

INVESTOR IDEAS: GLOBAL DIVERSIFICATION

Proper global diversification begins with style diversification and sector allocation

Is your portfolio diversified globally? And if so, is it properly diversified?

The traditional global equity fund divides the world by countries. Geographic diversification means including different countries in your portfolio. But there's more to a well diversified global portfolio than just geographical diversification.

Style diversification, as well as sector allocation, have been largely ignored but are critical in a well constructed global portfolio.

Style diversification simply means including a variety of investment styles within your portfolio

What are the various investment styles?

- **Value:** A value fund invests in companies trading at a price which is low relative to its perceived potential value. These are companies which may be currently unpopular in the marketplace, but the expectation is that the stock price will eventually rise to reflect the true value of the company.
- **Growth:** Growth funds invest in companies with a history of rapid growth in sales and earnings. While you might be paying a premium for the company, the expectation is that the upward growth trend will continue and, as a result, the stock price will do the same.
- **Sector Rotation:** A sector rotation fund moves from companies in one industry to another industry group by anticipating various stages of the economic cycle. Once the sectors have been selected, different criteria are used to evaluate the companies within these sectors. Depending on the drivers of each sector, criteria used by either a value or growth manager may be used.
- **Blend of Styles:** As the name implies, this investment style is a blend of the other styles, combining value and growth.
- **Momentum:** Momentum investing focuses on companies generating accelerating earnings, revenues, cash flow and price performance. Timing is the key factor as the momentum manager invests in companies whose growth rate is accelerating (those companies that have upward momentum) and sell as the momentum starts to slow down.

Sector analysis examines the world in terms of sectors rather than by regions

As the world converges into one global market, we are witnessing the increasing importance of sectors in global investing. With leading global companies conducting more and more business outside of the borders of their home country, we are seeing them be increasingly influenced not by the dynamics of their home base, but more so by the dynamics of their industries. A clear example can be found in Nestlé, which derives only 4% of its revenue from its domestic market – Switzerland. With so much of its revenue being derived from outside of Switzerland, it's easy to understand how the importance of investment dynamics in Switzerland are not necessarily relevant to Nestlé.

Not all sectors react similarly to various economic cycles. As a result, a well diversified portfolio should represent different global sectors.

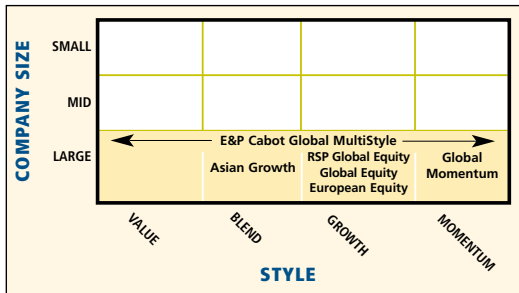


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TIP

Maximize your global exposure – the foreign content limit in your registered plan is currently 25% (30% in January 2001). However, non-registered plans have no foreign content limit and therefore can maximize their foreign content. As Canada only represents 3% of global markets, maximizing your foreign content within an RRSP or outside of your RRSP is always a prudent investment strategy.

GLOBAL EQUITY LINE-UP



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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Elliott & Page Mutual Funds offers three distinct global funds designed to meet the diversification needs of any savvy global investor:

E&P Cabot Global MultiStyle Fund

This Fund uses a two-tiered approach to investing:

- The managers use a top-down approach to determine geographical allocations by forecasting expected returns for each of the world's markets based on assessments of economic growth, inflation and interest rates.
- Regional specialists then select individual stocks within each region using a variety of investment styles consistent with the investment dynamics of that particular region.

Elliott & Page Global Momentum Fund

The management team divides the world by industrial group, rather than by geographical region and then selects stocks using a three step process:

- Specific industries are over or underweighted based on the relative attractiveness of various global sectors.
- The team then identifies those companies within each industry with the opportunity for superior price appreciation.
- Sector and country exposure is limited to $\pm 20\%$ of the Dow Jones World Stock Index.

Elliott & Page Global Equity Fund (RSP version also available)

The management team uses a two-step process:

- The managers use an industry-based approach which emphasizes research at an industry level, favouring those industries with long-term above-average growth prospects.
- The team then selects individual companies exhibiting long-term growth potential while being reasonably valued.

What you want to know

What is the benefit of multistyle investing?

Different investment dynamics necessitate different investment styles. Unlike global funds that use one investment style, a multistyle approach allows the managers to use a style which is sensitive to the unique characteristics of the region.

Why does momentum investing in a global context make sense?

Globalization is creating extraordinary investment opportunities. The collapse of communism and global convergence towards capitalism, trade barriers falling and new technologies are rapidly changing the way we live and work. It is this global rapidity of change that plays right into the strengths of momentum style investing. Sectors and companies that show accelerating earnings, revenues, cash flows and price performance usually outperform.

What is the risk profile of the Elliott & Page global funds?

