

## Choose quality investments for long-term success

Is there a recipe for investment success? Unfortunately, in the short term no one can predict the direction of the markets with any accuracy. But when we help you focus on the long term, there are a number of steps that we can take to help you reach your goals.

Selecting quality investments that are suited to your individual situation is one of those steps. When this is combined with scheduled reviews of your portfolio to ensure continued investment fit and quality, you will have greater confidence in your strategy over the long run.

### The road to quality

Like most aspects of successful investing, choosing quality investments requires discipline — evaluating opportunities according to rigorous criteria, in the context of your individual needs and financial objectives. And the discipline doesn't end there. It's just as important to monitor and refine your portfolio on an ongoing basis, to ensure it continues to meet your goals.

Consider the factors that analysts at ScotiaMcLeod use when evaluating individual companies:

**Market leadership.** Is the company one of the dominant players in its industry? What are the long-term prospects for the company's products or services? Does the company have a global strategy to market its products/services?

**Visible earnings and cash flow.** Does the company have recurring reve-

nue and earnings streams? Do its operations generate sufficient cash flow?

**Actively traded shares** (ensuring liquidity). Is there sufficient demand for the company's shares? Do large, institutional investors own shares in the company?

**Financial strength.** Does the company have sufficient working capital? Is its debt load manageable?

**Dividends.** Does the company have a history of paying dividends? Have payouts increased over time?

If the company delivers on these criteria, it passes the first filter and deserves further consideration as part of a client's diversified portfolio.

Does that mean it's the right investment for you? Perhaps. Remember that choosing investments should always be done in the context of your unique goals, objectives, time horizon, and risk tolerance.

### What about funds?

Is there a similar disciplined approach that applies to selecting quality mutual fund investments? With thousands of mutual funds available to investors, finding the right funds for your portfolio can be a challenge.

Too often past performance numbers sway fund investors. A more disciplined approach is to look at the story behind the numbers — in particular, the processes and philosophy used by the fund's manager. Some questions that we consider include:

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## Choose quality investments

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- What is the fund's mandate?
- Has the manager of the fund followed this mandate in the past, or is the particular job new to him or her?
- What resources (research capabilities, team of investment professionals) are available to the manager?
- What is the manager's investment philosophy — including buy and sell criteria for fund holdings and portfolio strategy?

After we take the time to understand how the fund is managed, we examine quantitative measures such as performance and risk levels.

If both these qualitative and quantitative elements fit together, we believe the fund represents a quality investment that may have a role to play in a diversified portfolio. Again, whether a particular fund is right for you will depend on your individual needs, situation, and goals.

### Fixed-income solutions

With an ability to preserve capital and provide a fixed rate of return, bonds are a key component in a well-diversified portfolio. Here, too, we are diligent in searching out quality investments that are right for your portfolio.

When choosing individual fixed-income investments, our experts look at a number of factors:

**The credit quality of the issuer.** Some bonds, such as government issues, are easier to research. When it

## Our commitment to you

At ScotiaMcLeod, our disciplined investment philosophy is built around these principles:

**1. Disciplined investing.** You will have greater confidence in your investment strategy knowing that we follow established rules of discipline and a systematic approach.

**2. A long-term approach.** Your investment horizon is based on your unique goals. While short-term variations in market indices and portfolio returns are monitored, the assessment of your portfolio and ongoing decisions are guided by your time horizon and goals.

**3. Managing risk.** We understand that managing risk can be just as important to you as achieving solid

returns. That's why we focus on understanding your risk tolerance and then devise an appropriate asset allocation strategy.

Many investors find that targeting more modest rates of return and risk levels is sufficient to meet their goals.

**4. Diversification.** This involves building the right combination of assets, management styles, and industry sectors across different geographical regions. Establishing the optimal mix is key to getting the greatest returns, relative to the risks taken.

**5. Investment strategy.** Your personalized investment strategy serves as a road map for achieving your goals and supports the process for regularly reviewing and rebalancing your asset mix.

comes to corporate bonds, we examine carefully the ability of the company to meet its interest and principal payments, relying on our own research and that of rating agencies.

**The bond's yield.** Is the yield attractive, relative to other fixed-income securities and relative to the prospects of the issuer?

**The term to maturity of the issue.** Generally, the longer the term to maturity, the higher the yield. We consider your need for income and the role that the bond will play in your portfolio. We also pay attention to the general economic and interest-rate environment when helping you choose shorter- or longer-dated maturities.

As you can see, regardless of what you invest in, we work with you to find quality investments that can help you meet your long-term objectives.

As the market environment and your personal situation change, we review and rebalance your portfolio to keep it on track.

### Reviewing your holdings

If you have any questions about your portfolio, give me a call today. I would be happy to discuss your portfolio with you to ensure that you understand your holdings and how they work within your financial strategy to help you achieve your goals. ■

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