



## Investment Funds: An Outstanding Choice for Investors of All Stripes

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With the rapid growth in the number of new financial products arriving on the market in recent years, trying to keep abreast of all the options out there is a daunting task to say the least. However, pre-made mutual fund portfolios, now offered by a variety of fund families, represent one of the most noteworthy investment solutions to come around in some time. Although several companies are now vying for a share of this emerging market, to date, the ClearPath™ and ClearPlan™ portfolios from the Fidelity fund family stand head and shoulders above the rest.

The basic product concept is simple: investors are offered a selection of funds already distributed by the company rolled into a ready-made portfolio. Asset allocation depends on the choice of portfolio, which typically matches a variety of investor profiles. For example, a conservative profile will be heavily weighted towards money market, bond and mortgage funds while a more aggressive profile will contain more equity funds.

Fund portfolios represent an excellent solution for the vast majority of investors, who can select a portfolio that is tailored to their needs and risk tolerance and leave the management to the professionals. The fund family and its manager ensure the appropriate weightings are maintained based on investors' goals and regularly rebalance the portfolios to reduce exposure to risk.

Some new portfolios that have just arrived on the market should, in my opinion, improve consumer selection in this field and prove extremely popular with Canadian investors. Recently introduced by Altamira, a company led by Charles Guay who is also president of National Bank Securities, these new portfolios offer all the benefits of competing products with none of the drawbacks. The most frequent shortcoming of portfolios of this nature is that they are typically composed exclusively of funds from the company itself, some of which may be sub-par performers.

The innovation introduced by Altamira is brilliant in its simplicity: none of the 17 funds chosen by its managers are taken from or related to either the Altamira or National Bank fund families. All the funds are from outside firms with no link whatsoever to National Bank or its subsidiaries. This approach is certain to benefit investors, since portfolio managers will be free to choose the best possible funds for the established criteria, thereby eliminating potential conflicts of interest, even though some funds offered by National Bank or Altamira would have been excellent picks.

I applaud this decision to eliminate all potentially conflicting funds from the portfolio line-up, which is especially courageous for a financial institution like National Bank. The move demonstrates Guay's impartiality and thorough knowledge of the industry and proves he understands the concerns of both financial advisors and investors.

Each of the portfolios is made up of between four to ten industry-leading mutual funds, all chosen from one of three classes: fixed-income funds, Canadian equities and global equities. I work with the selected products on a regular basis and they are included in my annual guide to the top 100 funds.

Funds are chosen using specific criteria that should be consistently used by all disciplined professionals, including basic past performance information, quantitative criteria, the Treynor ratio, Sharpe ratio, volatility, regular performance compared to benchmarks for the class, risk/return ratios and the correlation between the funds that make up the portfolio and the management team.

Using the above criteria, Guay and his team have selected the following funds: TD Real Return and Short Term Bond Funds, Beutel Goodman Income, Beutel Goodman Canadian Equity, TD Canadian Blue Chip Equity, Fidelity Canadian Opportunities, Saxon Small Cap, GGOF Monthly High Income, Dynamic Focus + Diversified Income Trust, CI Signature Dividend,

RBC Canadian Dividend, Mackenzie Cundill Value, Fidelity NorthStar, Mackenzie Ivy Foreign Equity, and Brandes Global Small Cap Equity.

Managers have limited themselves to a maximum of 10 funds per portfolio to avoid over-diversification (or diworsification in industry jargon), which is of little use to investors and can even negatively affect portfolio performance. For the equities-only portfolio, the number of funds is limited to four, which is more than adequate.

The 12 portfolio types are tailored for anyone from dynamic investors seeking capital gains to extremely conservative investors looking for regular income. Investors from the latter group will be pleased to learn that distributions will largely be made up of tax-friendly returns of capital. Income portfolio distributions have been pegged at between 5% and 7% depending on the portfolio.

Even more exciting for investors is the fact that in addition to offering a selection of exceptional funds, portfolios have management fees that in some cases are lower than if the investor had purchased the same funds himself instead of going through Altamira, an incredible advantage for consumers. For National Bank clients, the only drawback is that these products are not available through the institution's branch network.

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