



# Investment Policy Statement

John and Jane Smith  
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## The Summit Program



**Prepared by:**  
David J. Ritcey  
Financial Planner

**THE RITCEY TEAM**  
at ScotiaMcLeod

## Investment Policy Statement John and Jane Smith

### Introduction

The Investment Policy Statement is a document designed to establish expectations and guidelines for each investment decision, and to facilitate evaluation of your portfolio. We should review the investment policy on a regular basis to discuss any changes in your personal circumstances.

This Investment Policy Statement details the investment management philosophy for your portfolio and provides the foundation for each investment decision. The investments currently managed under this Investment Policy Statement total approximately 200,000 in registered assets, and approximately \$300,000 in non-registered assets.

### Investment Objectives

Assessing your financial situation is the first step in the investment process. It allows you to establish realistic goals. The assets in your portfolio are intended to provide for: retirement savings.

Based on your stated goals and review of your current situation, we have determined that your primary investment objective is moderate growth. Your desired rate of return is 7% to 9% for the investments managed under this Investment Policy Statement. Typically, this rate of return is not achieved every year but rather it is the desired average rate of return over your stated time horizon.

### Risk Tolerance

The goal of the investment process is to achieve your required rate of return while managing risk. Typically, higher rates of return are associated with higher risks.

Recognizing that markets and individual investments tend to fluctuate over short-time periods, your goal is an aggregate rate of return for a period of more than 10 years. According to the information we gathered through the Investment Planning Questionnaire, we have assessed your tolerance for risk as Moderate Growth, with a score of 61 (100 being the highest level of tolerance). This level of risk allows for some degree of short-term market volatility. However, we will try to minimize these fluctuations.



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**Constraints**

The following constraints will influence your asset mix and individual investment decisions.

*Time Horizon*

The longer the expected holding period, the more likely you are to achieve your targeted return. The investment management recommendations in this policy statement are based on an investment horizon of 10 years. Interim fluctuations should be viewed with an appropriate perspective. As circumstances may change over time, so will our recommendations.

*Current Income Requirements*

You have indicated that you will have an annual income requirement of 0% from your investment portfolio. Your portfolio will be managed with this in mind.

*Liquidity*

Liquidity refers to the ability to convert an asset into cash without causing a significant change in the price of that asset. If the time horizon is short, an illiquid asset may not be appropriate. Sufficient liquidity is important to allow future cash usage for an emergency or to participate in a new investment opportunity. While funds can be made available with sufficient notice, liquidation of assets may be required to meet these needs. You have indicated that you will need to liquidate 0% of the portfolio within 5 years.

*Taxes*

While no investment decision should be made solely for tax reasons, it is nonetheless an important issue and has a direct impact on returns. You have indicated that tax considerations are somewhat important.

*Unique Preferences and Circumstances*

We have discussed all the factors that will influence our recommendations. If any changes in your situation should occur, or new needs develop, we strongly recommend that you communicate this information to us directly so that we can take appropriate action.

*Constraints*

There are no specific asset class constraints placed on this portfolio.

## Asset Mix

Asset mix is the allocation of a portfolio between asset classes, balancing return and risk. The greater the proportion of equities over fixed income, the higher the potential return and variability of returns. Likewise, the greater the allocation to fixed income over equities, the greater the potential for a more constant income stream, the lower the potential return and variability in returns. The determination of an appropriate asset mix is a result of your investment objectives, time horizon, liquidity needs and risk tolerance.

Based on your risk tolerance and investment objectives, the following are your asset mixes and asset allocation ranges:

Asset Class	Current Asset Mix	Target Asset Mix	Asset Allocation Ranges
Treasury Bills	0%	0%	0% to 10%
CDN Fixed Income	40%	28.9%	25% to 31%
U.S. Fixed Income	0%	0%	0%
CDN Equity	20%	28.6%	22% to 32%
U.S. Equity	20%	14%	12% to 20%
Real Estate	0%	10%	8% to 14%
International Equity	20%	17.9%	15% to 22%
<b>Total</b>	<b>100%</b>	<b>100%</b>	

### *Rebalancing of the Strategic Allocation*

The portfolio asset mix may fluctuate away from the recommended asset mix over time as a result of market movement. The portfolio allocations should be reviewed at least annually, and rebalancing should be considered when there are variances of plus or minus 5%. Cash inflows and outflows should be used to maintain the long-term strategic allocation.

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### *Diversification*

Diversification is an important strategy for managing and controlling portfolio risk. For balanced portfolios, diversification strategies are applied by combining different kinds of asset classes, such as stocks, bonds, and where appropriate, international investments. Further diversification is obtained by diversifying the types or class of securities held in the portfolio. The asset allocation recommended in the above chart reflects this strategy. In this case, the managers selected will control risk by diversifying across industry groups and by holding several different equity and/or fixed-income securities of varying maturities.

### **Selection Of Money Managers & Performance Benchmarks**

Considering the objectives and policies outlined above, the selected managers along with their corresponding benchmarks and current and target allocations are as follows:

<b>Manager/Mandate</b>	<b>Benchmark</b>	<b>Current Allocation</b>	<b>Target Allocation</b>
<b>Canadian Fixed Income</b>			
YMG: CDN Fixed Income	100% Scotia Capital Universe Bond Index	40%	28.9%
<b>Canadian Equity</b>			
Morrison Williams: CDN Equity	100% CPMS 300 Capped 10 Index	20%	28.6%
<b>U.S. Equity</b>			
Delaware Investments: U.S. Equity	100% S&P 500 Composite Index	20%	14.6%
<b>International Equity</b>			
Brandywine: International Equity	100% MSCI EAFE Index	20%	17.9%
<b>Real Estate</b>			
Pinnacle Global Real Estate	75% North American REIT Index & 25% Scotia Capital REIT Index	0%	10%
<b>Total</b>		<b>100%</b>	<b>100%</b>

The performance of any investment program is judged relative to your goals, as previously discussed, and to a market-based benchmark. In the Summit Program the success of each manager and/or the investor's investment program are judged relative to a market-based benchmark. A benchmark is a hypothetical portfolio consisting of several indices that are combined in the same weightings as the asset classes of your portfolio to replicate a manager's style or discipline. For example, a Canadian equity manager may be measured against a benchmark of the CPMS 300 Capped 10 Index. Similarly, a balanced manager might be measured against a benchmark composed of 50% of the CPMS 300 Capped 10 Index and 50% of the Scotia Capital Universe Bond Index.

The composite benchmark of the portfolio is:

<b>Benchmarks</b>	<b>Current Percentage</b>	<b>Target Percentage</b>
CPMS 300 Capped 10 Index	20%	28.6%
MSCI World Index	20%	17.9%
Scotia Capital Universe Bond Index	40%	28.9%
S&P 500 Composite Index	20%	14.6%
North American REIT Index	0%	7.5%
Scotia Capital REIT Index	0%	2.5%
<b>Total</b>	<b>100%</b>	<b>100%</b>

### **Investment Management Process**

In order to realize your goals and manage risk, we will make investment decisions based on the needs and goals identified in this Investment Policy Statement. Portfolio strategy is an ongoing process between us.

As with any plan, you will realize greater benefits when you follow it responsibly. Because your investment plan is customized to you, changes should be discussed openly with your advisors, so that they can continue to help meet your goals.

**Monitoring and Review**

*Summit Investment Committee*

The Summit Investment Committee meets quarterly to review all Summit Program managers. At this quarterly meeting, the Committee will review the managers’ adherence to their mandate and any material changes in their organization, personnel or investment philosophy. Deterioration in a manager’s ability to administer the mandate for which they were hired may result in their removal from the Summit Program.

Furthermore, my team and I will review and monitor your portfolio on a regular basis. At a minimum, we will contact you to discuss our recommendations when we feel your portfolio’s asset mix should be rebalanced, or when a change in an individual manager is warranted. You are welcome to contact us at any time to review your accounts, the market outlook or to have a verbal portfolio review.

On an annual basis, we will meet with you for a comprehensive written portfolio review to measure your progress and to ensure that the parameters of this Investment Policy Statement continue to meet your requirements. This Investment Policy Statement is your blueprint for investment decisions and should be both current and accurate. If any changes in your situation should occur, or new needs develop, please communicate this information to our office so that we can take appropriate action.

**Implementation**

By signing below we agree to follow the parameters outlined in this Investment Policy Statement.

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John and Jane Smith Date

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David J. Ritcey Date  
Financial Planner

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Corrado S. Tiralongo, CIM Date  
Portfolio Manager

