Finance for Life™

Achieving Financial Success™

Finance for Life. Wealth for Living.™

CANFIN FINANCIAL GROUP
A qualified approach to wealth solutions

Services we can provide through our Group of Companies

Investment Planning	Tax Planning
Insurance Planning	Financial Planning
Mortgage Planning	Estate Planning

Canfin Financial Group,
Client Services Dept.

2829 Sherwood Heights Dr., Suite 102,
Oakville, ON L6J 7R7

For immediate service, contact your Canfin Advisor or,
Tel. 1-877-4-CANFIN
Fax. 905-829-0052
email: clientservices@canfin.com
web: www.canfin.com

Please do not hesitate to contact your advisor for a Confidential Financial Review.

Rebalancing YOUR MUTUAL FUND PORTFOLIO

Most mutual fund investors know that a balanced fund is comprised of stocks, bonds, and cash equivalents—providing both growth and income generating securities. Being a "one stop" mutual fund, all securities are held in one basket allowing the investor a simple means of investing. The management of a balanced fund seeks to adjust the combination of the fund's portfolio of securities according to their own established objectives.

Let us examine how the concept of the balanced fund relates to balancing an individual's portfolio of several mutual funds. The "balancing" sought in a portfolio is also based on the balance of an investor's money held among funds with the objective of both growth and income. In a bull market, funds that invest in stocks will likely have remarkable capital gains, while the bond or income funds held in a portfolio may lag. Thus, over time the proportion of capital held in growth funds in relation to income generating funds would change and need rebalancing as different assets have different rates of return. When bond markets thrive and stock markets lag, the income component (in most cases bonds) will increase in proportion,while the stock component will decrease. If this is so, a portfolio must be rebalanced to meet a pre-planned objective of say 60% growth and 40% income, if the proportion changes markedly. Those who do not set objectives and then reassess their portfolio periodically, are referred to as passive investors. The objective of balancing is to maintain a portfolio that meets your financial planning goals at any given stage of your life. Another reason to shift your proportion of holdings may be to anticipate market trends.

Talk to your financial advisor to determine strategies to keep your portfolio balanced to your own specific goals in relation to your age and time of retirement. Invest intelligently, not passively.

Continued on page 2...

Finance for Life™

Continued from page 1...

What is an OPEN-END FUND?

An open-end fund refers to the most common investment fund. Without limit, shares/units are always offered for sale and are bought and sold directly from a fund. The unit value is calculated in relation to the total value of all the securities held in the fund portfolio.

Most are established as unit trusts, where the fund is a trustee holding the investments for the unitholders. Realized capital gains, interest, and dividends accruing in the fund are attributed and taxed as such to the unitholders. Though there are very few in Canada, a closed-end fund is much like investing in a public company. The sponsor of a closed-end fund sets the parameters of access to invest with these limitations set forth in a prospectus: a set time limit, the amount of money, or the number of shares issued. When these limitations are met, the fund is then "closed". Any future access to a closed-end fund investment must be achieved by buying shares from other investors by means of stock market trading or by a new secondary offering. A closed-end fund may be converted (referred to as mutualization) to an open-end fund.

Net Asset VALUES

How to determine the value of mutual fund shares

The net asset value (NAV) is the total value of the fund's portfolio of securities (including cash), less the total of the fund's liabilities.

NAV = total fund assets - total liabilities

A fund's net asset value per share (NAVPS) is the value, or price, of a single unit or share. The NAVPS is determined by subtracting the fund's liabilities from its total assets, then dividing the resultant net assets by the number of shares outstanding. The price that you pay when purchasing shares or the proceeds you receive when redeeming them are based on their NAVPS.

NAVPS = NAV ÷ outstanding shares

The above calculations are done every day that the stock exchanges are open. Reports that you find in the newspapers, or offered by your advisor, are based on the NAV and NAVPS and provide a snapshot of the fund's performance.

Small-cap funds OFFER POTENTIAL FOR GROWTH

Mutual funds holding stocks in smaller companies (capitalization under $250 million) offer potential for growth. Some of the small-cap stocks held by such a fund may grow well over ten times their current value. They also carry a higher risk of being affected by economic down-shifts such as higher interest rates. Small caps are not better than mid or large caps. They simply offer different strengths that could be right for certain investors who enjoy taking a little more risk. Larger companies, in most cases, offer higher dividends and better price stability. Even a youngster can recognize the powerful brand names such as Coca-Cola. Large cap stocks are not only predictable; they prove that the omni-big-brands are the fittest to survive over the long haul. Smaller companies are riskier in nature because they are still proving that they offer viable products and services. Who would have thought that the start-in-the-garage business of Excite (an Internet search engine) would sell to Rogers for $7.5 billion? Unlike most Canadians who can relate to the Coca-Cola or McDonald's logo, our smaller capitalized companies are hardly known. That is why you will need to rely on a small cap mutual fund manager to invest in the correct Little League stocks.