

## INVESTOR IDEAS: BALANCED FUNDS

### All Balanced Funds are Not Created Equal...

With over 600 balanced funds available for sale in Canada today, it's difficult to know how to choose a balanced fund that's right for you. The first step is to understand that the term "balanced fund" can mean several different things. Generally, there are three classifications of balanced funds:

- Canadian High Income Funds
- Canadian Balanced Funds
- Canadian Allocation Funds

#### There are three distinct types of Canadian Balanced Funds:

- **Canadian High Income Fund:** A minimum of 50% of the portfolio must be in income producing investments. These funds are intended for investors who require a steady stream of income from their portfolios and as such, are often designed as an alternative for fixed income investors. Due to the larger holdings in fixed income, High Income Funds should experience lower volatility and have slightly less risk.
- **Canadian Balanced Fund:** This refers to a fund with at least 25% of its assets in both equities and fixed income securities at any given time. They are generally intended for investors who are looking to grow their assets, while at the same time preserve their principal. This is accomplished with the combination of fixed income and equities in the portfolio. A third asset class (i.e. cash) can also be employed depending on the market environment.
- **Canadian Tactical Asset Allocation Fund:** These funds have no restriction on asset weightings which means that the fund manager can invest 100% of the portfolio's assets in either Canadian equities, fixed income or Canadian cash at any given time. As a result, the risk and volatility levels of the fund may be higher than those of a Balanced Fund or a High Income Fund.

*Depending on your risk tolerance and whether or not you require income from your investments, any one of these types of funds may be appropriate for you. Elliott & Page offers three different balanced funds to address different investor needs:*

- **Elliott & Page Monthly High Income Fund** is a Canadian High Income Fund, and maintains a percentage of its assets in income producing securities. This Fund is for **investors who are looking for a steady stream of income.**
- **Elliott & Page Balanced Fund** is a Canadian Balanced Fund in that it will invest in fixed income securities and equities at any given time. It is intended for **investors who are seeking capital growth and preservation of principal.**
- **Elliott & Page Growth & Income Fund** is also a Canadian Balanced Fund, so it too will maintain a minimum of 25% of its assets in fixed income, and 25% in equities. This Fund is intended for **investors who are looking to add a growth component to their portfolios, but are also seeking safety of capital.**

*As with all mutual funds, your choice in balanced funds should be dependent on your needs and risk tolerance. Knowing the investment objectives and risk level of the fund are an important part of the selection process.*



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## TIP

One of the defining features of any balanced fund is its asset allocation which refers to the types of investments in which the fund manager invests i.e. cash, fixed income, equities and the proportion that each represents in the portfolio. Asset allocation is an important part of any balanced fund as it determines the risk level and volatility associated with the portfolio. It is also an indication of whether or not you should expect to see income from the portfolio. For example, High Income Funds keep the majority of the portfolio in fixed income securities, including income producing securities intended to give the investor a steady stream of income. Asset Allocation funds, however, can be 100% equities at any time and more often than not, will not produce income for the investor.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.

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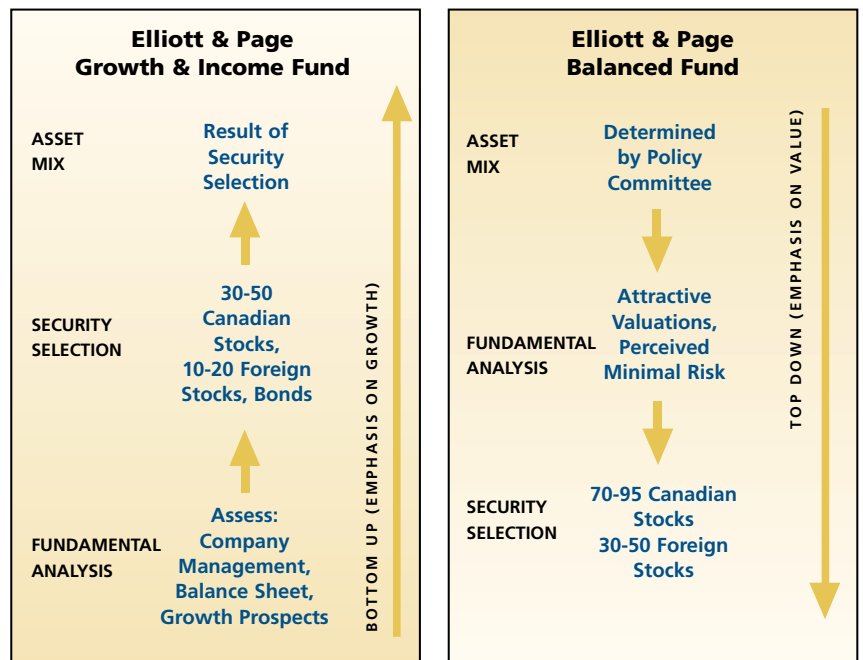
**www.elliottandpage.com**

## What you want to know

### Which types of balanced funds are offered by Elliott & Page?

Elliott & Page offers two Canadian Balanced Funds — the Elliott & Page Growth & Income Fund and the Elliott & Page Balanced Fund — and one High Income Fund — the Elliott & Page Monthly High Income Fund. Elliott & Page does not offer a Tactical Asset Allocation Fund.

### Elliott & Page offers two Canadian Balanced Funds. What are the main differences between the Elliott & Page Balanced Fund and the Elliott & Page Growth & Income Fund?



### What are the tax implications involved in owning different types of Balanced Funds?

High Income Funds generally have a regular monthly or quarterly distribution which is paid out to investors. The taxation of these distributions is dependant upon what the distribution is made up of (interest, capital gains, principal). Any type of balanced fund may have year-end distributions as a result of capital gains from the portfolio or interest income. Balanced Funds, because they contain both equities and fixed income, may experience a distribution made up of either of these. Similarly, Asset Allocation funds may distribute capital gains or interest income at year-end.