

Introducing Richardson GMP Managed Portfolios

RICHARDSONGMP
MANAGED
PORTFOLIOS

In today's world, you have virtually an unlimited number of choices as to how your wealth is to be managed. Whether you own individual stocks and bonds, separately managed accounts, funds, ETFs, private pools, alternatives and hedge funds - the sheer volume of choices and combinations are endless. Richardson GMP Managed Portfolios are customized solutions that can help you navigate an investment landscape that simply has too many products. The portfolios are founded on best practices learned over decades of practical experience, incorporating a modern approach to investment management, anchored by the tenets of diversification, transparency and cost efficiency.

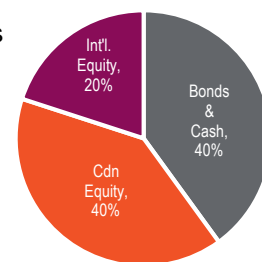
Asset Allocation

Asset allocation is the cornerstone of managing a portfolio that is appropriate to your long term goals and objectives. Managed Portfolio baseline allocations are founded on an institutional approach to asset allocation incorporating over sixty years of historical market data. However we believe asset allocations should not be static and should incorporate, to a degree, the current market environment. Using our proprietary Market Cycle framework, we dynamically tilt portfolio allocations as a function of market valuations, fundamentals, interest rates and economic data.

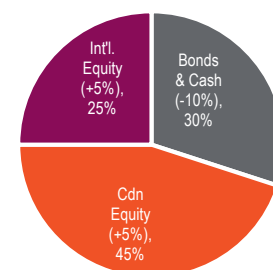
As an example, the top chart is a baseline allocation for a portfolio that includes 40% Canadian equity, 20% International equity and 40% bonds. Based on the market cycle, early in a bull market we tend to overweight equities as depicted in the 2nd chart. Yet late in a bull market, when the risk of a bear is higher, we reduce equity weights and hold more bonds as shown in the 3rd chart.

We believe asset allocation should not be static, but rather adjust to a degree as a function of the market cycle. This dynamic asset allocation approach is used across all Richardson GMP Managed Portfolios

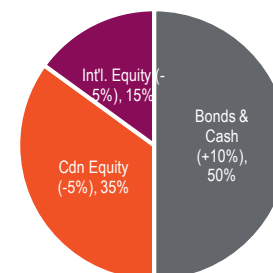
Baseline Allocation



Early in a Bull Market Cycle



Late in a Bull Market Cycle

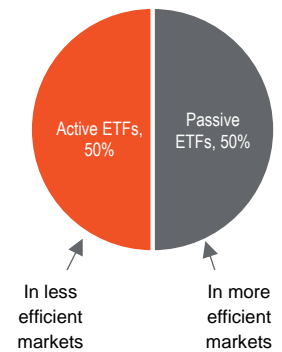


Active Plus Passive

Exchange Traded Funds (ETFs) have really changed the investment landscape and increased the availability of investment strategies. In their purest form, ETFs offer a very low cost solution for market exposure to a given index. Our research indicates that passive ETF investing is best in more efficient markets while active strategies have an edge in less efficient markets. As a result, the Richardson GMP Managed Portfolios use a combination of actively managed funds and passively managed ETFs. As an example, the U.S. equity market is one of the most efficient in the world and active funds have a hard time beating the benchmark. In this market we tend to be much more passive, using mainly ETFs. Yet in less efficient markets, such as the TSX or preferred shares, we lean more towards using skilled active managers.

We believe this offers the best of both worlds. Active in higher risk or less efficient markets to gain an advantage and more passive in efficient markets to lower costs.

Active vs Passive



Manager & ETF Selection

Our investment product selection process for fund managers is based on the belief that performance can only be as good as the decision-making process. Our manager search and selection process is predicated on the understanding that rigorous due diligence performed by an experienced team, can identify investment managers with reliable skill. While past performance is useful, this is only one of many inputs we use in our analysis. Our dedicated team of analysts looks at both qualitative and quantitative factors for any product under consideration.

Exchange Traded Funds selection is based on the provider, liquidity, costs and most importantly how the ETF is invested. Understanding the underlying holdings of an ETF is critical not just in isolation but also how it fits into the overall portfolio. We conduct direct bottom up analysis of all ETFs, understanding the composition and exposures, before an ETF is included in the portfolios.

Manager and ETF due diligence reports are available on all investments held in the managed portfolios.

Equity ETF Investments

Nobody controls the risk in an index (ETF), it is our job to know the risks

Managed Portfolios utilize a blended active and passive investment strategy, typically using passive ETFs in more efficient markets where we question whether active managers can add value. The ETFs also help lower the underlying investment costs of the portfolio, which is a significant consideration. As of April 30th, 2017 the following are Managed Portfolio equity ETF positions:

	Concentration	Current	Target
iShares S&P 500 Global Bond	2.5%	3.7%	4.0%
SPDR S&P 500	4.4%	3.2%	0.4%
iShares Core EAFE	4.9%	6.1%	
Purpose Int Dividend	3.9%	5.8%	
iShares TXS 50		5.9%	

iShares S&P 500 Global Gold ETF (XGD)

XGD holds gold mining companies that vary much to the big caps. The top holdings include Barrick (15%), Newmont (14%), Franco-Nevada (15%), Goldcorp (9%) and Agnico Eagle (9%). Geographically, the holdings are 70% in Canada and 20% in the US, with remaining spread around globally. With approximately \$500m in AUM it is a large Canadian sector ETF and the expense ratio is 0.61% (higher than most ETFs but still within sector focused ETFs).

We hold XGD in each portfolio for macro reasons. Gold and gold companies provide a natural hedge against the US dollar reverse course. While we are still positive on the US dollar, its valuation has become elevated and XGD provides some of our currency exposure. Geopolitically, XGD also provides some protection. We have no insight as to which issue may flare up, but with gold in the \$1200s we found it to be a reasonable entry point to add some insurance.

SPDR S&P 500 (SPY)

We have a market to market overweight in US equities across our portfolio, which has been reduced given the advance of the market and valuations. The SPY is the core US exposure for each portfolio and this is one of the most efficient markets in the world. Well diversified across all 11 sectors, very liquid and low cost at 0.09%. The components sources of US equity exposure in the portfolio which tend to be more dividend focused.

iShares Core EAFE (IEFA)

We are overweight international equities in the portfolio, with IEFA providing a core position (except Conservative given its low equity allocation). This ETF is well diversified at the sector level. Geographically, 24% Japan, 19% UK, 9% in each Germany, France and Switzerland. In aggregate, IEFA has a significant European exposure which we like given valuations. These are largely efficient markets, perfect for ETF investment strategy. \$24 billion in assets and a 0.20% expense ratio are solid characteristics.

ETF Selection Process

- Main View** - this drives our asset allocation, geographic allocation and sector tilt within the portfolio
- Market Efficiency** - in each market or asset class we determine which are more or less efficient based on our research, concentration and structure. In more efficient markets we tend to use more ETFs
- Costness of FT** - does a given ETF in a market give the portfolio the desired exposure based on our market view
- Define Up Security Analysis** - Examine tilt to see sector and geographic bets embedded in the ETF. How this interacts with the rest of the portfolio is a key determinant
- Cost** - we use ETFs to lower our overall asset volatility, so cost is key
- Counter** - understanding who the counter of the ETF, liquidity and overall size

About Connected Wealth Profiles

- Replication both with long term asset allocation framework and transfer money method
- Continuous tactical alpha / tactical losses
- Change and selection of best in class actively managed mutual funds
- Transparency into underlying holdings & positions
- Combine multiple active managers and passive ETFs to a blended low correlation solution

Transparency & Reporting

It is your money and you should know what you own and why. As transparency is one of our core beliefs, we provide detailed quarterly reporting that incorporates how you are allocated, performance, what has been working, what hasn't, and why you own each investment and how it fits into your portfolio. We will also share trade rationales when changes are made in the portfolio. All this is provided so you understand how your money is being invested for you.

The Richardson GMP Managed Portfolios follow a disciplined and strategic process rooted in diversification, transparency, and cost efficiency. Our asset allocation framework, research, product selection, and reporting all serve to reinforce these principles, making this an investment solution that you can feel confident owning.

INDEX RETURNS

Richardson GMP

MANAGED PORTFOLIO COMMENTARY

MANAGED PORTFOLIO

PORTFOLIO HOLDINGS

INVESTMENT STYLE

GEOGRAPHIC & BOND MIX

CASH FLOWS

The Managed Portfolio Team

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Analyst

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