

P RIVATE WEALTH MANAGEMENT
SERVICE



A
NATIONAL
BANK
FINANCIAL
TURNKEY
SOLUTION

 NATIONAL
BANK
FINANCIAL

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NATIONAL BANK FINANCIAL TURNKEY SOLUTIONS®

EMISSARY PORTFOLIO SERVICE®

DELEGATE PORTFOLIO SERVICE®

AMBASSADOR PORTFOLIO SERVICE®

PRIVATE WEALTH MANAGEMENT SERVICE®

Private Wealth Management Service is the most advanced of our **Turnkey Solutions**, designed to tailor discretionary money management to our clients' needs. Like **Delegate Portfolio Service** and **Ambassador Portfolio Service**, our **Private Wealth Management Service** is designed for clients who want their managers to provide them with a diversified portfolio composed of directly owned securities, such as individual stocks and bonds. Our entry-level Turnkey Solution, **Emissary Portfolio Service**, features portfolios constructed with a combination of seven high-quality private investment pools, designed to National Bank Financial's exacting specifications.

THE PINNACLE OF INVESTMENT MANAGEMENT SERVICE

LIKE INSTITUTIONAL INVESTORS, HIGH-NET-WORTH INDIVIDUALS HAVE INVESTMENT MANAGEMENT NEEDS THAT ARE VERY DIFFERENT FROM THOSE OF THE AVERAGE INVESTOR. THIS MEANS THAT THEY NEED A SERVICE SOLUTION OF A COMPLETELY DIFFERENT ORDER.

We call this approach our **Private Wealth Management Service**.

This turnkey solution is based on the ultimate in individual portfolio design, complete with fiscal planning, specific consideration of your financial needs and an effective monitoring system.

More than this, however, it is a discretionary solution that liberates you from the painstaking task of monitoring your investments on a day-to-day basis, not to mention the potential compounding effects of each buy or sell decision.

In short, it is a solution that allows you to concentrate on what you do best in life while letting a team of professionals do what *they* do best: building the wealth of people like you.

National Bank Financial's **Private Wealth Management Service** was created in 1972 to meet the specific needs of high-net-worth individuals and institutions. For more than three decades, our managers have been working with a broad range of individuals, investment holding companies, estates, religious communities and pension plans to build long-term relationships based on trust and superior returns.

We believe that our **Private Wealth Management Service** is the solution that can best help you maximize your financial assets.

We invite you to discover our approach today.



REACHING YOUR ULTIMATE GOAL

EVERYONE IS DIFFERENT. THAT'S WHY YOUR INVESTMENT PORTFOLIO MUST BE PERFECTLY TAILORED TO YOUR FINANCIAL SITUATION, TAKING INTO ACCOUNT NOT ONLY YOUR PERSONALITY, BUT YOUR INDIVIDUAL GOALS AS WELL.

The primary goal of **Private Wealth Management Service** is to offer you a highly personalized, first-class service built on the premise that sound portfolio construction will bring you to your financial objectives.

That is why the cornerstone of our service is a commitment to get to know you. We want the clearest possible picture of your investor profile, including all the unique characteristics of your financial situation.

Perhaps, like some investors, you have a particular legal constraint, such as a specific security that can or cannot be held in your portfolio. Or perhaps you simply want to place some restrictions yourself on the types of investments included in your portfolio. More than likely, your assets are also subject to complex fiscal considerations that can often affect other aspects of your financial situation.

Some investors rely on regular income from their portfolios, while others with revenue from different sources prefer to focus on capital appreciation. Your specific requirements in this regard simply cannot be ignored.

We believe that accurately determining your *investor profile* is paramount, allowing us to set investment parameters in terms of your horizon and tolerance for risk.

Backed by National Bank Financial's 100 years of experience and our thirty years of managing client portfolios, you can be confident that **Private Wealth Management Service** uses the most thorough and proven processes to ensure that all the unique characteristics of your individual situation are considered when building and managing your portfolio.

A SOPHISTICATED SOLUTION BASED ON DIRECT OWNERSHIP OF INDIVIDUAL SECURITIES

OUR PRIVATE WEALTH MANAGEMENT SERVICE DIFFERS IN ONE IMPORTANT RESPECT FROM OTHER UPSCALE DISCRETIONARY MANAGEMENT SOLUTIONS. UNLIKE MANY OF OUR COMPETITORS, OUR SERVICE IS BASED ON DIRECT OWNERSHIP OF INDIVIDUAL SECURITIES, NOT POOLED INVESTMENTS.

Even when dealing with clients who have considerable wealth, a number of our competitors still use an approach based on units of one or more investment funds, where many investors contribute to the “pool”. Our **Private Wealth Management Service**, on the other hand, is based on purchasing individual securities directly for each client.

When your investment manager decides to buy shares of ABC Company, it is the actual shares of ABC that are placed in your portfolio. The trade appears as such in your Portfolio Statement and the securities are at that point listed among your holdings. You are the sole and irrevocable owner of the securities your portfolio manager buys for you. You do not pay any commission on the trades that are executed, just an annual management fee based on the market value of your assets.*

This difference has many advantages:

- **FIRST, COMPETITIVE COST**

For less than you would pay in mutual fund fees, and very competitive with rates for a similar service elsewhere, you can be sure that each of your individual positions is selected, analyzed and monitored by a top specialist.

- **NEXT, TRANSPARENCY**

Each trade executed by the portfolio manager is shown on your monthly statement. You also receive a more detailed and personalized quarterly performance report, which also recaps all activity in the portfolio.

- **CUSTOMIZATION**

You have the option to specify the type of securities that may or may not be included in your account, something that simply would not be possible in a pooled fund, even if you were to considerably narrow your options and choose a specific

* An alternative structure based on a combination of fees and commissions is also available for certain accounts.

ethical fund. For example, you may ask that certain securities, such as shares of tobacco companies, be excluded from your holdings, even if the manager has decided to buy them for other clients in the program. This is simply not possible with pooled investments. You may also limit how much of a given security can be purchased. Finally, **Private Wealth Management Service** can take into account legal constraints, such as conflict-of-interest regulations, that may bar you from holding certain securities.

- **INDEPENDENCE**

Although your portfolio is under discretionary management, you are the owner of the portfolio and all it contains. Within a group vehicle such as a mutual or private fund, the behavior of other investors could have an impact on the value or liquidity of your fund units.

This cannot happen with **Private Wealth Management Service**.

- **AND FINALLY, TAX EFFICIENCY**

Since you are holding individual securities directly, you only have to declare capital gains when these securities are sold at a price higher than your acquisition cost. With mutual or pooled funds, you can end up liable for tax on capital gains that were actually incurred before you purchased the units. This happens because year-end distributions must be made to all unit-holders of record at that date, regardless of when during the year they actually purchased the units. With **Private Wealth Management Service**, your capital gains only need to be declared in the year that you actually realize them.

TURNKEY MEANS ALL INCLUSIVE...

Our **Private Wealth Management Service** is a real turnkey solution. In addition to the ongoing management of your investment portfolio, your annual fee includes:

- all transaction fees
- securities safekeeping fees
- administration fees for self-directed RSPs, RIFs and ESPs

A final – and not insignificant – advantage is that the management fees for our **Private Wealth Management Service** are usually fully or partly tax deductible (please consult your tax specialist for details).



A PHILOSOPHY BASED ON CAPITAL PRESERVATION AND LONG-TERM RETURNS

IN THE PAST FIFTY YEARS, COUNTLESS STUDIES HAVE SHOWN THAT YOU CAN MAXIMIZE A PORTFOLIO'S RETURN WHILE LIMITING ITS RISK. OUR PRIVATE WEALTH MANAGEMENT SERVICE USES THIS KNOWLEDGE TO OPTIMIZE YOUR PORTFOLIO.

In portfolio management jargon, the term “efficient frontier” defines a portfolio that has been optimized, i.e. one that offers maximum potential return for a given level of risk. Private Wealth Management Service managers subscribe to the theory underlying this concept and put it into practice with each portfolio they handle.

ASSET ALLOCATION: THE HEART OF YOUR PORTFOLIO

The key to an optimized portfolio is how its assets are allocated. Even more than the choice of individual investments, our portfolio managers believe that how these investments are distributed among the various asset classes and financial markets accounts for 80% to 90% of the returns obtained. That is why they focus on asset allocation when managing your portfolio. They seek to optimize short and medium-term returns by matching your specific objectives to the prevailing economic and financial climate. In short, they ensure right from the start that the allocation of your assets suits your financial objectives, and they

will adjust this allocation regularly, tailoring it to suit changes in market conditions and your financial situation.

In this respect, keep in mind that our portfolio managers consider cash to be a very important strategic asset. Their disciplined management process is based primarily on macro-micro decision-making, where each investment decision is judged on its risk/return ratio and its impact on the portfolio as a whole.

MANAGEMENT OF FIXED-INCOME SECURITIES

Our team favors an active approach to the management of fixed-income securities in order to take full advantage of market conditions and the various opportunities that arise. They avoid strategies that could substantially increase the risk associated with your portfolio. Their decision-making process incorporates the following factors: expected changes in interest rates, average duration and term, yield curve, choice of bond issuers and the client's objectives.

**MANAGEMENT OF CANADIAN
AND FOREIGN EQUITY**

In managing equity investments, our portfolio managers also use an active style based on fundamental analysis of the economic and financial data that impact the different sectors and companies. Their approach is to balance growth prospects against market valuation.

The sector choice is always crucial, and our portfolio managers pay special attention to it. Naturally, the selection of individual securities is also very important as well. Thanks to National Bank Financial's team of analysts – recognized as one of Canada's best – our portfolio managers can identify the securities with the best risk/return characteristics. The quality of the securities held is also a determining factor: by avoiding companies with precarious financial conditions, portfolios will be less vulnerable to poor performance when economic times are tough.

Finally, *our portfolio managers do not hesitate to sell a security when it no longer meets their selection criteria.* Conversely, when an interesting buy opportunity arises, they will likely seize the moment and restructure the portfolio as necessary. Note that they concentrate mainly on medium and large-cap securities.

**STEADY RETURNS
OVER TIME**

Obviously, no one can look into the future and predict the behavior of the financial markets with any degree of certainty. However, you can certainly look to our **Private Wealth Management Service** knowing that the investment philosophy it uses results in steady returns over time. Furthermore, our portfolios share the following characteristics:

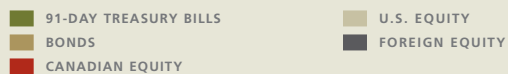
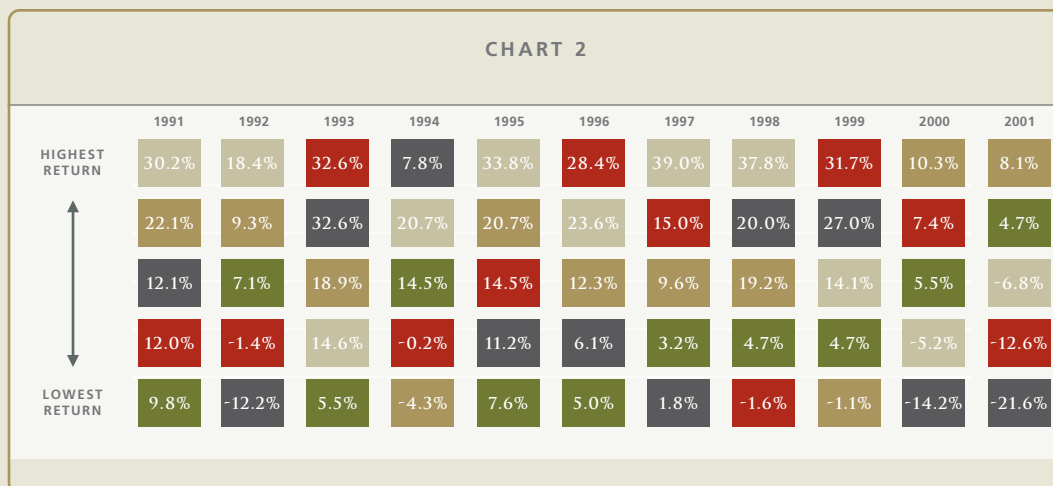
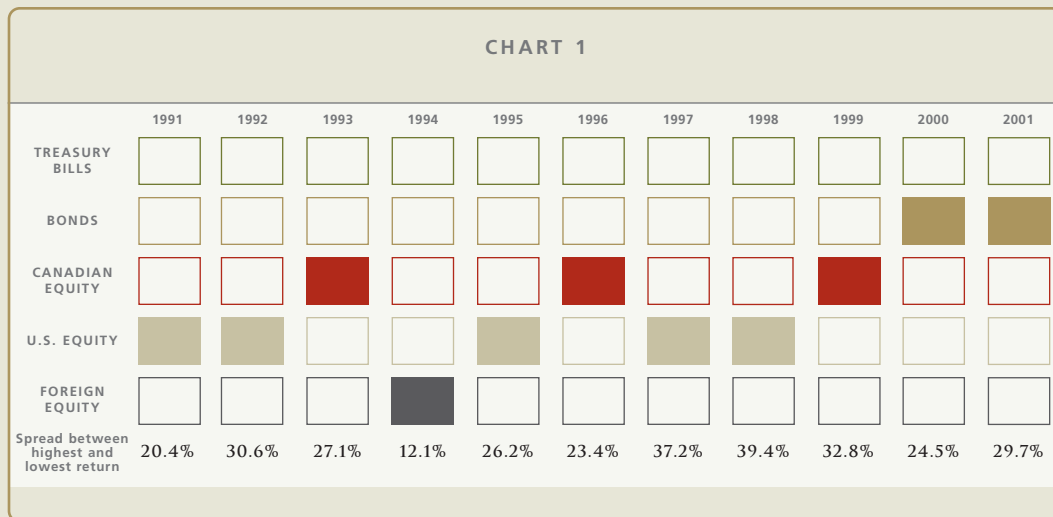
- they are less sensitive to pronounced market swings: the impact of sudden market shifts is usually delayed or dampened;
- returns are less volatile because of the focus on asset allocation, which favors capital protection;
- and, as a rule, they generate superior relative returns (compared to the benchmark indices) when financial conditions are unfavorable.

WHY ASSET ALLOCATION IS THE FOUNDATION OF OUR PRIVATE WEALTH MANAGEMENT PORTFOLIOS

Showing a decade of investment returns, the two charts below clearly illustrate the benefits of proper asset allocation for portfolio management. These charts show that as the markets move through their cycles, they “reward” the different asset classes in dramatically varied ways from year to year.

At a glance, **Chart 1** shows which asset class performed best in each year, with the winning class highlighted by a colored box.

Chart 2 ranks the returns of each asset class (from best to worst) for the same years.





A WELL-EQUIPPED, WATCHFUL TEAM

WHEN YOU CHOOSE OUR PRIVATE WEALTH MANAGEMENT SERVICE, YOU DO NOT JUST GET A PORTFOLIO MANAGER, YOU GET A WHOLE TEAM DEDICATED TO ANALYZING MARKETS AND THE ECONOMY TO ENSURE THAT THE BEST POSSIBLE INVESTMENT DECISIONS ARE MADE AT ALL TIMES. IN ADDITION, THIS TEAM HAS THE TOOLS TO DO THE JOB WITH THE HIGHEST POSSIBLE DEGREE OF ACCURACY.

Our **Private Wealth Management Service** portfolio managers benefit from the work done by our Research Department, which is one of Canada's best, according to the independent evaluation firm Brendan Wood International. This team of some thirty analysts and economists publishes detailed reports analyzing everything from general economic conditions to specific individual companies. Their recommendations then spell out the potential returns offered by the various investment options. This team simultaneously monitors more than 200 companies and covers every major sector of the economy.

Our **Private Wealth Management** team itself closely follows many of these same companies. Team members don't hesitate to visit or interview management representatives to gain in-depth, first-hand information about their financial position and future prospects.

Furthermore, our portfolio managers always consider the conclusions of our firm's Management Committee with regard to changing economic and market conditions. Along with the portfolio managers themselves, this Committee includes economists and strategists who specialize in the various asset classes. The Management Committee receives analyses and data from three investment committees that meet regularly to review established strategies and securities choices for our portfolios. This multidisciplinary approach lays the groundwork for setting strategies for all the portfolios entrusted to us.

Finally, note that our **Private Wealth Management Service** portfolio managers also draw on studies prepared by a number of independent research firms.



MONITORING WHAT YOUR MANAGERS DO FOR YOU

OUR PRIVATE WEALTH MANAGEMENT TEAM PLACES THE HIGHEST IMPORTANCE ON THE QUALITY OF ITS SERVICE, IN TERMS OF BOTH WRITTEN REPORTS AND COMMUNICATIONS, AND ONGOING CONTACT WITH CLIENTS.

Your understanding of the way we handle your **Private Wealth Management** portfolio is essential to our work. We recognize that each client is different and we make a point of fully understanding the unique details of each situation and tailoring our service precisely to each client's needs.

As well, we provide you with a number of ways to monitor what your portfolio managers do, including:

- written confirmation of every trade executed;
- a monthly Portfolio Statement;
- access to your *Online Portfolio* via the Internet at any time;
- detailed reports sent to you on a quarterly basis; these reports include a wealth of useful information:
 - a report on the portfolio's performance
 - a list by asset class of all securities held and their expected annual income; this list shows the relative weighting of each security and each asset class within the portfolio

- a summary of the portfolio's maturity dates
- a cash-flow projection report
- a financial market commentary, including our portfolio managers' opinions about changing conditions.

You will also receive an annual statement of capital gains and losses and an interest and dividend income report to help your accountant prepare your income tax return.

On a regular basis, you can continue to meet with your Investment Advisor to discuss any comments or questions you may have. Together, you will be able to take stock of your position. If your situation has changed, or if we think a portfolio adjustment should be considered, you will be in the best position to make the right decision.

In this way, your portfolio will remain in line with your own objectives at all times, and will fully reflect any changes in your financial situation.

YOUR INVESTMENT ADVISOR: A PRIMARY POINT OF CONTACT

YOUR NATIONAL BANK FINANCIAL INVESTMENT ADVISOR IS THE PERSON WHO CAN BEST GUIDE YOU THROUGH OUR WIDE RANGE OF INVESTMENT SERVICES AND SOLUTIONS. WITH OUR **PRIVATE WEALTH MANAGEMENT SERVICE**, YOUR INVESTMENT ADVISOR CONTINUES TO BE THE CENTRAL FIGURE IN OUR BUSINESS RELATIONSHIP.

Of all the National Bank Financial investment specialists who are working towards your financial success, it is your Investment Advisor who knows you best.

Your Investment Advisor has studied your file in detail, understands the specifics of your situation, and is in regular contact with you to keep your investment strategy up to date. In fact, it is for these reasons that he or she has brought our **Private Wealth Management Service** to your attention.

We now invite you to let your Investment Advisor lead you through the few administrative formalities so that you can begin enjoying the many advantages of our **Private Wealth Management Service** as soon as possible.

WE MANAGE THE WORLD'S MOST IMPORTANT INVESTMENTS: YOURS

National Bank Financial is a full-service investment dealer, which traces its origins to 1902. The firm offers a wide range of integrated services to a large clientele of individual, institutional, corporate and government investors. Our total capital base exceeds \$500 million, and annual revenues are approximately \$600 million. The company has more than 2,700 employees located in 89 offices across Canada, the United States and Europe. Our 820 Investment Advisors manage close to \$35 billion in assets for some 275,000 individual investors across Canada. The Investment and Corporate Banking group, which operates out of Toronto, Calgary and Montreal, helps governments and corporations with their equity and debt financing needs

and provides expertise in the area of mergers, acquisitions and divestitures. A separate team of 130 professionals serves the needs of pension fund companies and other institutional investors in Canada, the U.S., Europe and Australia. From our Research Department offices in Montreal, Toronto, Winnipeg, Calgary and Vancouver, experts cover more than 200 corporations included in the TSE index, as well as many smaller companies. National Bank Financial is a 100%-owned subsidiary of the National Bank of Canada. With an asset base of \$70 billion, the National Bank of Canada – one of Canada's seven main chartered banks – is clearly a reliable and dynamic partner.

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