Dynamic Private Investment Pools

Presenter’s name
Presenter’s title

We created Dynamic Private Investment Pools in 2014 to offer Dynamic’s active management in competitively priced pools.

The Pools feature our experienced portfolio managers in multi-investment strategies, and remain one of our most popular product offerings, with over $6 billion in assets.

Dynamic Private Investment Pools aim to help you build better portfolios and to put active management within reach.
The rise of closet-indexing
Since the early 90s, closet-indexing has become more prominent than pure passive investing

Evolution of active share (1980 – 2009)

Closet-indexing continues to be pervasive in Canada

It's important to look under the hood of your mutual fund to ensure you get what you pay for

Open-ended equity mutual funds market share (% total net assets, 2010)

The art and science of diligent portfolio construction

Dynamic Private Investment Pools

Diversification

Legitimately Active Management

Concentrated Portfolios of Our Best Ideas

Dynamic Funds®
Invest with advice.
The art and science of diligent portfolio construction

Legitimately active management
Active investment approach that uncovers opportunity beyond the index

Advantageous synergy
Combine managers with distinct investment styles in order to reduce volatility

Concentrated portfolios of our best ideas
Each manager focuses on no more than 15-25 securities (US equity 20-40, Dividend Pools 30-60)

Rigorous oversight
Quarterly reviews conducted at both the manager and overall Pool level.
Legitimately Active Management™

We consider active management to be the cornerstone of exceptional portfolio construction.

A portfolio can only outperform the benchmark if it does not look like the benchmark.

We measure active management through active share.
Active Share
A key factor in highlighting active managers

Active Share measures the proportion of a portfolio’s holdings that is different from its index.

High active share means the manager is actively exploiting opportunities that are not reflected in the index.
Active management matters

Research has shown that stock pickers returns outpace closet indexers

Fund performance 1990 – 2009 (%)

Concentrated portfolios of our best ideas

We believe in the value of concentrated portfolios and investing with high conviction.

Investing with conviction requires a rigorous process starting with diligence, meticulous analysis and experience.

Each manager focuses on no more than 15-25 securities.¹

Does concentration matter over the long-term?

Adding or subtracting one security makes a difference in concentrated portfolios

Implied net annual value added (basis points)

Source: Cambridge Associates LLC, eVestment Alliance, Frank Russell Company, MSCI.
Concentration requires a rigorous and selective process
With 15-25\(^1\) securities in each Pool strategy, the scrutiny generates a high-conviction portfolio

1(US equity 20-40, Dividend Pools 30-60)
Advantageous synergy

We believe that the best way to combat market turbulence is to be prepared with a well-diversified portfolio.

We purposefully combine managers with distinct complementary investment styles with an aim to minimize risk and capitalize on positive market trends.

The Pools offer a multi-investment strategy that is diversified by asset class | geography | sector | style.

Dynamic Funds®
Invest with advice.
Win by preparing, not reacting to market events

“Diversification first” is the strategy of doing something now in order to do nothing later

Asset class returns vs. the "average investor“ – 20 years annualized USD$ (12/31/1999 - 12/31/2019)

Source: Study from Dalbar December 2019 Quantitative Analysis of Investor Behaviour, Bloomberg, Morningstar, as of Dec. 31, 2019
Enhance diversification with complementary strategies

Volatility can be mitigated by combining portfolio managers with low correlation to each other

Asset class diversification

For illustrative purposes only.
Oversight committee and supporting partners

1832 INVESTMENT CONSULTING
Team of analysts with in-depth experience in manager analysis and due diligence

OVERSIGHT COMMITTEE
Team of veteran investment professionals from across the organization

PRODUCT MANAGEMENT
Team of product managers exclusive to Dynamic Private Investment Pools and Portfolio Solutions
Rigorous monitoring process at the manager and Pool level

- Rebalancing when allocations deviate +/-3% to ensure adherence to strategic target weights
- Fixed income/equity mix reviewed quarterly and may be adjusted by +/- 5%
- Manager allocations reviewed annually
Differentiated choice – 17 Pools across 14 mandates

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**Dynamic Active Core Bond Private Pool**
- Actively managed and diversified portfolio of primarily Canadian fixed-income securities with an overall credit rating of A- and above.

**Dynamic Tactical Bond Private Pool**
- Highly flexible total return approach that capitalizes on both interest rate movements and credit opportunities while managing risk.

**Dynamic Active Credit Strategies Private Pool**
- Actively managed flexible portfolio that can access a broad range of asset classes including high yield bonds, investment grade corporate bonds, bank loans, preferred shares and convertible securities.

**Dynamic Premium Bond Private Pool/Class**
- One-ticket, high-quality, fixed-income solution with a 20% allocation to an options writing strategy that adds a unique element of diversification.

**Dynamic Liquid Alternatives Private Pool**
- Actively managed and aims to deliver positive absolute returns that aren't highly correlated to traditional asset classes.

**Dynamic Alternative Managed Risk Private Pool Class**
- Provides exposure to a multi-asset, multi-strategy portfolio with the potential to deliver low volatility U.S. exposure with competitive participation in good markets, attractive income-generation potential and a systematic pivot to risk-reduction in declining markets.

**Dynamic Alternative Managed Risk Private Pool**
- Low Volatility Equity 17%
  - Risk Reduction 20%
  - Fixed Income 23%
  - Managed Risk 40%

**Dynamic Active Core Bond Private Pool**
- Fixed Income 100%

**Dynamic Tactical Bond Private Pool**
- Fixed Income 100%

**Dynamic Active Credit Strategies Private Pool**
- Fixed Income and Credit 100%

**Dynamic Premium Bond Private Pool/Class**
- Dynamic Active Core Bond Private Pool 40%
- Dynamic Tactical Bond Private Pool 40%
- Dynamic Premium Yield Fund 20%

**Portfolio allocations are general guidelines. The managers have the flexibility under certain circumstances to deviate from these limits.**

1 Until further notice, this Pool is only available to IIROC dealers.

2 Corporate class version of the Pool is not eligible for purchase within registered accounts or TFSAs.
### Differentiated choice

#### BALANCED INCOME POOLS

**Dynamic Conservative Yield Private Pool/Class**
- Access to a broad spectrum of income-producing asset classes with a conservative asset allocation.
- Fixed-income allocation blends different investment strategies and a wide range of risk-management tools.

#### ASSET ALLOCATION POOL

**Dynamic Global Yield Private Pool/Class**
- Broad diversification amongst complementary income-producing asset classes and investment styles.
- Flexible asset allocation that can shift tactically between fixed-income and equities.

#### DIVIDEND POOLS

**Dynamic International Dividend Private Pool**
- International equity portfolio of high quality dividend-paying business franchises.
- The Portfolio Manager has the flexibility to allocate between international equity markets while aiming to provide stable monthly income and long-term capital appreciation.

**Dynamic North American Dividend Private Pool**
- Focused on identifying quality dividend-paying securities with an ability to grow their dividend.
- The Portfolio Managers have full flexibility to allocate between Canada and the U.S. while aiming to provide stable monthly income and long-term capital appreciation within a capital preservation philosophy.

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Differentiated choice

EQUITY POOLS

Dynamic Canadian Equity Private Pool Class
- Tax-efficient and concentrated Pool combines three differentiated Canadian equity investment strategies.
- Value Strategy: Don Simpson, Eric Mencke, Rory Ronan (40%)
- Growth Strategy: Vishal Patel (35%)
- Equity Income Strategy: Bill McLeod, Oscar Belaiche (25%)

Dynamic U.S. Equity Private Pool Class
- Tax-efficient and concentrated Pool combines two differentiated U.S. equity investment strategies.
- Quality-Value Strategy: Tom Dicker, Eric Benner (60%)
- Growth Strategy: Noah Blackstein (40%)

Dynamic Global Equity Private Pool Class
- Tax-efficient and concentrated Pool combines four differentiated global equity investment strategies.
- Growth Strategy: Noah Blackstein (28%)
- Opportunistic Value Strategy: David L. Fingold (24%)
- Core Strategy: Dana Love, Kevin Kaminski, Danilo Martins (24%)
- Equity Income Strategy: Eric Benner (24%)

Dynamic Alternative Managed Risk Private Pool Class
- Provides exposure to a multi-asset, multi-strategy portfolio with the potential to deliver low volatility U.S. exposure with competitive participation in good markets, attractive income-generation potential and a systematic pivot to risk-reduction in declining markets.
- Low Volatility Equity: 17%
- Risk Reduction: 20%
- Fixed Income: 23%
- Managed Risk: 40%

*Portfolio allocations are general guidelines. The managers have the flexibility under certain circumstances to deviate from these limits.
1 Until further notice, this Pool is only available to IIROC dealers.
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