



APPLYING A DISCIPLINED INVESTMENT PHILOSOPHY

At ScotiaMcLeod we are committed to bringing total financial solutions to our clients. These solutions include providing investment strategies that reflect your need for growth, income and personal level of risk.

Your ScotiaMcLeod advisor follows a proven approach to investment success aimed at maximizing long-term performance. They are supported by a team of experts who can recommend a range of investment options that are suitable for your portfolio.

This issue of Exchange looks at some of the many factors our team of investment experts at ScotiaMcLeod use when evaluating individual companies and fixed income instruments.

Invest for the long term and choose quality investments

Stewart Hunt, *Managing Director, Head of Portfolio Advisory Group*

In the short term, no one can predict the direction of the markets with any accuracy. But when you focus on the long term, there are a number of steps that you can take to help you reach your financial goals.

Selecting quality investments that are suited to your individual situation is one of those steps. When this is combined with regular reviews of your portfolio you will have greater confidence in your strategy over the long run.

THE ROAD TO QUALITY

Like most aspects of successful investing, choosing quality investments requires discipline – evaluating opportunities according to rigorous criteria in the context of your individual needs and financial objectives. Plus, it's also important to monitor and refine your portfolio on an ongoing basis to ensure it continues to meet your goals.

Consider some of the factors that our team of experts at ScotiaMcLeod use when evaluating individual companies.

Market leadership. Is the company one of the dominant players in its industry? What are the long-term prospects for the company's products or services? Does the company have a global strategy to market its products or services?

Visible earnings and cash flow. Does the company have recurring revenues and earnings streams? Do its operations generate sufficient cash flow?

Actively traded shares (liquidity). Is there sufficient demand for the company's shares? Do large, institutional investors own shares in the company?

Financial stability. Does the company have sufficient working capital and is its debt load manageable?

Dividends. Does the company have a history of paying dividends and have these increased over time?

If a company can deliver on these criteria it will merit further consideration. This means additional evaluation and analysis before we will recommend it as part of a client's diversified portfolio. It's always important to remember that choosing investments should always be done in context of your unique goals, objectives, time horizon and risk tolerance.

FIXED INCOME SOLUTIONS

With an ability to preserve capital and provide a fixed rate of return, bonds can be a key component in a well-diversified portfolio. Here too we are diligent in searching out quality investments. When choosing individual fixed income investments, our team of experts will look at a number of factors.

Credit quality of the issuer. Some bonds, such as government issues, are easier to research. When it comes to corporate bonds, we carefully examine the ability of the company to meet its interest and principal payments, relying on our own research and that of the rating agencies.

Yield. Is the yield attractive relative to other fixed income securities and relative to the prospects of the issuer?

Term to maturity. Generally speaking, the longer the term to maturity, the higher the yield. We pay attention to the general economic and interest rate environment before advising whether to choose short or long dated maturities.

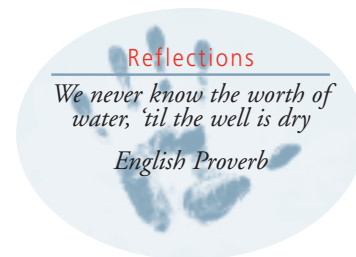
Many factors will determine the role bonds should play in your portfolio including your individual need for capital preservation, income and your personal level of risk tolerance.

Your ScotiaMcLeod advisor can work with you to create a diversified portfolio that includes quality investments that can help you achieve your long-term financial goals. They will also monitor the market conditions, review your portfolio and rebalance accordingly to ensure you remain on track.

Stay Balanced

Studies have shown that asset allocation can account for 90% of a portfolio's overall volatility. That's why the first step in a disciplined investment process is to design a well-balanced portfolio. This includes defining your need for growth and your tolerance for risk. From there, you can diversify among the major asset classes – cash, fixed income and equities.

Regular portfolio reviews are equally as important. Why? Because rebalancing your portfolio can help you remain on target across a variety of market conditions and reduces the impact of market volatility. With your investment strategy clearly defined you increase the likelihood of achieving your financial objectives.



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