

# The Financier

Fall 2018

## Investing: Where should you begin?

You need money to achieve your goals or plan your retirement. Why leave your money untouched in a bank account when you could do more to make it grow?

### ✓ Establish the foundation of your plan

Before you do anything else, it's preferable to pay off high-interest debts before thinking about investing the money you have managed to save. Then, zero in on your goal: buy a car, prepare for a trip or save for a down payment to buy property. Any reason is a good reason to save and invest.

### ✓ The right strategy for the right project

An investment strategy is based on many elements. Consider your age and how much time you have to achieve your goals. Remember that not all investments can quickly be withdrawn if you need liquidity. And if you're looking for stable returns, opt for more conservative investments.

### ✓ Do you have experience?

Depending on your experience and your investment knowledge, contact a financial advisor for help. A hybrid approach combining advisor input with discount brokerage could be profitable, if you have some experience in investment. You could also consider online brokerages to manage your portfolio autonomously online.

### ✓ Are you ready for the stock market?

If you are worried about investing in the stock market because you think it could be risky for your assets, understand that, over a long period, it usually generates a good return. There could certainly be turbulence, but remember that market fluctuations are normal phenomena that should not send you running in the other direction.

### ✓ Diversify to limit risks

One of the keys to having good overall return and ensuring your investment portfolio's stability is to spread your money across several types of investments. Ideally, diversify your investment horizons (one, three, five years, etc.) as well as investment sectors (information technology, biopharmaceuticals, natural resources, etc.). Safer investments, such as bonds, help you stay the course in case of stock market turbulence and offset negative return on stocks.

Above all, don't forget that you don't need to strike gold to start investing. Just a few hundred dollars is enough to get started!



#### Tip

Do you know about **MyIdea**? This tool allows you to establish a concrete savings plan that can help you achieve your goals based on the amount you need and your envisioned deadline. Visit [nbc.ca/myidea](http://nbc.ca/myidea).

## Three ways to invest \$1,000

Do you want to carefully invest your savings to help them grow? You don't need to be an expert to do so. Here are three strategies that could pay off in a big way.

Short term

Long term



### Save on taxes

#### RRSP

The Registered Retirement Savings Plan (RRSP) is a great tool for investing for your retirement, and your contributions will help you save on taxes.

Did you know that the money you invest can be used for other plans? You can purchase your first home with the Home Buyers' Plan (HBP) or go back to school, thanks to the Lifelong Learning Plan (LLP).



### Save, tax-free

#### TFSA

The Tax-Free Savings Account (TFSA) does not reduce your tax bill, but your investment income is non-taxable.

This tool is perfect for establishing an emergency fund or carrying out short-term projects such as travel or renovations.

You can also strategically use this account for your retirement savings. Because withdrawals are non-taxable and are not considered income, you can keep your Guaranteed Income Supplement.



### Plan your children's future

#### RESP

The Registered Education Savings Plan (RESP) is the ideal tool to prepare for your children's post-secondary studies and grants that will help you save money faster.

The Canadian Education Savings Grant (CESG) is equivalent to 20% of your RESP contributions, up to a maximum of \$500 per year and \$7,200 for life.

If you live in British Columbia or Quebec, you can receive additional bonuses.

### Take advantage of NBI Portfolios to reach your goals

Whether you want to put aside money for retirement, save to buy a home or save for your children's education, you can invest in NBI Portfolios no matter what the investment vehicle (RRSP, TFSA and RESP)

#### NBI Portfolios at a glance:

- > Possibility to reduce management fees<sup>1</sup> depending on the value of assets held
- > Portfolios managed by world-renowned portfolio managers
- > Optimal diversification aimed at reducing risk and optimizing return

❖ For details, visit [nbc.ca/nbiportfolios](http://nbc.ca/nbiportfolios).

# Portfolio Manager Spotlight

Did you know that National Bank Investments (NBI) is the leading bank-affiliated asset manager in Canada to sub-advise exclusively to other firms the portfolio management of the funds built for our product shelf? This structure, which we call “open architecture,” allows us to select among prominent global portfolio managers to meet our commitment to offer you the best investment expertise.

In this Fall 2018 edition, we present Goldman Sachs Asset Management LP’s approach as portfolio manager of the NBI *SmartData* U.S. Equity Fund and the NBI *SmartData* International Equity Fund. These investment funds are integrated into the six NBI Portfolios.

## Overview

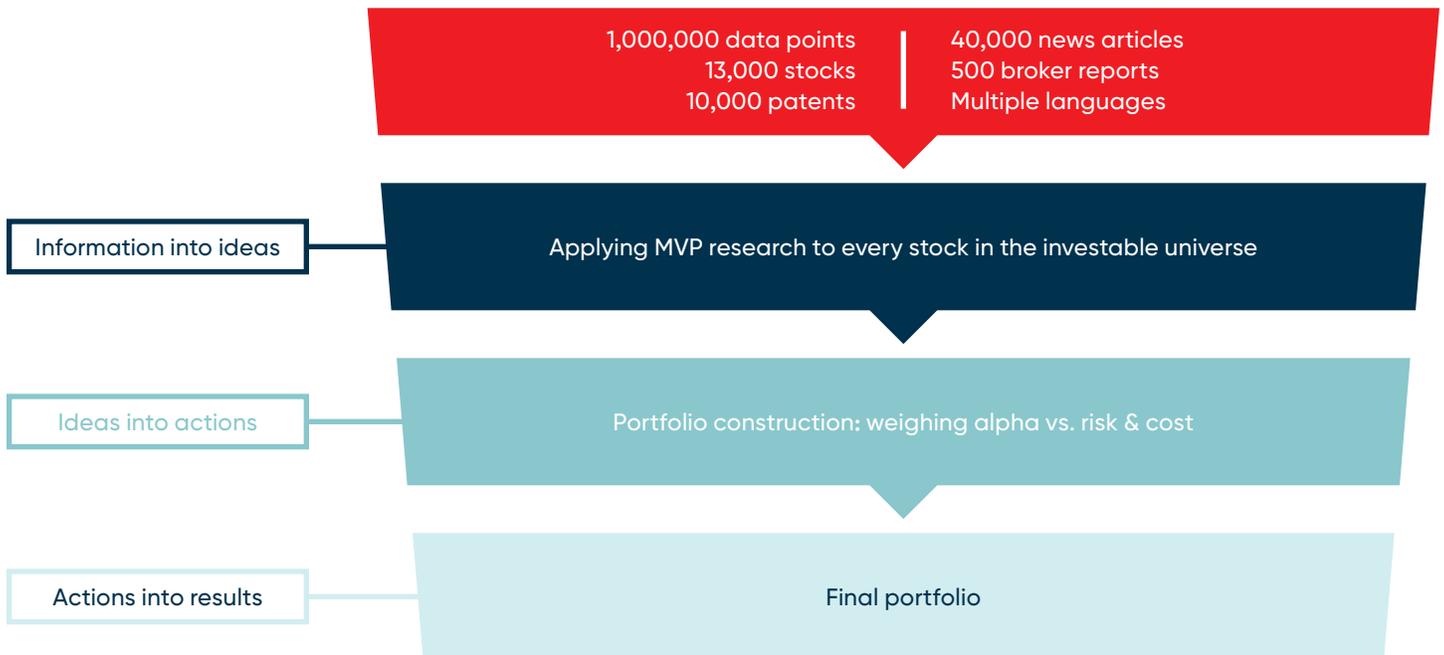
The foundation of the investment model for the NBI *SmartData* U.S. and International Equity Funds is rooted in rigorous, repeatable and risk-informed data analysis. Big data is leveraged to search for new and unique insights that may be overlooked by conventional approaches.

- > A successful, quantitative rules-based approach that attempts to gain insights about a company and sector before the broad market prices it in.
- > Use proprietary machine-learning software to analyze big-data themes.
- > Combining human judgment with processed, unstructured data to transform big data into actionable ideas and results.

## Management strategy

Looking ahead, the portfolio management team continues to believe that cheaper stocks should outpace more expensive ones and good momentum stocks should do better than poor momentum stocks\*.

Portfolio managers also prefer stocks about which fundamental research analysts are becoming more positive, and companies that are profitable, have sustainable earnings and use their capital to enhance shareholder value. As such, they anticipate remaining fully invested and expect that the value they may add over time will be due to stock selection, as opposed to size allocations.



\* Note that comments authored in mid-August may no longer apply at the time of receipt of this publication.

# Five errors frequently made by investors

By analyzing the behaviour of both novice and experienced investors, it's clear that they tend to systematically make the same mistakes. Here are five mistakes that often occur, and some tips to avoid them.



## Letting emotions get the best of you

Emotions are behind many irrational investment decisions. To avoid letting your emotions get the best of you, learn to recognize situations (market correction, falling stock value, etc.) where you tend to act irrationally to help you defuse them.



## Investing without a strategy

Investing without establishing a strategy beforehand can have dangerous results and unpredictable returns. To improve your chances of success and choose your investments strategically, it is essential that you establish a game plan with a financial advisor or planner. Review it on a regular basis to ensure that your strategy is always right for you.



## Thinking you can beat the market

You cannot win every time, and some of your investments will result in losses. Stay realistic and disciplined with a good dose of humility. Ask for advice from experts to maximize your investments. Even the biggest investors in the world have had mentors.



## Believing the stock market will fund their retirement

Many investors hope that, without making much of an effort, a sufficient return will ensure a comfortable retirement. However, the market will not build your retirement funds—good financial habits will. Control your expenses, start saving early and don't forget that even the smallest amounts invested over a longer period will produce a good amount when retirement comes.



## Your investments are too spread out or not diverse enough

Some investors tend to divide their investments too much, thinking they are reducing risks, while others do not diversify them enough. It's best to speak with a financial advisor to implement a strategy that weighs risks while focusing on the long term.

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## To learn more

 1-888-270-3941 or 514-871-2082  
Monday to Friday, 8:00 a.m.–8:00 p.m. (Eastern time)

 [nbc.ca/investment](http://nbc.ca/investment)

 [investments@nbc.ca](mailto:investments@nbc.ca)



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<sup>1</sup> As part of the management fee reduction plan for high net worth investors (the "reduction plan"), certain investors holding Investor and R Series of all the NBI Portfolios and Investor-2, F-2 and R-2 Series securities of certain NBI Portfolios may be eligible for a management fee reduction based on the size of their investment in one or more of the NBI Portfolios. The reduction plan only applies to the series of the NBI Portfolios that are eligible. The amount equivalent to the management fee reduction takes the form of a distribution, which is automatically reinvested in additional securities of the same series of the applicable NBI Portfolio. For more information about the reduction plan, please see the NBI Portfolios prospectus.

The information and the data supplied in the present document, and comments of the portfolio managers, including their opinions and forward-looking statements as well as those supplied by third parties, are considered accurate at the time of their printing and were obtained from sources that we consider reliable. We reserve the right to modify them without advance notice. This information, these data and these comments are supplied as informative content only. No representation or guarantee, explicit or implicit, is made as for the exactness, the quality and the complete character of this information, these data and these comments. The opinions expressed are not to be construed as solicitation or offer to buy or sell shares mentioned herein and should not be considered as recommendations. The information presented does not create any legal or contractual obligations for National Bank of Canada or any of its subsidiaries.

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