

October 09, 2003

The Sample Family  
123 Any Street  
Edmonton AB CAN  
T6A 8K7

Dear The Sample Family,

Your Proposed Assante Optima Strategy Investment Policy Statement

Please find enclosed your Proposed Investment Policy Statement. This customized investment strategy outlines an asset mix that reflects your personal investing profile and investment goals. While your Investment Policy Statement should be a lasting document, it may have to be adjusted over time to reflect either changing personal circumstances or significant market changes.

Please note that Assante Asset Management Ltd's Investment Policy Group will review your profile and finalize both the asset mix and the allocation of that asset mix across your various accounts as appropriate. The Investment Policy Group will then forward the final version of your customized Investment Policy Statement to you.

A common mistake made by individual investors is failing to remain committed to their long-term investment plans. An Investment Policy Statement can help an investor remain disciplined and avoid emotionally triggered trading during periods of market fluctuations. This Investment Policy will also serve as a reference tool you can use to evaluate the progress of your investment portfolio on an ongoing basis.

Please do not hesitate to contact me with any questions you may have about the enclosed Proposed Investment Policy Statement, how to implement the recommended investment strategy or any other issues.

Yours truly,

Martin Gunderson

Assante Financial Management

# Your Proposed Investment Policy Statement

Prepared for

**The Sample Family**

October 09, 2003

**PREPARED BY:  
Assante Asset Management Ltd.**

**YOUR ASSANTE ADVISOR:  
Martin Gunderson**

(780)4503311  
(780)4631415

## TABLE OF CONTENTS

<b>Introduction</b>	<b>4</b>
<b>Your Objectives</b>	<b>5</b>
Your Investment Time Horizon	5
Your Income Requirements	5
Your Liquidity Requirements	6
Balancing Your Risk and Return Objectives	6
<b>Your Recommended Strategy</b>	<b>7</b>
Creating an "Efficient" Portfolio	7
Your Recommended Portfolio	8
Tax Optimization	9
Style Selection	9
<b>Your Expectations</b>	<b>10</b>
Historical Return Performance	10
Your Expectations Based on Market History	10
Long-term Growth Potential	12
Staying Invested to Achieve Your Growth Potential	13
<b>Implementing and Maintaining Your Strategy</b>	<b>14</b>
Implementing Your Portfolio	14
Maintaining Your Portfolio	14
Reviewing and Monitoring Your Financial Situation	15
<b>APPENDIX: THE STATISTICS BEHIND YOUR PROPOSED INVESTMENT POLICY STATEMENT</b>	<b>16</b>
<b>APPENDIX: RANGE OF RETURNS OVER TIME</b>	<b>17</b>
<b>APPENDIX: BENEFITS OF DISCIPLINE</b>	<b>19</b>

## Introduction

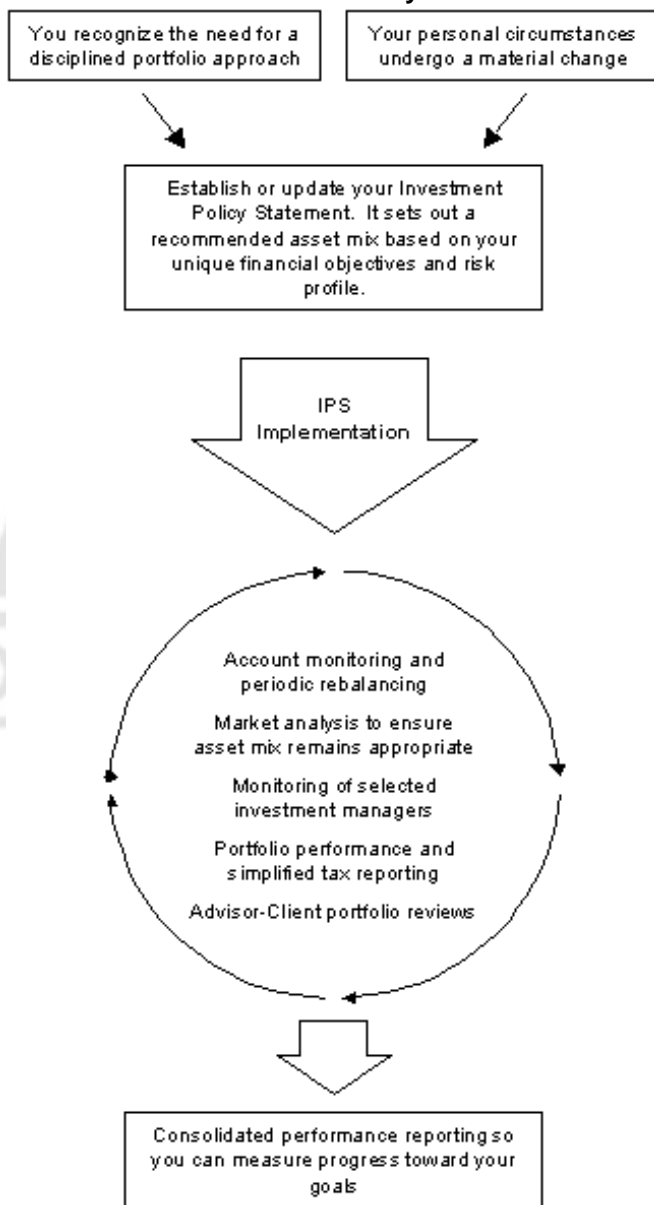
Establishing an Investment Policy is the first step to successful investing.

### Your Proposed Investment Policy Statement

Your Investment Policy is a detailed investment plan customized to your personal circumstances. Establishing a thorough and complete Investment Policy is a critical first step to investment success.

A written Investment Policy Statement articulates your goals and provides a roadmap to achieve them. It helps you from getting sidetracked by short-term market trends and helps you stay focused on the long term. If your circumstances or goals change, you can initiate an update to your Investment Policy to reflect your new requirements by speaking to your Assante Advisor.

#### The Investment Policy Process



## Your Objectives

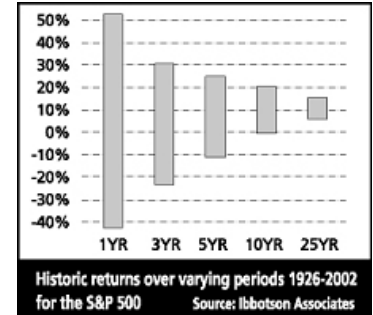
Your portfolio has been designed to meet your unique objectives and requirements. It is based on our knowledge of your personal circumstances as described in the Investor Profile Questionnaire you completed.

### Your Investment Time Horizon

Your investment time horizon - the length of time you intend to keep the majority of your funds invested in your portfolio - can significantly influence the recommended structure of your portfolio.

You have indicated that your current investment time horizon is over fifteen years.

Generally, the longer you remain invested, the narrower the range of average annual returns you can expect. The chart to the right demonstrates that as the investment periods are lengthened to three, five, 10 and 25 years, the variability in average returns is reduced as is the potential for negative returns.



Your time horizon is based on when you require retirement income.

Your investment horizon reflects your goals and can be based on:

1. When you plan to make a large expenditure (e.g., a recreational home)
2. When (and for how long) you will require income in your retirement
3. When you expect your heirs will need access to the capital you leave them in your estate.

Note that if your circumstances or goals change in the future, we have the ability to restructure your portfolio based on an alternative investment horizon.

You have indicated that you do not require regular income from your portfolio starting within the next 12 months.

### Your Income Requirements

Fixed-income investments are included in your portfolio to minimize volatility and generate income through various market cycles.

Generally, the higher your income requirements, the greater the proportion of fixed-income investments you will need. The trade-off for increasing the level of fixed-income investments within your portfolio is a reduction in its long-term growth potential.

### **Your Liquidity Requirements**

You do not require access to ready cash from your portfolio.

While it is easy to convert part of your Assante Optima Strategy portfolio to cash, you may want to keep a reserve to fund any unexpected expenses or an anticipated major purchase or lifestyle event in the near future (e.g., buying a new home or business, or paying tuition).

By keeping a portion of your investments outside your portfolio in cash-equivalent securities (e.g., money market funds such as the Assante Optima Strategy Cash Management Pool) to fund these liquidity needs, you can avoid having to sell long-term investment assets at an inopportune time.

You have indicated that a balance between preservation of capital, growth of that capital and a provision for moderate income from your portfolio best describes your investment objectives.

### **Balancing Your Risk and Return Objectives**

Generally, the lowest-risk portfolio available consists entirely of quality government-issued Treasury bills (T-Bills). The return on 30-day Canadian government T-Bills is known as the "risk-free rate."

If you add risk to your portfolio by investing in other assets such as stocks and bonds, history has shown that you can expect to be rewarded with higher long-term rates of return. Increased returns are often needed to achieve long-term objectives and to preserve purchasing power in the future that would otherwise be eroded by inflation and taxes. However, the added risk associated with those returns means it is likely that the portfolio will, at times, under-perform the risk-free rate and/or suffer declines in value.

Your requirement to earn returns in excess of the T-Bill rate needs to be balanced with your tolerance for short-term market declines. The mix of investments chosen for your portfolio reflects this tradeoff between your risk and return objectives.

**DRAFT**  
**FOR DISCUSSION PURPOSES ONLY**

## Your Recommended Strategy

Your recommended strategy considers your investments as a whole, rather than analyzing individual holdings in isolation. It specifies an appropriate mix and percentage of asset classes for your portfolio - or asset allocation - aimed at balancing your income and liquidity requirements, while reflecting your investment time horizon and risk tolerance.

The level of risk you are able or willing to tolerate is of primary importance to us at Assante Asset Management Ltd. ("Assante"). While much of the investment industry often seems preoccupied with chasing high returns, we know that the greatest concern for our clients is preserving their wealth while also achieving enough growth to meet their long-term goals. This is why we attempt to create a recommended asset mix that helps to minimize the degree of potential declines without limiting the potential upside.

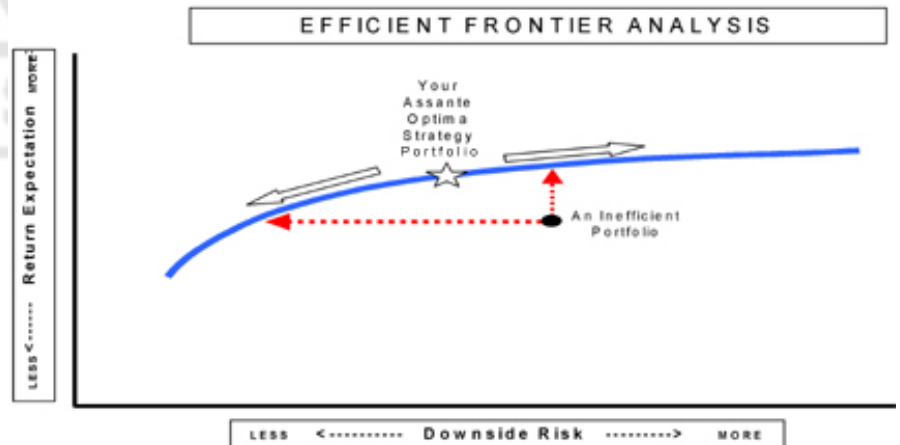
What is unique about Assante's overall investment strategy is our focus on delivering solid performance with strong risk control.

### Creating an "Efficient" Portfolio

The Efficient Frontier depicts the greatest return available for each level of risk.

Assante uses an advanced concept known as the Post-Modern Portfolio Theory to help determine the optimal portfolio for your risk tolerance. The Efficient Frontier is the graphical representation of the results of this analysis and is actually made up of a series of portfolios with the most "efficient" risk-return relationship - those expected to yield the highest return for a given level of risk. Together, these efficient portfolios form a curve on a graph that sweeps up to the right (see following exhibit).

We begin by analyzing the risk-return relationship for various combinations of the asset classes utilized in the Assante Optima Strategy program. In determining the precise asset mix, we then position your portfolio on or as close to the Efficient Frontier as possible to maximize the potential long-term return for your individual risk level.



"Inefficient" portfolios are located below the line (small dot). By shifting an inefficient portfolio up toward the Efficient Frontier, Assante can increase its expected return without adding risk. Alternatively, we can shift an inefficient portfolio left toward the frontier to reduce its risk without giving up potential return.

Having determined the correct portfolio for you, it should continue to meet your needs for the longer term regardless of changes in market conditions. However, in the event of a significant life change that alters your investment objectives or risk tolerance, and therefore your risk-return profile, we can work with you to shift your portfolio along the frontier (indicated by the block arrows) so that it continues to reflect your personal circumstances.

### Your Recommended Portfolio

The following combination of asset classes and target weightings are designed to maximize the growth potential of your portfolio for the level of risk you are comfortable with.

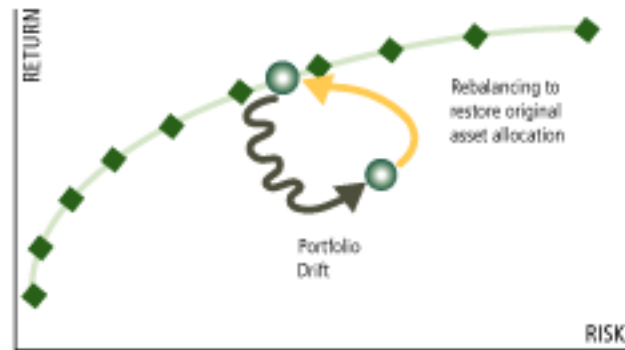
Your recommended strategy is an efficient portfolio customized to your personal circumstances.

AssetClass	Lower Band	Recommended Asset Mix	Upper Band
Canadian Short Term Income	2%	<b>7%</b>	12%
Canadian Fixed Income	19%	<b>24%</b>	29%
Global Fixed Income	12%	<b>17%</b>	22%
Canadian Equity	11%	<b>16%</b>	21%
Canadian Small Cap Equity	0%	<b>2%</b>	7%
US Real Estate Equity	4%	<b>9%</b>	14%
US Equity	10%	<b>15%</b>	20%
International Equity	5%	<b>10%</b>	15%

As asset classes within your portfolio grow at different long-term rates and react differently to short-term market volatility, the asset mix will shift. As a result, the portfolio may drift away from the Efficient Frontier and no longer be optimized for your specific needs.

The asset classes within your portfolio are periodically rebalanced, or reset, to the target weightings to ensure you maintain your recommended asset mix.

As part of Assante Optima Strategy Asset Management Service, your portfolio will be periodically rebalanced to ensure it remains close to the recommended asset mix. The lower and upper bands define the range that acts as a rebalancing guideline. A portion of asset classes that have recently excelled will be sold and the proceeds added to asset classes that have under-performed. In this way, rebalancing helps you to not only "buy low" and "sell high", but also stay within your individual risk profile.



### Tax Optimization

We help you create a tax-efficient portfolio by capitalizing on the tax-sheltering benefits of registered accounts, as well as the favourable tax treatment given to capital gains and Canadian dividends earned within taxable accounts.

Having determined the recommended asset mix for your portfolio from an investment perspective, we will take your portfolio one step further and optimize it from a tax perspective. We will distribute the asset class weightings across your individual and family accounts (e.g., registered, non-registered, joint and individual) to minimize the potential overall tax liability generated from your investments.

In the case of registered accounts, RSP-eligible pools may be used, where appropriate, to increase international exposure in your portfolio beyond the normal 30% foreign content limits.

Tax optimization is an ongoing process. We will make adjustments as the structure of your portfolio changes over time with the addition of new accounts or new savings.

### Style Selection

Given your objectives, the most suitable equity style for you is a predominantly value strategy.

We will further customize your portfolio by investment style. Growth and value investing each have specific characteristics that may lend themselves to an individual's risk tolerance and return expectations. We can structure your portfolio to provide exposure to the various equity investment management styles.

## Your Expectations

Please see the first Appendix for important details about how the various statistics and graphs presented in this proposed Investment Policy Statement were derived. Understanding these sources and assumptions are important.

### Historical Return Performance

The growth potential of your portfolio is directly related to the potential magnitude of declines. Understanding the downside potential of your portfolio can help you avoid reacting to short-term investment cycles and stay invested for the long term.

Based on historical benchmark data for each underlying asset class, we have reconstructed the worst-case scenarios experienced by a portfolio with your asset mix.

Investors who stay invested through short-term market fluctuations are often rewarded with higher returns over the long term.

	Annual return over worst-performing period
Over one year	-18.9%
Over three years	-0.8%
Over five years	3.6%
Over 10 years	8.3%
<b>Note:</b> Monthly returns used are for the period from 1972 to 2001.	

On the upside, portfolios with your specific asset mix have achieved an average compounded annual return of 10.9% since 1972, which is the first year consistent return data is available for all asset classes employed. The best performing one-, three-, five- and 10-year periods since 1972 had compounded annual returns of 44.4%, 26.4%, 24.5% and 17.5%, respectively. Please remember that past performance is no guarantee of future performance.

### Your Expectations Based on Market History

While returns will gravitate toward long-term averages, they can vary significantly in the short term.

While knowledge of historical average returns is important, it is also critical to appreciate that capital markets are cyclical. Although history has shown that while returns gravitate toward long-term averages over time, they may vary considerably from year to year.

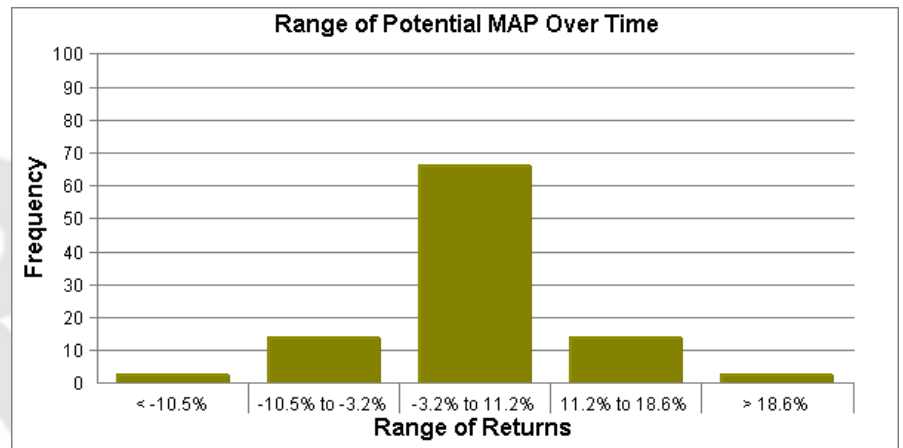
Using a combination of historical benchmark return data and current interest rate levels, our analysis shows that a similarly constructed asset mix would have yielded an average annual return approaching 8.1%. It should be emphasized that such return expectations could only be realized over the course of a normal investment cycle, which would last at least 5-10 years and would include both a full bull and bear market.

Because nominal (actual returns usually quoted in the media and elsewhere) rate expectations factor in the current interest rate environment, and that environment can shift significantly, an alternative way of looking at returns is to consider a portfolio's Managed Account Premium ("MAP").

MAP is the long-term rate of return a portfolio can be expected to earn above the risk-free rate (the 30-day Canadian T-Bill rate).

The long-term MAP for a portfolio with your asset mix would have amounted to 4.0%. In other words, over the long term, historical analyses suggest that your asset mix is capable of generating 4.0% more, on average, than the T-Bill rate in effect. As the risk-free rate closely follows inflation and interest-rate fluctuations, the MAP suggests how protected you may be against a loss of purchasing power over time due to inflation.

The chart below demonstrates the range of potential annual returns you can expect over time from a portfolio with your recommended asset mix. While the average MAP is benchmarked at 4.0%, the chart suggests that two-thirds of the time (shown as "frequency" in the following chart), MAP will be between -3.2% and 11.2%, and between -10.5% and 18.6% 90 per cent of the time. It is important to remember, however, that there is no guarantee that MAP will not fall outside these ranges in exceptional circumstances.



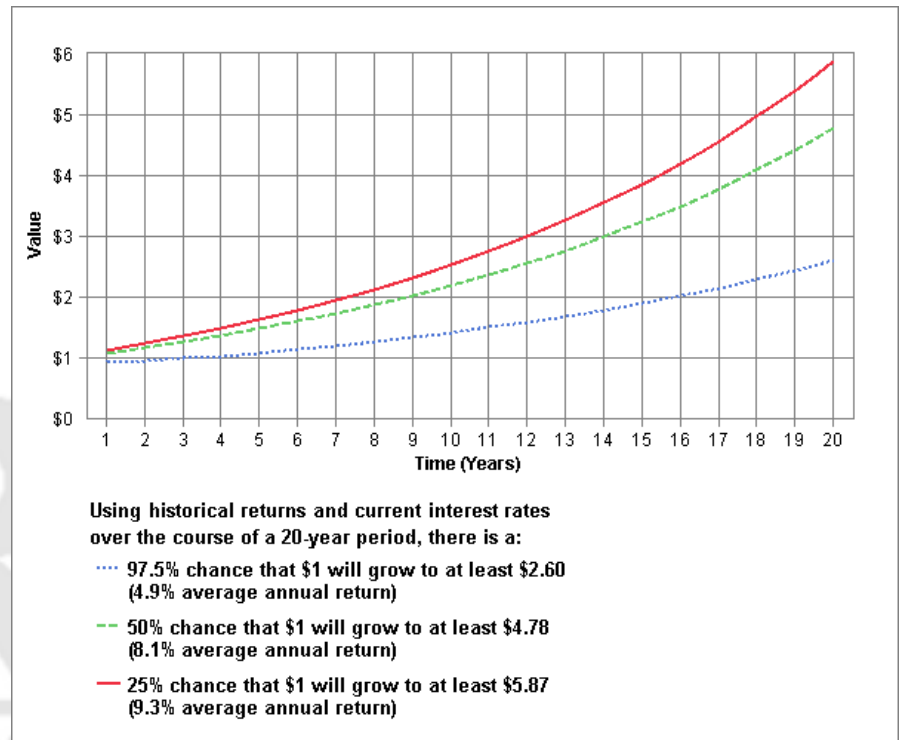
DR  
FOR DISCUSSION PURPOSES ONLY

### Long-term Growth Potential

Understanding the potential range of future returns you can expect from your portfolio will help you remain confident in your investment strategy, enabling you to achieve your long-term growth potential.

Investors often seek an average return on which to base their portfolio growth expectations. A more realistic and useful exercise may be to look at a range of potential return experiences - including periods when returns exceed or fall short of expectations.

Using statistical analysis of the potential range of returns your portfolio can experience over time, we have forecasted the potential growth of \$1 invested with your recommended asset mix.



In other words, over a 20-year period, there is a 97.5% chance that \$1 invested using your asset mix would grow to at least \$2.60. There is a 50% chance it would grow to at least \$4.78 and a 25% chance that dollar would grow to a value greater than \$5.87.

### Staying Invested to Achieve Your Growth Potential

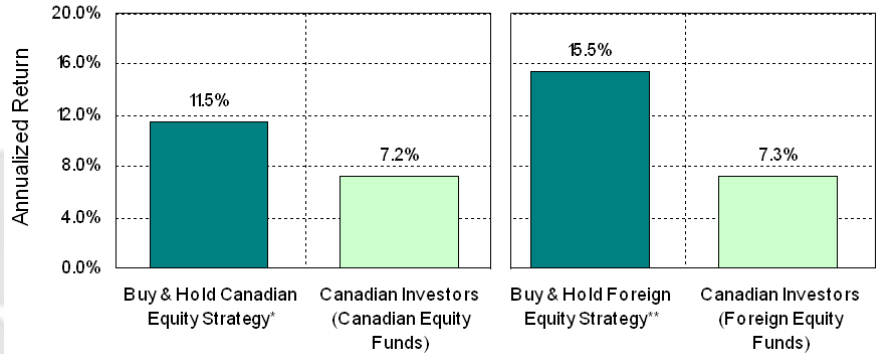
You indicated you would gauge the success of your portfolio after three to five years.

This assessment period may not be appropriate for your investment objectives and risk profile.

It is a fact that many investors do not earn the returns available to them. Dalbar Inc., an independent research agency, has conducted studies of investor behaviour that reveal the biggest mistake made by most investors is disposing of investments that have recently under-performed and purchasing investments that have just experienced strong returns. This leads investors to "buy high" and "sell low" - actions that work to reduce long-term returns.

From its Quantitative Analysis of Investor Behaviour study released in 2000, Dalbar's chart below demonstrates how much Canadian investors under-performed their potential, on average, by abandoning a disciplined buy-and-hold strategy during the 1990s and attempting to "time the market."

**Canadian Investor Performance Versus Financial Markets  
(March 1990 to December 1999)**



\* Based on investment in the TSE300 Total Return Index

\*\* Based on investment in MSCI World Index

DRAFT

---

FOR DISCUSSION PURPOSES ONLY

## Implementing and Maintaining Your Strategy

### Implementing Your Portfolio

Once we have received your investment assets, we will begin implementing your recommended strategy and create a portfolio that is optimized from both an investment and tax perspective. We will provide you with a final copy of your official Investment Policy Statement, which will include the results of the tax optimization and outline the individual asset classes and managers to be used in each account.

### Maintaining Your Portfolio

Upon implementation, Assante Asset Management Ltd. will begin to provide the following services to maintain your personalized strategy, while simplifying the management of your investment affairs:

- **Your portfolio's asset mix is monitored and periodically rebalanced** to maintain the recommended asset mix and target weightings established within your Investment Policy Statement.
- **Assante Optima Strategy Asset Classes are analyzed.** Over time, as the risk-reward relationship among these asset pools shifts, your target mix may need to be adjusted to maintain the efficiency of your customized portfolio. You will be notified of any such changes in advance.
- **Investment Managers are monitored** on an ongoing basis to ensure they remain true to their mandate and perform as expected.
- **The tax efficiency of your portfolio is monitored** and maintained as you complete additional transactions and as the value of your investments changes over time.
- **Assante Optima Strategy Pools attribute portfolio interest, dividends and realized capital gains to investors on a daily basis.** This means that you are only responsible for paying tax in the current year on interest, dividends and realized capital gains earned while you are invested in the pools.
- **Each year, you will receive a simplified tax-reporting package** for your taxable accounts.
- **Consolidated quarterly performance reports with your personal rates of return are provided** to allow you to gauge the progress of your portfolio as a whole.

### **Reviewing and Monitoring Your Financial Situation**

Your Investment Policy Statement is a key component of your personal financial management strategy. Keeping us apprised of significant changes in your circumstances or goals will help ensure that we re-evaluate and adjust your strategy accordingly.

Commissions, trailing commissions, management fees, and expenses may all be associated with mutual fund investments. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Please read the prospectus and consult your Assante Advisor before investing.

The Assante symbol is a registered trademark of Assante Corporation, used under license.

© October 09, 2003; Assante Asset Management Ltd.

**DRAFT**  

---

**FOR DISCUSSION PURPOSES ONLY**

---

## APPENDIX: THE STATISTICS BEHIND YOUR PROPOSED INVESTMENT POLICY STATEMENT

Within your proposed Investment Policy Statement and its appendices, there are a number of tables, charts and return statistics included. Unless otherwise noted, the underlying details are as follows:

- Portfolio statistics are based on returns for the following indices: Scotia Capital 91 Day T-Bill; Scotia Capital Universe Bond (proxy data used prior to index's inception in 1979); Salomon Smith Barney World Government Bond (C\$) (proxy data used prior to index's inception in 1984); S&P/TSX Composite; BMO Nesbitt Burns Small Cap; S&P 500 (C\$); Morgan Stanley Capital International Europe, Australasia and Far East (C\$); and North American Real Estate Income Trusts Equity (C\$)
- Neither historical nor any return expectations have been adjusted for:
  - Taxes on income and capital gains;
  - Additional savings or withdrawals;
  - Any purchase commissions, fees or operating expenses;
  - Any return premium due to efforts of investment managers;
  - Any return premium due to portfolio rebalancing; or
  - Any return premium associated with a particular investment style.

Unless otherwise noted, the graphs in this Investment Policy Statement have been generated by Assante Asset Management Ltd.'s analytical software models.

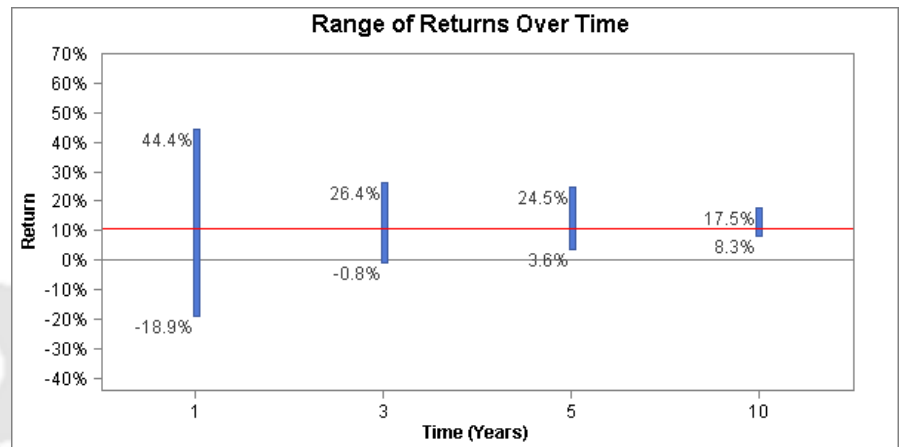
Please note that past returns are no guarantee of future returns.

## APPENDIX: RANGE OF RETURNS OVER TIME

The longer the time period over which annual returns are averaged, the smaller the expected range of annualized returns.

Based on market history, the degree of market fluctuations expected over a one-year period is significantly greater than what you can expect over longer time periods.

The bars in the graph below represent the range of annualized returns that a portfolio with your recommended asset mix has experienced on a rolling basis from 1972 to 2002. For example, the range of returns for one-year periods has varied from as high as 44.4% to as low as -18.9%, while the annualized return range was 24.5% to 3.6% when performance is measured in nominal terms (not net of inflation or T-Bill rate) over rolling five-year periods within the 1972-2002 timeframe.



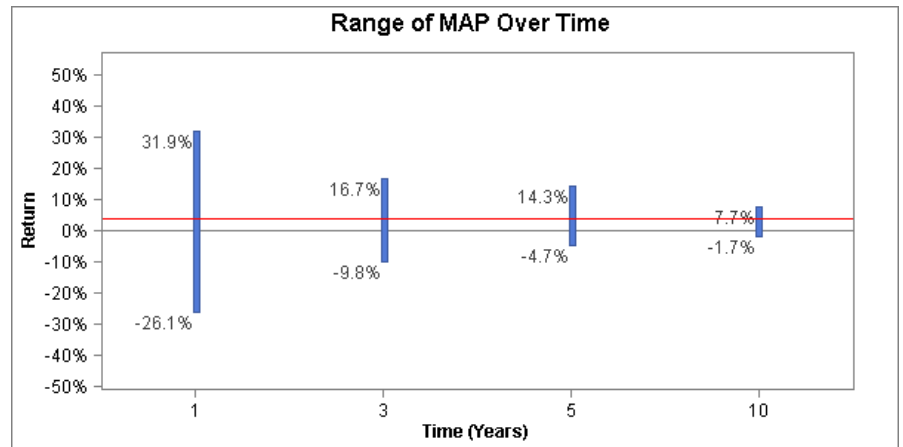
The average annual return between 1972 and 2002 has been 10.9% for a portfolio with your recommended asset mix.

DRAFT

---

FOR DISCUSSION PURPOSES ONLY

When the effect of fluctuating T-Bill interest rates are netted out, the range of returns in terms of MAP narrows.



Whether measured in nominal or MAP, the above charts demonstrate that as the investment periods are lengthened to three, five, 10 and 20 years, the variability in average returns is reduced as is the potential for cumulative negative returns. This emphasizes the need to diversify your portfolio and limit heavy losses over the short term in order to take advantage of the market's longer-term growth potential.

**DRAFT**  
FOR DISCUSSION PURPOSES ONLY

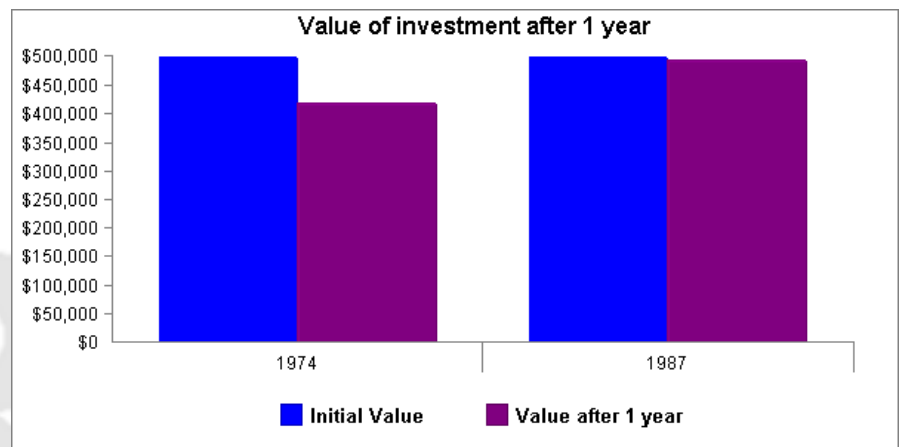
## APPENDIX: BENEFITS OF DISCIPLINE -

### How this Investment Policy can Work for You

Historical events have resulted in significant market volatility. They demonstrate that being in the right portfolio for your circumstances, and staying invested, are key to a successful strategy.

The importance of having a customized portfolio, and an Investment Policy Statement to guide you, can be illustrated through some real-life examples. Looking at some of the most volatile investing periods in recent history - the OPEC oil crisis in 1974 and the October 1987 stock market decline - we see how a portfolio with your asset mix and initial investment amount would have performed.

Your initial investment of \$500,000 would have declined to \$419,633 during the OPEC oil crisis (October 1973 to October 1974), and to \$494,803 during the October 1987 stock market decline (September 1987 to September 1988).

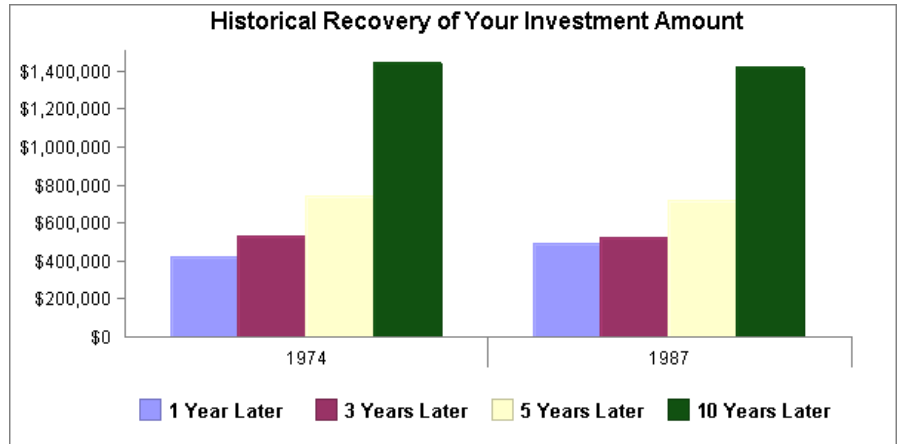


A decline in portfolio value of this magnitude would have caused many investors to abandon their strategy. Through your Investment Policy Statement, you are prepared for events such as these. Your investment strategy attempts to limit short-term declines to a range with which you are comfortable and, as a result, to help you stay the course in difficult markets.

As shown on the next chart, staying invested would have given your portfolio time to not only recover lost ground, but also participate in the subsequent growth that created enduring wealth for many investors.

10 years after the 1974 OPEC crisis, your portfolio would have grown to \$1,443,545.

10 years after the 1987 stock market decline, your portfolio would have grown to \$1,421,900.



**DRAFT**  
FOR DISCUSSION PURPOSES ONLY