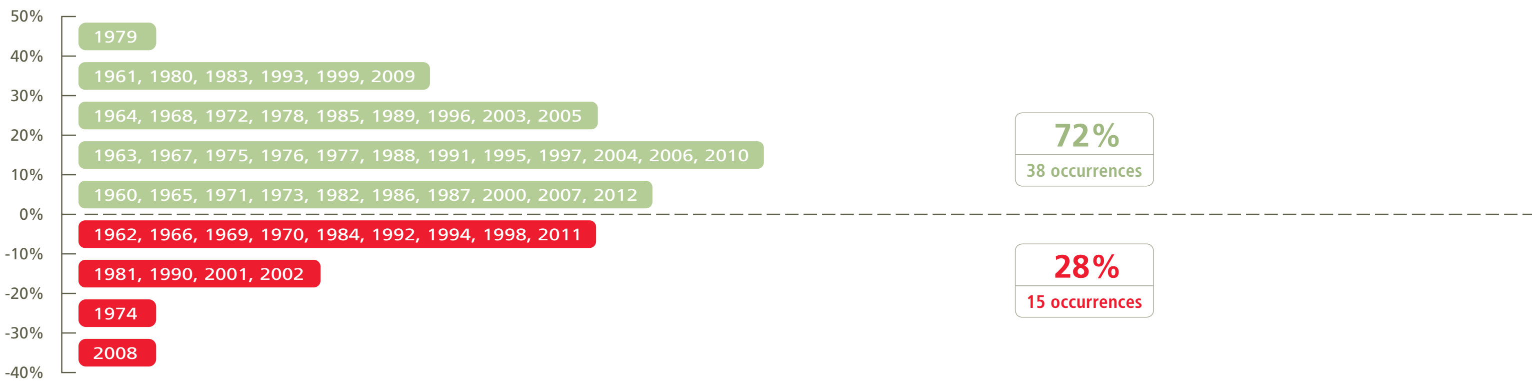
Manage Risk, Don't Avoid It

Investing and risk are a package deal. The key to long-term investment success is to manage your exposure to risk through diversification and using time to your advantage.

Risk can't be avoided …

While the performance of the Canadian equity market can swing significantly each year, the overwhelming majority of occurrences have been positive.

Calendar-Year Returns of an All Equity Portfolio[1]



1-Year Return Ending December

Best Year	1979	44.8%
Worst Year	2008	-33.0%

But can be managed over time …

A reduction in the occurrence of negative annual returns of an all-Canadian equity portfolio was realized when an investor's time horizon was increased to three years.

3-Year Rates of Return of an All Equity Portfolio[2]

3-Year Return Ending December

Best Year	1980	34.7%
Worst Year	2002	-6.3%

Source: Morningstar Direct.
[1] Based on the calendar year returns of the S&P/TSX Composite Total Return Index from 1960 to 2012.
[2] Based on 3-year returns ending December 31 of the S&P/TSX Composite Total Return Index from 1960 to 2012.

Rate of returns are for illustrative purposes only and are not intended to forecast future returns on any investment.

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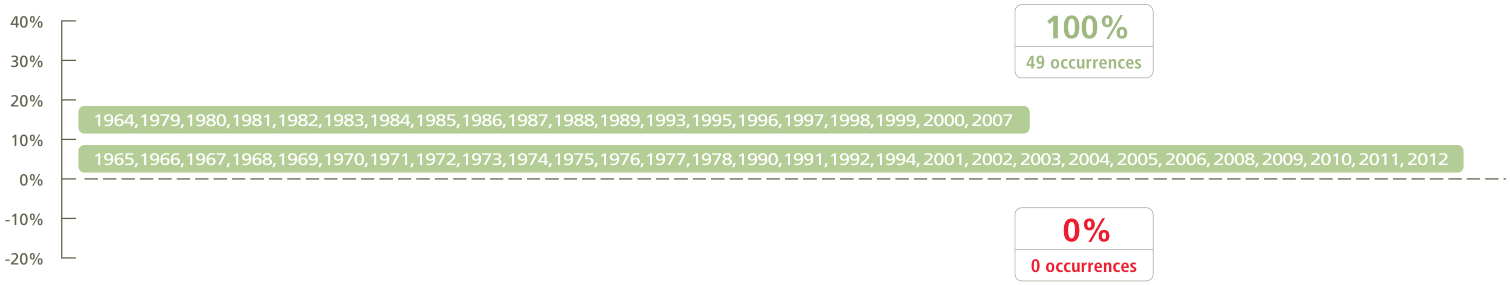
... with diversification

The range and volatility of returns were lessened – and the occurrence of negative annual returns eliminated – when diversification was introduced through a balanced portfolio over a five-year period.

5-Year Rates of Return of a Balanced Portfolio[3]



5-Year Return Ending December

Best Year	1986	16.7%
Worst Year	1974	3.7%

Source: Morningstar Direct.

[3] Based on 5-year returns ending December 31 of a portfolio of 50% S&P/TSX Composite Total Return Index and 50% Canadian Fixed Income Composite (DEX Universe Bond Index proxy of 75% Long Bond Index and 25% Mortgage Index from 1960 to 1980; DEX Universe Bond Index from 1981 to 2012). Best and worst year rate of returns based on year only. When rolling year data is used, the worst year rate of return drops to 1.5% (1970) and the best year rate of return rises to 23.1% (1987).

Rate of returns are for illustrative purposes only and are not intended to forecast future returns on any investment.

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