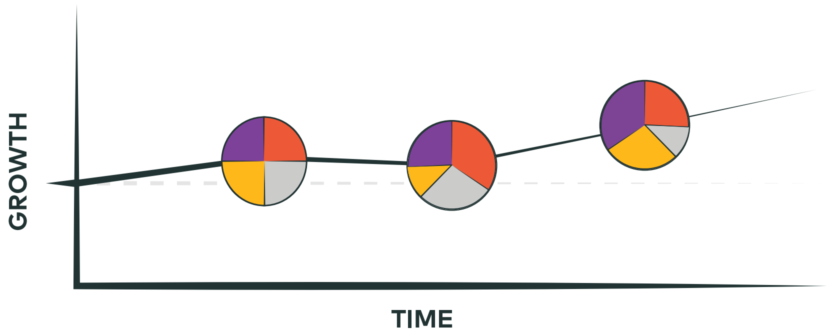
# Understanding Managed Solutions

A managed solution is an investment made up of funds that have been carefully selected to form a portfolio. Why a managed solution? To answer that, let's look at what's involved in determining the right mix of investments for your portfolio – also known is its asset allocation.

## Building Your Portfolio

A portfolio mix (also known as its asset allocation) should be properly diversified and take into account:

- Investment goals
- Risk tolerance level
- Time horizon
- The world macro environment (economies, interest rates, etc.)




**For Illustrative purposes only.**

## Asset Allocation


**For Illustrative purposes only.**

## Managing Your Portfolio

The investments in your portfolio will likely grow at different rates.

So what do you do when you no longer have the asset allocation you started with?

- Do you rebalance back to your original portfolio?
- Do you find a new one to reflect changes in the economic environment?
- How often should you rebalance your portfolio?

## A Managed Portfolio Offers A One-Stop Solution

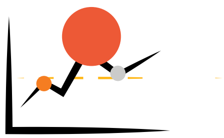
Choosing a fund-of-fund managed solution can simplify your investment process – with one investment, you get a professionally managed, diversified portfolio of funds (ETFs, mutual funds or both).

### Professionally Managed

An investment management firm that offers managed solutions is responsible for:

- Conducting thorough research and making the appropriate fund selections
- Constructing the portfolio with complementary investment styles to manage risk and enhance return potential
- Actively monitoring the portfolio and rebalancing when required to maintain optimal positioning in an ever-changing economic environment

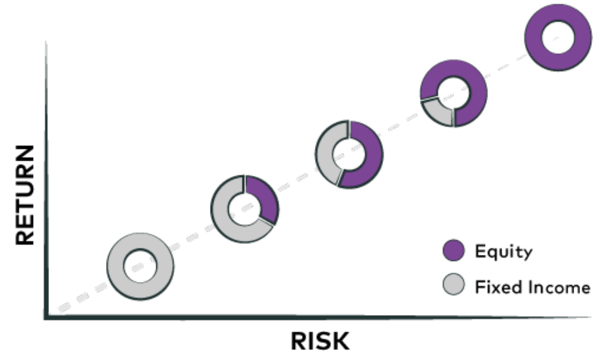
Fund Research



Manage Risk

Asset Allocation

Typically, an investment management firm will offer several portfolios in its managed solution lineup, each designed to meet different investment objectives. For example, to generate an income stream, to provide a mix of income and capital growth, to maximize growth potential.




**For Illustrative purposes only.**

ETFs are popular options with investors. Yet selecting, monitoring and rebalancing a portfolio of ETFs can be a time-consuming and daunting task.

### Managed ETF Portfolios

- Convenient way to access the benefits of ETFs with the convenience of a mutual fund
- Professional management, ETF selection and portfolio oversight
- Carefully selected to form a portfolio with a specific objective or risk level

# Accumulation Phase

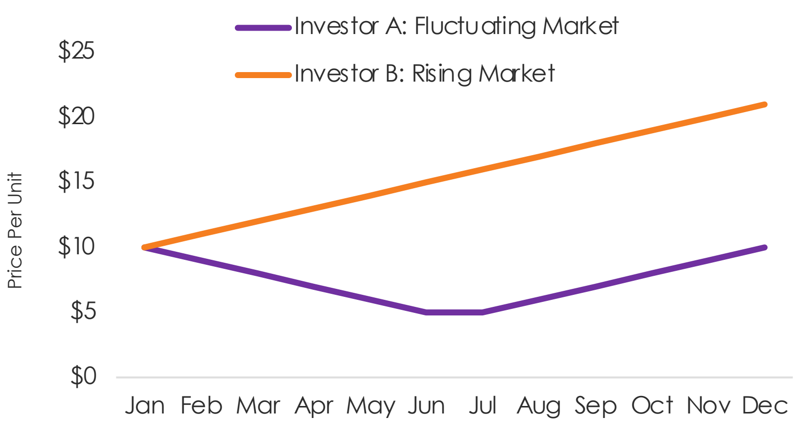
During this period of an investor’s financial life cycle, they’re focusing on building their assets – for example, saving for a down payment on their first home, their children’s education and their retirement.

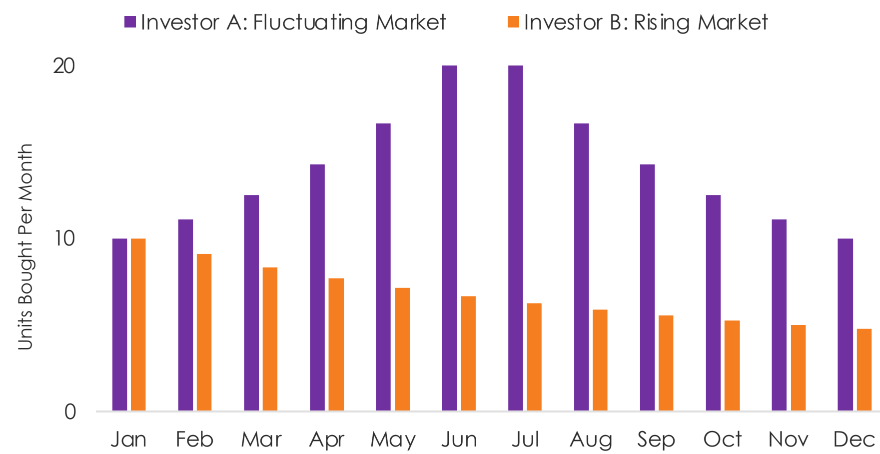
# Dollar-Cost Averaging Can Help Reduce Costs Over Time

By investing regularly, you can potentially buy more units of the fund when prices are low and buy fewer units when prices are high, which can average out to a reduced purchased price over time.

Known as "dollar-cost averaging", this can help minimize the effects of market swings on a portfolio.

Both invest $100 each month. Which investor do you think did better?




### Investor A

| Amount Invested | # of units bought | Total value |
|---|---|---|
| $1,000.00 | 169.13 | $1,691.27 |
| **Average price per unit: $7.50** | | |

### Investor B

| Amount Invested | # of units bought | Total value |
|---|---|---|
| $1,000.00 | 81.64 | $ 1,714.42 |
| **Average price per unit: $15.50** | | |

Source: AGF Investments Inc. **The table is for illustrative purposes only and does not reflect actual investments or past performance, nor does it guarantee future performance.** AGF is not responsible for individual investment decisions made from the use of hypothetical performance data provided herein.

# Investing Regularly Can Pay Off

Setting up a Pre-Authorized Chequing (PAC) Plan, i.e., a regularly scheduled contribution, can help build your savings.

By investing regularly and following a consistent investment plan, you can take advantage of the benefits of compound growth, regardless of how much is invested.

## Pre-Authorized Chequing (PAC) Plan

| | $100 PAC Plan | | | $500 PAC Plan | | |
|---|---|---|---|---|---|---|
| | 3% | 5% | 7% | 3% | 5% | 7% |
| **Year** | **Value** | | | **Value** | | |
| **0** | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 | $ 0 |
| **2** | $ 2,470 | $ 2,519 | $ 2,568 | $ 12,351 | $ 12,593 | $ 12,841 |
| **4** | $ 5,093 | $ 5,301 | $ 5,521 | $ 25,466 | $ 26,507 | $ 27,605 |
| **6** | $ 7,878 | $ 8,376 | $ 8,916 | $ 39,390 | $ 41,882 | $ 44,580 |
| **8** | $10,835 | $11,774 | $12,820 | $ 54,174 | $ 58,870 | $ 64,099 |
| **10** | $13,974 | $15,528 | $17,308 | $ 69,871 | $ 77,641 | $ 86,542 |
| **12** | $17,307 | $19,676 | $22,469 | $ 86,537 | $ 98,382 | $112,347 |
| **14** | $20,847 | $24,260 | $28,404 | $104,233 | $121,299 | $142,018 |
| **16** | $24,604 | $29,324 | $35,227 | $123,021 | $146,621 | $176,134 |
| **18** | $28,594 | $34,920 | $43,072 | $142,970 | $174,601 | $215,361 |
| **20** | $32,830 | $41,103 | $52,093 | $164,151 | $205,517 | $260,463 |

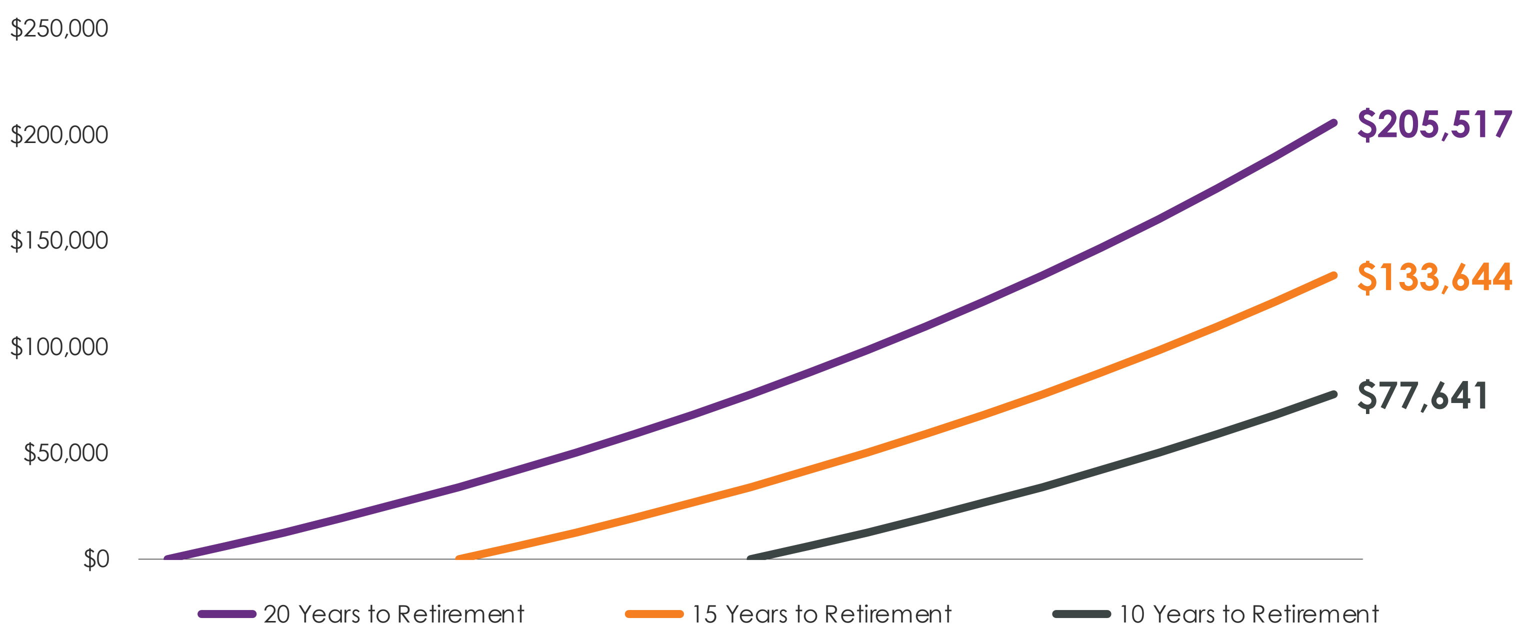
Source: AGF Investments Inc. **The table above is for illustrative purposes only. All of the rates and values referenced above are hypothetical and do not reflect actual investment or past performance, nor do they guarantee future performance.** Based on hypothetical returns of 3%, 5%, and 7% and monthly PAC contributions every year over the period. Every other year shown for illustrative purposes only.

# The Earlier You Start the Better

## Why? The Power of Compounding Returns

Investors A, B and C all invest $500 a month in a hypothetical investment that grows at 5% each year.

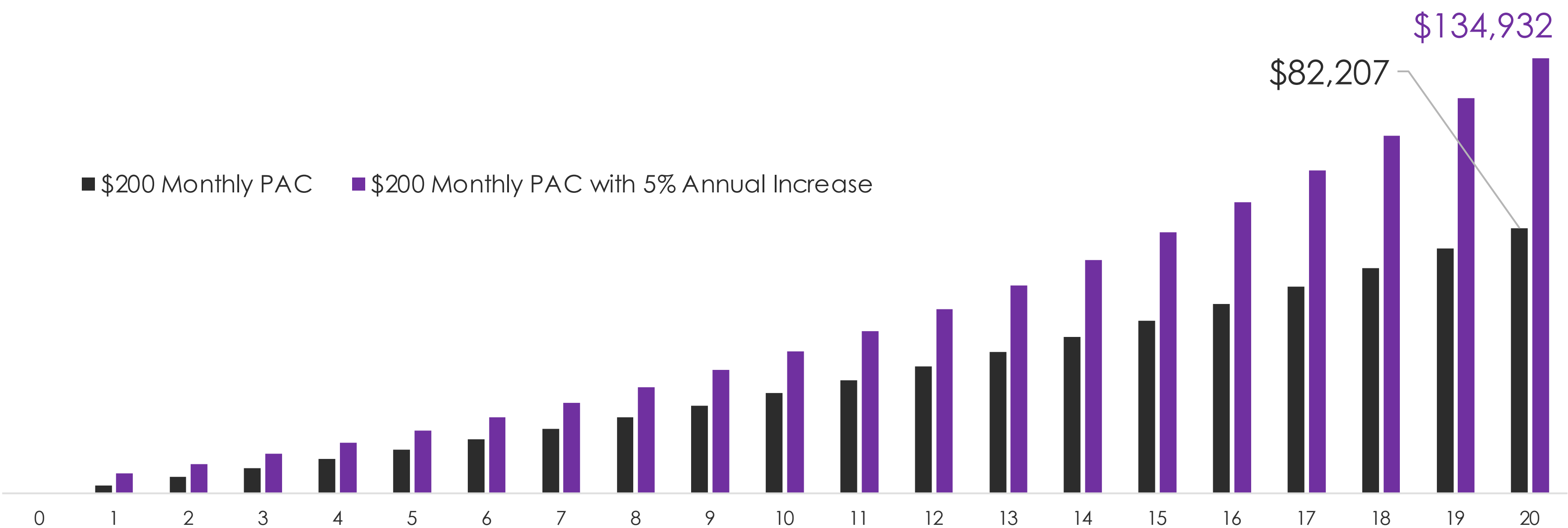
By starting earlier, **Investor A** accumulated 50% more than **Investor B** – and nearly 3 times more than **Investor C**. All because of compounding returns.




This chart represents the growth of a hypothetical investment, assuming a 5% annual nominal rate of return compounded monthly, over a specific time period. This example does not take inflation or applicable fees/deferred sales charges into account and should not be considered to be representative of the performance of any specific investment product or investment strategy. The chart is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of a specific investment or returns on investment in a specific investment. **This chart is a hypothetical example to be used for illustrative purposes only.**

# Why Increase Your Contribution Each Year

- Don't just automate your contribution – auto-escalate them
- Look at automatically increasing your contribution by 5% each year
  - $100/month becomes $105/month in year 2, $110.25/month in year 3
  - $200/month becomes $210/month in year 2, $220.50/month in year 3
- This "little" difference – through the power of compounding – 20 years later would have added $50,000 to your investment's value




Source: AGF Investments Inc. 2021 **The chart above is for illustrative purposes only. All of the rates and values referenced above are hypothetical and do not reflect actual investment or past performance, nor do they guarantee future performance.** Based on a hypothetical returns of 5% and monthly PAC contributions every year over the period.

# Decumulation Phase

When an investor retires, their investment focus switches to cash flow and the preservation of their portfolio’s value.

# The Sequence of Returns Can Impact Cash Flow

Markets rise and fall. When investing for the long term, short-term returns are less important because your portfolio has a chance to recover. But, when you start withdrawing, experiencing a downturn in the early years can have a critical impact.

## SCENARIO 1: Accumulation Phase

- Each invested $100,000 into two different portfolios
- No withdrawals
- At the end of 15 years, have the same amount of money

| Year | Investor A Annual Return | Investor A Year-end Balance | Investor B Annual Return | Investor B Year-end Balance |
|---|---|---|---|---|
| 1 | 20% | $120,000 | -7% | $ 93,000 |
| 2 | 12% | $134,400 | -11% | $ 82,770 |
| 3 | 14% | $153,216 | -12% | $ 72,838 |
| 4 | 17% | $179,263 | -8% | $ 67,011 |
| 5 | 10% | $197,189 | -5% | $ 63,660 |
| 6 | 8% | $212,964 | 6% | $ 67,480 |
| 7 | 5% | $223,612 | 5% | $ 70,854 |
| 8 | 6% | $237,029 | 6% | $ 75,105 |
| 9 | 5% | $248,881 | 5% | $ 78,860 |
| 10 | 6% | $263,813 | 8% | $ 85,169 |
| 11 | -5% | $250,623 | 10% | $ 93,686 |
| 12 | -8% | $230,573 | 17% | $109,612 |
| 13 | -12% | $202,904 | 14% | $124,958 |
| 14 | -11% | $180,585 | 12% | $139,953 |
| 15 | -7% | $167,944 | 20% | $167,944 |
| | 4.53% Average Annual Return | | 4.53% Average Annual Return | |

## SCENARIO 2: Withdrawal Phase

- Same portfolios as before
- $7,000 annual withdrawal at the end of the year
- Investor B runs out of money in year 11 – never recovered from the early negative returns

| Investor A Annual Return | Investor A Withdrawal | Investor A Year-end Balance | Investor B Annual Return | Investor B Withdrawal | Investor B Year-end Balance | Year |
|---|---|---|---|---|---|---|
| 20% | $7,000 | $113,000 | -7% | $7,000 | $86,000 | 1 |
| 12% | $7,000 | $119,560 | -11% | $7,000 | $69,540 | 2 |
| 14% | $7,000 | $129,298 | -12% | $7,000 | $54,195 | 3 |
| 17% | $7,000 | $144,279 | -8% | $7,000 | $42,860 | 4 |
| 10% | $7,000 | $151,707 | -5% | $7,000 | $33,717 | 5 |
| 8% | $7,000 | $156,844 | 6% | $7,000 | $28,740 | 6 |
| 5% | $7,000 | $157,686 | 5% | $7,000 | $23,177 | 7 |
| 6% | $7,000 | $160,147 | 6% | $7,000 | $17,567 | 8 |
| 5% | $7,000 | $161,154 | 5% | $7,000 | $11,446 | 9 |
| 6% | $7,000 | $163,824 | 8% | $7,000 | $ 5,361 | 10 |
| -5% | $7,000 | $148,632 | 10% | $5,897 | $ 0 | 11 |
| -8% | $7,000 | $129,742 | 17% | – | $ 0 | 12 |
| -12% | $7,000 | $107,173 | 14% | – | $ 0 | 13 |
| -11% | $7,000 | $ 88,384 | 12% | – | $ 0 | 14 |
| -7% | $7,000 | $ 75,197 | 20% | – | $ 0 | 15 |
| | $105,000 Total Withdrawal | | | $75,897 Total Withdrawal | | |

Source: AGF Investments Inc. **The tables above are both for illustrative purposes only. All of the rates and values referenced above are hypothetical and do not reflect actual investment or past performance, nor do they guarantee future performance.**

# SWPs Can Help Manage Cash-flow Needs

A Systematic Withdrawal Plan (SWP) enables you to make regular withdrawals from your investment, creating a regular cash flow while allowing the rest of your money to stay invested and grow.

The amount of the withdrawal, combined with the investment's rate of return will determine how long your money will last.

The tables below show different rates of return and withdrawal amounts for an initial investment of $100,000. In each scenario, there is still money left over at the end of the 20-year period.

| | $100/Month | | | | $200/Month | | | | $500/Month | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Interest Rate | 3% | 5% | 7% | Interest Rate | 3% | 5% | 7% | Interest Rate | 3% | 5% | 7% | |
| Year | Total Withdrawals | Value | | | Total Withdrawals | Value | | | Total Withdrawals | Value | | | Year |
| 0 | | $100,000 | $100,000 | $100,000 | | $100,000 | $100,000 | $100,000 | | $100,000 | $100,000 | $100,000 | 0 |
| 2 | $ 2,400 | $103,699 | $107,965 | $112,398 | $ 4,800 | $101,223 | $105,436 | $109,814 | $ 12,000 | $ 93,793 | $ 97,849 | $102,065 | 2 |
| 4 | $ 4,800 | $107,627 | $116,766 | $126,652 | $ 9,600 | $102,521 | $111,442 | $121,099 | $ 24,000 | $ 87,204 | $ 95,472 | $104,440 | 4 |
| 6 | $ 7,200 | $111,797 | $126,490 | $143,042 | $14,400 | $103,900 | $118,079 | $134,074 | $ 36,000 | $ 80,207 | $ 92,845 | $107,170 | 6 |
| 8 | $ 9,600 | $116,225 | $137,235 | $161,888 | $19,200 | $105,363 | $125,412 | $148,993 | $ 48,000 | $ 72,778 | $ 89,943 | $110,309 | 8 |
| 10 | $12,000 | $120,926 | $149,108 | $183,557 | $24,000 | $106,917 | $133,515 | $166,147 | $ 60,000 | $ 64,890 | $ 86,736 | $113,919 | 10 |
| 12 | $14,400 | $125,918 | $162,227 | $208,472 | $28,800 | $108,567 | $142,468 | $185,871 | $ 72,000 | $ 56,515 | $ 83,193 | $118,069 | 12 |
| 14 | $16,800 | $131,218 | $176,722 | $237,119 | $33,600 | $110,319 | $152,361 | $208,549 | $ 84,000 | $ 47,623 | $ 79,278 | $122,841 | 14 |
| 16 | $19,200 | $136,845 | $192,738 | $270,057 | $38,400 | $112,179 | $163,292 | $234,625 | $ 96,000 | $ 38,182 | $ 74,952 | $128,328 | 16 |
| 18 | $21,600 | $142,820 | $210,435 | $307,931 | $43,200 | $114,154 | $175,369 | $264,607 | $108,000 | $ 28,157 | $ 70,172 | $134,637 | 18 |
| **20** | **$24,000** | **$149,163** | **$229,989** | **$351,477** | **$48,000** | **$116,251** | **$188,715** | **$299,081** | **$120,000** | **$ 17,514** | **$ 64,891** | **$141,891** | **20** |

Source: AGF Investments Inc. SWP is taken out monthly over the time period and the hypothetical annual interest rate is compounded monthly. Only every other year is shown for illustrative purposes. **The tables above are both for illustrative purposes only. All of the rates and values referenced above are hypothetical and do not reflect actual investment or past performance, nor do they guarantee future performance.**

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