



# Benchmark Investment Consulting

## Private Client Investment Services

To whom it may concern,

Please find herewith information regarding Benchmark's investment services. Our investment process has led to outstanding results and very high client satisfaction since inception. There have been four key factors behind this success and they include;

- 1) First and foremost, we ensure clients receive a personalized service that includes our understanding of their individual needs and objectives. These, in turn, are reflected in their investment policies.
- 2) We construct and manage client portfolios (RRSP/RRIF/LIF, taxable, corporate and TFSA accounts) through our selection of Funds (generally 12 to 16) from the Great West Life's platform of options (170 Funds). The Funds recommended by Benchmark have an outstanding track record in their specific asset class and style. Client portfolios aim to exceed return objectives while assuming less risk. Performance results are measured and reported to our clients thereby ensuring full accountability.
- 3) Benchmark's success at delivering outperformance is due to our extensive experience in the selection of Funds including the matching of style offsets that reduces volatility. Our tactical asset allocation (TAA) strategies also enhance returns. Our 10<sup>+</sup> year track record of outperformance stands as one of the best in the industry. We believe it demonstrates our competence, abilities and sound process.
- 4) Our fee schedule is most competitive and far less costly than those of banks and regular retail client providers.

All of these factors mean our clients enjoy a very high level of service, satisfaction and superior net (after fee) returns. We thank you for considering our services.

Sincerely,

*Marc Lalonde*

Marc Lalonde - Partner

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# Benchmark Investment Consulting

## Portfolio Management Services:

### SERVICES:

**Personalized Approach:** Benchmark services are available to investors with over \$200,000 to invest. It is a personalized approach whereby Benchmark professionals will consider all aspects of each client's situation. We utilize the Great West Life platform to institute the account base, and then we focus on establishing the most suitable investment policy, options and solutions. Life platforms such as Great West Life offer a number of advantages including their reporting efficiency, online access, low costs, quality/breadth of fund choices, successor bypass of estate and probate fees and security<sup>1</sup>. Our approach consists of assessing the investor's situation, establishing the appropriate investment policies, selecting the appropriate Funds for each portfolio/accounts and reporting. We maintain an individualized and ongoing communication with each client.

**Portfolio Management and Track Record:** In building investment portfolios, Benchmark designs and manages tailor-made "Portfolio of Funds", portfolios that consist of our 12 to 16 "best of class" funds. These funds are selected from the Great West Life platform that includes some 170 of the best funds from 35 leading money managers (see list of managers in Appendix B). Benchmark has managed a series of balanced Benchmark portfolios of Funds (conservative to very aggressive) for its Group Pension clients since January 1, 2004. Our track record over this period shows considerable value-added returns (page 7) with less risk, both measures that compare Benchmark favorably to other providers and/or money managers across Canada.

**Information Advantage:** With over 30 years of research on money managers and their best Funds, we consider ourselves experts in knowing managers' strengths and weaknesses. As part of our research, we remain in direct contact with the managers we utilize or those that are "candidates". We regularly visit money managers at their head office. These visits provide valuable insights regarding their day to day operations and investment strategies and ultimately their ability to continue outperforming.

**Individual Fund Selection:** Individual Funds become candidates for selection only when they meet the following criteria:

1. The managers have a demonstrated long term track record.
2. They have remained consistent in their investment approach.
3. They have organizational and ownership stability.
4. The key professionals, who are largely responsible for historical results, are well in place.

Since most leading money managers tend to have lumpy returns (defined as years of strong outperformance followed by years of underperformance), we look to match within each asset class, at

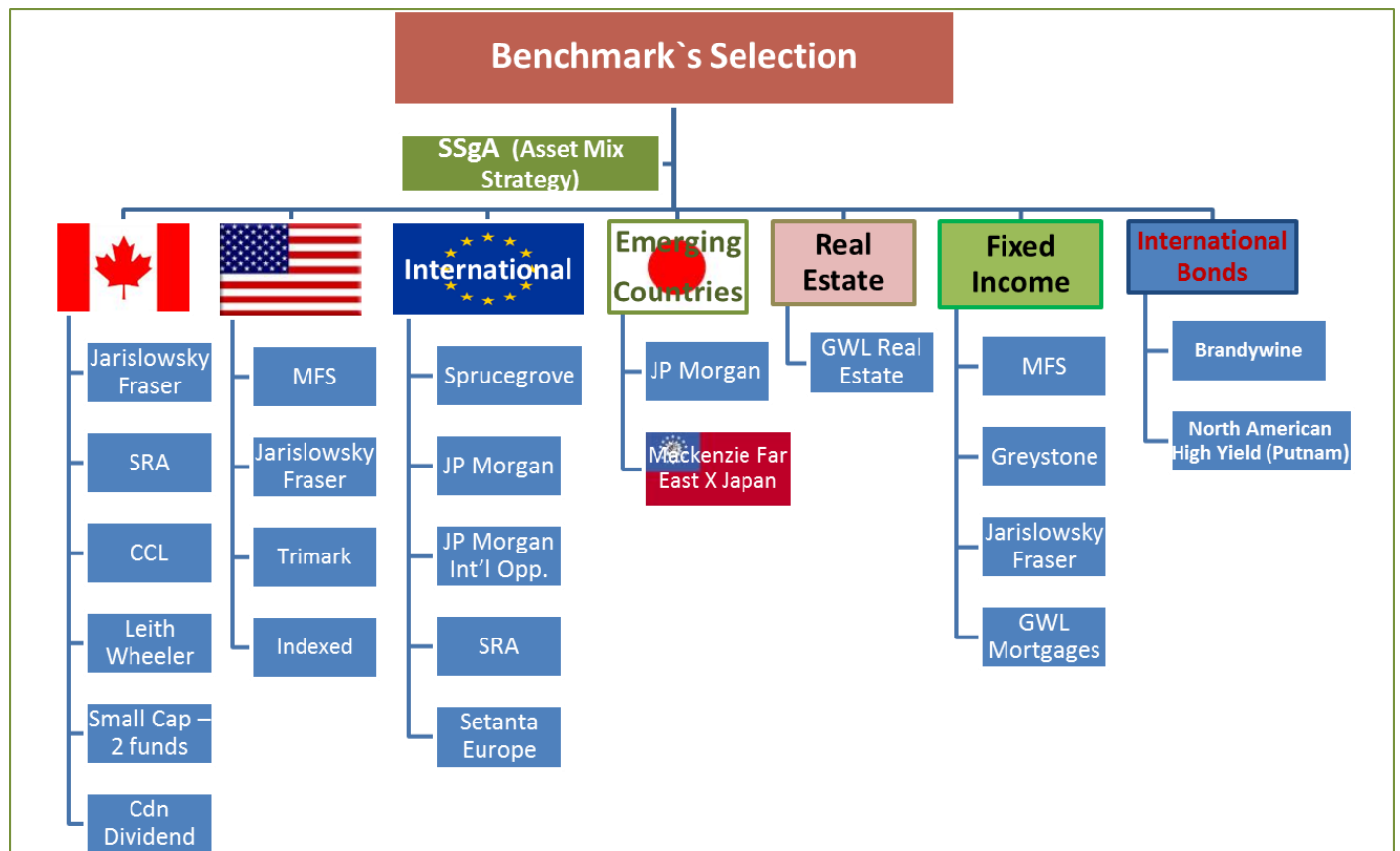
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<sup>1</sup> We also note that the life platform also ensures investors the safeguards from fraudulency.

# Benchmark Investment Consulting

least two managers (Funds) with offsetting investment styles. This approach provides more consistency in the year to year performance within each asset class as well as overall.

**Benchmark “Portfolio” Management:** Within the management of each client portfolios, our Fund selection allows us to build the appropriate biases within each asset class. For example within the Canadian Equity asset class, we utilize 3 to 5 funds with an overall bias towards value, a style that has delivered superior returns in Canada. Historically we execute two to three changes per year, all depending on the valuations and style tilt, Fund performances, manager changes or asset mix strategies. The following diagram identifies the current line-up of preferred managers used within client’s portfolios. The actual % of each will vary depending on each client’s individual investments policy.



**Asset Mix Advisors:** Clients also benefit from Benchmark’s application of asset mix strategies within their portfolios. To arrive at our decisions, Benchmark pays for and receives third party advice from professional organizations that are dedicated to this task/art. The objective of our Tactical Asset Mix strategy is to add 0.5% per year to return over a 4 year cycle. The following is an earlier example of our recommended TAC positioning.

# Benchmark Investment Consulting

Benchmark Tactical Asset Allocation			
Jun-14			
<b>Equities</b>		<b>4.5%</b>	
	CAN Large Cap		-0.5%
	CAN Small Cap		1.0%
	US Large Cap		3.0%
	US Small Cap		0.0%
	EAFE Equities		2.0%
		Europe	1.0%
		Japan	0.5%
		Pacific	0.5%
	Emerging		-1.0%
	Emerging (Far East)		0.0%
<b>Fixed Income</b>		<b>-4.0%</b>	
	Government		-8.0%
	Corporate		2.0%
	High Yield		2.0%
	International		0.0%
	Mortgage		0.0%
<b>Cash</b>		<b>-2.0%</b>	
<b>Real Estate</b>		<b>1.0%</b>	
	Canadian		1.0%
<b>Commodities</b>		<b>0.5%</b>	
	Oil & Gas		0.0%
	Gold		0.5%
<b>TOTAL</b>		<b>0.0%</b>	

*Note: Each 1% is based on deviation from the neutral or benchmark position of each individual client's investment policy. In the above example the recommendation would have been for clients to be overweight 3.0% and 2.0% in US and EAFE equities and underweight 8.0% in Canadian Government bonds. The total of these recommendations naturally adds up to zero.*

**Management of client accounts:** Benchmark is responsible for making Fund changes and adjustments within each client's accounts. These changes will vary depending on our asset mix recommendations and/or manager selection at the time. We generally report to our clients before or as changes are made. We also report on a quarterly basis. This communication discipline ensures our clients are aware of our thinking, strategy and actions at all times.

**Tax Considerations:** Benchmark takes into consideration the impact of taxation and other consideration within client accounts. This provides a more optimum after-tax return. Amongst other, the alignment of Funds within registered, non-registered and corporate accounts are analysed as are the tax consequences of each Fund selected. With the annual growth in TFSA allocations, our strategy is increasingly focused on ensuring assets in this account grow and provide long term benefits to each client.

**Non-managed Investments:** Benchmark is always pleased to provide, on a complementary basis, its objective opinion on assets held outside of Benchmark accounts, including their suitability within the



# Benchmark Investment Consulting

overall investment strategy. They are almost always included in our modelling of long term asset projections and revenue needs.

**Retirement Counselling/Financial Planning:** We pride ourselves in providing objective retirement advice, emphasizing that clients should plan well in advance of their retirement plans and when they reach retirement how to best manage their investments and income hence on. Benchmark is pleased to work with and/or recommend third party professional experts in the management of our clients' affairs. Service options include regular pre authorized withdrawals/transfers to our clients banking account.

**Other Services:** Life insurance is often utilized to ensure dependants are never left in a bind and as registered life agents Benchmark also has the ability to provide insurance solutions and services. As a number of insurance policies have an investment component, our abilities are a good match for clients interested in an optimum return. Pension benefits for business owners and key senior employees can also be significantly enhanced by setting up either life Insurance policies or Individual Pension Plans (IPPs). Through our relationship with a senior actuarial professional, we have access to the technical support needed to set up IPPs and help our clients achieve savings well beyond those of regular RRSP's or Defined Contribution plans.

**Fees:** Fees for our services (defined as the MER of each fund) average to approximately 1.45% per year<sup>2</sup> of the assets under administration (the precise rate will depend on the percentages of domestic and foreign equity utilized). There is a declining fee scale for assets over \$1 million. Fees are all inclusive other than an annual \$150 administration charge for a RRSP client (only for RRSPs and charged within the account). We believe that the fees charged by Benchmark are one of the most competitive for this type of service. Many financial planners will charge 2 to 3% and, in many cases, will also impose a penalty (loads) if their clients wish to change. Benchmark does not apply any loads.

**The Seg<sup>3</sup> Fund Advantages:** Funds (of Life companies) offered through Benchmark fall into what is called the "Seg" fund category. Through Seg Funds, clients also gain the following advantages; 1) Most importantly and considering many recent fraud cases, the Funds remain the exclusive property of the client with no means for Benchmark nor the Life company to access or seize these assets; 2) There exists a stronger protection<sup>4</sup> for the investor against personal creditor claims caused by business or

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<sup>2</sup> This fee would equate to a balanced portfolio mandate. It includes; 1) the MER of each fund, 2) the Fund expenses and 3) a fees paid for third party asset allocation advice.

<sup>3</sup> The Seg Funds are sold by the Insurance Provider Great West Life but contrary to the common Segregated Funds exclude any capital protection guarantees on the investment value. Nonetheless clients maintain certain privileges as described herewith.

<sup>4</sup> The protection described will not apply if it is determined that the investments were made in Seg funds knowing creditor claims were or might be forthcoming.



# Benchmark Investment Consulting

even personal liabilities or lawsuit; 3) Defined as a “Life” product, there is also the possibility to designate both primary and secondary beneficiary (ies) thereby avoiding provincial probate fees in the case of death. 4) For taxable accounts, the use of Seg funds also simplifies the tax calculation for individuals versus owning mutual funds or owning individual securities (Refer to Appendix 4 for more details on the advantages of Seg Funds).

**Communication/Reporting/Other:** Clients receive the following services;

- Ongoing access to their Benchmark manager.
- Online access to their portfolio with daily balancing (includes portfolio holdings, activity report, total performance), plus individual fund performances, quarterly fund reports amongst other.
- Semi-annual statements (mailed by Great West Life).
- Within three weeks after quarter end, clients are emailed portfolio values, performances and attribution versus indices and composites by Benchmark.
- Approximately 20 days after quarter end, Benchmark emails its quarterly newsletter. This newsletter is a summary of market activity, Benchmark’s outlook, the performance and relative performances of Benchmark standard portfolios and our asset mix recommendations.
- Tax forms (Great West Life).
- Any other information or articles deemed of general interest to our clients are emailed as are market updates in particular during periods of higher market volatility.
- Clients may also organize regular withdrawals or contributions through interbank transfers. Benchmark does not charge any fee for this service.
- Clients personal account site offers many other advantages including planning tools to help manage budget and spending.

# Benchmark Investment Consulting

## APPENDIX 1 - PERFORMANCE REVIEW – Benchmark Portfolios

The following are the annualized performances of the three most utilized Benchmark portfolio options by Benchmark's DC and Group RRSP clients going back to January 1, 2004 when they were initiated. The added value over this period ranges between 121 and 136 basis points per year, which compares very favorably to the added value realized by the leading Canadian balanced fund managers. The level of risk assumed (ie volatility as measured by the Standard Deviation) has also been lower than the composite, emphasizing the prudent measures behind our multi-manager approach.

<b>Annualized Performance since Jan. 2004 (11 years)</b>		
	<b>At 31/12/2014</b>	<b>St. Dev*.</b>
<b>Benchmark Moderate</b>	<b>7.30%</b>	<b>6.5%</b>
Composite (1)	5.94%	6.5%
<b>Added Value</b>	<b>1.36%</b>	
<b>Benchmark Growth</b>	<b>7.67%</b>	<b>8.7%</b>
Composite (2)	6.46%	9.0%
<b>Added Value</b>	<b>1.21%</b>	
<b>Benchmark Aggressive</b>	<b>8.24%</b>	<b>10.6%</b>
Composite (3)	6.93%	10.7%
<b>Added Value</b>	<b>1.32%</b>	
<p><b>Returns and valued added are based on 11 years of performance for Benchmark asset allocation Funds. These Funds are available to a select number of DC Plan members and individual clients. Past performance is not indicative of future performance.</b></p>		
<p><i>* Standard Deviation as at Dec 31, 2014</i></p>		

During this period 7 of the 11 years recorded positive value added of more than 1%, while only one year saw an underperformance just under -1%. The value added since inception is the result of Benchmark's selection of higher performing funds and of tactical asset allocation strategies.

We also note that returns achieved by private clients do deviate (they are generally better) from those shown above for group plan members, largely because constraints are less rigid.

Annual returns are available upon request.

## APPENDIX 2: LIST OF MONEY MANAGERS AVAILABLE ON THE GREAT WEST LIFE PLATFORM

AGF Investments Inc.  
Beutel, Goodman & Company Ltd.  
Bisset Investment Management  
Blackrock Investments Inc.  
BonaVista Asset Management Ltd.  
Brandywine Global Investment  
Management, LLC  
Connor, Clark & Lunn Investment  
Management Ltd.  
CIBC Asset Management (Renaissance)  
CIBC Global Asset Management Inc.  
Canada Life Investments (Canada Life  
Asset Management U.K. Limited)  
Dynamic Funds  
Fidelity Investments Canada ULC  
Fiera Capital Corp.  
Greystone Managed Investments Inc.  
GWL Investment Management  
Invesco  
Jarislowsky Fraser Limited  
JPMorgan Asset Management  
Laketon Investment Management  
Leith Wheeler Investment Counsel Ltd.  
London Capital Management  
Mackenzie Financial  
Meritas Financial Inc.  
MFS McLean Budden  
Montrusco Bolton Investment Inc.  
Phillips, Hager & North Investment  
Management  
Portfolio Solutions Group  
Russell Investment Group  
Setanta Asset Management Limited  
Sprucegrove Investment Management Ltd.  
Scheer Rowlett & Associates Investment  
Management Ltd.  
TD Asset Management  
Templeton Investment Management  
UBS Global Asset Management

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# Benchmark Investment Consulting

## **APPENDIX 3: BACKGROUND TO BENCHMARK**

**Mission:** Benchmark's mission is to offer to three specific investor groups the maximum of expertise and efficiencies in order to meet, if not exceed, their investment needs and objectives.

**About Benchmark:** Founded in 2003, Benchmark was started by Larry Langley who after 25 years of serving as the key investment professional at a large insurance company, saw an opportunity to bring multi-manager portfolios combined with sound investment advice at very reasonable costs to smaller investor groups across Canada. These services are offered to high net worth individuals, to members of group pension plans and to smaller institutional accounts such as foundations, endowment plans and defined pension plans. With clients located across Canada Benchmark is today organized to expand its client base. Benchmark has affiliations with Banco Management, Festmire Actuary and a number of Life companies.

### **PARTNERS' BACKGROUND:**

**Larry Langley - MBA, CFA** As Benchmark's founding partner, Larry spent most his investment career in the area investment manager selection. His track record spans over 25 years during which he consistently demonstrated an ability to put together teams of money managers that outperformed their respective benchmarks. He established an external money manager program at the Maritime Life Assurance Company in 1983, which grew to more than \$5 billion in assets. He was responsible for the establishment and maintenance of an \$800 million Balanced Fund with 10 year returns that ranked in the top 25% in performance with much lower than median risk. He then founded Benchmark Investment Consulting in 2003. Using sophisticated portfolio analytics Larry is intimately aware of the importance of a disciplined approach to construct well diversified, multi-manager, multi-style investment portfolios.

Larry has lived in Halifax for over 30 years with his wife Joanie and they have 3 daughters. His charitable work includes investment chair for the Archdiocese of Halifax.

**Marc Lalonde - B. ENG. (McGill U.)** Marc is an experienced money manager with a career that started in 1982. He has a wide range of financial and investment knowledge in portfolio management, market strategy and investment planning for institutional and high net worth clients. Born in Montreal, he served as a financial analyst from 1982 to 1991 with the Montreal firm of Lafferty Harwood & Partners. From 1991 to 2007 he was vice-president/portfolio manager at Louisbourg Investments. During this period, he was the manager of the top quartile performing Monrusco Bolton Canadian Equity+ Fund (1998-06). He joined Benchmark as a partner in early 2009. He is a regular guest of the media on current economic and financial matters.

Marc is past Chair of the Greater Moncton and South Eastern New Brunswick United Way, past national board member and treasurer of United Way/Centraide Canada and past chair of the Jesters Club (Canada). He currently serves on a number of foundation and boards. He is a recipient of the Queen's II Diamond Jubilee Medal for services to the community. An accomplished squash player he participated in 4 world championships in the late 70's early 80's. He and his wife Lynn are domiciled in Moncton, New Brunswick and are parents to three young adults.

## **APPENDIX 4: SEGREGATED FUNDS AND THEIR ADVANTAGES**

A segregated fund is considered a trust for tax purposes. This is important for two reasons:

The segregated fund (Seg fund) will allocate all taxable income and realized capital gains to investors. This avoids having income taxed inside the fund at the top marginal rate.

The fund acts as a conduit, that is income and capital gains retain their characteristics as they flow through to the investor and appear on the T3 in the same way they were realized in the fund. In other words, dividends will be reported as dividends, interest as interest and so on.

The following are some unique tax advantages of segregated funds, as compared to mutual funds:

- Flow Through Of Capital Losses
- All Taxable Events Reported
- Probate Taxes and Other Estate Fees

Flow Through Of Capital Losses: A mutual fund does not flow through capital losses while a Seg fund does. Losses are subtracted from the capital gains within the fund and only the net capital gains will be shown on the T3. In a year where losses are greater than gains, the excess losses are carried forward to offset gains in a future year.

Segregated funds can flow through and report capital losses to investors. In a year, for example, where there are both capital gains and losses to report, investors will have an amount reported in the capital gains box (Box 21-- same as a mutual fund) and an amount in the "Insurance Segregated Fund Capital Losses" (Box 37 -- only available to segregated funds). The advantage to the segregated fund investor is that capital losses not used in the current year can be carried back three years or carried forward to future years. In other words, the fund doesn't choose when to claim capital losses, the investor does.

All Taxable Events Reported: For segregated funds the insurer tracks the cost base for each investor and all taxable events are reflected on the T3. There is no additional accounting required by the investor. By contrast with mutual fund, only the distributions relating to fund activity are reflected on the investor's T3. Investors must keep track on their own of the impact of unit redemptions in the calculation of the gains and losses for their tax return.

Probate Taxes And Other Estate Fees: Segregated funds are insurance (annuity) contracts and, as such, beneficiary (ies) can be named to receive any proceeds upon the death of the life insured (annuitant). This means that the proceeds are paid directly to the beneficiary (ies) and do not flow through the estate. These proceeds can be paid without delay and avoid probate taxes and many other fees associated with the settling of an estate, such as legal and accounting fees. Creditor protection may also be available where the named beneficiary (ies) is a member of the family class (spouse, parent, child or grandchild).