



Rethink the Way You Invest

CRITICAL FACTORS IN THE PURSUIT
OF A BETTER INVESTMENT EXPERIENCE

KEY INVESTMENT PRINCIPLES

UNDERSTAND MARKETS

- Let markets work for you.
- Take risks worth taking.
- Invest, don't speculate.

HARNESS THEIR POWER

- Hold multiple asset classes.
- Practice smart diversification.
- Keep costs low.

KNOW YOURSELF

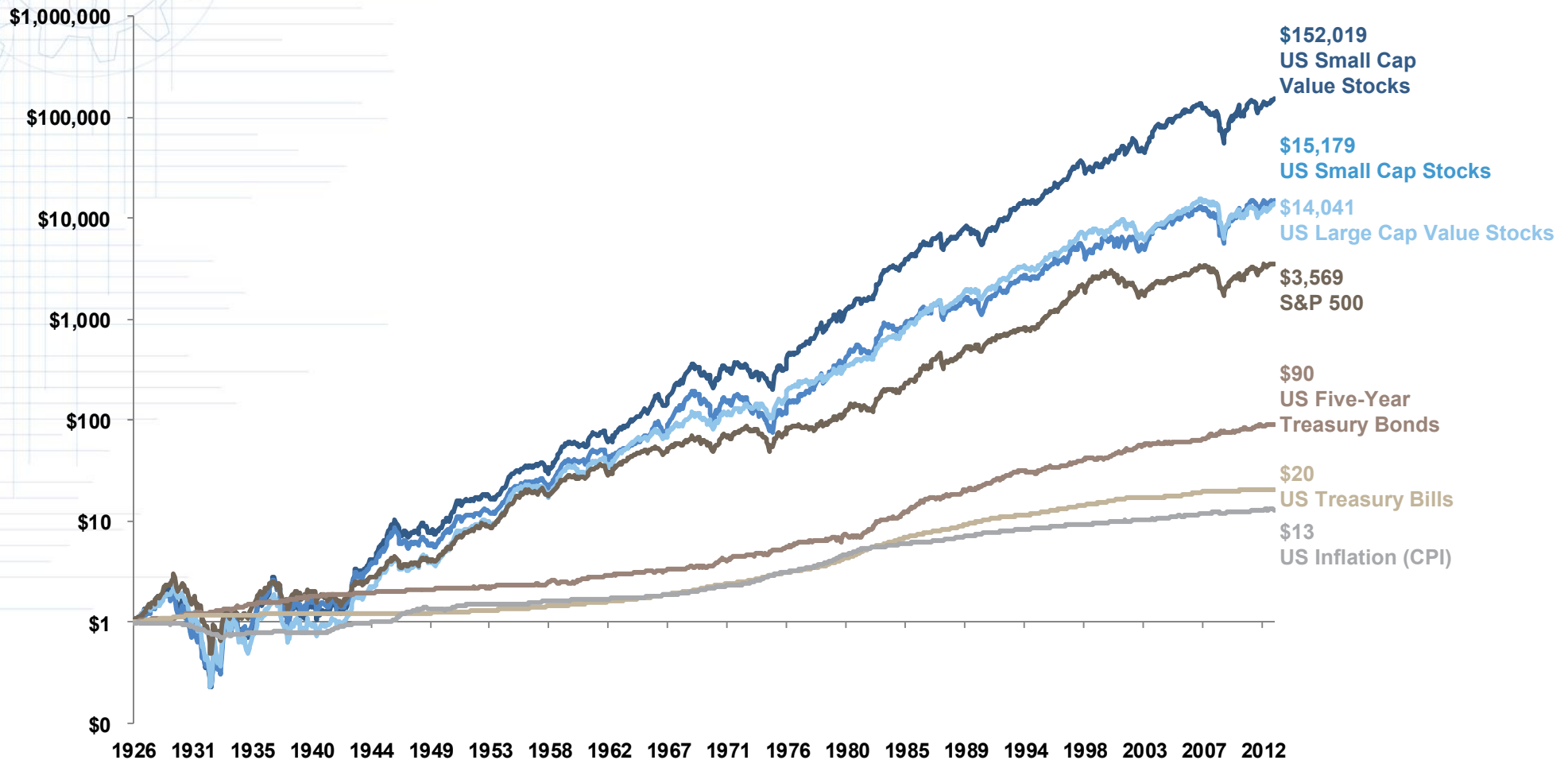
- Don't confuse entertainment with advice.
- Manage your emotions and biases.

WORK YOUR PLAN

- Avoid common investment mistakes.
- Plan for the long term—and stay the course!

LET MARKETS WORK FOR YOU

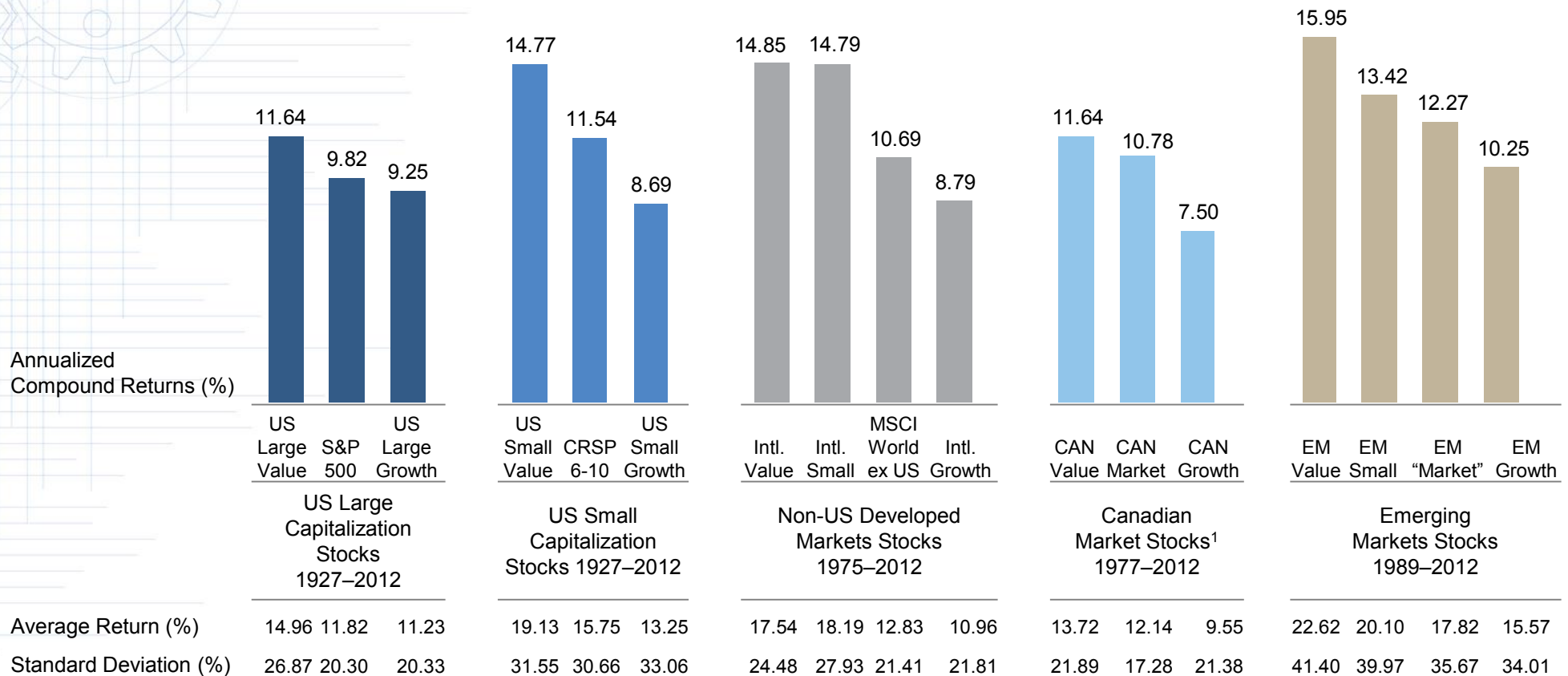
MONTHLY GROWTH OF WEALTH (\$1)
1926-2012



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. US small, small value, and large value Research index 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. 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).

TAKE RISKS WORTH TAKING

SIZE AND VALUE EFFECTS AROUND THE WORLD

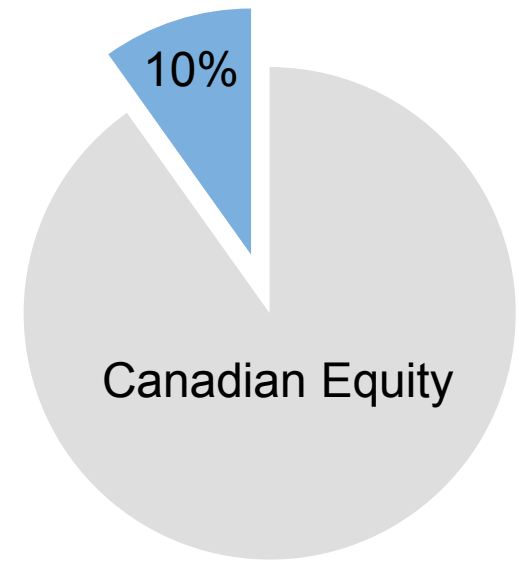
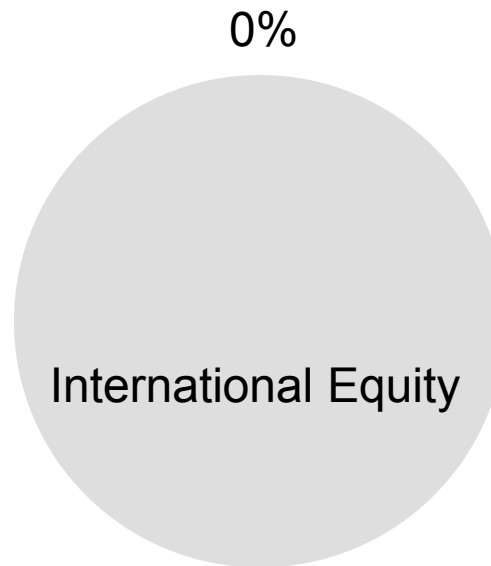
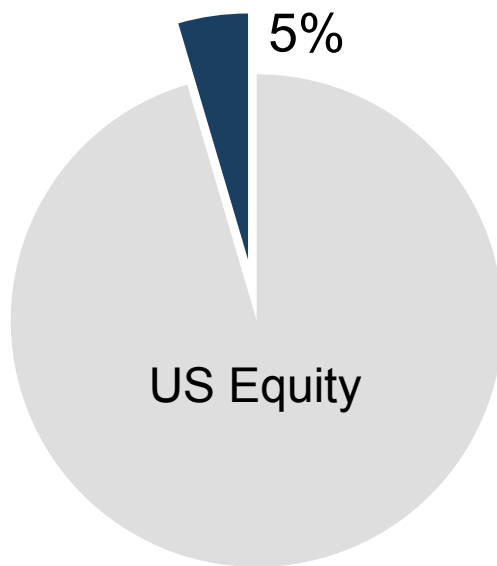


1. In CAD.

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 Research index data provided by Fama/French. Canadian index data 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, Style Research, London Business School, and Nomura Securities data. MSCI World ex USA Index is gross of foreign withholding taxes on dividends; copyright MSCI 2013, all rights reserved. Emerging Markets index data simulated by Fama/French from countries in the IFC Investable Universe; simulations are free-float weighted both within each country and across all countries. Asset class filters were applied to data retroactively, rebalanced annually, and with the benefit of hindsight. Asset class returns are not representative of indices or actual portfolios and do not reflect costs and fees associated with an actual investment. Actual returns may be lower.

INVEST, DON'T SPECULATE

PERCENT OF WINNING ACTIVE MANAGERS
January 2007–December 2012



Over time, only a very small fraction of money managers outperform the market after fees, and it is difficult to identify them in advance.

HOLD MULTIPLE ASSET CLASSES

RANDOMNESS OF ANNUAL RETURNS

Highest Return



Lowest Return

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|--|--------|-------|--------|--------|--------|-------|-------|-------|-------|--------|--------|-------|-------|--------|-------|
| | 37.81 | 31.70 | 36.18 | 24.88 | 2.58 | 36.10 | 23.47 | 24.11 | 35.72 | 9.82 | 2.56 | 68.35 | 38.09 | 11.72 | 15.08 |
| | 28.62 | 24.83 | 28.30 | 21.56 | 2.39 | 31.32 | 22.49 | 21.44 | 29.88 | 4.27 | -21.94 | 46.22 | 23.38 | 4.30 | 14.96 |
| | 26.31 | 24.79 | 12.24 | 19.35 | -3.63 | 30.11 | 17.53 | 19.56 | 26.10 | 3.36 | -22.85 | 35.05 | 21.50 | 2.04 | 14.72 |
| | 21.65 | 22.53 | 7.41 | 4.36 | -3.79 | 27.83 | 15.28 | 10.97 | 26.08 | 2.15 | -24.94 | 27.29 | 17.61 | 0.90 | 14.55 |
| | 18.16 | 19.52 | 5.17 | 1.63 | -3.86 | 26.74 | 14.47 | 10.95 | 23.18 | -5.25 | -25.55 | 25.12 | 16.40 | -3.52 | 14.13 |
| | 4.74 | 17.28 | 1.54 | 1.05 | -12.45 | 18.85 | 11.49 | 10.72 | 22.11 | -7.92 | -30.06 | 13.99 | 14.53 | -5.19 | 13.82 |
| | 4.60 | 13.94 | 0.24 | -6.40 | -16.02 | 13.57 | 10.98 | 10.69 | 18.15 | -10.09 | -30.67 | 13.85 | 10.26 | -8.71 | 13.04 |
| | -0.47 | 4.59 | -5.54 | -11.56 | -16.75 | 11.60 | 8.63 | 4.16 | 17.25 | -10.14 | -32.53 | 10.98 | 9.16 | -10.00 | 11.68 |
| | -1.59 | 3.48 | -7.77 | -12.57 | -16.77 | 7.46 | 8.42 | 3.05 | 16.56 | -15.63 | -33.00 | 9.26 | 2.22 | -10.26 | 7.19 |
| | -11.05 | 0.39 | -8.82 | -13.41 | -20.47 | 5.46 | 2.80 | 2.57 | 15.58 | -17.01 | -35.24 | 3.47 | 0.43 | -12.43 | 0.91 |
| | -21.01 | -8.30 | -10.80 | -16.55 | -22.85 | 2.86 | 2.25 | 2.29 | 3.93 | -29.73 | -45.71 | 0.36 | -2.14 | -13.78 | 0.80 |

| | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 |
|-------------------------|--------|-------|--------|--------|--------|-------|-------|-------|-------|--------|--------|-------|-------|--------|-------|
| Canadian Fixed Income | 4.60 | 4.59 | 5.17 | 4.36 | 2.39 | 2.86 | 2.25 | 2.57 | 3.93 | 4.27 | 2.56 | 0.36 | 0.43 | 0.90 | 0.91 |
| Canadian Large Cap | -1.59 | 31.70 | 7.41 | -12.57 | -12.45 | 26.74 | 14.47 | 24.11 | 17.25 | 9.82 | -33.00 | 35.05 | 17.61 | -8.71 | 7.19 |
| Canadian Value | -0.47 | 3.48 | 28.30 | 1.05 | -3.63 | 27.83 | 17.53 | 21.44 | 18.15 | 2.15 | -33.53 | 46.22 | 16.40 | -5.19 | 11.68 |
| Canadian Small Cap | -21.01 | 24.79 | 1.54 | 21.56 | -3.86 | 36.10 | 8.63 | 10.72 | 23.18 | 3.36 | -45.71 | 68.35 | 38.09 | -12.43 | 0.80 |
| US Large Cap | 37.81 | 13.94 | -5.54 | -6.40 | -22.85 | 5.46 | 2.80 | 2.29 | 15.58 | -10.09 | -22.85 | 9.26 | 9.16 | 4.30 | 13.04 |
| US Value | 21.65 | 0.39 | 12.24 | 1.63 | -16.02 | 7.46 | 8.42 | 4.16 | 22.11 | -15.63 | -21.94 | 3.47 | 10.26 | 2.04 | 14.55 |
| US Small Cap | 4.74 | 24.83 | -7.77 | 24.88 | -20.47 | 30.11 | 10.98 | 3.05 | 16.58 | -17.01 | -24.94 | 27.29 | 23.38 | -3.52 | 14.96 |
| US Real Estate | -11.05 | -8.30 | 36.18 | 19.35 | 2.58 | 11.60 | 23.47 | 10.97 | 35.72 | -29.73 | -25.55 | 10.98 | 21.50 | 11.72 | 14.13 |
| International Large Cap | 28.62 | 19.52 | -10.80 | -16.55 | -16.75 | 13.57 | 11.49 | 10.69 | 26.10 | -5.25 | -30.67 | 13.85 | 2.22 | -10.26 | 14.72 |
| International Value | 26.31 | 17.28 | 0.24 | -13.41 | -16.77 | 18.85 | 15.28 | 10.95 | 39.88 | -10.14 | -30.06 | 13.99 | -2.14 | -10.00 | 15.08 |
| International Small Cap | 18.16 | 22.53 | -8.82 | -11.56 | -3.79 | 31.32 | 22.49 | 19.56 | 26.08 | -7.92 | -35.24 | 25.12 | 14.53 | -13.78 | 13.82 |

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 IMI Value Index (gross dividends), June 1998–2012; Barra Canada Value Index, January 1997–May 1998. Canadian Small Cap is the MSCI Canada Small Cap Index (gross dividends), January 1999–2012; Barra Canada Small Cap Index, January 1997–December 1998. 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 US Select 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 2013, all rights reserved. Canadian Barra data provided by MSCI Barra. 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.

PRACTICE SMART DIVERSIFICATION

S&P INDEX vs. A GLOBAL PORTFOLIO

It's not enough to diversify by security. Deeper diversification involves geographic and asset class diversity. Holding a global portfolio helps reduce risk and increase expected returns.

| 1991–2012 ¹ | US Model Equity Index Portfolio |
|--------------------------------------|---------------------------------------|
| Annualized Return (%) | 9.13 |
| Annualized Standard Deviation (%) | 18.42* |

* Standard deviation is a measure of risk.
Lower numbers imply less risk.

| 1991–2012 ¹ | Global Model Diversified Equity Index Portfolio |
|--------------------------------------|--|
| Annualized Return (%) | 9.14 |
| Annualized Standard Deviation (%) | 13.75* |



100%
US Large Cap Index



10% Each
Canadian Large Cap Index
Canadian Large Cap Value Index
Canadian Small Cap Index
International Small Cap Index
US Large Cap Index
US Value Index
US Small Cap Index
US Real Estate Index
International Value Index
International Large Cap Index

For illustrative purposes only.

US Large Cap is the S&P Composite Index. Canadian Value is the MSCI Canada IMI Value Index (gross dividends) for June 1998-present, and Barra Canada Value Index for January 1982-May 1998. Canadian Small Cap is the MSCI Canada Small Index (gross dividends) for January 1999-present, and Barra Canadian Small Cap Index for July 1990-December 1998. US Large Cap is the S&P 500 Index. International Value is the MSCI EAFE Value Index (net dividends), and International Large Cap is the MSCI EAFE Index (net dividends). 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 2013, all rights reserved. Russell data copyright © Russell Investment Group 1995-2013, 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.

1. 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.

KEEP COSTS LOW

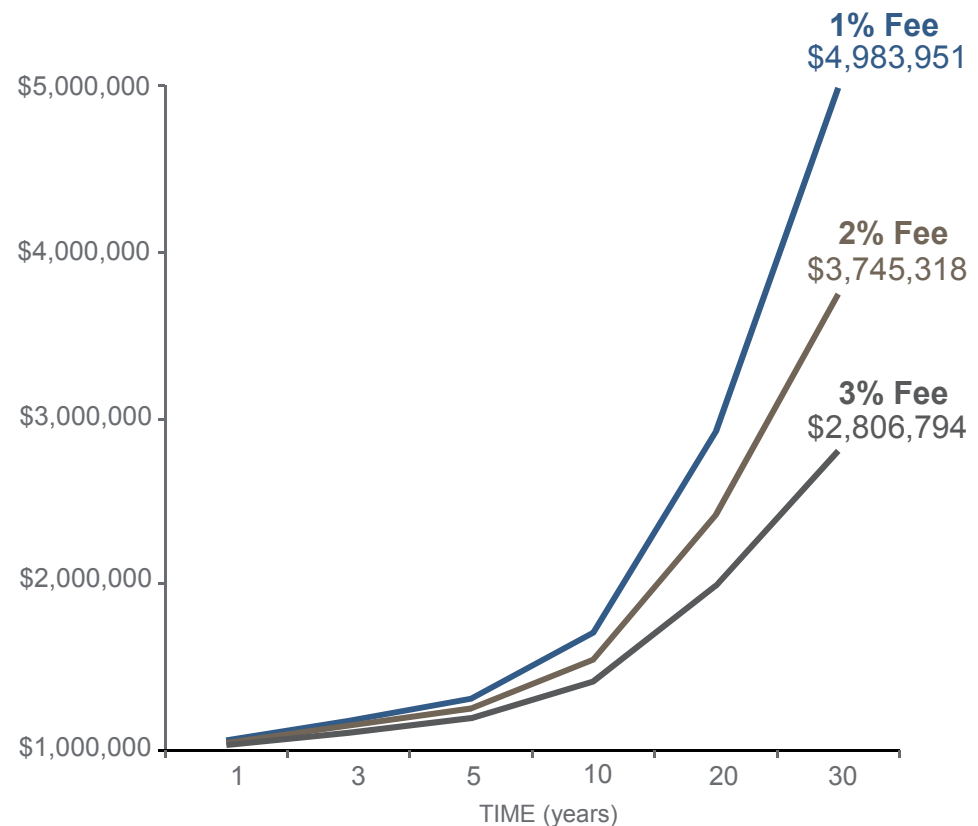
NET GROWTH OF \$1 MILLION

Over long time periods, high costs can drag down wealth accumulation in a portfolio.

Costs to consider include:

- Management fees
- Fund expenses
- Taxes

Assumes 6.5% Annualized Return over 30 Years



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.
- These messages can compromise long-term focus and discipline, and lead to poor investment decisions.

Double Your Bond Yields!
Housing Meltdown!
WHERE TO INVEST
Year's Fund Manager All-Stars
ECONOMIC
Dow Takes Record Plunge
Beware of Sucker's Rally
Recession is -
Ten Cheap Stocks to Own Now!
The Next Tech Miracle!
Investment Survival Guide **BUST!**
Recession The Five Best Funds
FINANCIAL CRISIS!
Recession
The Coming Market Crash
DOWNTURN!
How to Retire Rich at 50

MANAGE YOUR EMOTIONS

COMMON COGNITIVE ERRORS AND BIASES



- OVERCONFIDENCE
- SELF ATTRIBUTION
- HINDSIGHT
- EXTRAPOLATION
- FAMILIARITY
- MENTAL ACCOUNTING
- REGRET AVOIDANCE
- CONFIRMATION

AVOID INVESTMENT MISTAKES

COMMON INVESTMENT PITFALLS



- NO INVESTMENT PLAN
- LACK OF MANAGER SCRUTINY
- CHASING PERFORMANCE
- OVERCONCENTRATION
- MARKET TIMING
- WRONG TIME HORIZON
- FORECASTING
- EXCESSIVE RISK TAKING

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

8.22%

S&P 500

20-Year Annualized Return
(time weighted)

4.25%

**“Average” Equity
Fund Investor**

20-Year Annualized Return
(dollar weighted)

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

KEATSCONNELLY PORTFOLIO REVIEW

For a free review of your portfolio and information about how we can help you manage it, call us at 800-678-5007 or email us at info@keatsconnelly.com