



OUR **ADVICE:**  
A **CAPITAL ASSET**

An introduction to  
National Bank Financial



**NATIONAL  
BANK  
FINANCIAL**



## National Bank Financial: at your service since 1902

*National Bank Financial's mission is to manage the world's most important investments: yours.*

Nearly a century ago, before many of our current competitors had seen the light of day, National Bank Financial was already leading the way for Canadian investors. In fact, we still are. Developing new and innovative solutions to meet the changing needs of our clients is a tradition we have maintained to this day.

National Bank Financial is one of the six largest investment dealers in Canada, with 2,700 employees (including more than 800 Investment Advisors) and an 86-branch network that extends from Victoria to Halifax. The firm has more than 250,000 individual investor clients, for whom it manages close to \$30 billion in assets. National Bank Financial is a subsidiary of the National Bank of Canada, one of the country's seven major chartered banks. In addition to its 660 Canadian branches, it has offices in New York, Chicago and eighteen other American cities, and is represented in some 120 countries. The National Bank of Canada's asset base exceeds \$70 billion, giving National Bank Financial a solid, reliable and dynamic partner.

As a full-service investment dealer, we offer access to a broad range of investment products and services, but our primary role is to provide our clients with objective, well-researched information and wise counsel. Think of us as a serious partner committed to helping you meet your financial needs.

## Why you should deal with a personal Investment Advisor

***There are two common myths about Investment Advisors. One is that they are “salespeople driven by commission” and the other is that you only need one if you’re buying or selling stocks.***

Sure, you need someone to execute your financial transactions. But an advisor is much more than a middleman. He or she is also the best-placed expert when it comes to providing that intangible but essential ingredient for successful investing – advice.

In fact, dealing with an Investment Advisor is not about transactions or products, but rather about developing a long-term relationship with a professional who is there to give you ongoing advice about your overall financial picture. Your advisor will guide you both today and tomorrow, making recommendations based on an analysis of your evolving financial situation, the prevailing state of investment markets and the impact of taxation.

There’s also a lot more to securities than just stocks. When we look at the assets National Bank Financial manages for individual investors, common stocks represent only 40% of this amount – the remaining 60% is held in other types of investments. In an environment that grows steadily more complex, your Investment Advisor’s training and experience are the vital link between the problem and the solution... the financial need and the appropriate investment vehicle(s).

Finally, *your Investment Advisor has no vested interest in any particular product.* We don’t issue our own stocks or bonds, nor do we offer in-house mutual funds. This independence means you receive completely objective advice. Our advisors are trained to help you build a portfolio customized to your needs – a portfolio designed to contend with current realities while employing the best available tools.

When you choose to deal with a National Bank Financial Investment Advisor, you gain three significant advantages:

- You obtain clear, straightforward information and explanations that shed light on the often complex world of investment;
- You benefit from the unbiased, informed advice of an experienced investment professional;
- You obtain access to the complete range of investment vehicles that can be negotiated by a financial institution. As an independent agent your Investment Advisor has access to stocks, fixed-income securities, mutual funds and a host of other financial instruments.

### ***What our clients say:***

*“I tried everything: GICs, mutual funds, savings bonds... you name it!*

*But now that I have a personal Investment Advisor at National Bank Financial, I invest my money according to a real strategy. I have a road map now and I know where I’m going. ”*

## Dealing with National Bank Financial

### *A business relationship based on trust and objectivity.*

The first step in establishing our business relationship will be to refer you to one of our Investment Advisors. He or she will then become your personal counselor and guide to all of our services.

Your Investment Advisor will help you analyze your situation with an approach that takes into account not only financial objectives, but also economic conditions and market trends that may affect your investments in the future. In short, your Investment Advisor will help you develop a *plan*: a long-term view of your financial future and the context in which it should be considered.

First, you'll work together to identify your investment objectives as well as the time-frame or "horizon" over which your investments will be made. Then your advisor will help you define your "investor profile." Given that we offer access to the whole universe of financial products, from fixed-income securities focusing on income generation and capital *protection* to investments geared toward capital *growth*, together you will decide upon your basic approach.

Considered in conjunction with current and anticipated economic conditions, your investment strategy will determine how much of each type of security to include in your portfolio.

At this point you will begin to realize that our advice really is a *capital asset*.

### **What our clients say:**

*"I find it reassuring that, unlike many financial institutions, National Bank Financial does not have its "own" stocks, bonds or funds.*

*They don't have any vested interest in recommending one thing over another. That makes a big difference to me. "*

## A National Bank Financial account

*At National Bank Financial you can open different kinds of accounts, depending on your personal financial needs.*

We offer a number of different types of accounts, all of which feature four distinct advantages:

- They allow you to keep your securities with us at no cost to you. All your investments will appear on a regular statement, which greatly facilitates overall investment management.
- All interest and dividends earned by your investments, plus the capital at maturity, are automatically and immediately credited to your account.
- All your year-end tax receipts are also consolidated. Instead of receiving a separate slip from each issuer, you receive one set of slips from us, which makes life much easier when it's time to do your tax return.
- Last, but definitely not least, all of our accounts pay a competitive rate of interest on cash balances.

Although we offer many different types of accounts, some of which are designed for very specific investment strategies (such as short selling, commodities, futures, etc.) most of our clients choose one of the following three accounts.

### Regular (cash) account

This is an account in which you deposit money used to make your investment transactions. When you buy or sell a security, the appropriate amount is debited from or credited to the account on the settlement date (usually three business days following the transaction). Note that any cash balance you leave in the account will earn competitive interest. Such accounts are currently available in Canadian or U.S. funds.

### Margin account (account with borrowing privileges)

A margin account is the same as a cash account, except that it includes a line of credit, determined by the value of your investments. In other words, you can borrow money – to finance additional investments or for any other purpose – based on securities that you already own, which are then used as collateral.

### RSPs, RIFs and other tax-deferred accounts

These accounts are designed to hold investments you want to keep in a tax-deferred plan, such as a retirement savings plan (RSP), retirement income fund (RIF), or education savings plan (ESP). In this type of account, dividends, interest and capital gains remain sheltered from tax until withdrawn.

### What our clients say:

*“ You reach a point in your life when you have to start thinking seriously about financial security and providing for the future. You want an advisor you can trust, a plan that makes long-term sense, and strategies that work!*

*That's why I transferred my investments to National Bank Financial. ”*

## Products and services

*Diversification is an essential ingredient to a successful investment strategy. One of the key roles National Bank Financial plays is to help you diversify your portfolio with various kinds of securities in different financial markets.*

In this brief overview, we'll explain the main types of investments and services to which you have access through National Bank Financial. Please feel free to call us to discuss them in greater detail with an Investment Advisor.

### Retirement Savings Plans (RSPs) and Retirement Income Funds (RIFs)

Technically speaking, these are not actually investments themselves, but “envelope plans” that can hold a great variety of investments and shelter them from taxes. RSPs and RIFs are essential instruments for anyone who wants to ensure a comfortable retirement. A recognized expert in the field, National Bank Financial manages more than \$9 billion in retirement savings assets and offers three types of RSPs: the **Fully Guaranteed Investment RSP**, which holds 100%-guaranteed fixed-income securities, the **Transition RSP**, which allows you to combine mutual funds and guaranteed investments in a single account, and the self-directed **Portfolio RSP**, which gives you maximum flexibility and control over your retirement savings. With options like these, you're sure to find a solution that meets your specific financial objectives.

### Education Savings Plans (ESPs)

Like retirement savings plans (RSPs), education savings plans (ESPs) are “envelope plans” in which your investments can grow in a tax-sheltered environment. Income tax is payable only when the earnings are withdrawn. The difference is that RSPs are designed for retirement income, while ESPs are used to finance the post-secondary education of individuals you designate as beneficiaries, usually your children or grandchildren. Here, too, National Bank Financial offers a number of solutions, one of which will be just right for you. ➤

### What our clients say:

*“My Investment Advisor walked me through a special computer program that demonstrated a variety of retirement scenarios, using my own figures rather than some unrealistic example.*

*When it was over, I had a clear idea of what I had to do in order to enjoy the kind of retirement I've been looking forward to.”*

## Fixed-income securities

This asset class encompasses a wide range of products with the rate of return and value at maturity guaranteed by the issuer. Guaranteed investment certificates (GICs) are probably the most common. However, there are also bonds, savings bonds, stripped coupons, and other securities issued by governments and other government-guaranteed organizations which offer a three-fold advantage over GICs. First, *they are not limited to a maximum term of 5 years*. Government-issued fixed-income securities are available with terms of up to 30 years, which is very useful when considering long-range investment projects, such as saving for retirement. Second, *they are guaranteed unconditionally and without limit* by the issuer. This is particularly attractive when you consider that GICs and other deposit certificates are covered by deposit insurance up to only \$60,000 per issuer. Third, and perhaps most important, *they can be re-sold at any time prior to maturity*.

Many of the world's most senior corporations also issue bonds. Although corporate bonds are perceived as carrying more investment risk than government-issued or guaranteed bonds, they can also play a useful part in building your portfolio.

## Stocks

Stocks are shares of publicly owned companies which are bought and sold on stock exchanges. Through its offices in London, Geneva and New York, as well as strategic alliances with a number of global partners, National Bank Financial has access to all the major financial markets around the world. In Canada, we are members of the Montreal, Toronto, Alberta and Vancouver stock exchanges, and we have a seat on the Toronto Futures Exchange and the Winnipeg Commodities Exchange. In addition to the Investment Dealers Association (Canada), we belong to the Securities Industry Association (United States) and the Securities and Futures Authority (United Kingdom).

We have 140 investment and corporate banking professionals working out of Toronto, Montreal and Calgary, who are highly regarded by issuing corporations. This helps ensure priority access for our clients to the best new share issues.

## Mutual funds

Mutual funds represent an ideal way to diversify your holdings without having to invest huge sums of money. For as little as \$500, you can purchase units of a fund that invests in a well-diversified portfolio of securities. Some funds buy mainly bonds and other debt securities (fixed-income funds), others focus primarily on stocks (equity funds), and still others are called "balanced" funds because of the mix of securities in their portfolio. A number of funds also operate internationally, which allows you to diversify your investments geographically.

With more than 1,400 funds available in Canada, choosing the right one is not easy. In fact, there are almost as many mutual funds in Canada as there are companies listed on the Toronto Stock Exchange! Enlightened decision-making cannot be spur-of-the-moment. Your Investment Advisor makes it his or her business to study the content and performance of mutual funds, and will help you identify those most appropriate for your portfolio. ➤

### ***Fully Guaranteed Investment Accounts***

Our *Fully Guaranteed Investment* option offers you a risk-free, problem-free, no-fee way to invest. With these accounts, you can put together a portfolio composed exclusively of fixed-income securities, the value of which is 100% guaranteed at maturity by the issuing government. If you intend to keep your securities to maturity, this is the safest possible type of investment; no other alternative offers such complete protection. This option is available as a cash account, a retirement savings plan (RSP) account, and an education savings plan (ESP) account. *Fully Guaranteed Investment* RSPs and ESPs are offered free of any annual administration charge.

### **National Bank Financial Baskets**

If you are interested in equities but have only a modest amount to invest, you can look to our "baskets," which are diversified model stock portfolios put together by National Bank Financial's investment committee. All it takes is one instruction to buy, and you become the owner of shares in a number of separate companies. This innovative option takes an advantageous middle road between direct share ownership and mutual fund ownership. You do not have to buy the stocks one by one; nor are you purchasing a traditional mutual fund – but you benefit from features of both. Moreover, the National Bank Financial baskets save you a considerable amount on transaction costs while providing you with the "edge" of professional investment management.

### ***PreferredAccess™ Program***

With the *PreferredAccess Program*, you enjoy a number of exclusive advantages on services offered by our par1 Tc0 spyr, the Nationa Bank ofCmandas. ThispProgran is available to National Bank Financialclir1 se onlt.

## Retirement Forecaster

*Retirement Forecaster* is an exclusive software program we have developed to help you and your Investment Advisor determine the kind of retirement income you can expect, based on your current or anticipated savings patterns and the type of investments you make.

*Retirement Forecaster's* "what if" capabilities enable you to make truly enlightened decisions about your future.

## Insurance Services

Protecting your income and ensuring your estate's transfer to your heirs according to your wishes, should be part of your investment strategy. Your Investment Advisor and the experts at our insurance subsidiary, *NBF Financial Services*, work as a multidisciplinary team to provide you with professional counsel on the issues of income protection and estate planning.

## Annuities

While a retirement income fund (RIF) is usually the preferred option for converting your accumulated RSP capital to an income stream, in certain situations, annuities may provide a number of benefits. We offer a complete line of annuities via *NBF Financial Services*.

## Other services

A variety of other services are available through National Bank Financial, all of which are designed to meet specific financial needs or strategies. These include the purchase of foreign currencies, transactions on options markets, and futures contracts. If you have any questions about a service that is not listed here, simply ask your Investment Advisor.

## Main investment vehicles

The following chart gives you a clear idea of the main types of investments available through our firm. How you employ the chart depends on your own investor profile.

We recommend using it as a reference when you discuss your personal strategy with a National Bank Financial Investment Advisor. ➤

## Main investment vehicles

### Main Investment Vehicles

*N.B. Most of these investments may be held in an RSP, RIF or ESP. Certain criteria apply.*

### Objectives

Guaranteed return and protection of capital

Long-term capital growth with minimum volatility

Significant capital growth with a certain volatility

Regular income

Main Investment Vehicles	Guaranteed return and protection of capital	Long-term capital growth with minimum volatility	Significant capital growth with a certain volatility	Regular income
Bonds	•			•
Savings bonds	•			•
Retirement savings bonds	•	•		•
Foreign currency bonds	•			•
Strip bonds	•	•		
Treasury bills and commercial paper	•			
Investment certificates and term deposits	•			•
Mortgage-backed securities	•			•
Preferred shares		•		•
Common shares		•	•	•
Canadian mutual funds		•	•	•
U.S. mutual funds		•	•	•
International mutual funds		•	•	•
Options and derivative products	•		•	

### Other Options and Services

Partnership Accounts™	Fully Guaranteed Investment™	Baskets	PreferredAcess™ Program
FullAccess™ Service	Portfolio Management	Securities safekeeping	Retirement Forecaster
Annuities	Insurance		

## Superior research

***National Bank Financial's Research Department is recognized by experts as one of the best in Canada.***

Year after year, an independent survey of Canada's 175 largest institutional investors, done by Brendan Wood International, confirms that National Bank Financial is among the most respected investment dealers in the country in terms of the quality of its research.

Our *Economics and Strategy* team monitors major economic trends and keeps a close watch on social and political events that can affect both domestic and international financial markets. Analysts cover all the major sectors, and publish timely, in-depth reports on a great number of companies that they follow systematically.

This team of research analysts and economists puts a wealth of useful information at your disposal. All clients also automatically receive *Investment Strategy* on a quarterly basis with their portfolio statement. This publication reviews market trends and offers asset mix, duration and sector rotation recommendations for client portfolios, as well as suggested weightings for equity investments in foreign markets.

As a client, you will benefit from our research in two ways:

- You can consult a variety of reports as you need them;
- You will be secure in the knowledge that your Investment Advisor is basing his or her recommendations on reliable analyses, the quality of which is recognized by authorities in the profession.

### Other sources of information

We also make available to our clients a wide array of informative pamphlets and brochures. These include product descriptions and detailed explanations of our services. In addition, a comprehensive picture of how National Bank Financial can put its expertise to work for you may be viewed on the Internet at [www.nbfinancial.com](http://www.nbfinancial.com).

## A word about fees...

***Like any financial institution, we charge for our services. While such charges are generally related to specific transactions, they nevertheless cover our business relationship as a whole – including the valuable counsel and service provided by your Investment Advisor. It's worth repeating that when it comes to investing, advice is a valuable commodity that is ultimately far less costly than ignorance!***

Our remuneration can be broken down into three broad categories:

- **Profit margin**

At all financial institutions, a profit margin is taken on fixed income investments. For example, banks pay out a certain rate of interest when you deposit money or purchase a GIC, then charge a higher rate when they lend that money back out in the form of a mortgage or other loan. The difference between these two rates is the bank's profit margin.

Investment dealers also build a profit margin into their fixed-income transaction rates by purchasing bonds, debentures or treasury bills directly from the issuers in multi-million dollar quantities at a certain yield, and then reselling them back to individual investors in much smaller quantities at a slightly lower yield. The difference between these two rates is a profit margin that covers the cost of doing business and the financial risk of holding large quantities of securities in inventory. Note that this profit margin has already been taken into account when the interest rate is posted: the rate quoted to you by your Investment Advisor is exactly what you will get.

- **Commission**

Commissions are charged when you purchase or sell stocks. These commissions are clearly detailed on the transaction confirmations you receive. Commissions also apply to most mutual fund transactions, except that the commission is charged either on the purchase or the redemption transaction, but generally not on both. Note, however, that while commissions are applied to specific transactions, they also cover all the counsel and information you receive from your Investment Advisor. This advice costs you nothing unless you actually make a transaction.

- **Administration fees**

As in all financial institutions, fees are charged for specific services such as the administration work involved in offering our **Portfolio RSPs, ESPs or RIFs and Transition RSPs**. Aside from these registered plans, administration fees are charged only in particular situations or for particular services, which are listed in a brochure available from your Investment Advisor.

### *Partnership Accounts*

*Partnership Accounts* represent an optional service that replaces commissions and profit margins with a fixed percentage management fee, similar to that of a mutual fund. The *Partnership Account* format as a way of paying for our services would be of interest to clients who wish to have an actively managed, diversified portfolio and prefer to pay a flat fee rather than a commission or profit margin on each transaction. *Partnership Account* fees are based on the value of the portfolio and vary in proportion to that value. Certain criteria apply.

## How your funds are protected

*We protect the investments entrusted to us in several ways.*

National Bank Financial abides by the strict rules of conduct set out by the various organizations governing investment dealers in Canada.

Protecting your assets is our top priority and we assure this protection in two additional ways: through asset segregation and by means of an industry-funded protection fund.

### Asset segregation

The term “segregation” refers to the physical location where we safeguard securities on behalf of our clients. Fully-paid securities are literally kept separate from all other securities held by the Firm. *They cannot be accessed in any way by anyone inside or outside National Bank Financial without your express consent.* In the very unlikely event that National Bank Financial were to become insolvent, its creditors would have no legal claim whatever to your fully-paid securities. Sophisticated accounting methods and regular audits by independent firms ensure compliance with this fundamental rule.

### Canadian Investor Protection Fund

Because we are a member of the Investment Dealers Association of Canada, all funds invested with us are covered by the Canadian Investor Protection Fund (CIPF), which protects the public in case of the insolvency or bankruptcy of a member firm. The CIPF guarantees your general accounts up to \$1,000,000. Separate coverage of \$1,000,000 also applies to your combined registered retirement accounts (RSP, RIF, LIF, LIRA). Certain other types of accounts (ESP, trust, etc.) also benefit from their own separate \$1,000,000 coverage. For more details on the subject, please consult the *Canadian Investor Protection Fund* brochure, available from any Investment Advisor at National Bank Financial.

Of course, fixed-income securities, such as bonds, strip bonds and Treasury bills, are fully and unconditionally guaranteed when held to maturity (both in terms of their rate of return and value at maturity) if they are issued by a government or government agency.

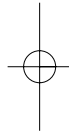
Remember, however, that the value of all other securities, such as stocks or mutual funds, is subject to market fluctuations and therefore not guaranteed.

Note also that National Bank Financial and the National Bank of Canada are separate corporate entities, which means that securities sold by National Bank Financial are not guaranteed by the National Bank, unless they are issued by the National Bank itself.

## How to reach us

*With 86 branches coast-to coast,  
we are easily accessible.*

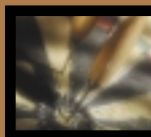
You can reach us by calling the branch nearest you (see your local telephone directory or our web site – at [www.nbfincial.com](http://www.nbfincial.com) – for a complete listing), and simply asking to speak to an Investment Advisor.



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THE WORLD'S  
MOST IMPORTANT  
INVESTMENTS:

YOURS!



[www.nbfincial.com](http://www.nbfincial.com)

