

April 4, 2011

Investment Policy Statement

Please find enclosed your Investment Policy Statement, detailing the strategic and tactical asset allocations we will be implementing in your investment portfolio. This statement was developed from the investor profile questionnaire and our discussions, and reflects your investment objectives, financial requirements, Time horizon and risk tolerance.

I prefer to use a disciplined investment process, focus on quality investments and emphasize risk management and diversification through strategic and tactical asset allocation.

Please review the enclosed statement carefully to ensure that it is accurate and reasonable.

This statement includes the following:

- Purpose of the Investment Policy Statement
- Investment situation and objectives
- Investment Philosophy and Goals
- Selection of Investments
- Security Selection
- Responsibilities
- Monitoring and Reporting
- Additional Services
- Investor Confirmation
- Your Investment Plan

I look forward to working with you to implement and monitor your investment policy.

Yours truly,

Gregor McDonald, CFP
Vision Financial Planning

VISION

Financial Planning

INVESTMENT POLICY STATEMENT

Prepared For:

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I. Purpose of the Investment Policy Statement

This Investment Policy Statement has been written to provide both clarity and guidance in the investment decision-making process. It takes your financial resources, needs, goals, risk tolerance and personal preferences into account, and also outlines roles, responsibilities and expectations. This document is meant to ensure the prudent management of funds according to mutually agreed upon limitations, while at the same Time allowing for sufficient flexibility to react appropriately to changing economic, business and investment market conditions.

II. Investment situation and objectives

In preparation for completing the Investment Policy Statement the following facts were considered:

- i) You and John have recently moved out of the province of Ontario due to John's recent graduation into the ranks of the RCMP and you have left your former employer as a result. You may not return to work in the near future because John's position may require occasional transfers meaning more relocations.
- ii) You estimate with reasonable certainty that John's income which is currently at approximately \$52,000 annually will increase in the next 3 – 5 yrs by more than the normal inflation rates due to policies employed within the RCMP. John will now be a member of the pension plan administered by the RCMP and given his young age he has considerable time to build a reasonable income stream for his retirement. Your net worth, total assets minus your debts, regardless of future events is estimated to be between \$100,000 and \$200,000.
- iii) You describe your investment knowledge as "Novice" – You feel that you would not be able to recall individual investments held within your portfolio or why they were chosen.
- iv) You have stated that you would like to come close to your financial goals by the determined target date. Please see the attached Investment Plan.
- v) You have enough liquid assets available for a 6 month emergency fund by way of a line of credit.
- vi) You also have sufficient cash flow to meet on-going interest obligations.

III. Investment Philosophy and Goals

Philosophy

- i. You describe your tolerance for investment loss as; Low probability of loss over a three year period, worst expected one year return – 15.7% loss.
- ii. Tax shelters exist to assist investors, who feel comfortable with the alternative investment format, to reduce taxes on their tax return. You would **NOT** be prepared to consider options regarding investments that would help to reduce the amount of taxes that you pay as long as they require you to assume additional investment risk.
- iii. Borrowing to invest allows investors to make larger initial investments and may permit the deduction of interest on their tax return against other income, however, leverage can also result in magnified losses and you would **NOT** be willing to explore the possibility of using ‘Leverage’ as a wealth creation strategy.
- iv. The highest one year rate of return that you think is realistic is 8% which is in line with your tolerance for investment loss. You are aware that with raised expectations of investment returns comes increased probability of investment loss both with frequency as well as severity.
- v. If your investment loss were greater than you expected but in line with other investments and the portfolio’s benchmark you feel that you would hold onto the investments and wait until the market improves
- vi. If your investment loss was greater than you expected and was also greater than other investments and also greater than the benchmark you feel that you would like to look to other options to replace the poor performing assets.
- vii. When you make investment decisions you usually rely entirely on the recommendations of your advisor.
- viii. As you are not completely comfortable with granting a limited trading authorization we will continue to transact investments using email and faxes so that your signature is required prior to any transactions taking place.

Goals

John plans to retire at age 62 which is over 20 years from today and you would **NOT** be making withdrawals from these investments until that Time. You expect to be able to retire with an annual income equal to approximately 70 % of your then current income but will re-evaluate your plans periodically until then. Your total amount invested through Fundex Investments currently totals \$155,000 in several accounts and you plan to continue with John's \$150 monthly RRSP contribution, you expect to earn an average 7% return over the next 20 years which would bring the future value to approximately \$ 673,000 at the Time you start making withdrawals. Your Personal Investment Plan calls for a return of 8.1% when we take into consideration the 30 year historical rate of return for a portfolio with the asset allocation you are currently employing. With annual reviews and monitoring together with the ongoing contribution expectations we should be able to reach your goal by the target date, however, you have stated that you have the flexibility to adjust either your goal or the target date to align them with the performance of your investments.

You are currently prepared for an emergency with funds from other sources and would not expect to make a withdrawal of a significant portion of this investment before the target date.

IV. Selection of Investments

You have answered certain questions designed to determine your Tolerance for Risk and the “Desired: asset mix below reflects the results of the questionnaire but does not mean that we wish to move toward this recommendation for many reasons.

<u>Asset Class</u>	<u>Current</u>	<u>Desired</u>	<u>Minimum</u>	<u>Maximum</u>
Very Low	0%	0%	0%	0%
Low	0%	0%	0%	0%
Low to Moderate	0%	20%	10%	30%
Moderate	100%	50%	40%	60%
Moderate to High	0%	30%	20%	40
High	0%	0%	0%	0%

Rebalancing

Your desired portfolio calls for investments in a range of asset classes and you recognize that market conditions may cause the asset allocation to occasionally become “out-of-balance.” At our regularly scheduled meetings to review your IPS we will notice this variation, however, **if you notice the variance before the meeting you should call your advisor to rebalance to portfolio.** To avoid unnecessary transaction costs and possible tax consequences, each asset class will be permitted to vary by up to 10% from its allocation. Variations greater than 10% will necessitate rebalancing according to the above limits. Additional contributions that you may make from Time to Time should be proportionately allocated to maintain the asset mix in effect at that Time. We may want to leave open the option to invest in higher risk investments such as Small Cap mutual funds (Moderate to High) or mutual funds that invest in the far each or BRIC countries (High).

We will guide our asset mix according to the Investment Fund Institute of Canada’s (IFIC’s) risk rankings classifications.

V. Security Selection

I am licensed through the Mutual Fund Dealer's Association (MFDA) for the sale of mutual funds and related investment products and through the Financial Services Commission of Ontario for the sale of segregated funds. I may not advise on individual securities or related products but I may discuss the recommended portfolio allocation for alternative products in general and ensure the client understands the role of the alternative investment in the context of the total portfolio.

When dealing in individual stocks, you may wish to list specific criteria – not only the types of industries where investments should or should not be purchased but also as specific ratios or formulae that must be met before an investment is bought or sold, such as:

Liquidity Ratios

Working Capital Ratio

Quick Ratio

Debt Ratios

Asset Coverage

Percentage of Total Capital Ratios

Debt/Equity Ratio

Cash Flow/Debt

Interest Coverage

Preferred Dividend Coverage

Profitability Ratios

Gross Profit Margin

Operating Profit Margin

Net Profit Margin

Pre-tax return on Invested Capital

Net Return on Equity

Inventory Turnover

Value Ratios

Percentage of Available Earnings Paid out as Preferred and Common Dividends

Percentage of Available Earnings Paid out as Common Dividends

Earnings per Common Share

Dividend Yield

Price Earnings Ratio

Equity per Preferred Share

Equity per Common Share

Other criteria to consider in this area might include:

- Specific Ethical Screens and sources for information
- Maximum price paid and sold
- Specific sell indicators (know when to sell) also called "Exit Strategy"
- Evaluation and recommendation from knowledgeable third party

VI. Responsibilities

The success of our relationship will be dependent upon each of us fulfilling our responsibilities and being accountable to one another. The following defines these aspects of our relationship.

Your responsibilities as client are:

- To provide your advisor with the initial information required to complete an investment policy statement, which may include goals and objectives, completed confidential financial questionnaire, investment statements, tax returns, copies of wills, powers of attorney, insurance policies, employment benefits, retirement benefits, etc.
- To make your advisor aware of any changes in your goals or objectives.
- To provide your advisor, in a Timely manner, with any relevant information concerning your personal financial affairs, employment benefits, or change in your personal circumstances.
- To make decisions and act on advice rendered, or to seek alternative advice from your advisor, which will still allow you to achieve your objectives.

My responsibilities as your advisor are to:

- Tell you what information is required to complete the investment policy statement and what information is required to maintain the ongoing planning activities.
- Monitor your financial affairs in light of changes in tax legislation, economic conditions, inflation, and related issues.
- Review and analyse your financial affairs and provide professional advice and action plan recommendations on a periodic basis, as mutually agreed.
- At all Times exercise reasonable professional judgment and act in your best interest.
- Provide proactive co-ordination of services for implementing the action plan.

Please note that I do not pretend to know which asset class will outperform during any Time of the market cycle nor do I know which particular mutual fund will be the best performer going forward I do know that a balanced portfolio rebalanced to an agreed upon weighting will perform more consistently over the longer term.

VII. Performance Evaluation

In addition to the performance criteria stated previously, the following benchmarks will be used for peer group evaluation:

Asset Class	Benchmark
Canadian Equity	S&P/TSX Composite Index
U.S. Equity	Standard & Poor 500 Index
International Equity	MSCI EAFE (\$Cdn)
International Bonds	Solomon Brothers World Bond Index
Real Estate	National Association of Real Estate Investment Trusts Index
Global Equity	MSCI World (\$ Cdn)

VIII. Monitoring and Reporting

Daily

Mutual funds are valued at the close of business each day and clients can access their account information by using the internet and viewing their accounts through the Beacon Financial group web site, please call the office for your password.

Semi Annually

Client statements are sent by Fundex annually at December 31 and Mutual Fund Co's mail statements at June 30th and December 31st.

Annually

At each fourth quarter Gregor McDonald and the Clients will review the Clients' risk tolerance, desired rate of return, asset class preference, and Time horizon to major disbursements. Expenses and fees paid will also be analyzed.

IX. Additional Services

As part of my duty to you as a client I must also make you aware of other services that you may benefit from.

Critical Illness Insurance is probably the most under utilized yet the most useful insurance you can buy and I have explained the details to you.

Disability Insurance is also under utilized and I have also explained the details so that you can make an informed decision to accept or to reject this product.

Life Insurance is understood by most individuals; however the correct type and amount can be explained properly by a qualified insurance expert, if you would like an evaluation of your personal need one can be arranged for you.

A **Comprehensive Personal Financial Plan** would incorporate all aspects of your financial affairs including insurance issues and allow strategic goal settings for issues beyond those discussed in a strictly advisor/client investment setting. Our Certified Financial Planner uses a realistic, dynamic life planning software over the span of three meetings that allow you to create a vision of your financial situation.

X. Common Investment Risks

What follows is a summary of the risks of investing. While not exhaustive, the list covers general factors that can reduce the value of an investment portfolio.

Market risk

Market risk is the impact of a decline in the overall market (i.e. Equity, Bonds, etc) on the value of your portfolio.

Interest rate risk

Is the impact of a change in the level of interest rates on the value of your portfolio Bonds or treasury bills are affected directly by this risk more than stocks. As interest rates rise, bond prices will fall. Money market and bond funds are also sensitive to this risk.

Inflation risk

Inflation risk is the risk of a decline in the purchasing power of your savings due to a general rise in prices.

Credit risk

Credit risk is the risk of a decline in the value of bonds or money market instruments held in your portfolio because of a decline in the perceived creditworthiness of the issuer. In the worst case scenario, the investor could lose most or all of his or her investment if the issuer is unable to repay the debt obligation and, insufficient assets exist to pay off the debt. Check the credit rating of a bond issuer before investing.

Currency risk

Currency risk is the risk of a decline in the value of securities held in a foreign currency due to an appreciation in the value of the Canadian dollar. This risk also includes the potential of a decline in the profits of a Canadian issuer due to fluctuations in the value of currencies in which the issuer transacts with customers or supplies, or currencies in which the issuer holds foreign assets.

Equity risk

Equity risk is the general risk of investing in equity markets. The equities market will fluctuate based on a variety of factors including general economic and market conditions, interest rates, political developments, investor sentiment and changes within the company that issues the particular security.

Developing Market Investment Risk

Developing markets carry certain unique risks including poor market liquidity and transparency, volatile growth and political risk.

XI. Investor Confirmation

Please indicate your agreement that this Investment Policy Statement accurately reflects your investor profile and your investment objectives by signing below.

Client Name

Signature

Client Name

Signature

Advisor Name

Signature

Gregor McDonald

This IPS was reviewed on

Date

Please know that this IPS serves as a guideline for you and your advisor and can be amended at your request at any Time.

Special Instructions