



INVESTMENTS™

PORTFOLIO OPTIMIZATION GUIDE



Improve the performance of your portfolio with our optimization process

Make INDEPENDENCE work for you

In Canada, there are more than 5,500 investment mandates from over 133 different companies. Take full advantage of access to the industry's top managers while attaining complete coverage of all asset classes.

Unlock SYNERGIES found in the optimal mix of managers

Select the optimal combination of the industry's top managers in a way that maximizes portfolio performance. Hiring the right mix of managers that work best in concert with one another is a vital step to creating a robust portfolio.

Benefit from the EXPERTISE of the institutional sector

Our team takes an institutional-style approach to portfolio construction that ensures the best possible risk-adjusted returns for your investors. Learn how you can use pension-level portfolio frameworks to build your client's asset allocation.

Benefits of our optimization process



► Better long-term return expectations



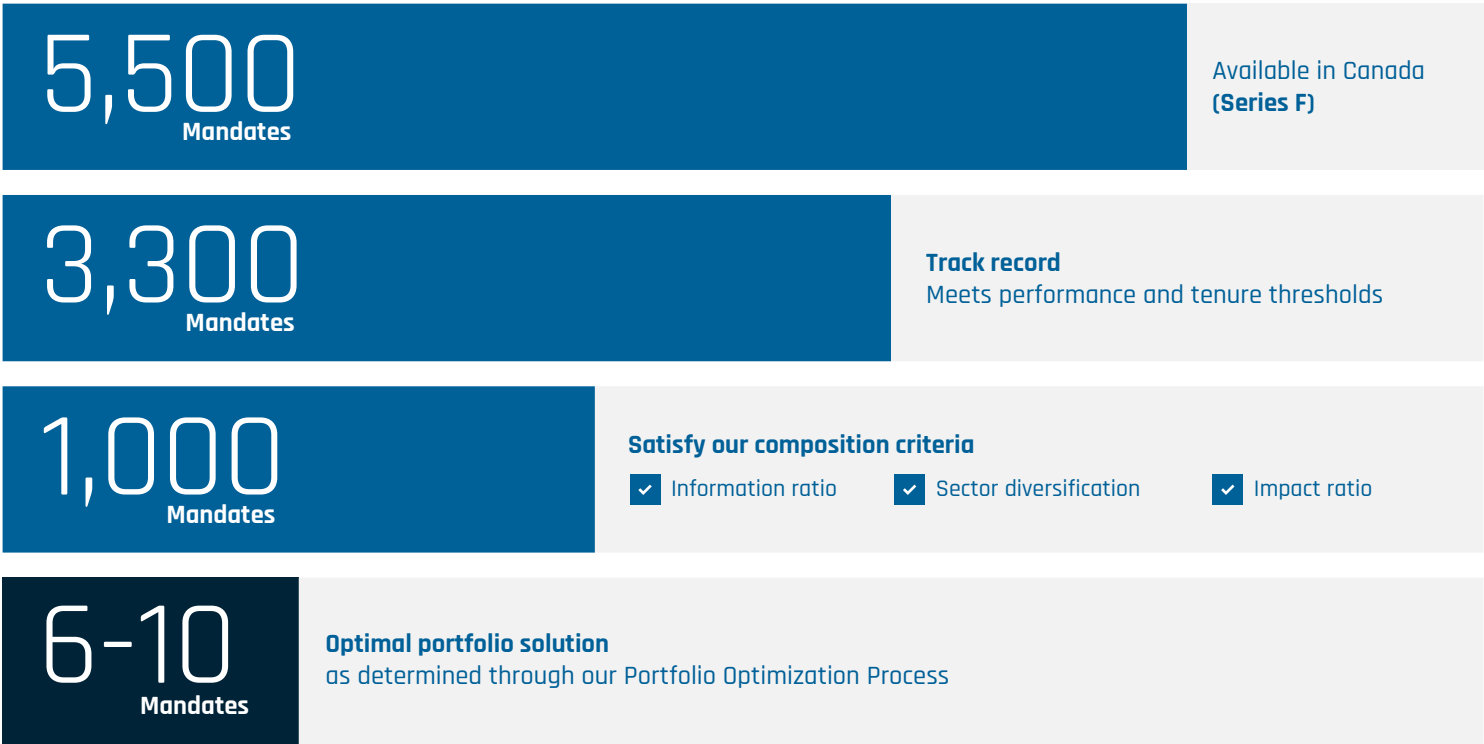
► More consistent returns



► Better performance in downturns

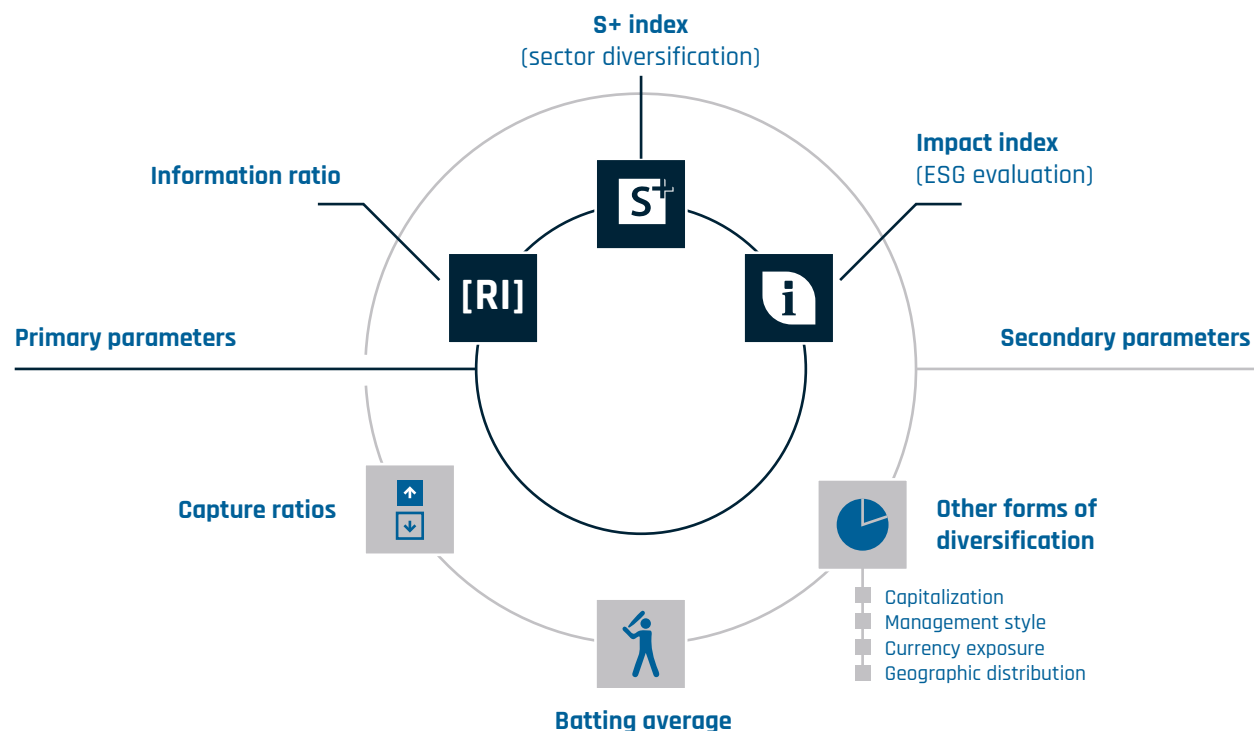
How the portfolio creation process works

1 Manager Selection Process



2

Portfolio Optimization Process



*See Appendix for more information about each optimization parameter

3

Portfolio monitoring and development

Manager Interactions

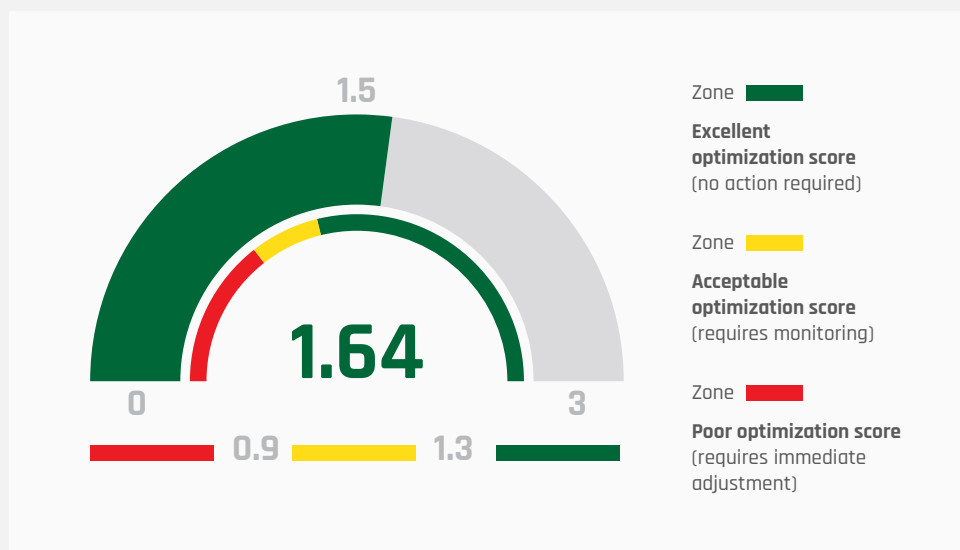
Our Manager Interactions tool provides you and your investors a birds-eye view of calendar year returns for each of your underlying funds. This tool allows you to monitor, measure and compare the impact of each of the underlying managers in your portfolio.

| 2019 | | 2020 | | 2021 | |
|-----------|------|-----------|------|-----------|------|
| Mandate 1 | 25.2 | Mandate 6 | 14.0 | Mandate 4 | 25.2 |
| Mandate 2 | 20.3 | Mandate 3 | 13.1 | Mandate 1 | 16.9 |
| Mandate 3 | 15.9 | Mandate 7 | 12.5 | Mandate 2 | 12.9 |
| Mandate 4 | 14.9 | Mandate 5 | 7.2 | Mandate 7 | 11.8 |
| Mandate 5 | 13.2 | Mandate 2 | 6.6 | Mandate 6 | 11.8 |
| Mandate 6 | 6.2 | Mandate 4 | 4.1 | Mandate 3 | -0.1 |
| Mandate 7 | 5.8 | Mandate 1 | -2.2 | Mandate 5 | -1.5 |

Monitoring tool

We monitor changes in portfolio quality through the lens of our key optimization parameters. The parameters selected for analysis are personalized based on criteria identified during the portfolio optimization process.

Here's an example:



Winning conditions to maximize a portfolio's potential

- Do not try to anticipate the market
- Maintain the portfolio target allocation
- Rebalance the portfolio
(target: every 12 to 18 months)
- Allow underlying portfolio managers ample space and time to execute their investment process
- Avoid adding 'flavour of the month' funds

When should an investment fund switch be considered?

- Major change in management strategy
- Change of manager
- New mandate option that would enhance the portfolio
- Mandate closed to new investments
- Merger with another mandate

Appendix 1 – Optimization Parameters

A. Primary parameters



Information Ratio

Purpose:

The Information Ratio measures a manager's/portfolio's ability to generate superior returns per unit of risk compared to the peer group.

- Tool favoured by stakeholders in the institutional sector
- Enhances the quality of the portfolio
 - Superior long-term returns
 - Consistency of returns
 - Synergy of managers
 - Complementarity of managers
- Portfolios with an IR higher than 1 are considered acceptable.

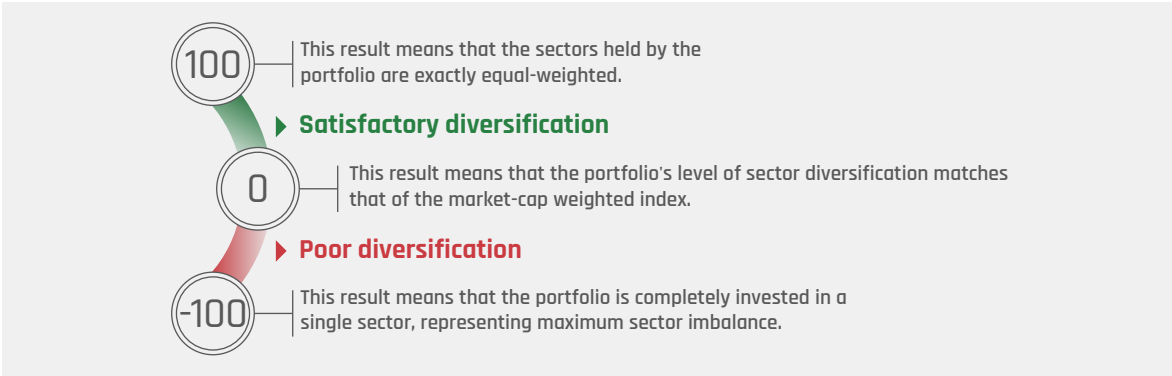


S+ Index (sector diversification)

Purpose:

The S+ index measures the quality of a portfolio's sector diversification and the related benefits.

- A number of studies indicate that a portfolio invested equally in each economic sector tends to outperform its benchmark:
 - Better long-term performance
 - Lower portfolio risk

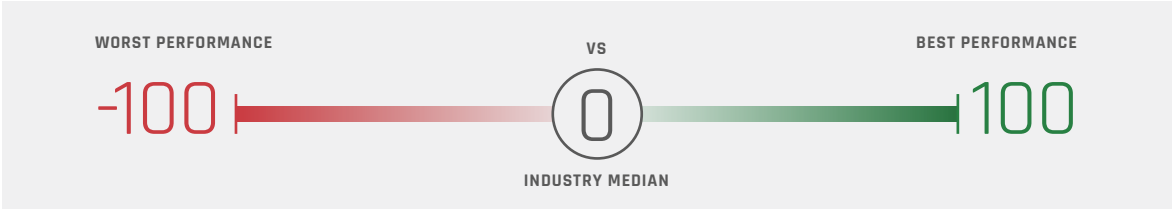


Impact Index

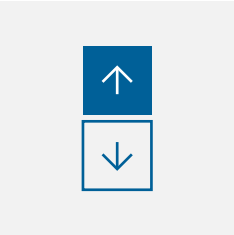
Purpose:

The Impact Index is a progressive indicator that measures the environmental, social and governance impact of the companies comprising the investment under analysis.

- Composed of two metrics:
 - Materiality:** Potential impact of the portfolio or security on the main ESG issues
 - ESG risk management:** Measuring exposure to environmental, social, and governance risks, along with how well a company is managing those risks.



B. Secondary parameters



Capture Ratios

Purpose:

Capture ratios provide a way of measuring how a portfolio behaves in rising and falling markets.

Upside capture ratio



An upside capture ratio over 100% means that the portfolio is outperforming its peer group when the market is climbing.

For example, a ratio of 113% means that, on average, the portfolio captures 13% more than its peers during upswings.

Downside capture ratio



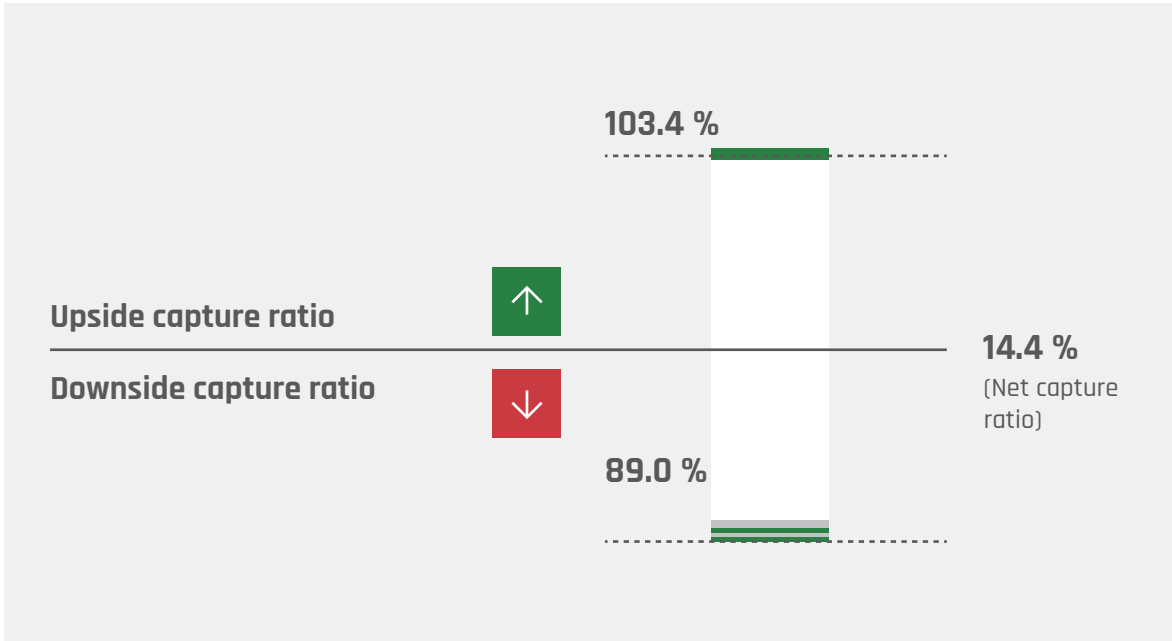
A downside capture ratio under 100 % means that the portfolio is outperforming its peer group when the market is declining.

For example, a ratio of 87% means that, on average, the portfolio captures 13% less than its peer group during downswings.

Net capture ratio

Difference between the upside and downside capture ratios.

Relevant measure of portfolio efficiency.



B. Secondary parameters

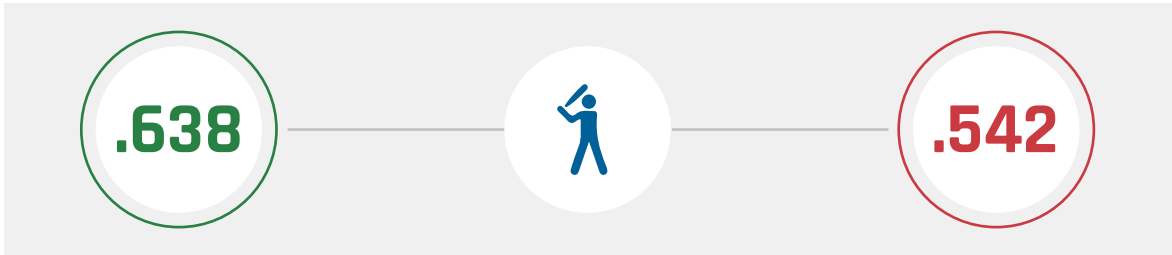


Batting average

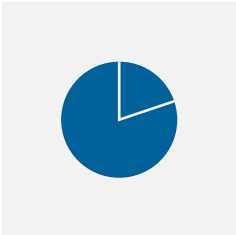
Purpose:

The batting average measures the frequency with which the portfolio outperforms its peer group in terms of monthly returns.

A batting average above .500 means that the portfolio outperforms its peer group more than 50% of the time.



"The PROPOSED portfolio demonstrates a superior ability to beat the monthly returns in its category (63.8%)."



Other forms of diversification

Capitalization

Optimal distribution in terms of:

- Giant-cap
- Large-cap
- Mid-cap
- Small-cap
- Micro-cap

Foreign currency exposure

Broad exposure of the portfolio to diverse currencies:

- Foreign (USD, euro, yuan, etc.)
- Domestic (CAD)

Management style

Diversification among managers with the following styles:

- Growth
- Value

Geographical distribution

Proper portfolio diversification across geographic regions

- Canada
- United States
- Europe
- Emerging markets
- Other



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Note to Readers

The Standop Program is the name of the business development approach promoted by RGP Investments, the manager of RGP Investments Funds ("RGP Funds"). Although we encourage advisors to include RGP Funds in their recommendations, the use of these funds is optional and independent of the Standop Program. For more information about RGP Funds, visit the RGP Investments website at rgpinvestments.ca.

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