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Asset Mix (Fixed Income/Equity)

In order to standardize the fixed income/equity asset mix split across the risk levels of all the NCM series, we made changes to the asset mix of the Providence series. We increased the fixed income weight in the growth series and decreased the fixed income weight slightly in the aggressive growth model. The other risk levels remain similar. See below for the new asset mixes:

US Equity	Canadian Equity	International Equity
58%	24%	18%

Fund Changes

Overall, six funds will be eliminated and five new funds will be added.

On the fixed income side, we will be replacing the Lysander-Canso Short Term & Floating Rate Fund with the Fidelity Canadian Short Term Corporate Bond ETF Fund and the Pender Corporate Bond Fund

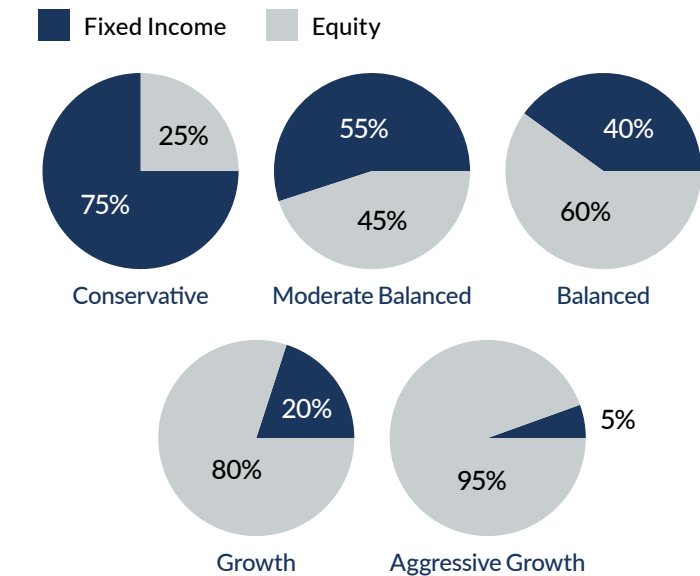
While there is nothing wrong with this Lysander fund, the common holdings overlap between the two Lysander funds of 12% and the correlation of more than 0.90 led to the change (see two charts below).

3 Year Correlation Matrix

	1	2	3
1 Lysander -Canso Corporate Value Bond F	1.00		
2 Lysander -Canso Short Term & Fltng Rate F	0.92	1.00	
3 Dynamic Ultra Short Term Bond Fund F	0.49	0.71	1.00

Common Holdings

	1	2	3
1 Lysander -Canso Corporate Value Bond F	1.00		
2 Lysander -Canso Short Term & Fltng Rate F	0.12	1.00	
3 Dynamic Ultra Short Term Bond Fund F	0.00	0.00	1.00



Equity Asset Mix

There were some tweaks within the equity asset mix to align all the risk levels of the Providence series and the Velocity series. After the adjustments, the Providence and Velocity series will have approximately 5% higher equity exposure to the US Equity markets than the three Tempo Series and more consistency across all the risk levels to these targets.

As a percentage of equities across all five risk categories, the Providence series will have the following equity weightings (approximately):

The performance of the two new funds in terms of strength, consistency and percentage of peer group beaten over the long term is impressive. Of course, both also meet our criteria of medium or better risk rating and five years or more of consistent performance. Overall, we feel that with fewer common holdings, significantly lower correlations, and stronger performance that these new funds better diversify the overall model and could lead to better, more consistent performance.

Trailing Performance

	1 yrs	2 yrs	3 yrs	5 yrs
Fidelity Canadian S/T Cprt Bd ETF F	3.8%	6.0%	5.7%	2.5%
Peer group quartile	1	1	1	1
Peer group rank of peer group count	42 of 224	11 of 209	10 of 181	29 of 166

Trailing Performance

	1 yrs	2 yrs	3 yrs	5 yrs	10 yrs
Pender Corporate Bond Series F	14.2%	16.3%	12.7%	8.2%	8.2%
Peer group quartile	1	1	1	1	1
Peer group rank of peer group count	11 of 352	6 of 334	5 of 324	7 of 293	2 of 156

5 Year Correlation Matrix

	1	2	3	4
1 Pender Corporate Bond Series F	1.00			
2 Lysander-Canso Corporate Value Bond F	0.65	1.00		
3 Dynamic Ultra Short Term Bond Fund F	0.46	0.49	1.00	
4 Fidelity Canadian S/T Cprt Bd ETF F	0.55	0.64	0.60	1.00

Common Holdings

	1	2	3	4
1 Pender Corporate Bond Series F	1.00			
2 Lysander-Canso Corporate Value Bond F	0.00	1.00		
3 Dynamic Ultra Short Term Bond Fund F	0.00	0.00	1.00	
4 Fidelity Canadian S/T Cprt Bd ETF F	0.00	0.05	0.10	1.00

On the Canadian Equity side, we decided to switch Dynamic Funds by moving from Dynamic Canadian Dividend to Dynamic Dividend Advantage. From a risk/reward point of view, we see this as a significant upgrade. Over the last five years, the returns are higher, the standard deviation is lower, the downside capture is stronger, and the consistency of returns is better.

Trailing Performance

	1 yrs	2 yrs	3 yrs	5 yrs	10 yrs
Dynamic Dividend Advantage F	25.1%	21.5%	14.4%	15.9%	10.5%
Peer group quartile	1	1	1	1	2
Peer group rank of peer group count	47 of 456	48 of 453	66 of 437	25 of 403	114 of 321

On the U.S. equity front, we made the decision to index all our direct U.S. exposure. While there is nothing wrong with the TD US Disciplined Equity Alpha Fund or the AGF American Growth Fund, the overlap with other funds in the model and high correlation made us reluctant to continue with the higher associated fees. Therefore, these two funds will be sold.

5 Year Correlation Matrix

	1	2	3	4
1 TD US Index F	1.00			
2 TD US Disciplined Equity Alpha - F	0.96	1.00		
3 AGF American Growth Class Series F	0.90	0.87	1.00	

Common Holdings

	1	2	3	4
1 TD US Index F	1.00			
2 TD US Disciplined Equity Alpha - F	0.46	1.00		
3 AGF American Growth Class Series F	0.29	0.24	1.00	

On the international side, we decided to reduce our single fund exposure by adding two new funds and eliminating the Canoe Defensive International Fund. We are going to be adding the Fidelity International High Dividend ETF Fund and the Brandes International Equity Fund. The two new funds fit nicely together in terms of correlation and common holdings and overall, they have posted better, more consistent results along with a solid downside capture. We view this as the most significant and important upgrade to this model.

Trailing Performance

	1 yrs	2 yrs	3 yrs	5 yrs
Fidelity International Hi Div Idx ETF F	29.9%	21.6%	17.9%	15.1%
Peer group quartile	1	1	1	1
Peer group rank of peer group count	35 of 837	93 of 812	57 of 780	8 of 734

5 Year Risk

	Beta	Std Dev	Sharpe Ratio	Up Capture	Down Capture
Fidelity International Hi Div Idx ETF F	0.84	11.2%	1.06	92%	61%

Trailing Performance

	1 yrs	2 yrs	3 yrs	5 yrs	10 yrs
Brandes International Equity F	31.1%	25.7%	22.8%	17.2%	10.0%
Peer group quartile	1	1	1	1	1
Peer group rank of peer group count	29 of 837	12 of 812	4 of 780	2 of 734	44 of 472

5 Year Risk

	Beta	Std Dev	Sharpe Ratio	Up Capture	Down Capture
Brandes International Equity F	0.94	12.3%	1.17	110%	75%

Finally, we will be removing the position in the Dynamic Global Real Estate Fund. Again, there is nothing wrong with this fund, but its small weighting and the fact that we have indirect Real Estate exposure through the other funds led to the decision to eliminate our direct exposure.

Even though we are confident in the Providence series over the long term from an asset mix, country mix and fund selection perspective, we continually monitor the models for possible upgrades and changes. We do not take changes lightly, but when we decide that one change is necessary, we will review the overall model and make multiple changes at the same time. We are very happy with the performance to date, especially given the models' downside protection, standard deviation and diversification levels being lower than the market. Consistency and stronger returns for less risk were important objectives when the models were created. We believe that changes are healthy and needed once in a while to keep the portfolios current and that these adjustments to the Providence series will do just that.



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