



INVESTING

THE FINANCIER

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Assess Your Finances with Confidence!



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With the summer long over, back to school brings a host of responsibilities for families. Learning becomes front and centre for students. But what about their parents? Education shouldn't stop in the classroom: you have to do your homework, just as children do. And when it comes to assessing your finances, this adage couldn't be any truer!

But how exactly do you become an active participant in your finances rather than a passive bystander? The English author Samuel Johnson once wrote: "Knowledge is of two kinds. We know a subject ourselves, or we know where we can find information on it."

With National Bank's guidance, enhancing your financial quotient has never been easier! In this edition of *The Financier*, you will discover various tools to help: from our educational webcasts on www.clearfacts.ca, our educative website on personal finances, to information sessions about fulfilling future goals or retirement plans, we're confident you will find them useful!

If you're at or nearing retirement, we also urge you to discover our Managed Portfolios-Retirement option. As the newest investment solution in our Managed Portfolios family, this option is specifically tailored for investors looking for a stable, tax-effective distribution at retirement.

At the end of the day however, there's nothing better than working with a financial advisor. Their experience and wealth of resources will help when you need it most. After all, knowledge is power – you just have to know where to look!



Bank in North America

for its financial strength Bloomberg Markets magazine, June 2011

U.S. Treasuries: The Near and Long Term Impact of Their Downgrade

Investors have been captivated by the events that led to a major credit rating agency's decision to downgrade the creditworthiness of bonds issued by the U.S. government, better known as U.S. Treasuries.

On August 8, 2011, Standard & Poor's (S&P) stunned global financial markets by lowering U.S. Treasuries' credit rating from AAA to AA+, thereby handing the U.S. its first downgrade in 70 years. This set the stage for one of the least expected outcomes in financial markets: a rally in the U.S. Treasury market! As we will see later, many strong countervailing forces affected the outcome but the market's view was clearly expressed.

The downgrade was justified by U.S. politicians' inability to agree on policies that would address the country's secular deficit issues.

The Verdict Is In

S&P telegraphed the likely outcome of its recent ratings review when it placed U.S. government-issued debt on watch with a negative outlook in April. The least one can say is that its decision to downgrade Treasury bonds was bungled. According to S&P, the U.S.'s ability or willingness to pay for its debt was not at issue. The downgrade was rather justified by U.S. politicians' inability to agree on policies that would address the country's secular deficit issues. It admitted: "Our lowering of the rating was prompted by our view on the rising public debt burden and our perception of greater policymaking uncertainty. We view the U.S. federal government's other economic, external, and monetary credit attributes, which form the basis of the sovereign rating, as broadly unchanged."¹

Unintended Consequences

Already rattled by the circus surrounding the fight over the debt ceiling, investors outside the U.S. reacted to the

announcement by re-pricing risk. Equity markets sold off through the following week, marking one of the most turbulent weeks in recent market history.

Bearing this in mind, it's important to highlight what happened to bonds in the U.S.: they appreciated! U.S. Treasuries remained the ultimate store of safety as investors flocked to them in search of harbour amidst the storm. Faced with such evidence – and taking into account that two other major rating agencies not only confirmed U.S. Treasuries' AAA equivalent level but stated they had no intention of downgrading the bonds – one cannot ignore the possibility that some of the hysteria surrounding the downgrade could have resulted from the media fanning the flames of overly aggressive U.S. politicking.



The U.S. remains the world's largest economy. And due to its great military power, the U.S. dollar will continue as its reserve currency for years to come. Equity investors acted in a "textbook" manner by lowering valuations when faced with slower expected growth and higher perceived risk of financial crisis. In turn, their fixed income counterparts went against conventional wisdom by paying up for recently downgraded bonds. As a sign of how turbulent financial markets are at present, it may be that both groups have done just the right thing!

This comment comes from Natcan Investment Management, the principal manager for National Bank Securities Mutual Funds*. Natcan, a subsidiary of National Bank of Canada, is an institutional portfolio management firm that specializes in pension fund, endowment fund, pooled fund and private wealth portfolio management.

N A T C A N
INVESTMENT MANAGEMENT

* National Bank Securities Mutual Funds (the "Funds") are offered by National Bank Securities Inc., a wholly owned subsidiary of National Bank of Canada. Commissions, trailing commissions, management fees and expenses all may be associated with investments in the Funds. Please read the prospectus of the Funds before investing. The Funds' securities are not insured by the Canada Deposit Insurance Corporation or by any other government deposit insurer. For money market funds, there can be no assurances that a fund will be able to maintain its net asset value per security at a constant amount or that the full amount of the investment in a fund will be returned. The Funds are not guaranteed, their values change frequently and past performance may not be repeated.

1. STANDARD & POOR'S. <http://understandingratings.com>. *Global Credit Portal, RatingsDirect*, August 5, 2011, p.3.

Educational Webcasts on Personal Finance

Looking for information about how to go about managing your money or planning for retirement? Look no further! This October, National Bank launches seven new educational webcasts on its personal finance portal: clearfacts.ca. Each 2-minute webcast profiles a wealth management expert, who will get you up to speed on planning essentials – whether it's savings and investing or estate planning. Featured topics include:

- ▶ Couples and money: fragile, handle with care!
- ▶ An RRSP or TFSA: which is best?
- ▶ Take control of your retirement planning
- ▶ Do you know the basic rules of investing?
- ▶ The added value of an advisor
- ▶ Should you save or pay off your debts first?
- ▶ How do I choose an executor for my estate?

Visit www.clearfacts.ca/investments today. Don't forget to turn up the volume!

Book an Appointment for a Chance to Win One of Four \$25,000 Prizes!

National Bank is giving away four \$25,000 prizes, as part of its *Save Big. Win Big.* Contest! New and existing clients are invited to enter for a chance to win. Visit www.nbc.ca/congrats to book an appointment with one of our advisors or visit your local branch.

The contest closes December 31, 2011 so hurry up before it's too late. Save big to win big with National Bank!



Information Sessions: Reserve Your Seat Today!

For the fifth year running, National Bank is hosting information sessions about fulfilling long-term goals or retirement plans. The sessions are animated by a multi-disciplinary panel of speakers, which includes investment, insurance and estate planning specialists. They will be held until mid-November only so be sure to reserve your seat today! Consult your local branch for more information.



The Financier Quiz

1. There are several advantages to the new Managed Portfolios-Retirement option. Which one of the following characteristics does not belong?
 - a. Provide a monthly fixed distribution
 - b. Allow to take advantage of certain tax benefits
 - c. Are tailored to the needs of a Prudent investor profile
 - d. Benefit from the potential growth of markets
2. National Bank's educational webcasts are meant to help investors better understand various wealth management strategies. Which of the following topics are covered in the webcast format?
 - a. Couples and money: fragile, handle with care!
 - b. How do I choose an executor for my estate?
 - c. An RRSP or TFSA: which is best?
 - d. All of the above
3. What tax deferral plan is designed to help finance post-secondary studies?

a. TFSA	c. CESG
b. RRSP	d. RESP

The Managed Portfolios-Retirement option: Flexibility and Tax Benefits

Once you have accumulated a certain amount of capital, effective portfolio management should allow you to meet specific diversification criteria while making sure that your capital is carefully monitored and managed. You may already be aware that National Bank's family of Managed Portfolios provides professional asset management and optimal diversification. But what if you're at or near retirement? In that case, the Managed Portfolios have even more to offer.

To better meet the needs of investors in their transition to retirement, a new Retirement option has been added to our Managed Portfolios. The option is designed to provide tax-effective and regular distributions while you continue to benefit from professional asset management. In particular, the Managed Portfolios-Retirement option allow you to withdraw distributions on a regular basis, take advantage of certain tax benefits related to fund distribution (e.g. as dividends, capital gains, capital repayments), and gain from the potential growth of markets in which your capital is invested.

In short, Managed Portfolios-Retirement option offer you:


- ✘ A simple and advantageous way to receive regular distributions, if you have a minimum of \$100,000 to invest
- ✘ Substantial tax savings based on the method of distribution
- ✘ Optimal diversification

National Bank Securities Mutual Funds (the "Funds") and National Bank Managed Portfolios (the "Portfolios") are offered by National Bank Securities Inc., a wholly owned subsidiary of National Bank of Canada. Commissions, trailing commissions, management fees and expenses all may be associated with investment in the Funds and the use of an asset allocation service (such as the Portfolios). Please read the prospectus of the Funds included in the Portfolios before investing. The Funds' securities are not insured by the Canada Deposit Insurance Corporation or by any other government deposit insurer. For money market funds, there can be no assurances that a fund will be able to maintain its net asset value per security at a constant amount or that the full amount of the investment in a fund will be returned. The Funds are not guaranteed, their values change frequently and past performance may not be repeated.

Investors will enter into a discretionary management agreement with National Bank Trust Inc. (for all activity in Quebec, Prince Edward Island, Saskatchewan and New Brunswick) or Natcan Trust Company (for all activity in all other Canadian provinces and territories), which gives the Portfolio Manager the authority to select, add or remove National Bank Securities Mutual Funds forming part of the Portfolios.

There are no fees or expenses related to investing in the Portfolios except for the fees and expenses related to investing in the funds that make up the Portfolios. All distributions made by a fund included in the Portfolios will be automatically reinvested for you.

- ✘ A smooth transition from Managed Portfolios to Managed Portfolios-Retirement option with no tax impact while maintaining the same investor profile
- ✘ All the potential growth of the markets in which your capital is invested.

 To get better acquainted with National Bank's family of Managed Portfolios, including the new Managed Portfolios-Retirement option, visit www.nbmanagedportfolios.ca. There, you will find webcasts featuring detailed product overviews along with practical case studies about how to integrate this innovative investment solution into your retirement strategy.



Just \$5 Can Make a Big Difference

Chocolate lovers are in for a treat with our 7th fundraising campaign for the Breakfast Clubs of Canada and the *Clubs des petits déjeuners du Québec*, as National Bank will be offering you fine chocolates from Theobroma Chocolat, manufacturers of organic, fair-trade products. These fine chocolates come in a beautiful and reusable gift box, making them the perfect stocking stuffers for the holidays!

From November 28 to December 31, you can pick up your box of chocolates at a National Bank branch for just \$5. The entire amount will be donated to the breakfast clubs. Each box contains nine delicious chocolates. Thanks to your donations, the breakfast clubs will be able to maintain their existing services and extend their outreach to even more children. Last year, National Bank raised \$520,000 for the *Clubs des petits déjeuners du Québec* and the Breakfast Clubs of Canada.



Our Technical Analysis Tools: Allies in Your Decision-making

Seizing investment opportunities and making money in the markets are the goals of all investors but how can we achieve these objectives? Although there is no magic formula to accurately predict market movements, investors can use strategies that allow them to analyze investment opportunities in depth before making a decision.

One such method is technical analysis, which consists in predicting future stock prices by studying past stock prices and trading volumes. More precisely, technical analysis is the study of historical data about the stock markets and financial securities in an effort to forecast future price trends. Using charts as the primary tool, investors analyze fluctuations and past prices in order to forecast typical patterns in reaction to a particular market situation. Technical analysis is based on three assumptions:

- ❑ Security prices or market behaviour reflect all available information
- ❑ Price fluctuations follow trends that can last quite a long time
- ❑ History repeats itself

If you want to incorporate technical analysis into your investment strategy, you probably want to know that National Bank Direct Brokerage offers free access to the interactive technical analysis tool *Recognia*. Available directly on our transactional website, *Recognia* is an advanced tool that can help you identify buying or selling opportunities. In short, *Recognia* allows you to view technical graphs, find new investment possibilities, receive alerts and learn more about technical analysis. It is also a good way to confirm your opinion about a stock.

Some of you may or may not know that *Recognia* is one among many tools we offer for that purpose. If you're looking for an interactive tool and a comprehensive, reliable and professional solution for monitoring, assessing and trading on North American stock markets, *Market-Q* is the tool for you. *Market-Q* provides you with an overview of stock markets, quotes, news and financial information in real time and lets you track market developments and react quickly when opportunities

arise. It provides many services, including interactive real-time stock quotes of North American securities traded on the stock market, a direct source of financial information in real time, customized technical analysis tools, securities filters, research tools, stock alerts and news, market calendars and a web browser. These features make *Market-Q* a very efficient watch tool.

But, remember that your investment decisions should never be left to chance. Alternatively, a thorough analysis (combined with careful consideration of both your risk tolerance and your investment horizon) should be the cornerstone of these decisions. Analytical techniques are merely tools that can assist the investor with decision making. As a result, it is important to note that these methods are not infallible and do not guarantee results.

To learn more on this topic, please consult our educational centre at www.nbc.ca/nbdb > **Education centre**. Be sure to visit our site frequently, as we offer regular technical analysis seminars: www.nbc.ca/nbdb > **Seminars and publications**.



Give the Gift of Education with an RESP

Will your children or grandchildren have the financial means to pursue post-secondary studies? Designed to help finance post-secondary studies, Registered Education Savings Plans (RESPs) are tax deferral plans that allow you to give the gift of education to your loved ones. In fact, with an RESP, you can save up to \$50,000 tax-free towards your children's, or grandchildren's, post-secondary studies. RESPs offer three types of tax benefits:

- ▶ Federal and provincial grants are added to the plan
- ▶ Income generated is not taxable as long as it is kept in the plan
- ▶ Investment income splitting is realized because when funds are withdrawn, they are taxed in the hands of the student, who presumably will be taxed at a lower rate than the subscriber.

Did you know that various government grants also make the RESP very attractive? For example, the Canada Education Savings Grant (CESG) offers incentives of up to \$500 annually for each beneficiary for a lifetime limit of \$7,200. Other available grants include those offered by the Canada Learning Bond (CLB), the Quebec Education Savings Incentive (QESI) and the Alberta Centennial Education Savings (ACES) Plan.



DID YOU KNOW?



Private Wealth 1859: You've Earned It

National Bank's Private Wealth 1859 is exclusively dedicated to providing unparalleled service to affluent Canadians with at least \$1 million to invest. It caters to individuals and families who wish to free themselves from the burden of managing their wealth on a daily basis by entrusting this task to professionals. To learn more, visit www.privatewealth1859.ca.



For more information on National Bank's investment solutions, please visit our website at www.nbc.ca or contact your advisor or one of our representatives:

TelNat Customer Service

1-888-4-TELNAT (1-888-483-5628) or 514-394-5555, telnat@nbc.ca
6:00 a.m. – midnight (Eastern time), seven days a week

National Bank Securities Advisory Service

1-888-270-3941 or 514-871-2082, securities@nbc.ca
8:00 a.m. – 8:00 p.m. (Eastern time), Monday to Friday

National Bank Direct Brokerage

1-800-363-3511 or 514-866-6755, web.trad@nbc.ca
8:00 a.m. – 8:00 p.m. (Eastern time), Monday to Friday



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