To build your financial future.

Ambassador Portfolio Service

Contact your Investment Advisor for more information on how Ambassador Portfolio Service could work for you!

Ambassador Portfolio Service is a discretionary portfolio management service offered by National Bank Financial, an indirect wholly-owned subsidiary of National Bank of Canada. National Bank Financial is a CIPF Member.
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Making investing a priority

Even in the busiest of times

You shouldn’t have to carry the weight of the world on your shoulders. Though you always have the choice of facing up to life’s challenges on your own, what you probably could use is just a little more help.

Keeping up to pace in a world that shows no sign of slowing down can take its toll on just about anyone. With each passing day, more and more seems to be expected of us and less and less becomes manageable on our own. Never before has time management played such an important role in getting our day-to-day tasks done quickly and effectively.

As crucial as it is, many of us do not devote as much attention as we should to investing. With careers and personal lives taking up the lion’s share of our time, it comes as no surprise that investing may not fit into our busy schedules. That is why entrusting this task to experts is the right thing to do.

Ambassador Portfolio Service is your gateway to our lineup of world-renowned portfolio managers. Accessible through National Bank Financial’s Discretionary Management Services, this premium offer comes with a wide range of benefits:

- An exclusive access to portfolio managers typically only available to institutional clients and very affluent individuals
- An opportunity to benefit from a complete and well-diversified portfolio (according to asset class, sectors, geographic region and management style)
- Direct ownership of the securities held within your portfolio
- A transparent discretionary management service that informs you of the companies you own and how many shares of each company

The portfolio managers we work with are carefully selected and continuously monitored according to set rules and guidelines. They devote their time to managing your money and follow precise mandates. Whether you require an “all-in-one” approach to managing your portfolio or a more complex strategy, these managers are equipped to deal with anything your investment situation calls for. They provide you with clear and comprehensive reporting and relieve you from the burden of having to make daily investment decisions yourself. Even in the busiest of times, managing your portfolio is what matters to them.
As a client at National Bank Financial, you are entitled to nothing but the best service there is to offer. With Ambassador Portfolio Service, our finest and most exclusive selection of portfolio managers is put on display to service your every need. All you need to do is decide which portfolio managers will work for you.

Making the right choice requires you to carefully evaluate all of your options. That is where your Investment Advisor comes in. Your Investment Advisor is the most qualified to assess your personal situation. A thorough evaluation of your needs, objectives and risk tolerance will be carried out to help ensure that with each careful step, you inch your way closer to attaining your financial goals.

Under the valuable guidance of our selected portfolio managers, you’ll benefit from the same approach that is used in managing some of the country’s largest pension funds, endowments and private fortunes. Together with the help of your Investment Advisor, custom fitting a well-diversified portfolio to your needs is anything but impossible!
Taking diversification to the next level

Integrating complementary management styles and asset classes into your portfolio

Many of us have already heard the old adage, “Don’t put all of your eggs in one basket”. While this expression serves as nothing but a renowned axiom for most people, it has long since been the cornerstone of investment management.

Though it is still crucial for a portfolio to invest in cash, fixed-income securities and equities, portfolio management has evolved over the years and taken diversification to another level. With portfolio management seemingly taking a turn for the better, it is now agreed upon by specialists that striking an optimal balance between risk and return involves more than just investing in diverse asset classes. Today, it is also important to diversify by sector, geographic region and management style.

As depicted in the chart below, financial markets tend to reward asset classes at different times. In other words, certain asset classes will outperform others at different points in the market cycle. The same principle applies to investment management styles. While growth managers tend to outperform in bull markets, value managers have a tendency to better protect your capital.

Note that in the following chart, asset class performance can vary from one year to the next. For instance, Canadian equities generated a performance of 7.4% in year one and -12.2% in year two. In contrast, international equities posted a return of -16.8% in year three as opposed to 19.5% in year four.
Nobel Prize-winning research into the science of investing has yielded a body of work known as Modern Portfolio Theory. Largely based on a concept known as the efficient frontier, the theory states that for any given potential return, there exists a combination of asset classes and investment styles with the lowest possible risk. Portfolios that lie on this efficient frontier are called optimal portfolios because they minimize your trade-off between risk and return. As shown in the graph below, Portfolio B provides a higher expected return than Portfolio A; even though both portfolios provide the investor with the same level of risk.

Positioning your portfolio on this efficient frontier is what contemporary portfolio management is all about. With Ambassador Portfolio Service, you are given a vast choice of asset classes and investment styles so that you can create your very own optimal portfolio. With that said, building a well-diversified portfolio has never been so easy!
Portfolio management has become a highly specialized field. Typically, the world’s top managers focus on one management style, or often, on one asset class. That is why it is so important that your portfolio be managed by a combination of different portfolio managers, each carefully selected according to their specialty and each taking charge of a portion of your assets. You will be at least partly right all of the time, rather than running the risk of being totally wrong at any given point in time!

As mentioned earlier, the world’s top portfolio managers usually focus on one investment style. The two most popular investment management styles – growth and value investing – are complementary forces. As the illustration below indicates, neither is the best approach under all conditions since each style is rewarded at different moments during the market cycle. But combining the two styles gives you the potential of considerably reducing the overall risk of your portfolio. As the graph shows, value managers often outperform in negative or flat markets while growth managers will usually outperform when the markets are rallying sharply.

You may be asking yourself: Why not invest exclusively in growth stocks when the market cycle favours this approach and then switch to value stocks when the trend reverses? Unfortunately, the magic crystal ball that infallibly predicts when each investment style will outperform the other simply doesn’t exist.

In the midst of any given market cycle, your portfolio’s mix might change and some asset classes may turn in a better performance than others. On an ongoing basis, you should sit down with your Investment Advisor to discuss whether the resulting deviation from your target mix is significant enough to warrant rebalancing.
Preserving the quality of our service offering for you

Selecting and monitoring our portfolio managers is not something we take lightly
Upholding a premium level of service requires both hard work and dedication. This isn’t something we are prepared to take with a grain of salt. To offer you the best service possible, we follow a rigorous approach when we select and monitor the portfolio managers we work with.

Choosing portfolio managers is a crucial task but keeping an eye on their progress to ensure that they uphold a certain standard is equally as important. Ambassador Portfolio Service evaluates prospective and existing portfolio managers using the OP4 criteria: Organization, Personnel, Process, Portfolio and Performance.

- **Organization:** The organization is put under the radar to determine whether it is healthy, well-established and unique in its ability to distinguish itself from its competitors.
- **Personnel:** The organization’s portfolio managers are evaluated according to their individual experience, skills and the stability and longevity of their respective investment teams.
- **Process:** The portfolio managers are assessed according to their philosophy, inspiration, risk management techniques, flexibility and a description of their research methods.
- **Portfolio:** Fund-specific characteristics such as the portfolio’s investment policy, management style, constraints, number of holdings and turnover are examined.
- **Performance:** The portfolio managers’ performance is assessed to determine whether they rank above their performance target on a medium to long term basis.

The portfolio managers are tracked and monitored in-house by National Bank Financial. With the help of a renowned external consultant, information regarding the portfolio managers is supplied to National Bank Financial on a periodic basis. The external consultant provides a third-party perspective and also helps with the manager selection process.

External factors such as market fluctuations may have an impact on your portfolio. While we are committed to consistently monitor the performance of our managers, bear in mind that these factors are not related to the manager’s capabilities and are completely normal.
Be the sole proprietor of the securities selected by your portfolio managers

Reaping the potential benefits of direct ownership
Entrusting our specialists with the management of your portfolio is surely worth considering. While Ambassador Portfolio Service will relieve you of having to make complex investment decisions yourself, it will also ensure that you preserve some control when you delegate these tasks to our experts.

*Ambassador Portfolio Service* is premised upon the notion of direct ownership. What this means is that you directly own the stocks, bonds and securities that make up your portfolio. This differs from many discretionary asset management services, which are based on purchasing units in one or more funds or private pools. With an approach based on direct ownership, your investments are not held in common with those of other investors. For example, when your portfolio manager decides to buy shares of ABC Co., they are deposited directly into your account. This transaction appears as such in your portfolio statement and the securities are then listed in your holdings. What this means is that you are the sole and irrevocable holder of these securities.

An approach based on direct ownership of individual securities comes with many advantages:

**Transparency:** All the transactions made by your *Ambassador Portfolio Service* managers are reported on your regular portfolio statement. This is done so you know exactly what has been bought and sold, when, and at what price. You also receive detailed quarterly reports that summarize the activities of your portfolio managers. These quarterly reports give you a personalized rate of return calculation for your assets under management and a market commentary from the portfolio manager reviewing the quarter’s highlights.

All in all, there is really no better way for you to assess and monitor the performance of your portfolio manager. With our regular reports, you will have an idea of how your portfolio manager has reacted under various market conditions. At the same time, you will be able to better understand the rationale behind his or her decisions and receive regular updates on any strategic changes made to your portfolio.

**Independence:** Your portfolio belongs to you and is not subject to the whims of others, as can sometimes be the case when investing in mutual funds. For example, a portfolio manager with a hot track record typically attracts a lot of cash at a period when he/she finds markets overvalued. This leaves the portfolio manager with a choice of leaving the cash uninvested or buying stocks at excessive valuations. Conversely, investors tend to bail out of equity funds during periods when markets are heading downward. Often, the portfolio manager is forced to sell positions to raise cash to meet redemption requests, just when prices are becoming more attractive and he/she should be investing rather than divesting. When you own individual securities, you can be sure that they are bought and sold only when the manager finds the timing appropriate. Keep in mind that if you add or withdraw cash to/from your account, you will also trigger the buying or selling of securities.

**Affordability:** At a competitive cost relative to some other investment solutions, you can be sure that each of the stocks and bonds you own under *Ambassador Portfolio Service* is analyzed, selected and followed on an ongoing basis by one of the top experts in the field.

**Personalization:** While it is not ideal from a portfolio management perspective, you are free to impose constraints on your portfolio managers. For example, you can ask that certain securities, such as shares of tobacco companies, be excluded from your holdings, even if the manager has decided to buy them for other clients in the program. You may also limit how much of a given security can be purchased. Finally, *Ambassador Portfolio Service* can take into account legal constraints, such as conflict of interest regulations, that may bar you from holding certain securities.

**Tax Efficiency:** Since you are holding individual securities directly, you only have to declare capital gains when these securities are sold at a price higher than your acquisition cost. With mutual funds or pooled funds, you can end up liable for tax on capital gains that were actually incurred before you purchased the units. This happens because year-end distributions are made to all unit holders of record at that date, regardless of when during the year they actually purchased the units.
In simple and concise terms

Ensuring that you carefully weigh all your options

With Ambassador Portfolio Service, you can rest easy knowing that our experts are here to help you.

The table below summarizes the main features of our service offering. By comparing Ambassador Portfolio Service with a do-it-yourself strategy, you’ll be able to see the added-value that our approach can offer:

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Why should I choose discretionary management?
Discretionary management gives you access to professional portfolio management. At the same time, it may also allow you to benefit from a well-diversified portfolio (according to sector, asset class, geographic region and management style).

Discretionary management may also allow you to save time and benefit from a personalized service. At the same time, it can provide you with an opportunity to protect your capital.

Why not invest directly with each portfolio manager?
As they are often considered “small scale”, managers generally do not accept clients that have less than $2 million in assets to invest. When you invest directly with a portfolio manager, it becomes very difficult to end the relationship if you become unsatisfied with the management of your portfolio. With Ambassador Portfolio Service, you can simply have your account managed by another professional.

Is Ambassador Portfolio Service transferrable?
Yes, you hold the individual securities that make up your portfolio and can stop them from being actively managed at any time.

How and by whom are the portfolios rebalanced?
The portfolio manager rebalances his/her mandate, while your Investment Advisor is responsible for rebalancing your overall portfolio.

Can I withdraw amounts from a managed mandate?
Yes, this is possible by contacting your Investment Advisor. The portfolio manager will then carry out the transactions required to free up the cash needed. This cash can then be transferred out of the account. Please note that no systematic withdrawal program is offered.

What is the procedure for stopping active management of an Ambassador account?
All you have to do is notify your Investment Advisor, who will ask you for your written consent. It’s that simple!

Is it possible to change portfolio managers or investment mandates?
Yes, it is possible to do both. Contact your Investment Advisor for more details.

Is Ambassador Portfolio Service like a mutual fund service?
No, while you own underlying units of a mutual fund, Ambassador Portfolio Service is based on the direct ownership of individual securities.

What types of statements will I receive?
- A quarterly statement detailing all positions (market and book value), transactions and a commentary by the manager(s).
- An annual statement, included with the December quarterly report for tax purposes, summarizing all realized and unrealized gains and losses for each category of investment income.
- Year-end statement whose date coincides with the end of a quarter will be printed and mailed.
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