



Professionally managed diversified pools

Private Pools

- 3 Simplicity is now within your reach
- 4 What are Private Pools?
- 6 Diversification: how to reduce your risk
- 8 A fee structure that gives the potential for higher returns
- 10 Professional portfolio management that optimizes your investment returns and brings you peace of mind
- 12 A wide array of options with the flexibility to meet all of your investment needs
- 14 Private Pools: Questions and Answers

Simplicity is now within your reach

“Absolute simplicity is the best way to distinguish oneself.”

— Charles Baudelaire

Financial independence is an undertaking that is best achieved through effective investing. While an aspiration as such is far from being unrealistic, arriving at this ultimate destination isn't always that simple. With the financial world under constant evolution, investing has undoubtedly become a daunting task for some individuals. For others, high minimum initial investments have rendered certain vehicles or strategies inaccessible. To overcome these challenges, National Bank Financial offers a new and exclusive investment solution called the Private Pools.

Available through National Bank Financial's Discretionary Management Service, the Private Pools give you access to **professional portfolio management**. What this implies is that you can always benefit from the expertise of a dedicated portfolio management team, which will liberate you from the challenges of managing your own portfolio.

Aside from professional portfolio management, there are several other characteristics that make this investment solution attractive. Through its Private Pools, National Bank Financial's Discretionary Management Service can provide you with the following advantages:

- A possibility to diversify your investments and reduce your risk exposure;
- An affordable and cost-effective access to financial markets through its relatively low minimum initial investments and its competitive management fees;
- An opportunity to get closer to reaching your personal investment objectives, thanks to the facility of combining asset classes in an infinite number of ways.

In short, National Bank Financial allows you to take full advantage of financial market potential through its Discretionary Management Service and Private Pools.





What are Private Pools?

An innovative approach.

Seeing that National Bank Financial's Private Pools are unit trusts managed by professional portfolio managers, you will hold units of the Private Pools in your account when you invest in this exclusive investment solution. Each of our Private Pools is invested in a portfolio of many different securities. By purchasing a Private Pool, you effectively gain exposure to these underlying securities.

In some ways, our Private Pools are similar to mutual funds. Professional portfolio management, broad diversification and a relatively small minimum investment are just some of the advantages shared by these two vehicles. For each, it is not uncommon for portfolio managers to hold cash balances so that securities do not have to be sold every time an investor wishes to redeem his or her units. If managers anticipate a market correction, they can also choose to reduce their exposure to a given asset class by selling securities. Finally, when portfolio managers have a large amount of assets under management, they typically invest in many different securities.

Compared to mutual funds, one of the biggest advantages of our Private Pools is their attractive fee schedule. The fact that the Private Pools are offered through National Bank Financial's Discretionary Management Services results in an appreciable cost savings for you.

Our current lineup of Private Pools mirrors our Baskets, which are also offered through National Bank Financial's Discretionary Management Services. Although both of these vehicles feature attractive pricing schedules, give you the services of a professional portfolio manager, and can address a wide range of investment needs, Private Pools and Baskets are far from being identical.

With Baskets, you have direct ownership of the underlying securities, which allows you to follow each transaction the portfolio manager makes and see each security in your statement. Private Pools on the other hand, are a better fit for investors looking for simplicity. Rather than having a detailed statement with a long list of securities, your participation in a Private Pool will be summed up in a single line on your statement. With Private Pools, you have simple and concise reporting that gives you only the essential information.

Without a doubt, mutual funds and Baskets are excellent investment vehicles. But so are Private Pools – and we think that under certain circumstances, our Private Pools can prove to be more advantageous than either mutual funds or Baskets. Your Investment Advisor can help you determine which of the three options is best for you.

Diversification: How to reduce your risk

Our family of Private Pools
is your gateway to a broad range
of asset classes.

Diversification across asset classes

There are two main reasons for investing in more than one asset class at a time. First, owning several asset classes eliminates the risk of having all your capital invested in the one that ends up posting the lowest return for a given period. Second, returns earned by the main asset classes typically show a relatively low level of correlation with each other. By having an exposure to several asset classes, you are reducing the overall risk of your portfolio, which provides you with a degree of protection against the periods of upheaval that financial markets go through from time to time. Since the minimum investment for each Private Pool is relatively low, you can combine them in order to enjoy the benefits of diversification that a combination of asset classes brings. A much larger investment would be required if you wanted to implement such a diversification strategy with individually-purchased securities.

Diversification within asset classes

Regardless of which asset class examined, you will always be confronted with issuer-specific risk. This is precisely the risk that diversification within asset classes seeks to minimize. To better illustrate this concept, consider the risks associated with an investment in common shares.

We have seen very attractive stocks lose their lustre far too often to believe that security selection is an infallible science. The only way to reduce the risk associated with the shares of a specific company (issuer-specific risk) is to invest in many different stocks. The idea behind allocating your investment capital across a wider range of stocks is that it usually produces a portfolio with offsetting returns. Losses incurred on some of the stocks in the portfolio can be expected to be more than offset by gains realized on other stocks. According to experts, it takes 15-20 stocks in a portfolio to reduce issuer-specific risk to an acceptable level.

This is the reason why we designed each of our Private Pools to hold a number of different securities. This approach gives you a meaningful exposure to either a specific asset class or a combination of asset classes, while avoiding the risk of excessive concentration. Simply put, diversification is the way to optimize your portfolio's risk/return ratio.





A fee structure that gives the potential for higher returns

With their affordable minimum investment and attractive graduated pricing schedules, Private Pools will appeal to many investors.

National Bank Financial currently manages more than \$2 billion in its Basket and Private Pool programs. When we make changes to the portfolios, the buy and sell transactions are very large, which means that our transaction costs are much smaller than what an individual would pay for trades in his or her personal portfolio. This is why from an operational perspective alone, Private Pools are far more cost effective than a portfolio of identical securities that you managed for yourself. Every transaction represents a cost saving, which translates into a higher return for you.

Because we are making trades of several million dollars at a time, the price we pay to purchase a security is generally lower, and the proceeds we receive when selling a security are generally higher than what you would experience making the same transactions in your personal account. Because of their size, our transactions are executed by professional traders in our institutional department – the same traders used by large pension funds and investment funds to transact big blocks of stocks and bonds. These traders carefully manage our orders and seek out the institutions that are likely to offer the best pricing. Once again, this difference ends up in your pocket in the form of a higher rate of return.

Finally, since the operational principle behind Private Pools involves taking a proportional share of a large transaction and allocating it to the unit-holder, your pro-rata ownership of a given security can be very small, involving odd lots and even fractions of shares. This allows you to enjoy the benefits of a widely diversified portfolio with even a modest initial investment – which would certainly not be the case if you tried to achieve a comparable level of diversification by buying and selling individual securities yourself.



Professional portfolio management that optimizes your returns and brings you peace of mind

Our Private Pools allow you to delegate the decision-making process to a team of investment specialists.

Active Management

Each Private Pool is managed by a team of experts that chooses the securities and follows them on a continuous basis. Securities in the portfolio are sold when they reach their target price or if better investment opportunities come along. As is the case with any actively managed portfolio, the composition of our Private Pools will change several times over the course of the year.

A specific mandate

Each Private Pool has a specific mandate and an investment policy statement that clearly states the type of investments that may be held in that pool. All securities held in a Private Pool must fully meet the criteria specified in the investment policy statement. This strict observance of the investment mandate ensures that the Private Pools you own are always aligned with the objectives that prompted you to acquire them in the first place.

A Discretionary Management Agreement

Given that investments in the Private Pools are made in the context of National Bank Financial's Discretionary Management Services, you must sign a discretionary management agreement. This discretionary management agreement only applies to the portion of your portfolio that is invested in Private Pools - not all investments you hold at National Bank Financial. This agreement authorizes our portfolio managers to make the transactions required to deliver on the Private Pool's investment mandate.



A wide array of options with the flexibility to meet all of your investment needs

Each Private Pool is designed with a specific investment objective in mind. A Private Pool will give you professionally-managed exposure to an asset class, a combination of asset classes or a sub-set of a given asset class.

The Private Pool lineup is flexible and can adapt and respond to a wide variety of investment needs. Given the fact that each Private Pool can cater to a specific portion of your overall investment, a combination of Private Pools can be utilized to construct an overall portfolio that closely matches your investment needs and objectives. For example, our Multiple Asset Class Basket Private Pool allows investors to benefit from a well-diversified portfolio with just a single transaction. Our Private Pool program is also responsive to market conditions, and the fact that the financial world is in constant evolution. As new and interesting opportunities are identified, we will offer new Private Pools that will allow you to take advantage of them.

CANADIAN EQUITY PRIVATE POOLS

THESE PRIVATE POOLS ARE DESIGNED TO PRODUCE LONG-TERM CAPITAL GROWTH. WHILE THEY MAINLY FOCUS ON COMMON STOCKS, THE POOLS CAN OCCASIONALLY INVEST IN OTHER TYPES OF SECURITIES SUCH AS INCOME TRUSTS.

FIXED-INCOME PRIVATE POOLS

OUR FAMILY OF FIXED INCOME PRIVATE POOLS INVEST THEIR ASSETS IN GOVERNMENT AND CORPORATE BONDS WITH AN OBJECTIVE OF GENERATING A REGULAR INCOME STREAM WHILE PROVIDING A HIGH DEGREE OF CAPITAL PROTECTION.

U.S. AND INTERNATIONAL EQUITIES PRIVATE POOLS

THESE PRIVATE POOLS ARE DESIGNED TO PRODUCE CAPITAL GROWTH THROUGH GIVING EXPOSURE TO SOME OF THE LARGEST AND MOST DEVELOPED STOCK MARKETS IN THE WORLD. THE POOLS' ASSETS ARE INVESTED IN A WIDE RANGE OF HIGH QUALITY U.S. AND INTERNATIONAL STOCKS.

MULTIPLE ASSET CLASS PRIVATE POOLS

THESE PRIVATE POOLS CONTAIN A CAREFULLY-CHOSEN MIX OF TRADITIONAL ASSET CLASSES, INCLUDING CASH EQUIVALENTS, BONDS, CANADIAN AND U.S. STOCKS AND AN INTERNATIONAL COMPONENT. EXPOSURE TO THE U.S. AND THE INTERNATIONAL STOCK MARKETS IS TYPICALLY IN THE FORM OF EXCHANGE-TRADED FUNDS, ALTHOUGH INDIVIDUAL STOCKS WILL SOMETIMES BE USED. THESE PRIVATE POOLS CAN ALSO INVEST IN NON-TRADITIONAL ASSETS SUCH AS COMMODITIES, REAL-ESTATE AND ALTERNATIVE INVESTMENTS.

For more information

Your Investment Advisor can provide you with detailed information on each of our Private Pools as well as recommend the most appropriate Private Pools or combination thereof, taking into account your risk tolerance, objectives and existing portfolio.





Private Pools Questions and Answers

How do I purchase a Private Pool?

Only investors who participate in National Bank Financial's Discretionary Management Program may invest in the Private Pools. To participate in the program, you simply sign our discretionary management agreement. A minimum investment of \$5,000 is required.

How do I sell a Private Pool?

Private Pools are sold in the same way as any other security – one transaction is all it takes. Note that from the moment you sell all of your Private Pool units, you will no longer pay discretionary management fees and you will cease to benefit from the Discretionary Management Program.

Do I cease to manage my own investments when I invest in a Private Pool?

Yes - when you sign the discretionary management agreement, you grant National Bank Financial authority to manage the capital you invest in the Private Pool. However, this discretionary mandate only applies to that portion of your assets invested in the pool. If you also hold other investments in your National Bank Financial accounts, these will remain under your control. Note that you may cancel your discretionary management agreement at any time and dispose of your Private Pool.

Does the composition of a Private Pool change often?

There are no pre-established rules in this regard, and each Private Pool has its own turnover rate. Market conditions will also influence a Private Pool's turnover rate.

What information will appear on my statement?

Your portfolio statement will identify the names of the Private Pools you hold, along with the number of units you own in each pool.

How much does all this cost?

Private Pools are subject to management fees that are assessed monthly, and vary from one pool to another depending on the investment mandate. Our Private Pool management fees are generally lower than what you would pay for professional asset management services. The Private Pool's management fees are also significantly lower than the management expense ratios of mutual funds invested in equivalent asset classes. Furthermore, for Private Pools held in a taxable account, their management fees are fully tax deductible.

Are the Private Pools eligible to be held in tax-deferred plans such as RRSPs and TFSAs?

All of our Private Pools are eligible to be held in RRSPs, RRIFs, TFSAs, LIFs, LIRAs and other tax-deferred plans.

What role will my Investment Advisor play in all of this?

Purchasing a Private Pool does not change the role that your Investment Advisor plays. He or she will remain the person best suited to help you define your objectives and risk tolerance, and then choose the most appropriate asset mix. Private Pools are merely an additional tool at your Investment Advisor's disposal for implementing your investment strategy.

What will happen if I decide to transfer my account to another financial institution?

Seeing that the Private Pools are offered exclusively at National Bank Financial Group, they cannot be managed by another financial institution. As a result, your Private Pools must be sold if you decide to transfer your account.

Ready to invest in simplicity?

Your Investment Advisor will be pleased to guide you through the process.

Consult your Investment Advisor for more information on the benefits of our Private Pools and how they can be incorporated into your portfolio.



MANAGING THE WORLD'S MOST
IMPORTANT INVESTMENTS: YOURS!

The Private Pools are offered in the context of the Discretionary Management Program offered by National Bank Financial Inc. and National Bank Financial Ltd. (collectively, "NBF"), subsidiaries of National Bank of Canada. Please read the terms of the Discretionary Management Agreement to be entered into between you and NBF before investing. An investment in a Private Pool is not guaranteed, its value changes frequently and past performance may not be repeated.

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