

# Investment Policy Statement-2

Regional Services Commission 11

Prepared by: W A (Tony) Spares

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## 1. Purpose

The Investment Policy Statement (“IPS”) is designed to provide clarity and guidance in the investment decision making process. Through detailed analysis of your financial resources, needs, goals, risk tolerances and personal preferences, the IPS provides:

- A description of your financial goals, investment objectives and key investment policy factors
- The decision making roles and responsibilities
- The recommended Asset Allocation, based on your stated investment objectives, risk tolerances and time horizon
- The terms of our communications

## 2. Client Profile

This IPS has been prepared for Regional Service Commission 11. The assets covered by this IPS total approximately \$3,200,000 plus regular monthly contributions made to the fund based on tonnage received at the site.

The main goal for the assets in your portfolio is long-term investment growth. The main goal of the assets in the portfolio is to cover the costs of managing the landfill site after it ceases day to day operations. With the expected closure in 2037, these costs are estimated at \$566,750 in current dollars. However, this is reviewed and updated in five year cycles.

## 3. Roles and Responsibilities

The Wealth Advisor will not have discretionary control in the day-to-day investment management of the assets within your advisory accounts. While the Wealth Advisor will provide you with advice and counsel with respect to the assets, and recommend amendments to this IPS when warranted, you must make the decision on what actions are to be taken and provide specific authorization for each investment transaction. All investment decisions will be governed by the content of this IPS including any subsequent amendments made as well as any special instructions or mandates. The Wealth Advisor will ensure that all transactions are suitable, completed on a best execution basis and will exercise the care, skill and diligence that is expected of a reasonably prudent person.

## 4. Individual Accounts

A detailed description of your individual account is listed below. Your account will be managed with reference to investment objectives stated in Section 5, below.

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Client Name	Account Type	Account Number	Value
Regional Services Commission 11	Regular	270-88392-18	Approx. 3,200,000.00

## 5. Statement of Objectives

### 5.1 Investment Objective

Based on the stated goals and review of the current situation, we have determined that the primary investment objective is Long-term Growth. The portfolio has no immediate need to provide income, so liquidity at this time is not an issue.

### 5.2 Risk Tolerance

The goal of the investment process is to achieve your investment objective while minimizing risk. Understanding risk and knowing your level of comfort with risk is an extremely important part of investing since, typically, higher rates of return are associated with higher risks. Risk can be defined as the likelihood of a future investment loss, including the degree of uncertainty regarding the timing and predictability of investment returns.

We will categorize risk tolerance into two sections:

#### Ability to assume risk

The ability to assume risk is measured according to the portfolio's ability to withstand fluctuations relative to the corporation's financial circumstances. This includes but is not limited to a range of factors such as income, net worth, investment knowledge and experience, liquidity and time horizon.

Considering your personal and financial circumstances to achieve the main goal of this portfolio, your *ability* to take on risk is in line with a long-term investment horizon.

#### Willingness to accept risk

The ability to assume risk differs from the comfort level associated with that level of risk. Considering the long-term investment horizon of the portfolio due to the long-term needs to be funded, this would dictate the ability to assume short-term and medium-term market fluctuations/volatility.

## 6. Asset Allocation

Asset allocation is the process of determining the percentage of your investments that should be invested among the different asset classes based on your investment objective, risk tolerance

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and time horizon. The higher the equity allocation, the greater the portfolio's potential for capital appreciation and higher long-term returns. Conversely, the higher the fixed income allocation, the greater the portfolio's potential for a consistent income stream and stable returns.

The table below describes our recommendation for your asset allocation. The asset allocation of your portfolio should be within the asset mix guidelines. Within those guidelines, your strategic asset mix will serve as the desired long-term asset allocation. The asset allocation ranges provide the flexibility required to make tactical decisions based on our short to mid-term capital market outlook.

Asset Class	Strategic Asset Mix	Asset Mix Guidelines	
		Minimum	Maximum
Cash and Equivalents	5 %	0 %	10 %
Fixed Income	20 %	10 %	30 %
Equity	75 %	65 %	85 %

## Rebalancing

Your portfolio asset allocation may, at times, differ from the strategic asset mix noted above due to market conditions, cash inflows and outflows, or tactical decisions by your Wealth Advisor. The portfolio allocation will be monitored and rebalancing will take place when asset classes vary outside asset mix guidelines.

## 7. Investment Constraints

### 7.1 Time Horizon

The time horizon of a portfolio is the period over which you plan to be invested before significant withdrawal of funds are made in order to achieve your investment goals. While it may not be possible to define in advance all the possible uses and related timing of your investments, it is expected your time horizon is long-term allowing you to weather short-term and medium-term investment fluctuations and cycles.

You have indicated the time horizon for your portfolio is Long-Term, as the funds are not going to be used until 2037.

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## **7.2 Income Requirements**

As you have no immediate income requirements, your portfolio will be managed for growth within reasonable parameters. While the payment of income may result from our investment decisions, it will not be a determining factor in our recommendations.

## **7.3 There are no current income requirements from this portfolio.**

## **7.4 Liquidity**

Your need for liquidity is a function of your existing reserves set aside for emergencies and the likelihood of significant withdrawals in the short-term. Liquidity refers to the ability to convert an asset into cash without causing a significant change in the price of that asset. If the time horizon is short, an illiquid asset may not be appropriate. Sufficient liquidity is important to allow future cash usage for an emergency or to participate in a new investment opportunity.

As you require no short-term liquidity, your portfolio will hold a 0-10% cash position.

## **7.5 Tax Considerations**

While no investment decision should be made solely for tax reasons, it is nonetheless an important factor which may influence decisions made in your investment portfolio. You understand and acknowledge that ScotiaMcLeod does not provide tax advice in relation to your investment portfolio. Therefore, you should consult a tax professional on a regular basis to discuss strategies to minimize your tax liability.

## **7.6 Unique Preferences**

You have not indicated any unique needs that govern the investments for your portfolio. If any changes in your situation should occur, or new needs develop, please inform us so that we can take appropriate action.

## **8. Investment Guidelines**

In order to realize your goals and manage risk, we will make investment decisions according to the guidelines detailed below.

### **Diversification**

Diversification is an important strategy for managing and controlling portfolio risk. The table below summarizes the three different types of diversification that we considered when creating your portfolio.

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Type	Description
<b>By asset classes</b>	Diversify by asset class by combining different types of asset classes in the portfolio according to your profile.
<b>Within each asset class</b>	Diversify within each asset class by holding investments with different risk-return characteristics. For example, equities are diversified across industry sectors, and by company size (large-, mid- and small-cap equities), while bonds are diversified by credit ratings and term to maturity.
<b>Geographically</b>	Diversify geographically by investing in securities in Canada as well as outside (e.g. the U.S., and Europe).

The following categories of assets are permissible investments for the portfolio.

### **Cash and Equivalents**

This portion of the portfolio may include money market vehicles such as Treasury Bills, Bankers' Acceptances, cashable Guaranteed Investment Certificates, fixed income investments with maturities less than one year, money market mutual funds and cash.

### **Fixed Income Investments**

The fixed income portion of the portfolio may include Government bonds, corporate bonds, floating rate notes, Mortgage Backed-Securities, strip coupons and residuals, Guaranteed Investment Certificates, fixed income mutual funds and exchange traded funds, and preferred shares. The fixed income portfolio shall be diversified to avoid undue exposure to any individual issuer (excluding obligations of the Canadian Government, any Provincial Government or their agencies).

### **Equity Investments**

The equity portion of the portfolio may include common shares, Real Estate Investment Trusts, equity and balanced mutual funds, and equity exchange traded funds. Common stocks should be listed on a recognized stock exchange. The equity holdings within the portfolio shall be appropriately diversified.

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## 9. Review and Monitoring

We will review and monitor your portfolio on a regular basis and shall notify you should any need for updates arise. You are welcome to contact us at any time to discuss your portfolio, the market outlook or to have a verbal portfolio review.

On a quarterly basis, we would hope to meet with you for a comprehensive portfolio review of performance (compared to appropriate index bench marks) and to ensure that the parameters of this IPS continue to accurately reflect your financial circumstances. The IPS is not expected to change frequently. In particular, short-term fluctuations in the financial markets should not require adjustments to the IPS. Significant changes to your risk tolerances, or financial goals will warrant a full review of your IPS. If any significant changes in your situation should occur, please communicate this information to our office so that we can take appropriate action. A thorough review of the IPS will be conducted bi-annually to ensure any changes in the financial circumstances are being met.

By signing below I/we:

1. Agree to follow the parameters outlined in this IPS;
2. Confirm that my/our financial goal, investment objective, risk tolerance and time horizon, are accurately described in the IPS;
3. Authorize ScotiaMcLeod to disclose any information relating to the Account to any other accountholders that are part of the combined group;
4. Authorize ScotiaMcLeod to invest in securities that are newly issued even if the newly issued securities are underwritten by Scotia Capital Inc.; and
5. Acknowledge that, in some circumstances, ScotiaMcLeod may receive brokerage commissions, trailers and other compensation based on spreads for the purchase and sale of securities and other property in my/our account.

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**Don Fitzgerald, Executive Director**

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**Date**

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**W.A. (Tony) Spares, Senior Wealth Advisor**

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**Date**

**Director, Wealth Management**

**Scotia Wealth Management**

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