

Rethink the Way You Invest

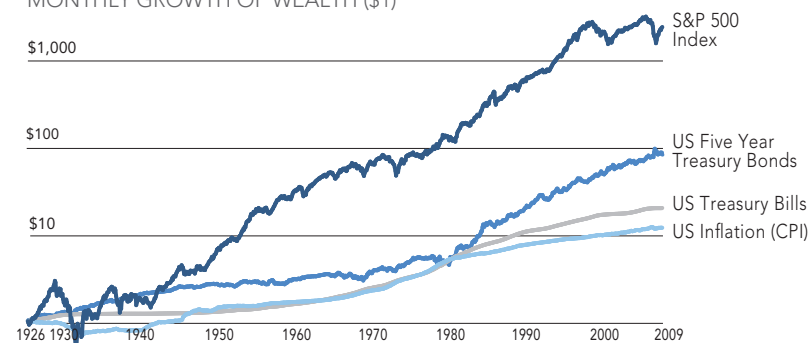
Critical factors in the pursuit of a better investment experience

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1 LET MARKETS WORK FOR YOU

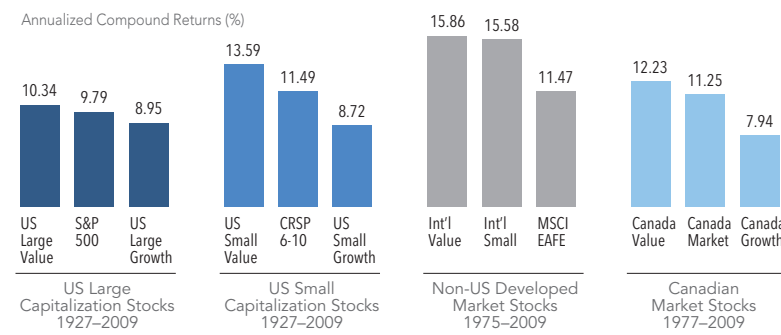
MONTHLY GROWTH OF WEALTH (\$1)¹



The capital markets are priced efficiently and have offered investors a long-term return on the capital they supply. Since only new information moves prices, it is difficult to predict the short-term direction of these markets.

2 TAKE RISKS WORTH TAKING

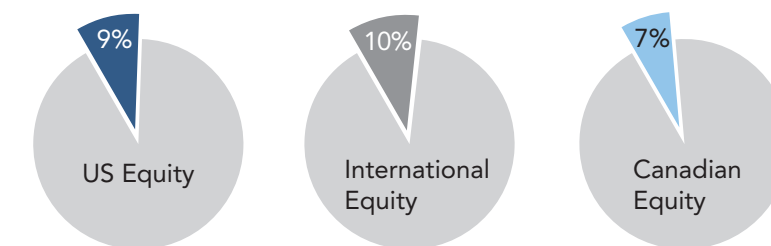
SIZE AND VALUE EFFECTS AROUND THE WORLD²



To pursue higher expected returns, investors must take higher risks. But only certain risks offer an expected reward. Science helps identify those "compensated" risks.

3 INVEST, DON'T SPECULATE

PERCENTAGE OF WINNING ACTIVE MANAGERS, 2005-2009³



Over time, very few money managers outperform the market, net of fees. Moreover, only a fraction of the managers survive the performance period. For the five years through 2009, survival was 39% for US Equity, 53% for International Equity, and 47% for Canadian Equity.

4 HOLD MULTIPLE ASSET CLASSES

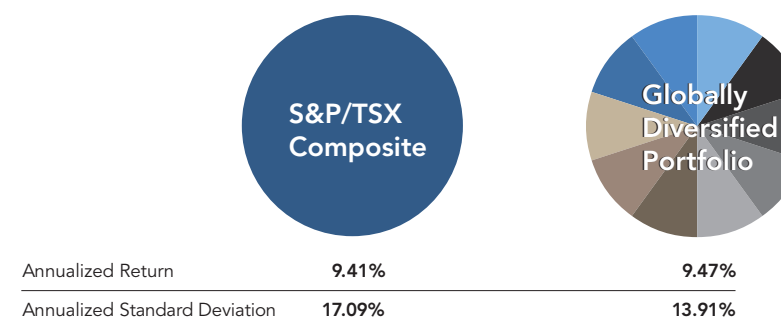
RANDOMNESS OF ANNUAL RETURNS⁴

Year	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Canadian Fixed Income	36.18	25.07	2.58	34.77	23.47	24.11	35.72	9.82	2.56	63.86
Canadian Large Cap	28.45	20.37	2.39	31.32	22.49	22.47	30.13	4.27	-21.94	42.73
Canadian Value	12.24	19.35	-3.79	30.15	17.49	19.56	26.10	1.96	-22.85	35.05
Canadian Small Cap	7.41	4.36	-5.03	28.96	15.28	10.97	26.08	1.41	-24.88	27.47
US Large Cap	5.17	4.12	-12.45	26.74	14.47	10.95	22.11	-5.25	-25.55	25.12
US Value	0.78	1.63	-16.02	19.07	11.49	10.69	21.66	-7.92	-30.67	15.97
US Small Cap	0.65	-6.40	-16.72	13.57	10.97	9.79	17.25	-9.70	-31.53	13.85
US Real Estate	-5.54	-11.56	-16.75	11.60	8.42	4.16	16.58	-10.09	-33.00	10.98
International Large Cap	-7.68	-12.57	-17.33	7.46	7.80	3.05	15.76	-15.63	-33.27	9.26
International Value	-8.82	-13.45	-20.43	5.46	2.80	2.57	15.58	-17.11	-35.17	3.45
International Small Cap	-10.80	-16.55	-22.85	2.86	2.25	2.29	3.93	-29.73	-47.33	0.36

There is little predictability in asset class performance from one year to the next. This randomness highlights the importance of broad diversification.

5 PRACTICE SMART DIVERSIFICATION

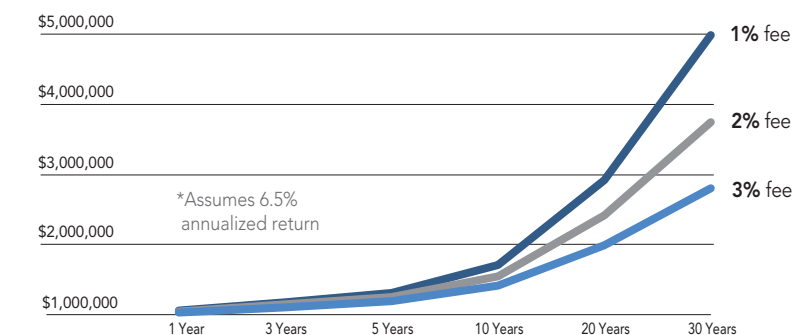
S&P/TSX VS. A GLOBAL PORTFOLIO, 1991-2009⁵



It's not enough to diversify by security (e.g., a portfolio that replicates the S&P/TSX Composite Index). Deeper diversification involves geographic and asset class diversity. Holding a global portfolio helps reduce risk and increase expected returns.

6 KEEP COSTS LOW

NET GROWTH* OF \$1 MILLION⁶



High costs can be a significant drag on wealth accumulation. Costs to consider include management fees, fund expenses, and taxes.

7 DON'T CONFUSE ENTERTAINMENT WITH ADVICE



The television, print, and online financial media are in the business of entertainment. The emphasis is often on short-term, sensational, and emotionally charged headlines.

The message can compromise long-term focus and discipline, and lead to poor investment decisions.

8 MANAGE YOUR EMOTIONS 9 AVOID INVESTMENT MISTAKES

Cognitive Errors:

- Overconfidence
- Self attribution
- Hindsight bias
- Extrapolation
- Familiarity
- Mental accounting
- Regret avoidance
- Confirmation



Investment Pitfalls:

- No investment plan
- Lack of manager scrutiny
- Chasing performance
- Overconcentration
- Market timing
- Wrong time horizon
- Forecasting
- Excessive risk taking

10 KEEP A LONG-TERM PERSPECTIVE—AND STAY THE COURSE!

8.20%

S&P 500
20-Year Annualized Return⁷
[time weighted]

3.17%

"Average" Equity
Fund Advisor
20-Year Annualized Return⁷
[dollar weighted]

Comparing dollar-weighted returns to time-weighted returns suggests that the "average" equity fund investor buys high and sells low, while owning a given fund for less than five years.

DISCLOSURES:

1. In US dollars. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. The S&P data are provided by Standard & Poor's Index Services Group. US long-term bonds, bills, inflation, and fixed income factor data © Stocks, Bonds, Bills, and Inflation Yearbook™, Ibbotson Associates, Chicago (annually updated work by Roger G. Ibbotson and Rex A. Sinquefeld).

2. In CAD. All returns in USD except Canadian Market Stocks. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. US value and growth index data (ex utilities) provided by Fama/French. The S&P data are provided by Standard & Poor's Index Services Group. CRSP data provided by the Center for Research in Security Prices, University of Chicago. International Value data provided by Fama/French from Bloomberg and MSCI securities data. International Small data compiled by Dimensional from Bloomberg, StyleResearch, London Business School, and Nomura Securities data. MSCI EAFE Index is net of foreign withholding taxes on dividends; copyright MSCI 2009, all rights reserved.

3. Source: Standard & Poor's Indices versus Active (SPIVA) Funds Scorecard, 2010.

4. In Canadian dollars. Charts are for illustrative purposes only. Canadian Fixed Income is Canadian One-Month Treasury Bills. Canadian Large Cap is the S&P/TSX Composite Index. Canadian Value is the MSCI Canada Value Index (net dividends), and Canadian Small Cap is the MSCI Canada Small Cap Index (price-only). US Large Cap is the S&P 500 Index. US Value is Russell 3000 Value Index. US Small Cap is CRSP 6-10 Index. US Real Estate is the Dow Jones Wilshire REIT Index. International Large Cap is the MSCI EAFE Index (net dividends), and International Value is the MSCI EAFE Value Index (net dividends). International Small Cap is compiled by Dimensional from StyleResearch securities data; includes securities of MSCI EAFE countries in the 10%–1% of ME range; market-capitalization weighted; each country capped at 50%; value defined as the top 30% of book-to-market; rebalanced semiannually. Canadian T-bills provided by PC-Bond a business unit of TSX Inc.; copyright © TSX Inc., all rights reserved. MSCI data copyright MSCI 2010, all rights reserved. The S&P data provided by Standard & Poor's Index Services Group. Indices are not available for direct investment. Index performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results.

5. For illustrative purposes only. In Canadian dollars. Components of the Globally Diversified Portfolio are as follows: **Canadian Large Cap** is the S&P/TSX Composite Index. **Canadian Value** is the Barra Canadian Value Index, and **Canadian Small Cap** is the Barra Canadian Small Cap Index. **US Large Cap** is the S&P 500 Index. **International Value** is the MSCI EAFE Value Index, and **International Large Cap** is the MSCI EAFE Index. **International Small** is: 1970–June 1981, 50% UK small cap stocks provided by the London Business School and 50% Japan small cap stocks provided by Nomura Securities; July 1981–present, compiled by Dimensional from StyleResearch securities data; includes securities of MSCI EAFE Index countries, market-capitalization weighted, each country capped at 50%. **US Value** is the Russell 3000 Value Index. **US Small Cap** is the CRSP 6–10 Index. **US Real Estate** is the Dow Jones US Select REIT Index. S&P/TSX data provided by S&P/TSX. Barra data provided by MSCI Barra. S&P data provided by Standard & Poor's Index Services Group. MSCI data copyright MSCI 2010, all rights reserved. Russell data copyright © Russell Investment Group 1995–2010, all rights reserved. CRSP data provided by the Center for Research in Security Prices, University of Chicago. Dow Jones US Select data provided by Dow Jones Indexes. Standard deviation is a statistical measure of risk. Generally speaking, the higher the standard deviation, the greater the risk. Date range selected is the longest common time series of whole years of data available. Rebalanced quarterly. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio. Past performance is not a guarantee of future results. Not to be construed as investment advice. Returns of model portfolios are based on back-tested model allocation mixes designed with the benefit of hindsight and do not represent actual investment performance.

6. In US dollars. For illustrative purposes only.

7. Period: 1990–2009. Source: DALBAR, Quantitative Analysis of Investor Behavior (QAIB), 2010.