



AMBASSADOR PORTFOLIO  
SERVICE

A  
NATIONAL  
BANK  
FINANCIAL  
**TURNKEY**  
SOLUTION

 NATIONAL  
BANK  
FINANCIAL



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**NATIONAL BANK FINANCIAL TURNKEY SOLUTIONS®**

EMISSARY PORTFOLIO SERVICE®

DELEGATE PORTFOLIO SERVICE®

AMBASSADOR PORTFOLIO SERVICE®

PRIVATE WEALTH MANAGEMENT SERVICE®

Ambassador Portfolio Service is one of National Bank Financial's four Turnkey Solutions, designed to tailor discretionary money management to our clients' needs. All Turnkey Solutions are designed to meet the needs of the investor whose assets have reached a level that merits additional professional support, and who is looking for innovative solutions to building wealth that go beyond traditional investment vehicles. Ambassador Portfolio Service, Delegate Portfolio Service and Private Wealth Management Service give our clients access to portfolios that are managed on a discretionary basis and are composed of directly owned securities, such as individual stocks and bonds. Our entry-level Turnkey Solution, Emissary Portfolio Service features portfolios composed of combinations of seven high-quality private investment pools, designed to National Bank Financial's exacting specifications.

# MEETING THE NEEDS OF TODAY'S INVESTOR



*Let's be honest: you have better things to do.*

*You want someone else to handle the daily management of your investments; preferably someone at the top of the field.*

That's what a growing number of clients like you are telling us. Over the years you have accumulated a considerable portfolio. But managing those investments and following the ups and downs of daily market fluctuations is not your only priority.

In fact, you'd probably prefer to spend your time exercising the profession or managing the business that allowed you to achieve financial success in the first place. Or perhaps you would rather relax and enjoy a lifestyle that years of hard work have made possible.

Following the stock market? Agonizing over each and every investment decision? Timing the ups and downs? Why not leave those headaches to someone else?

That's why discretionary management is attracting the attention of a growing number of investors. It allows you, with the assistance of your Investment Advisor, to delegate the daily management of your financial assets to specialized teams of professionals who won't have to bother you for approval of each and every decision.

These professionals devote their time to managing your money

according to very specific mandates. They report to you regularly, in clear unequivocal terms. In a nutshell, they offer you a **Turnkey Solution** that frees you from the burdens of daily management, and allows you to concentrate on what really matters to you in life.

There are a number of programs in Canada similar to our **Turnkey Solutions**. But few give you access to a selection of the world's top investment professionals.

Even fewer can claim all the features and benefits of **Ambassador Portfolio Service**.

## BECAUSE YOUR INVESTMENTS ARE THE WORLD'S MOST IMPORTANT!



*World-class portfolio managers generally restrict their services to a select clientele, made up mostly of large institutions or very affluent individuals.*

*Ambassador Portfolio Service opens the doors of this exclusive club to you.*

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At National Bank Financial, we treat all our clients' investments as the most important in the world – which is why we think that you should benefit from access to world-class portfolio managers, just as do large institutions and the wealthiest individual investors.

That's why we created **Ambassador Portfolio Service**. This service allows you and your Investment Advisor to choose

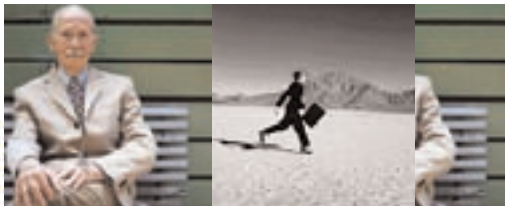
from a selection of top portfolio managers – the ones most likely to help you meet your financial objectives.

This service also enables you and your Investment Advisor to strategically diversify your portfolio by asset class, geographic region and management style – which is just the approach taken in managing some of the country's largest pension funds, endowments and private fortunes.

If you are already a National Bank Financial client, perhaps you are familiar with some of our other discretionary portfolio management products, such as **Emissary Portfolio Service** or **Delegate Portfolio Service**.

Today we invite you to discover another of our **Turnkey Solutions**.

# INTEGRATE COMPLEMENTARY ASSET CLASSES AND MANAGEMENT STYLES INTO YOUR PORTFOLIO



*Markets are becoming more complex and volatile. But investment theory is also evolving. Nowadays, the concept of asset allocation is no longer limited to dividing a portfolio among cash, fixed-income securities and equities.*

Today, specialists agree that the key to striking the optimal balance between risk and return is still diversification: not only by asset class, but by sector, geographic region and style of investment management, as well. Reaching an optimal equilibrium between the various asset classes and investment styles will minimize risk for a given level of potential return.

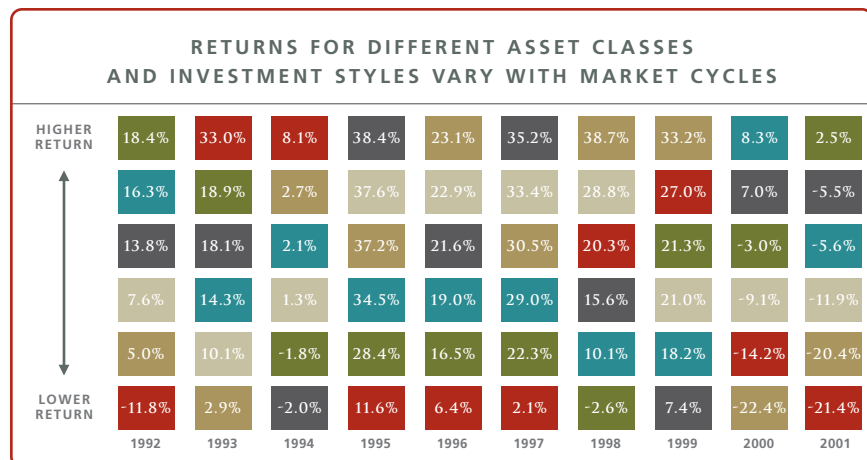
Nobel Prize-winning research into the science of investing has yielded a body of work known as Modern Portfolio Theory, at the heart of which is a concept known as the “efficient frontier.” The theory states that at each point along a continuum of possible investment returns, there exists a specific combination of asset classes and investment styles that will give the lowest possible risk.

Portfolios structured according to these specific combinations are considered to lie along this efficient frontier.

As the chart below shows, financial markets tend to reward asset classes and investment approaches at different times. In other words, certain asset classes will outperform others at different points in the market cycle. Similarly, growth

*A look at investment returns over an entire decade clearly shows that various asset classes and investment styles are rewarded at different periods throughout the market cycle. This is why it is so important to have a well-diversified portfolio.*

- SMALL CAPITALIZATION STOCKS
- MEDIUM CAPITALIZATION STOCKS
- LARGE CAPITALIZATION STOCKS - GROWTH BIAS
- S&P 500
- LARGE CAPITALIZATION STOCKS - VALUE BIAS
- INTERNATIONAL STOCKS



Source: Brandes Investment Partners, L.P.

managers will outperform during certain periods, while value managers excel at others.

Portfolio management has become a highly specialized field, and typically, the world's top managers focus on one management style, or often, on one class of assets. That is why it is so important that your portfolio be managed by a combination of different managers, each carefully selected according to their specialty, each taking charge of a portion of your assets. Whatever the market cycle, you will be ensured of a certain equilibrium effect. You will be at least partly right all of the time, rather than running the risk of being totally wrong at any given point in time!

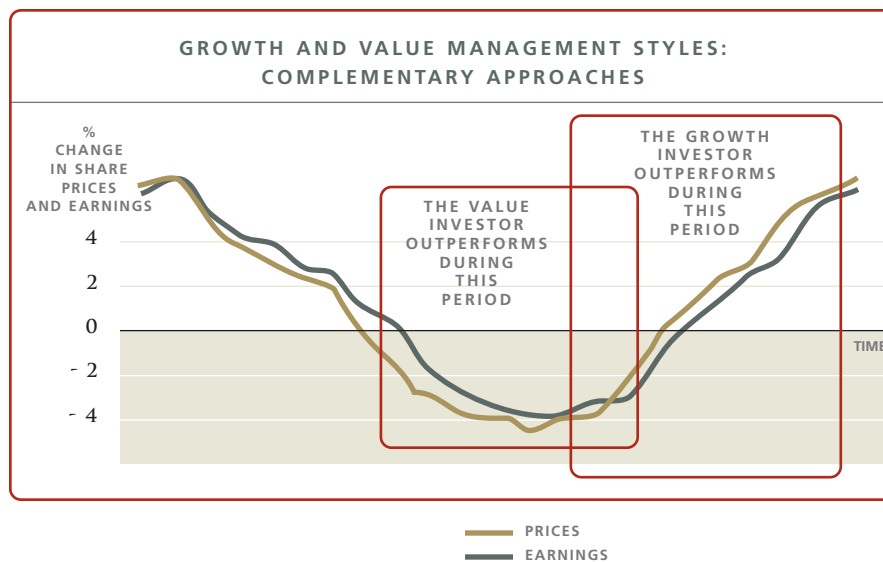
Today, this notion of the efficient frontier is the cornerstone of sophisticated portfolio management. **Ambassador Portfolio Service** gives you and your Investment Advisor the choice of asset classes and investment styles needed to position your portfolio on the efficient frontier, just as large institutional investors and the biggest private fortunes do.

With **Ambassador Portfolio Service**, you and your Investment Advisor build your portfolio with an optimal combination of asset classes based on your personal profile and time horizon.

The two most popular investment management styles – growth and value investing – are complementary forces. Neither is the best approach under all conditions since, as the chart on the previous page indicates, each style is rewarded at different moments during the market cycle. But combining the two styles gives you the potential of considerably reducing the overall volatility of your portfolio's returns. As the graph shows, value managers often buy into a stock earlier than growth managers, and they have a tendency to sell just as the growth managers get interested in the company.

How does this work in practice? When the price of a stock is depressed, it becomes attractive to the value manager. When a turnaround becomes apparent, the profit potential starts to become attractive for the growth manager. As the stock's price continues to climb, it becomes less attractive for the value manager, who then begins to sell.

The obvious question, of course, is: Why not invest exclusively in growth stocks when the market cycle favors this approach, and then switch to value stocks when the trend reverses? Unfortunately, the magic crystal ball that infallibly predicts when each investment style will outperform the other simply doesn't exist. Once again, it is better to be approximately right all of the time than exactly wrong at any given time!



# A DISCIPLINED APPROACH TO CHOOSING THE RIGHT MANAGERS



*One of the strengths of Ambassador Portfolio Service is the disciplined approach used to select the portfolio managers we include in the program, as well as to monitor the managers we retain on an ongoing basis.*

This process was developed with key strategic consultant William M. Mercer Ltd. A leader in pension consulting, William M. Mercer specializes in helping large pension plan sponsors design portfolios and select the most appropriate money managers to manage them. Founded in Canada in 1945, Mercer now has a dozen offices in Canada and 125 around the world.

William M. Mercer's specialists helped us create a family of five portfolios situated along the efficient frontier that best corresponded to the risk and return requirements of the greatest number of our individual investor clients. We then worked with Mercer to define a dozen different investment mandates to serve as building blocks, or components,

for building these efficient frontier portfolios.

Mercer then analyzed the investment style, vision, securities selection process and historical performance of many of the most reputed investment managers in Canada and abroad. The outcome of this process was a shortlist of the top managers in their relative areas of expertise, from which we made our selection. Mercer will also help us with the ongoing monitoring of these managers to ensure that they adhere strictly to the mandate assigned to them, and continue to meet the exacting standards for which they were selected.

Finally, we worked with Mercer to establish a powerful but simple profiling tool that enables your

Investment Advisor to direct you to one of the five portfolios mentioned above, based on your objectives, time horizon and preferred risk/return profile. You and your Investment Advisor use the characteristics of your particular efficient frontier portfolio as a reference point for allocating your investments among the different asset classes and styles; you then choose a combination of cutting-edge portfolio managers to implement this allocation.

From then on, you will have the comfort of knowing that, along with your Investment Advisor, some of the world's top portfolio managers are working day after day to serve your interests.

# A DIFFERENT APPROACH, BASED ON DIRECT OWNERSHIP OF INDIVIDUAL SECURITIES



*Ambassador Portfolio Service differs from other discretionary management approaches in one key area: investors own individual securities directly rather than participating in financial markets via pooled investing.*

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The notion of delegating management of one's wealth to acknowledged experts is not new. In fact, this trend towards discretionary management is responsible for mutual fund assets in Canada growing a hundredfold in just two decades. However, mutual funds are but one part of the story, and the last five years have seen a profusion of new managed money products come to market.

Many discretionary asset management products – even those targeting clients with considerable assets – are based on purchasing units in one or more funds, or private “pools,” which are held in common with other investors.

**Ambassador Portfolio Service**, like our **Delegate Portfolio Service** and **Private Wealth Management Service**, is built around direct ownership of individual stocks, bonds and other securities.

With **Ambassador Portfolio Service**, when your portfolio manager decides to buy shares of ABC Co., they are deposited directly into your account. This transaction appears as such on your portfolio statement and the securities are then listed in your holdings. You are the unique and irrevocable holder of these securities. This approach has numerous advantages:

- **AFFORDABILITY**  
At a cost similar to a typical mutual fund management expense ratio, you can be sure that each of the stocks and bonds you own under **Ambassador** is analyzed, selected and then followed on an ongoing basis by one of the top experts in the field.
- **TRANSPARENCY**  
All the transactions made by your **Ambassador** managers are reported on your monthly **Portfolio Statement**. So you know exactly what has been bought and sold, when, and at what price. You also receive detailed quarterly reports

summarizing all the activity in your **Ambassador** portfolio, complete with a personalized rate of return calculation on these assets.

- **PERSONALIZATION**

You are free to impose constraints on your portfolio managers. For example, you can ask that certain securities, such as shares of tobacco companies, be excluded from your holdings, even if the manager has decided to buy them for other clients in the program. This is simply not possible with a mutual fund. You may also limit how much of a given security can be purchased. Finally, **Ambassador Portfolio Service** can take into account legal constraints, such as conflict-of-interest regulations, that may bar you from holding certain securities.

- **INDEPENDENCE**

Your portfolio belongs to you, and is thus not subject to the whims of others, as can sometimes be the case when

investing in mutual funds. For example, a fund manager with a hot track record typically attracts a lot of cash at a period when he/she finds markets overvalued. This leaves the manager with a choice of leaving the cash uninvested, or buying stocks at excessive valuations. Either way, as a unit holder, you suffer the consequences. Conversely, investors tend to bail out of equity funds during periods when markets are heading downward. Often, the manager is forced to sell positions to raise cash to meet redemption requests, just when prices are becoming more attractive and he/she should be investing rather than divesting. Once again, as a unit holder, you suffer the consequences, even if you had been willing to patiently ride out the downturn. When you own individual securities, you can be sure that they are bought and sold only when the manager finds the timing appropriate.

- **TAX EFFICIENCY**

Since you are holding individual securities directly, you only have to declare capital gains when these securities are sold at a price higher than your acquisition cost. With mutual funds or pooled funds, you can end up liable for tax on capital gains that were actually incurred before you purchased the units. This happens because year-end distributions are made to all unit holders of record at that date, regardless of when during the year they actually purchased the units.

## KEEPING YOUR PORTFOLIO IN LINE WITH YOUR INVESTMENT OBJECTIVES



*Each of your Ambassador portfolio managers was chosen because of a proven track record pointing to exceptional expertise and ability to deliver on a specific mandate.*

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However, with Ambassador Portfolio Service, you are benefiting from far more than a simple lineup of “star” managers.

The real strength of the program is the process behind it that positions your portfolio on the efficient frontier, optimizing your risk/return ratio by putting together the right weightings of the right managers, based on your wants and needs. In other words, your wealth will be managed according to the latest

cutting-edge portfolio techniques, rather than the typical approach of choosing managers haphazardly based on last year’s performance numbers.

### REBALANCING AND ONGOING MANAGER MONITORING – TWO WAYS OF STAYING ON TRACK

According to a great majority of financial experts, asset allocation can be responsible for more than 90% of a portfolio’s performance. However, optimal asset allocation is based on a delicate balance,

which can be compromised by a variety of factors. Some are external – not related to a manager’s capabilities – while others relate directly to how well the manager is doing in terms of delivering on his/her mandate.

As a result of the external factors – economic trends and market fluctuations – the mix of your portfolio will change. Normal ebbs and flows of the market cycle will result in some of the components of your portfolio turning in better

performances than others. This is quite normal, and shouldn't cause you to question either the basic process, or the choice of the particular managers whose performance may be lagging at that given moment. On a periodic basis, perhaps concurrent with your annual review, you should sit down with your Investment Advisor and decide whether the resulting deviation from your target mix is significant enough to warrant rebalancing.

In terms of the internal factors that may affect your portfolio's mix, part of our commitment to **Ambassador Portfolio Service** is to rigorously control the quality of its ingredients. Along with William M. Mercer, we are constantly monitoring performance and making the appropriate benchmark comparisons. Each manager's portfolio is analyzed

to ensure that it remains consistent with the underlying investment mandate. Finally, each manager is subject to a periodic in-depth review in which all of the elements considered in the initial hiring process are re-examined. You can thus rest assured that any manager who no longer meets the program's criteria will be replaced quickly.

#### **HIGH-END TOOLS TO FOLLOW YOUR PORTFOLIO**

You may, of course, follow the progress of your investment managers using your monthly portfolio statement, or if you prefer, review your holdings and activity online via our secure Internet site.

With **Ambassador Portfolio Service**, you also receive a detailed quarterly report that summarizes your investment manager's activity over the three-

month period. This quarterly report also gives you a personalized rate of return calculation for these assets and a market commentary from the manager reviewing the quarter's highlights. Your Investment Advisor is always available to answer any questions you might have about the program, and to review your investments and your personal financial position. If your financial situation changes to the point where your portfolio needs to be re-balanced, you can discuss it with your advisor and make the best decisions.

At all times, you will know that your portfolio is in the hands of the professionals who are most likely to make it grow. And, perhaps even more important, you will have the comfort of knowing that your portfolio is fully aligned with your financial objectives.

## YOUR INVESTMENT ADVISOR: A PRIMARY POINT OF CONTACT



*Your Investment Advisor is your main contact – the person who guides you through the vast range of investment services and solutions available. With Ambassador Portfolio Service, your Investment Advisor remains the cornerstone of your relationship with National Bank Financial.*

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Of all the National Bank Financial professionals working to help you achieve financial success, your Investment Advisor is the one who knows you best. He/she has studied your file in detail, understands the specifics of your situation, and is in regular contact with you to keep your investment strategy up-to-date.

Your Investment Advisor remains the key contact should you decide to take advantage of the privileged access to investment professionals that **Ambassador Portfolio Service** provides.

This brochure contains two additional items: fact sheets on each of the managers in our program, and an investor profiling questionnaire. The questionnaire

should be used by you and your Investment Advisor to select the most appropriate portfolio for you, while the fact sheets are there to help you choose your managers.

We invite you to peruse these documents with your Investment Advisor, and take advantage of all the benefits of **Ambassador Portfolio Service**.



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