

Your Account with PH&N Investment Services®

A Guide to Defining Your Investor Profile and Constructing Your Portfolio

Determining your investor profile and account objectives

The first step in building an investment portfolio is to identify your investor profile and account objectives. Additionally, securities regulators require that we collect certain information from clients when they open an account with us.

All our account application forms include the *Investor Profile and Account Objectives* section, which must be completed fully. Investor Profile information consists of your date of birth, occupation, net worth and net income. Account objectives include your **risk tolerance**, **investment objective** and **time horizon**, for each account. We must have this information on file in order for you to open a new account or to process transactions within an existing account.

Risk Tolerance

For each of your accounts, we ask you to define your risk tolerance as “high,” “moderate,” or “low.” Risk tolerance is defined as your comfort level with fluctuations in the value of your investments. It can be quantified as the amount of volatility that you can accept in a fund, or the percentage decline in the value of your portfolio under normal market conditions. Risk tolerance differs from person to person. A conservative (low-risk) investor is primarily concerned with safety of capital and is willing to accept lower long-term returns in exchange for greater peace of mind. A moderate risk investor should only invest in no higher than medium risk funds. An aggressive (high-risk) investor is willing to accept more short-term volatility in exchange for potentially higher long-term returns.

Risk Tolerance	Acceptable Volatility
High	<ul style="list-style-type: none"> ■ You are able to tolerate seeing your portfolio decline over 15% in any given calendar year. ■ You are able to accept seeing a fund experience over 20% volatility over any 3-year period.
Moderate	<ul style="list-style-type: none"> ■ You are able to tolerate seeing your portfolio decline 10% – 15% in any given calendar year. ■ You are able to accept seeing a fund experience between 5% – 20% volatility over any 3-year period.
Low	<ul style="list-style-type: none"> ■ You are able to tolerate seeing your portfolio decline up to 10% in any given calendar year. ■ You are able to accept seeing a fund experience between 0% – 5% volatility over any 3-year period.

Investment Objective

It is important to determine the investment objective for each of your accounts. Your objective may be defined as “growth,” “balanced,” or “income.” Please review these options and select the one that best reflects your objectives.

- **Growth:** You are seeking capital appreciation over the long term, and current income (i.e. interest and dividends) is not a high priority for you. This may lead you to hold a relatively high proportion of growth-oriented equity funds.
- **Balanced:** You seek a blend of growth and income. Your target holdings should be 60% growth-oriented equity funds and 40% fixed income or income-oriented equity funds. You will, however, be comfortable holding up to 70% growth-oriented equity funds.
- **Income:** You seek income from fixed income or income-oriented equity funds.

Time Horizon

In this section we ask you to define your investment time horizon – that is, the period between now and the point when you will need to use the majority of the money you have accumulated. Note that even after you are retired and drawing funds from your portfolio, you may still have a medium- or long-term time horizon, as it may be several years before you draw down the bulk of your retirement savings.

Clients with a time horizon of greater than three years typically have a greater degree of flexibility when building their portfolios (although their risk tolerance must also be considered).

Clients with a time horizon of less than three years should invest primarily in money market funds or short term fixed income funds, as these funds experience minimal volatility. If your time horizon is less than three years, please contact us to discuss building an appropriate portfolio for your needs.

Constructing and managing your portfolio

Once you have determined your Investor Profile and Account Objectives, you can create a portfolio by selecting one or more funds in which to invest. When assembled together, the portfolio of funds you select should be consistent with your risk tolerance, investment objective and time horizon.

You may select funds on your own, or you are welcome to call us for advice or for answers to any questions that may arise. To ensure your account holdings are suitable for you (based on how you have defined your Investor Profile and Account Objectives), we will review your fund selections when you open your account or make changes to your holdings. In the event of an inconsistency, we may restrict certain transactions until the issue is resolved.

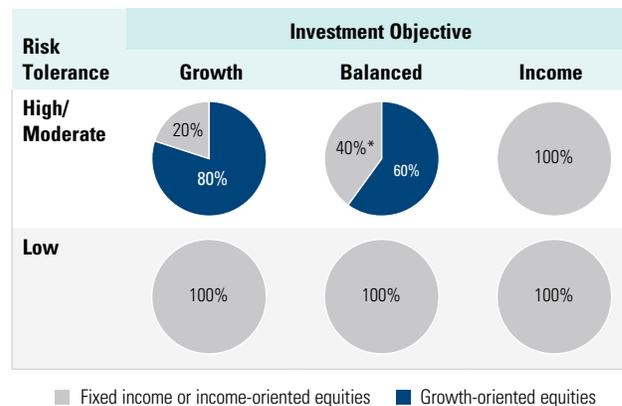
It is important to let us know if and when there are changes regarding your personal circumstances that may affect your Investor Profile or Account Objectives. We print your Account Objectives on your quarterly PH&N Investment Services account statement as a reminder of the information we have on file.

What's Your Optimal Asset Mix?

An important step in constructing a portfolio is to decide on an appropriate balance between cash, fixed income and equities – that is, an optimal asset mix. Your optimal asset mix is a guideline for which types of funds – and in which

proportion – should be held in your portfolio.

The table below lists our suggested asset mixes, based on a client's risk tolerance and investment objective.



**You may consider holding a balanced fund. Our balanced funds are generally invested approximately 60% in equities and 40% in fixed income securities.*

After you have identified your optimal asset mix, select a combination of funds to own within your portfolio. Most often, a portfolio is composed of three to five funds. However, in many cases a balanced fund, either alone or in combination with another fund, is a simple and effective solution.

- **If you are an investor with a low risk tolerance**, with a time horizon greater than three years, a portfolio of low-risk funds is most appropriate.
- **If you are an investor with a moderate risk tolerance**, with a time horizon greater than three years, a portfolio dominated by medium-risk funds is appropriate. Exposure to some low-risk funds adds diversification; however, depending on your objectives, this is not required.
- **If you are an investor with a high risk tolerance**, you are in a position to build a portfolio using any of our funds.

If you plan to hold equities in your portfolio, we usually recommend investing in both Canadian and foreign equity funds. The optimal amount of each depends on your personal circumstances.

Once you have constructed your portfolio, you should monitor the asset mix and realign it with your targets if and when your portfolio drifts too far from your optimal asset mix; this is called “rebalancing.” An Investment Funds Advisor can assist you in identifying when you need to rebalance your portfolio.

Fund Options for You

PH&N Investment Services offers a variety of funds, including a selection of fixed income funds, balanced funds and equity funds with which to build your portfolio. A complete listing of PH&N Funds and RBC Funds is available on www.phn.com (under *Forms & Documents > Transaction Forms*) and is listed on our application forms.

Tools To Help You Achieve Your Goals

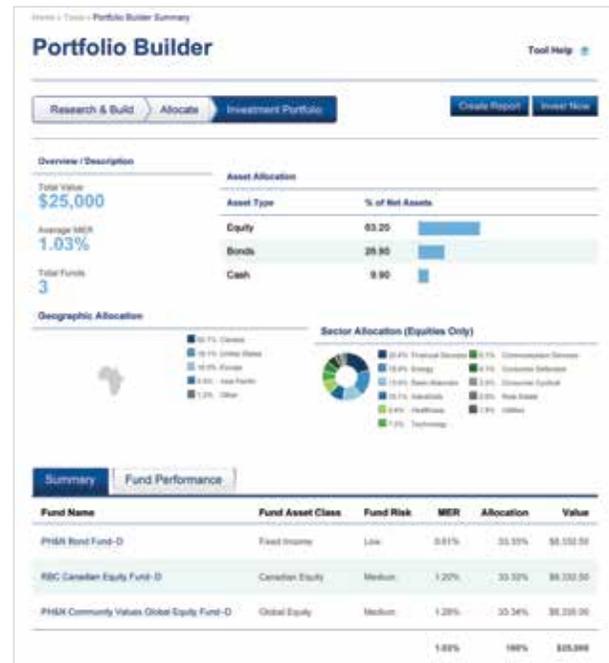
As a client of PH&N Investment Services, you also have access to a suite of easy-to-use interactive tools and calculators that can help you construct and manage your portfolio.

- **Investment Profiler:** This tool will help you determine your investment profile and get a sense of which type of portfolio might be best suited to your personal financial situation.

- **Model Portfolio:** Based on your investment profile, this tool aims to provide you with sample portfolios that we have built for you.



- **Portfolio Builder:** This interactive tool allows you to build your own portfolio. It also shows how the different portfolio scenarios break down in terms of asset class, geography and industry sector.



You're just a phone call away from trusted advice

One of the benefits of being a client of PH&N Investment Services is the advice that comes along with some of the lowest management fees in the industry. We are here to help ensure that you are invested in a manner with which you are comfortable, and that is in your best long-term interest.

If you would like to discuss your investor profile or require assistance in constructing your portfolio, please call us at 1.800.661.6141 to speak with one of our Investment Funds Advisors.

PH&N Investment Services®

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