The

Financier

Spring 2019

How do mutual funds work?

Want to invest, but aren't experienced enough to put together your own portfolio? A mutual fund might be a good solution for you.

Mutual funds allow you to benefit from the leveraging effect of pooling money from many different sources. They're perfect for small investors, giving them access to a range of investments that would otherwise be out of their reach.

A wide variety

Each mutual fund has its own goal, strategy, composition and level of risk. Here are the different types.

Equity funds

These are suited for investors looking for long-term growth potential. Their diversification provides exposure to different markets.

Fixed income funds

While their returns are relatively modest, they provide stable income at low to moderate risk.

Balanced funds

They combine common and preferred shares from companies, debt securities and money market instruments. Diversification ensures fairly stable returns and moderate risk.

Money market funds

These consist of short-term bonds and debt securities. They provide low but safe, fixed returns to investors.

Specialized funds

They invest across specific sectors or regions. Their risk level is relatively high, due to currency fluctuations and political upheaval, among other things.

Their particularities

Mutual funds are very popular with investors. Here are some of their advantages.

- They're managed by seasoned fund managers.
- They help you manage risk and adapt to your needs.
- They can be transferred to other funds and you can make regular deposits or withdrawals.
- They are easily bought and sold.

The returns

Mutual funds offer two types of returns, which can be withdrawn or reinvested in the fund.

1. **Capital gains:** When you sell your shares in a fund at a profit. It's also possible to suffer a capital loss.
2. **Gains distribution:** Dividends, interest, capital gains and other types of income generated by the fund.

4 steps to building a solid investment portfolio

To take your investments to the next level of sophistication, you'll need to understand each step of the portfolio construction process, then implement them. Here's how to do it, step by step.

1

IDENTIFY YOUR STYLE

On top of determining your goals and investment profile, take some time to identify your approach, because no one is an expert in all types of investing.

Here are a few questions to get you started:

> What is your most strongly held belief when it comes to investing?
> Which tools do you feel most comfortable with?
> What type of securities do you know best?
> How frequently do you intend to invest?
> How much volatility can you handle?

Thinking about this will help you make coherent decisions while keeping you focused on your goals during rough patches.

2

ANALYZE OPPORTUNITIES

Sift through good and bad investment opportunities. To do this, analyze the return, quartile rankings, management fees, ethical investments and management style. If fundamental analysis is your thing, it's a good idea to diversify model risk by combining individual metrics.

3

REVIEW YOUR PORTFOLIO

Once you've finished sifting, your first job is to tidy up your existing portfolio. Holdings that should be sold can be replaced with more promising new opportunities.

Once you've made these decisions, make sure that the levels of diversification and risk management are still in line with your expectations.

4

MANAGE YOUR PORTFOLIO REGULARLY

How often you should monitor your portfolio depends on the frequency at which you trade. Although it is generally advisable to stick to your chosen approach, when exceptional circumstances arise, feel free to adjust your portfolio in advance.

Markets reviewed by our external portfolio managers

Our 100% open architecture structure relies on conducting ongoing due diligence and ensuring full accountability. In line with this governance process, and following a review last November, J.P. Morgan Investment Management Inc. (hereafter "J.P. Morgan") now acts as the sub-advisor for the NBI Unconstrained Fixed Income Fund, which is part of NBI Portfolios. We present their approach and market outlook in this Spring 2019 edition.

Overview

Markets are constantly evolving. Certain traditional fixed income investment strategies may not be effective considering the complexities of modern markets. In these cases, an unconstrained approach can broaden your investment opportunities and sources of added value so it's easier to handle market volatility.

This method offers greater flexibility to generate positive absolute returns and better manage risk in ever-changing global markets. The Fund's investment process relies on balancing the management of duration, credit risk and volatility. It has the leeway to benefit from any opportunity across the fixed income market.

The Fund's investments are distributed among different sectors, credit ratings, maturities and geographic areas. Certain financial tools can also be used to improve returns and manage risk. The management team has a strict investment process and uses a rigorous framework in their risk management to ensure good decision-making. The sub-advisory firm has an impressive road map and expertise proven across several market and rate environment cycles.

Market outlook

The management team believes that global growth will slow down in the coming months, then eventually bounce back. Central banks have clearly acknowledged the concerns surrounding growth, particularly in the United States, where the American Federal Reserve appears to be much more accommodating.

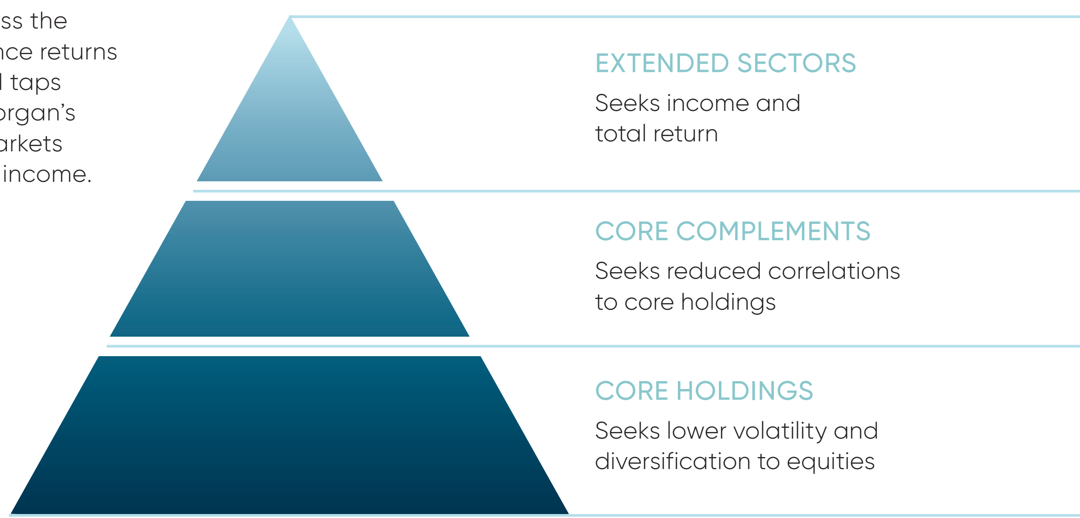
These circumstances should help to support fixed income securities, as long as there aren't any major increases to bond rates in the short term. The rise of the American dollar could be more limited, however.

Management strategy

Emerging markets and riskier asset categories should do well if the incoming economic data manages to prolong the current lifecycle. For this environment, the management team will continue to favour securities with high returns, asset-backed securities with short terms and securities from emerging markets.

Diversify your fixed income portfolio

Diversifying your portfolio across the fixed income market can enhance returns and reduce volatility. This Fund taps into the best ideas from J.P. Morgan's experts across global bond markets to seek total return and higher income.



Key benefits of the Tax-Free Savings Account (TFSA)

This year, the TFSA turns 10! A TFSA can adapt to your evolving needs, allowing you to maximize the profit you earn from your investments. Here's a reminder of the advantages of this savings vehicle for each phase of your financial life.

From 18 to 34 years old

When you put your money in a TFSA, flexibility is a major advantage: You can easily access your savings because withdrawals are not taxed. Under certain conditions, a TFSA also gives you the ability to withdraw money and reinvest it later without losing contribution room.

From 35 to 49 years old

During this period, unexpected events can have a big impact on your lifestyle. Should any unexpected financial obligations arise, a TFSA allows you to have access to assets without any penalty.

From 50 to 64 years old

To choose the investment vehicle best suited to your needs, you must determine when your tax rate will be at its lowest during your life. If you know that it will be higher when you retire than right now, it's better to invest in a TFSA than in an RRSP.

Age 65 and up

A TFSA is the golden ticket for retirees: It has no impact on the benefit amounts you receive from the government. In addition, a TFSA does not require any minimum annual withdrawals, and there is no need to convert it to retirement income beyond the age of 71.

A TFSA should not be used in place of an RRSP

As with any healthy financial portfolio, diversification is the key to investment success. If your RRSP is used exclusively to fund your retirement, you can use your TFSA for other things. Striking a balance according to your financial situation and your goals will guarantee stability.

To learn more

1-888-270-3941 or 514-871-2082
Monday to Friday, 8:00 a.m.–8:00 p.m. (Eastern time)

nbc.ca/investment

investments@nbc.ca

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30609-002 (2019/03)

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