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## ***Asset Allocation Report***

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July 23, 2010

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# Disclaimer

This assessment is hypothetical in nature and is intended to help you in making decisions on your financial future based on information that you have provided and reviewed.

**IMPORTANT: *The projections or other information generated by NaviPlan® regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results.***

## **Criteria, Assumptions, Methodology, and Limitations of Assessment**

The assumptions used in this assessment are based on information provided and reviewed by you. Those assumptions must be reconsidered on a frequent basis to ensure the results are adjusted accordingly. The smallest of changes in assumptions can have a dramatic impact on the outcome of this assessment. Any inaccurate representation by you of any facts or assumptions used in this assessment invalidates the results.

We have made no attempt to review your property and liability insurance policies (auto and homeowners, for example). We strongly recommend that in conjunction with this assessment, you consult with your property and liability agent to review your current coverage to ensure it continues to be appropriate. In doing so, you may wish to review the dollar amount of your coverage, the deductibles, the liability coverage (including an umbrella policy), and the premium amounts.

This assessment does not constitute advice in the areas of legal, accounting or tax. It is your responsibility to consult with the appropriate professionals in those areas either independently or in conjunction with this assessment process.

## **Results May Vary With Each Use and Over Time**

The results presented in this assessment are not predictions of actual results. Actual results may vary to a material degree due to external factors beyond the scope and control of this assessment. Historical data is used to produce future assumptions used in the assessment, such as rates of return. Past performance is not a guarantee or predictor of future performance.

The results are based on your representation of risk and include information current as of January 1, 2010. You are responsible for confirming that the answers you provided to determine your individual risk tolerance used in this assessment are accurately represented. The proposed asset allocation presented in this assessment is based on your answers to a risk tolerance questionnaire and may represent a more aggressive and therefore more risky investment strategy than your current allocation mix. Actual return rates and performance may vary to a significant degree from that represented in this assessment.

## **Investments Considered**

This assessment does not consider the selection of individual securities; the assessment provides model portfolios. The results contained herein do not constitute an actual offer to buy, sell or recommend a particular investment or product. All investments are inherently risky. The asset classes and return rates used in the assessment are broad in nature. The illustrations are not indicative of the future performance of actual investments, which will fluctuate over time and may lose value.

There are risks associated with investing, including the risk of losing a portion or all of your initial investment. Fees and charges were not taken into account and will impact results.

# Asset Allocation Overview

## What is Asset Allocation?

Asset allocation is the process of matching your risk tolerances and financial objectives to your investment portfolio. Selecting different asset types (commonly known as asset classes) may reduce the risk of your overall investment portfolio.

The three most common asset types (classes) are as follows:

- Cash or short-term investments (savings accounts, money market accounts, etc.)
- Fixed Income investments (GICs, bonds, etc.)
- Equities (Canadian and foreign stock, etc.)

Each of these three asset classes can be further subdivided. For example, equities may be broken down by size (small, medium or large capitalized companies), different sectors of the economy (technology, financial services, etc.) or be divided geographically (US, Europe, Asia, etc.).

The decision of how to allocate your investments depends on a number of factors including your investment objectives, time horizon, attitudes toward acceptable risk, desired return and tax bracket.

The basic premise of asset allocation is that by diversifying your investments over a number of different assets and asset classes, you can reduce the risk of the entire portfolio while maintaining your desired long-term return rate expectations. Over the long term, an appropriate asset allocation (what to buy) is more important than when to buy. Generally, a decline in one asset class can be offset by an increase in another. Your choice of individual investments can also reduce the risk of your portfolio. For example, if you choose a number of stocks across different industries, your technology stock may be declining while your financial services stock may be rising. This strategy can be less risky overall than investing all of your stocks in a single company or sector of the economy.

Studies have shown selection of a portfolio's asset allocation can be responsible for over 90% of a portfolio's performance with market timing, security selection, and other factors contributing the remaining portion.



Source: Brinson, Hood and Beebower, "Determinants of Portfolio Performance," Financial Analyst Journal, May-June 1991.

Proper diversification reduces overall portfolio risk and plays a bigger role than security selection and market timing.

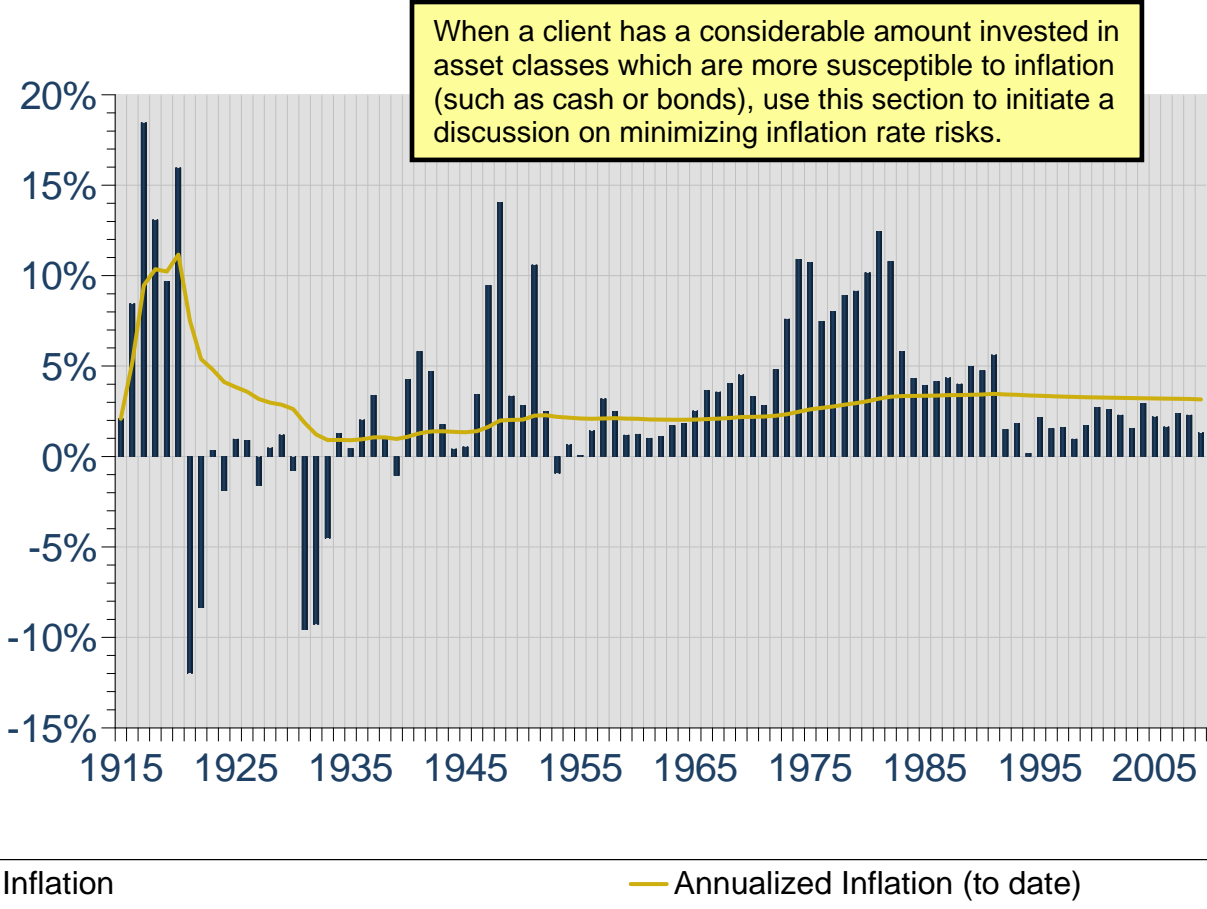
When the client's investment profile indicates a willingness to take on risk, use this section to initiate a conversation on the correlation between risk and return.

### Higher risk and higher return?

Your overall comfort level with investments should be the major factor in choosing appropriate investments. It is important to consider that generally, the higher the expected return on an investment, the higher the risk. If your financial objective is many years away (retirement, for example) your investments may withstand the ups and downs of the market. If your goal is only a few years away (such as the purchase of a new car), your investment may decline during the period you wish to redeem the investments. Generally, as your financial goal approaches, you should reduce the risk of your investments intended to fund the particular objective.

### Why should you consider inflation?

When planning for an accumulation goal, (retirement, education, or a major purchase) consider the effect of inflation on the eventual cost of the item. If inflation is not considered, savings may fall short of your goal. For example, an item that costs \$1,000 today will cost \$1,344 in 10 years, assuming a 3% inflation rate. The graph below shows actual inflation rates for the past 95 years and the average annual rate of inflation from 1915 to 2009 is 3.16%.



Inflation History data obtained from the Bank of Canada. Inflation rates are based on the Consumer Price Index.

# Account Summary

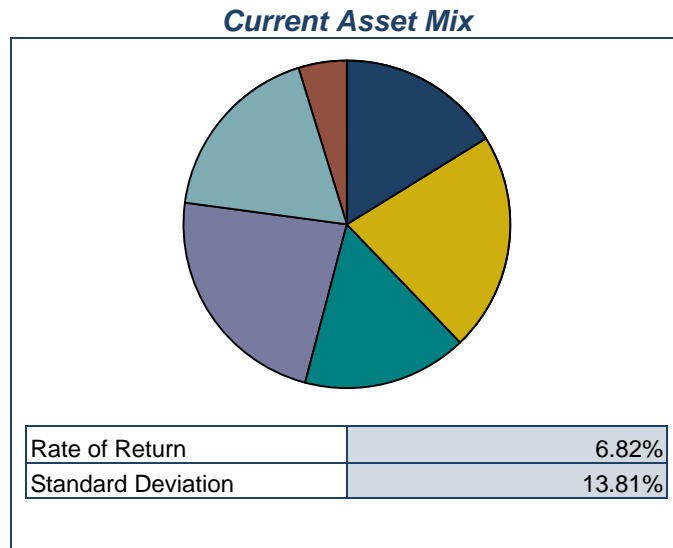
As proper diversification of assets and implementation of the investment profile requires considering all of the clients' assets in order to be effective, use this as an opportunity to initiate a discussion of assets being managed elsewhere.

The table below provides a list of the holdings for each account in the current portfolio.

| Description                 | Value            | % of Account | % of Portfolio |
|-----------------------------|------------------|--------------|----------------|
| <b>Joint non-registered</b> |                  |              |                |
| Balanced Growth Fund        | \$25,000         | 38.5%        | 5.1%           |
| International Equity Fund   | \$15,000         | 23.1%        | 3.0%           |
| Blue Chip Equity Fund       | \$25,000         | 38.5%        | 5.1%           |
| <b>Account Total</b>        | <b>\$65,000</b>  |              | <b>13.2%</b>   |
| <b>Non-registered</b>       |                  |              |                |
| Balanced Growth Fund        | \$55,000         | 73.3%        | 11.2%          |
| Balanced Income Fund        | \$20,000         | 26.7%        | 4.1%           |
| <b>Account Total</b>        | <b>\$75,000</b>  |              | <b>15.2%</b>   |
| <b>Stuart's RRSP</b>        |                  |              |                |
| Small Cap Equity Fund       | \$48,000         | 48.0%        | 9.7%           |
| Balanced Income Fund        | \$52,000         | 52.0%        | 10.5%          |
| <b>Account Total</b>        | <b>\$100,000</b> |              | <b>20.3%</b>   |
| <b>Defined contribution</b> |                  |              |                |
| Blue Chip Equity Fund       | \$52,000         | 52.0%        | 10.5%          |
| Balanced Growth Fund        | \$20,000         | 20.0%        | 4.1%           |
| Balanced Income Fund        | \$28,000         | 28.0%        | 5.7%           |
| <b>Account Total</b>        | <b>\$100,000</b> |              | <b>20.3%</b>   |
| <b>LIRA</b>                 |                  |              |                |
| Income Advantage Fund       | \$10,000         | 100.0%       | 2.0%           |
| <b>Account Total</b>        | <b>\$10,000</b>  |              | <b>2.0%</b>    |
| <b>Kate's RRSP</b>          |                  |              |                |
| Balanced Growth Fund        | \$100,000        | 80.0%        | 20.3%          |
| Balanced Income Fund        | \$25,000         | 20.0%        | 5.1%           |
| <b>Account Total</b>        | <b>\$125,000</b> |              | <b>25.4%</b>   |
| <b>Emily's RESP</b>         |                  |              |                |
| Balanced Index Fund         | \$8,000          | 100.0%       | 1.6%           |
| <b>Account Total</b>        | <b>\$8,000</b>   |              | <b>1.6%</b>    |
| <b>Stuart's TFSA</b>        |                  |              |                |
| Income Plus Fund            | \$6,000          | 100.0%       | 1.2%           |
| <b>Account Total</b>        | <b>\$6,000</b>   |              | <b>1.2%</b>    |
| <b>Kate's TFSA</b>          |                  |              |                |
| Income Plus Fund            | \$4,000          | 100.0%       | 0.8%           |
| <b>Account Total</b>        | <b>\$4,000</b>   |              | <b>0.8%</b>    |
| <b>Portfolio Total</b>      | <b>\$493,000</b> |              | <b>100.0%</b>  |

# Current Asset Mix

This pie graph illustrates your current asset allocation mix. The table below provides a breakdown of the percentages and dollar values for each asset class in the current portfolio.



| Asset Class          | Current Asset Mix |                |
|----------------------|-------------------|----------------|
|                      | (%)               | (\$)           |
| Large Cap Equity     | 16.2              | 80,000         |
| Small Cap Equity     | 21.6              | 106,300        |
| International Equity | 16.3              | 80,600         |
| High-yield Bonds     | 23.0              | 112,800        |
| Intermediate Bonds   | 18.1              | 89,400         |
| Cash                 | 4.8               | 23,900         |
| <b>Total</b>         | <b>100.0</b>      | <b>493,000</b> |

Review aspects of the current asset mix that may need to be adjusted.

# Current Portfolio Breakdown

Illustrate holding breakdowns for each asset class by dollar and percentage values. Identify any overexposure to a particular holding or asset class.

The table below provides a breakdown of the percentages and dollar values for each asset class in the current portfolio.

| Asset Class                   | Holding                       | Type                 | % of Asset Class | % of Portfolio | Asset Value     |
|-------------------------------|-------------------------------|----------------------|------------------|----------------|-----------------|
| Large Cap Equity              | Balanced Growth Fund          | Non-Reg.             | 7.8%             | 1.3%           | \$6,250         |
|                               | Balanced Growth Fund          | Non-Reg.             | 17.2%            | 2.8%           | \$13,750        |
|                               | Balanced Income Fund          | Non-Reg.             | 1.3%             | 0.2%           | \$1,000         |
|                               | Blue Chip Equity Fund         | Non-Reg.             | 10.9%            | 1.8%           | \$8,750         |
|                               | International Equity Fund     | Non-Reg.             | 1.9%             | 0.3%           | \$1,500         |
|                               | Balanced Growth Fund          | RPP - money purchase | 6.3%             | 1.0%           | \$5,000         |
|                               | Balanced Growth Fund          | RRSP                 | 31.3%            | 5.1%           | \$25,000        |
|                               | Balanced Income Fund          | RRSP                 | 3.3%             | 0.5%           | \$2,600         |
|                               | Balanced Income Fund          | RPP - money purchase | 1.8%             | 0.3%           | \$1,400         |
|                               | Balanced Income Fund          | RRSP                 | 1.6%             | 0.3%           | \$1,250         |
|                               | Balanced Index Fund           | RESP                 | 2.0%             | 0.3%           | \$1,600         |
|                               | Blue Chip Equity Fund         | RPP - money purchase | 3.3%             | 0.5%           | \$2,600         |
|                               | Income Advantage Fund         | LIRA/Locked-in RRSP  | 1.9%             | 0.3%           | \$1,500         |
|                               | Income Plus Fund              | TFSA                 | 2.3%             | 0.4%           | \$1,800         |
|                               | Income Plus Fund              | TFSA                 | 1.5%             | 0.2%           | \$1,200         |
|                               | Small Cap Equity Fund         | RRSP                 | 6.0%             | 1.0%           | \$4,800         |
| <b>Total Large Cap Equity</b> |                               |                      |                  | <b>16.2%</b>   | <b>\$80,000</b> |
| Small Cap Equity              | Balanced Growth Fund          | Non-Reg.             | 5.9%             | 1.3%           | \$6,250         |
|                               | Balanced Growth Fund          | Non-Reg.             | 12.9%            | 2.8%           | \$13,750        |
|                               | Balanced Income Fund          | Non-Reg.             | 0.9%             | 0.2%           | \$1,000         |
|                               | Blue Chip Equity Fund         | Non-Reg.             | 7.1%             | 1.5%           | \$7,500         |
|                               | International Equity Fund     | Non-Reg.             | 2.1%             | 0.5%           | \$2,250         |
|                               | Balanced Growth Fund          | RPP - money purchase | 4.7%             | 1.0%           | \$5,000         |
|                               | Balanced Growth Fund          | RRSP                 | 23.5%            | 5.1%           | \$25,000        |
|                               | Balanced Income Fund          | RRSP                 | 2.4%             | 0.5%           | \$2,600         |
|                               | Balanced Income Fund          | RPP - money purchase | 1.3%             | 0.3%           | \$1,400         |
|                               | Balanced Income Fund          | RRSP                 | 1.2%             | 0.3%           | \$1,250         |
|                               | Balanced Index Fund           | RESP                 | 1.5%             | 0.3%           | \$1,600         |
|                               | Blue Chip Equity Fund         | RPP - money purchase | 2.4%             | 0.5%           | \$2,600         |
|                               | Income Advantage Fund         | LIRA/Locked-in RRSP  | 2.4%             | 0.5%           | \$2,500         |
|                               | Small Cap Equity Fund         | RRSP                 | 31.6%            | 6.8%           | \$33,600        |
|                               | <b>Total Small Cap Equity</b> |                      |                  |                | <b>21.6%</b>    |
| International Equity          | Balanced Growth Fund          | Non-Reg.             | 6.2%             | 1.0%           | \$5,000         |
|                               | Balanced Growth Fund          | Non-Reg.             | 13.6%            | 2.2%           | \$11,000        |
|                               | Balanced Income Fund          | Non-Reg.             | 2.5%             | 0.4%           | \$2,000         |

Important: The projections or other information generated by NaviPlan® version 11.0 regarding the likelihood of various investment outcomes are hypothetical in nature, do not reflect actual investment results, and are not guarantees of future results. The projections utilize return data that do not include fees or operating expenses, are not available for investment, and are shown for illustrative purposes only. If included, fees and other operating expenses would materially reduce these projections. See the Disclaimers section at the beginning of this document for more information.

|                                   |                           |                      |       |              |                  |
|-----------------------------------|---------------------------|----------------------|-------|--------------|------------------|
|                                   | Blue Chip Equity Fund     | Non-Reg.             | 4.7%  | 0.8%         | \$3,750          |
|                                   | International Equity Fund | Non-Reg.             | 14.0% | 2.3%         | \$11,250         |
|                                   | Balanced Growth Fund      | RPP - money purchase | 5.0%  | 0.8%         | \$4,000          |
|                                   | Balanced Growth Fund      | RRSP                 | 24.8% | 4.1%         | \$20,000         |
|                                   | Balanced Income Fund      | RRSP                 | 6.5%  | 1.1%         | \$5,200          |
|                                   | Balanced Income Fund      | RPP - money purchase | 3.5%  | 0.6%         | \$2,800          |
|                                   | Balanced Income Fund      | RRSP                 | 3.1%  | 0.5%         | \$2,500          |
|                                   | Balanced Index Fund       | RESP                 | 2.0%  | 0.3%         | \$1,600          |
|                                   | Blue Chip Equity Fund     | RPP - money purchase | 6.5%  | 1.1%         | \$5,200          |
|                                   | Income Advantage Fund     | LIRA/Locked-in RRSP  | 1.9%  | 0.3%         | \$1,500          |
|                                   | Small Cap Equity Fund     | RRSP                 | 6.0%  | 1.0%         | \$4,800          |
| <b>Total International Equity</b> |                           |                      |       | <b>16.3%</b> | <b>\$80,600</b>  |
| High-yield Bonds                  | Balanced Growth Fund      | Non-Reg.             | 3.3%  | 0.8%         | \$3,750          |
|                                   | Balanced Growth Fund      | Non-Reg.             | 7.3%  | 1.7%         | \$8,250          |
|                                   | Balanced Income Fund      | Non-Reg.             | 7.1%  | 1.6%         | \$8,000          |
|                                   | Blue Chip Equity Fund     | Non-Reg.             | 2.2%  | 0.5%         | \$2,500          |
|                                   | Balanced Growth Fund      | RPP - money purchase | 2.7%  | 0.6%         | \$3,000          |
|                                   | Balanced Growth Fund      | RRSP                 | 13.3% | 3.0%         | \$15,000         |
|                                   | Balanced Income Fund      | RRSP                 | 18.4% | 4.2%         | \$20,800         |
|                                   | Balanced Income Fund      | RPP - money purchase | 9.9%  | 2.3%         | \$11,200         |
|                                   | Balanced Income Fund      | RRSP                 | 8.9%  | 2.0%         | \$10,000         |
|                                   | Balanced Index Fund       | RESP                 | 1.4%  | 0.3%         | \$1,600          |
|                                   | Blue Chip Equity Fund     | RPP - money purchase | 18.4% | 4.2%         | \$20,800         |
|                                   | Income Advantage Fund     | LIRA/Locked-in RRSP  | 2.2%  | 0.5%         | \$2,500          |
|                                   | Income Plus Fund          | TFSA                 | 1.6%  | 0.4%         | \$1,800          |
|                                   | Income Plus Fund          | TFSA                 | 1.1%  | 0.2%         | \$1,200          |
|                                   | Small Cap Equity Fund     | RRSP                 | 2.1%  | 0.5%         | \$2,400          |
| <b>Total High-yield Bonds</b>     |                           |                      |       | <b>22.9%</b> | <b>\$112,800</b> |
| Intermediate Bonds                | Balanced Growth Fund      | Non-Reg.             | 2.8%  | 0.5%         | \$2,500          |
|                                   | Balanced Growth Fund      | Non-Reg.             | 6.2%  | 1.1%         | \$5,500          |
|                                   | Balanced Income Fund      | Non-Reg.             | 7.8%  | 1.4%         | \$7,000          |
|                                   | Blue Chip Equity Fund     | Non-Reg.             | 1.4%  | 0.3%         | \$1,250          |
|                                   | Balanced Growth Fund      | RPP - money purchase | 2.2%  | 0.4%         | \$2,000          |
|                                   | Balanced Growth Fund      | RRSP                 | 11.2% | 2.0%         | \$10,000         |
|                                   | Balanced Income Fund      | RRSP                 | 20.4% | 3.7%         | \$18,200         |
|                                   | Balanced Income Fund      | RPP - money purchase | 11.0% | 2.0%         | \$9,800          |
|                                   | Balanced Income Fund      | RRSP                 | 9.8%  | 1.8%         | \$8,750          |
|                                   | Balanced Index Fund       | RESP                 | 1.3%  | 0.2%         | \$1,200          |
|                                   | Blue Chip Equity Fund     | RPP - money purchase | 20.4% | 3.7%         | \$18,200         |
|                                   | Income Advantage Fund     | LIRA/Locked-in RRSP  | 2.2%  | 0.4%         | \$2,000          |

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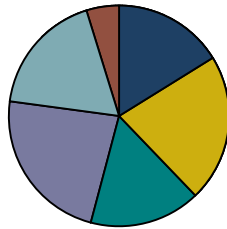
|                                 |                       |                      |       |               |                  |
|---------------------------------|-----------------------|----------------------|-------|---------------|------------------|
|                                 | Income Plus Fund      | TFSA                 | 2.0%  | 0.4%          | \$1,800          |
|                                 | Income Plus Fund      | TFSA                 | 1.3%  | 0.2%          | \$1,200          |
| <b>Total Intermediate Bonds</b> |                       |                      |       | <b>18.1%</b>  | <b>\$89,400</b>  |
| Cash                            | Balanced Growth Fund  | Non-Reg.             | 5.2%  | 0.3%          | \$1,250          |
|                                 | Balanced Growth Fund  | Non-Reg.             | 11.5% | 0.6%          | \$2,750          |
|                                 | Balanced Income Fund  | Non-Reg.             | 4.2%  | 0.2%          | \$1,000          |
|                                 | Blue Chip Equity Fund | Non-Reg.             | 5.2%  | 0.3%          | \$1,250          |
|                                 | Balanced Growth Fund  | RPP - money purchase | 4.2%  | 0.2%          | \$1,000          |
|                                 | Balanced Growth Fund  | RRSP                 | 20.9% | 1.0%          | \$5,000          |
|                                 | Balanced Income Fund  | RRSP                 | 10.9% | 0.5%          | \$2,600          |
|                                 | Balanced Income Fund  | RPP - money purchase | 5.9%  | 0.3%          | \$1,400          |
|                                 | Balanced Income Fund  | RRSP                 | 5.2%  | 0.3%          | \$1,250          |
|                                 | Balanced Index Fund   | RESP                 | 1.7%  | 0.1%          | \$400            |
|                                 | Blue Chip Equity Fund | RPP - money purchase | 10.9% | 0.5%          | \$2,600          |
|                                 | Income Plus Fund      | TFSA                 | 2.5%  | 0.1%          | \$600            |
|                                 | Income Plus Fund      | TFSA                 | 1.7%  | 0.1%          | \$400            |
|                                 | Small Cap Equity Fund | RRSP                 | 10.0% | 0.5%          | \$2,400          |
| <b>Total Cash</b>               |                       |                      |       | <b>4.8%</b>   | <b>\$23,900</b>  |
| <b>Total Portfolio</b>          |                       |                      |       | <b>100.0%</b> | <b>\$493,000</b> |

Use the *Current Portfolio Breakdown* page in conjunction with the next page, *Asset Allocation for the Entire Portfolio*. After reviewing the *Change* section within the *Asset Allocation for the Entire Portfolio* which illustrates the modifications needed to achieve the suggested asset mix with the client, return to the *Current Portfolio Breakdown* page to review the holdings within each asset class and evaluate which holding(s) within that asset class should be adjusted to achieve the suggested asset mix.

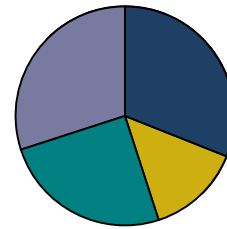
# Asset Allocation for Entire Portfolio

These pie graphs illustrate your current asset mix and suggested asset mix for your entire portfolio.

**Current Asset Mix**



**Suggested Asset Mix**  
*Moderate*



The clients' risk tolerance as indicated by the *Moderate Suggested Asset Mix* indicates that as compared to their *Current Asset Mix*, they are willing to incur more risk to achieve a higher return.

|                    |        |                    |        |
|--------------------|--------|--------------------|--------|
| Rate of Return     | 6.82%  | Rate of Return     | 7.67%  |
| Standard Deviation | 13.81% | Standard Deviation | 15.50% |

The table below provides a breakdown of the percentages and dollar values for each asset class in the current and suggested portfolio. The *Change* column indicates the rebalancing required to reach the suggested asset mix.

| Asset Class          | Current Asset Mix |                | Change      |           | Suggested Asset Mix |                |
|----------------------|-------------------|----------------|-------------|-----------|---------------------|----------------|
|                      | (%)               | (\$)           | (%)         | (\$)      | (%)                 | (\$)           |
| Large Cap Equity     | 16.2              | 80,000         | +14.8       | +72,830   | 31.0                | 152,830        |
| Small Cap Equity     | 21.6              | 106,300        | -7.6        | -37,280   | 14.0                | 69,020         |
| International Equity | 16.3              | 80,600         | +8.7        | +42,650   | 25.0                | 123,250        |
| High-yield Bonds     | 23.0              | 112,800        | +7.0        | +35,100   | 30.0                | 147,900        |
| Intermediate Bonds   | 18.1              | 89,400         | -18.1       | -89,400   |                     |                |
| Cash                 | 4.8               | 23,900         | -4.8        | -23,900   |                     |                |
| <b>Total</b>         | <b>100.0</b>      | <b>493,000</b> | <b>+0.0</b> | <b>+0</b> | <b>100.0</b>        | <b>493,000</b> |

Adjustments needed to achieve the suggested asset mix.

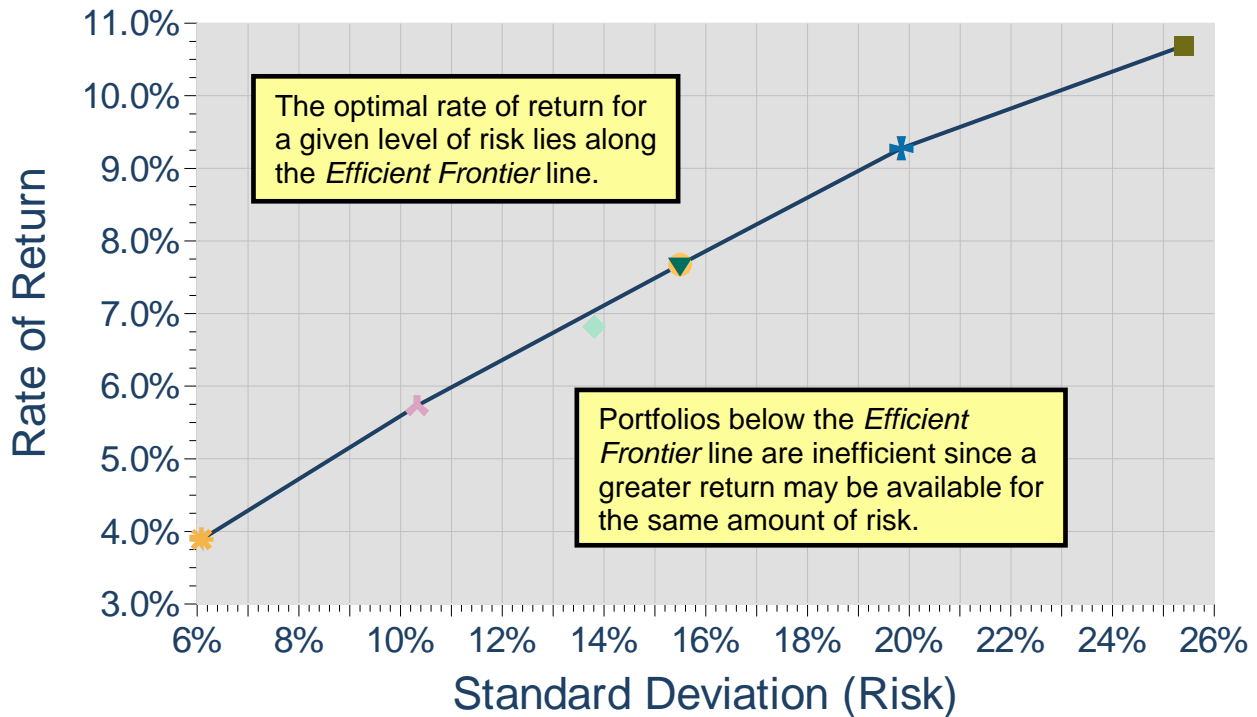
## Consider the following:

- Consider the income tax implications of selling non-registered investments such as stocks that have grown significantly. You may wish to reallocate this type of asset over time.
- Direct future investment contributions to the appropriate asset allocation.
- Rebalance your portfolio on a regular basis. Some investments grow at a faster rate than others causing an imbalance in your portfolio.
- Consider the timing of each objective. For example, volatile equity (stock) investments are not usually suitable for goals that are short-term in nature (less than five years).

# Efficient Frontier Analysis

The efficient frontier refers to all of the investment portfolios that provide the highest return for a given amount of risk (measured by standard deviation) and is shown in the graph below by a green line. A light blue diamond denotes your current portfolio. If the efficient frontier line is above your portfolio, you may be able to obtain a better rate of return for the level of risk you are willing to accept. The yellow circle denotes our proposed portfolio.

Alternative model portfolios are also plotted on this graph. These additional points on the graph illustrate the risk and return associated with the other portfolios. Remember, only those portfolios along the efficient frontier line provide you with the greatest return for a given level of risk.



|                       |                         |                       |
|-----------------------|-------------------------|-----------------------|
| — Efficient Frontier  | ✱ Conservative          | ✚ Moderate Aggressive |
| ◆ Current Asset Mix   | ✿ Moderate Conservative | ■ Aggressive          |
| ● Suggested Asset Mix | ▼ Moderate              |                       |

The table below provides the actual values for the points on the graph above.

|                       | Return | Risk   |
|-----------------------|--------|--------|
| Current Asset Mix     | 6.82%  | 13.81% |
| Suggested Asset Mix   | 7.67%  | 15.50% |
| Conservative          | 3.89%  | 6.08%  |
| Moderate Conservative | 5.73%  | 10.32% |
| Moderate              | 7.67%  | 15.50% |
| Moderate Aggressive   | 9.28%  | 19.85% |
| Aggressive            | 10.69% | 25.40% |

# Asset Allocation Considerations

## *Asset Reallocation*

While the proposed allocation may be subject to more or less risk, it may also generate a higher or lower rate of return. The proposed allocation serves as a beginning for your discussions with your advisor.

It is important to note that reallocating to certain investments in non-registered accounts trigger tax consequences. Please review the Income Tax Summary for more information.

## *Future Contributions*

Consider allocating future contributions to those asset classes currently under-weighted. Once your portfolio reaches your desired allocation, you can align your contributions to match the proposed allocation.

## *Rebalancing*

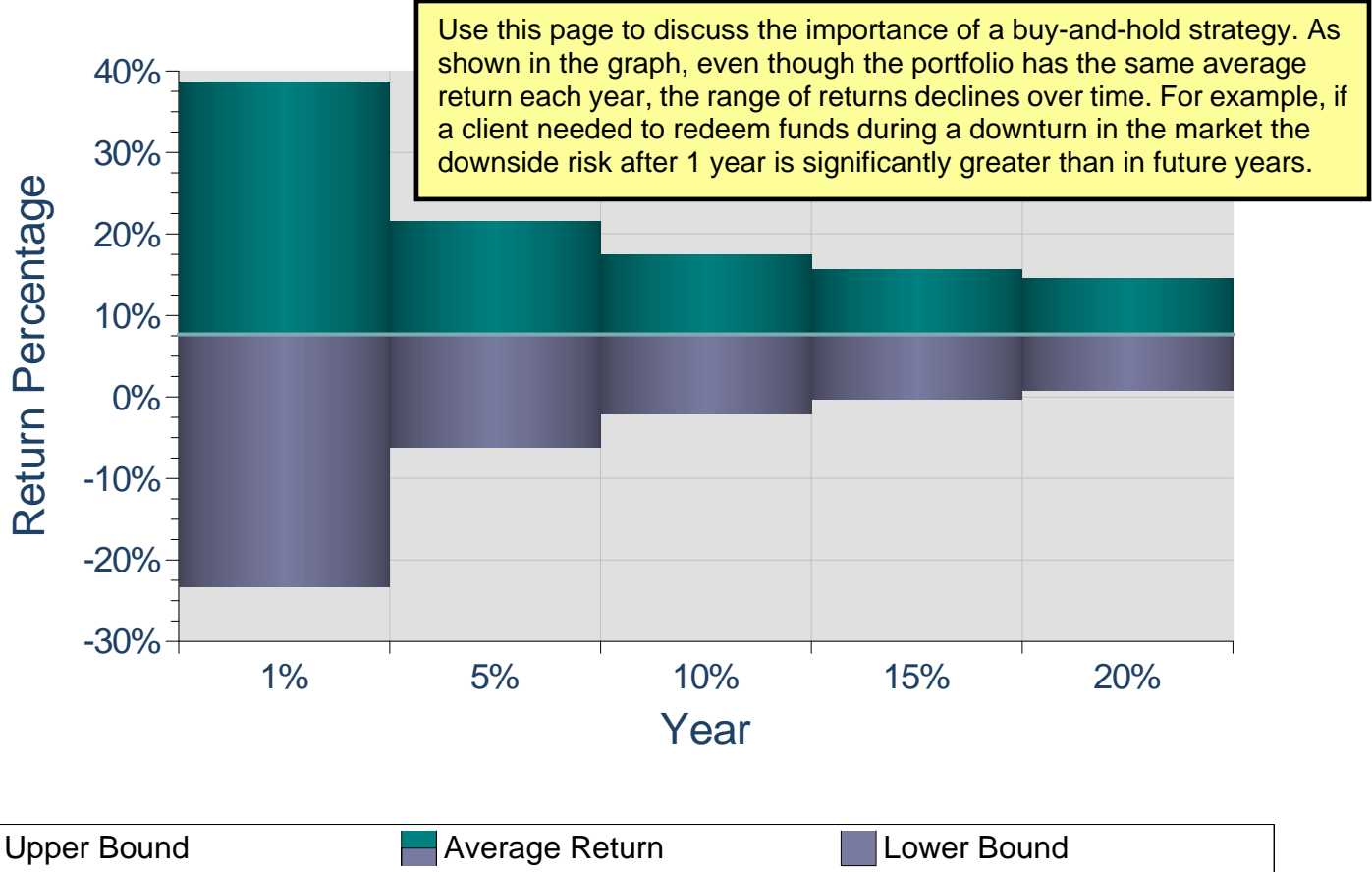
Market activity may cause one asset class to become a greater percentage of the portfolio. Rebalancing ensures that your portfolio continues to reflect your desired initial asset allocation. On a regular basis, investments should be reallocated as necessary to maintain the target asset allocation. Rebalancing ensures that you do not end up overexposed in one type of investment.

Rebalancing should be done at regular intervals far enough apart to avoid adjustments based on short-term fluctuations. Reviews should be done frequently enough to keep on track, usually annually. The portfolio should be examined if the allocation deviates over five percent from the original proposed allocation.

It is important to discuss the implications of making changes to a portfolio before implementing a strategy.

# Projected Range of Returns

The following graph illustrates the potential range of returns on investments on our proposed investment portfolio including the highest expected return, average return, and lowest expected return. This graph also includes the returns one and two standard deviations above and below the average. If the returns are normally distributed, one standard deviation above and below the average represents the range of returns 66% of the time. Two standard deviations represent the range of returns 95% of the time. The longer the time period of measurement is the narrower the range of returns is in the analysis.



The range of returns is measured to 2 standard deviations.

# Conclusion

Now that you have an overview of your current asset allocation, where do you go from here? Our recommendations are as follows:

- **Review this document** and ensure you understand the information contained in the report. Be sure to ask us questions on areas that need clarification.
- **Decide on a course of action.** Together, we will evaluate the asset reallocation strategy so that it is consistent with your objectives and your financial ability.

Just as with any strategy or analysis, you must be diligent about updating the plan. Working with your advisor, you should review your current asset allocation regularly - annually at a minimum, or whenever changes in your financial situation warrant a review.

Come to a decision on an asset allocation strategy and set up a follow-up meeting.