

## FINANCIAL PLANNING MONTH: INVESTMENT STRATEGIES TO CONSIDER IN THE CURRENT ECONOMIC CONTEXT

**Montréal, October 5, 2012** – Financial planning for retirement is an exercise that should be undertaken early and reviewed periodically. Such planning is influenced by a number of factors, including risk tolerance, the number of years away from retirement, and market fluctuation, among others. Within the context of today's unstable economic climate, Laurentian Bank has certain tips and advice to offer with respect to investment strategies.

### Combating Volatility

Given the current economic context and significant market volatility that prevails today, effective financial planning demands the adoption of a rigorous strategy established in accordance with the specific characteristics of each individual. Because there is great disparity between the returns on different financial vehicles, it is essential to be diversified in order to disperse the risk. Such diversification is reflected in the mix of assets — cash, fixed income and equity — within an investor profile. According to Sylvain, Ratelle, Vice-President and Strategist with Laurentian Bank Securities, “investors must establish the profile that corresponds to their specific situation. Proper diversification in accordance with this profile makes it possible to balance the portfolio, stabilize its performance, and to reduce volatility.”

Laurentian Bank Securities has defined six different investor profiles that are available through its advisors that range from most conservative to most venturesome. Looking at the evolution of these portfolios over a period of about 10 years (9.67 years, to be more precise), the average total return of these different profiles has remained within the range of 5.8% to 6.63%, while that of the different indices (monetary, bond and equity markets) has varied much more dramatically from 0.59% to 10.37%, as illustrated in the table below. This confirms that investing via a portfolio that corresponds to one's profile can yield both interesting returns and stability.

### Annual Returns – Investor Profiles and Principal Indices

Index/Profile	10-Year Average (approximately)	Highest	Lowest
Monetary Market Index	2.13%	4.14%	0.33%
Bond Index: XBB + 0.32%	6.46%	9.72%	3.52%
Canadian Equity Index: SPTSX Composite	8.97%	35.00%	-32.96%
Developed Country Equity Index: MSCI World \$CAN	2.74%	21.07%	-26.60%
Emerging Country Equity Index: MSCI Emerging \$CAN	1.,37%	54.87%	-42.59%
Alternative Investment Index: JP Morgan Alternatives \$CAN	0.59%	37.77%	-13.13%
LBS Fixed Income Profile	5.81%	8.50%	3.59%
LBS Income Profile	6.41%	11.54%	-3.61%
LBS Conservative Profile	6.35%	13.06%	-7.24%
LBS Balanced Profile	6.38%	14.22%	-9.31%
LBS Growth Profile	6.63%	18.82%	-15.19%
LBS Maximum Growth Profile	6.44%	26.52%	-26.88%

“Diversification based on individual profiles offers much more stability and resistance to volatility because it disperses the risk among different asset categories,” underlines Sylvain Ratelle. “Moreover, these profiles can be adjusted or modified periodically based on the client’s age and financial position so as to correspond to their specific situation as it evolves.”

### **Geographic and Sectoral Diversification Based on Proven Strengths**

When it comes to portfolio diversification in accordance with investor profiles, dispersion by markets or geographical sectors is aimed, first and foremost, at achieving a proper balance. “In a balanced portfolio that contains an equal proportion of fixed income and equity components,” explains Sylvain Ratelle, “equity, for example, is generally distributed among Canadian, developed and emerging markets at a proportion of 20-20-10 so as to limit exposure to risk. Similarly, we favour sectors that represent strengths in each of these markets. For instance, Canada is recognized for its resources and its banking sector; these are its particular strengths. In the United States, technology, pharmaceuticals and major brands constitute the dominant sectors and, thus, are the ones to concentrate on. For emerging markets, the exchange traded funds or mutual funds provide access to greater diversification.”

In light of all these factors, financial planning must be done with a prudent approach. By selecting the profile that best matches their situation, by opting for diversification, and by building a balanced portfolio, savers will ultimately reduce risk and volatility and obtain more stable returns. Moreover, in preparing for their retirement, they would certainly stand to benefit from consulting a financial planner, who will conduct a comprehensive analysis of their needs and portfolio, and then suggest a program that is fully aligned with their investor profile while minimizing their exposure to risk.

### **About Laurentian Bank**

Laurentian Bank of Canada is a pan-Canadian banking institution that has more than \$35 billion in balance sheet assets and over \$32 billion in assets under administration. Founded in 1846, Laurentian Bank was selected as the Québec and Atlantic Canada regional winner of the *Canada’s 10 Most Admired Corporate Cultures* program presented by Waterstone Human Capital. The Bank employs more than 4,000 people.

Known for its excellent service, proximity and simplicity, Laurentian Bank serves more than one million clients in market segments in which it holds an enviable position. In addition to occupying a choice position among consumers in Québec, where it operates the third largest branch network, the Bank has built a solid reputation across Canada in the area of real estate and commercial financing thanks to its teams working out of more than 35 offices in Ontario, Québec, Alberta and British Columbia. Its subsidiary, B2B Bank, is a Canadian leader in providing banking products to financial advisors and brokers, while Laurentian Bank Securities is an integrated broker, widely recognized for its expertise and effectiveness nationwide.



# Press release

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**Mary-Claude Tardif**

Public Relations Advisor

514 284-4500, extension 4695

[mary-claude.tardif@laurentianbank.ca](mailto:mary-claude.tardif@laurentianbank.ca)