

We are Different

What changed that caused a need to be different?

The investment industry was built upon four myths:

Myth #1: Buy and hold has failed investors

Reality: Losses have a greater negative impact, than profits have a positive benefit



Source: Thomson ONE – JAN 2017

When the stock market drops 50%, as in 2002 and 2008 in Canada, it required the market to climb back up 100%.

Myth #2: This Time Will Be Different & The Next Bubble

Reality: We need to protect against losses and avoid the mistakes of following the herd

- We saw in 2000 the breaking of the tech bubble, 2008 the housing bubble...
- These events are felt globally, not just locally.
- What will be the next bubble? We need downside protection.

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What changed that caused a need to be different?

Myth #3: The New Normal

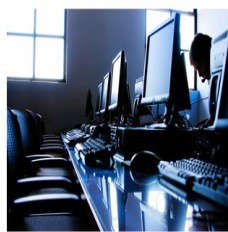
Reality: Expect future markets to be increasingly more volatile than the past two decades



GLOBALIZATION



COMMUNICATION



TECHNOLOGY

- Communication is faster than ever. We hear about events around the world immediately.
- Globalization makes the world a smaller place. Global events affect us more than ever.
- Technology is expanding rapidly. Intellectual property is leading and money moves faster.

Myth #4: Myth of Passive Diversification

Reality: Performance is watered down by unnecessary exposure to risk

Periodic Table of Asset Class Returns
Annual returns for various asset classes ranked in order of performance (from best to worst 2010 - 2019 (CAD))

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Best	Canadian Small-Cap 35.1	Canadian Bonds 9.7	Emerging Markets Equities 16.0	U.S. Small-Cap 48.1	U.S. Large-Cap 23.9	U.S. Large-Cap 21.6	Canadian Small-Cap 38.5	Emerging Markets Equities 28.7	Global Bonds 7.7	U.S. Large-Cap 24.8
	U.S. Small-Cap 20.2	Global Bonds 8.3	International Equities 15.3	U.S. Large-Cap 41.3	U.S. Small-Cap 14.3	International Equities 19.5	Canadian Large-Cap 21.1	International Equities 17.4	U.S. Large-Cap 4.2	Canadian Large-Cap 22.9
	Canadian Large-Cap 17.6	U.S. Large-Cap 4.6	U.S. Small-Cap 13.8	International Equities 31.6	Canadian Large-Cap 10.6	Global Bonds 16.2	U.S. Small-Cap 17.1	U.S. Large-Cap 13.8	Canadian Bonds 1.4	U.S. Small-Cap 19.2
	Emerging Markets Equities 13.0	U.S. Small-Cap -1.8	U.S. Large-Cap 13.4	Canadian Large-Cap 13.0	Global Bonds 9.7	U.S. Small-Cap 14.6	U.S. Large-Cap 8.1	Canadian Large-Cap 9.1	U.S. Small-Cap -3.0	International Equities 16.5
	U.S. Large-Cap 9.1	Canadian Large-Cap -8.7	Canadian Large-Cap 7.2	Canadian Small-Cap 7.6	Canadian Bonds 8.8	Canadian Bonds 3.5	Emerging Markets Equities 7.7	U.S. Small-Cap 7.1	International Equities -5.6	Canadian Small-Cap 15.8
	Canadian Bonds 6.7	International Equities -9.5	Canadian Bonds 3.6	Emerging Markets Equities 4.3	Emerging Markets Equities 7.0	Emerging Markets Equities 2.4	Canadian Bonds 1.6	Canadian Small-Cap 2.8	Emerging Markets Equities -6.5	Emerging Markets Equities 12.9
	International Equities 2.6	Emerging Markets Equities -16.1	Global Bonds 2.0	Global Bonds 3.9	International Equities 4.1	Canadian Large-Cap -8.3	International Equities -2.0	Canadian Bonds 2.5	Canadian Large-Cap -8.9	Canadian Bonds 6.9
Worst	Global Bonds 0.0	Canadian Small-Cap -16.4	Canadian Small-Cap -2.2	Canadian Bonds -1.2	Canadian Small-Cap -2.3	Canadian Small-Cap -13.3	Global Bonds -1.4	Global Bonds 0.3	Canadian Small-Cap -18.2	Global Bonds 1.4

Source: Periodic Table of Asset Class Returns: BMO Nesbitt Burns January 2020