CW GLOBAL GROWTH ETF PORTFOLIO

Investment Summary

Who's it for?

The CW Global Growth ETF Portfolio is designed for investors who want to participate in the substantial wealth-creation opportunities of the global equity markets, coupled with an objective risk-management tool to reduce the risk of large losses. The portfolio is suited for investors looking for a proactive, disciplined, and unemotional selection process that seeks out markets anywhere in the developed world showing consistent investment demand (also called relative strength). We are looking around the globe for investments that we believe offer the highest odds of consistent gains. The CW Global Growth ETF Portfolio is designed to help investors build wealth. More importantly, it's designed to keep your wealth.

Why do we invest this way?

Because we believe that investors should be able to enjoy wealth-creating opportunities without the persistent, nagging fear of devastating market losses during Bear markets and the stress that accompanies it.

What is it?

The CW Global Growth ETF Portfolio is a discretionary Separately Managed Account (SMA) offered exclusively through PI Financial Corp and Cameron Woods Portfolio Management. The Portfolio aims to eliminate company specific risk, minimize downside volatility in the portfolio, increase the net value of your investment over the longer term and provide the investor with a positive absolute return over any three year rolling period. We invest in Canadian dollar denominated and Canadian listed ETFs. The Portfolio aims to maintain a diversified exposure to the Global Markets with a focus of 50% in G20 Markets, 30% in Senior Equity specific markets, and up to 15% in small capitalization companies and sector specific indices. The Portfolio Managers have the ability to reduce equity exposure to zero in periods deemed to be high market risk.

Why Exchange Traded Funds?

Stock markets have provided investors with the highest long-term growth rate compared to all other traditional asset classes (bonds, real estate, and commodities) over the last 100 years. Exchange Traded Funds offer direct, diversified exposure to specific areas of the global marketplace with low fees, real-time liquidity, and excellent transparency.

Why 15 Exchange Traded Funds'?

The goal of the CW Global Growth ETF Portfolio is to offer a simple and effective solution while still maintaining adequate diversification. Our studies have shown that being able to access multiple global markets and switch seamlessly between them as necessary we are better able to achieve our twin goals of reduced downside risk and above-average growth. While we can use as many as 15 ETFs to achieve this goal the portfolio is likely to only hold 10 ETFs for most periods of time. This allows us sufficient diversification without engaging in return reducing redundancy.

How do we choose the ETFs for each asset class?

The portfolio is designed to maintain a balance between the distinct asset classes (G20, Industry, Sector and Market Cap specific), with the intention to buy the most consistently outperforming sector or style within that category. Every month all the possible qualified ETFs available within each asset category are reviewed for changes in leadership – as long as our current position continues to meet our relative strength criteria, we keep it. If not, we immediately sell it and replace it with another potential market leader.

This process is repeated for all asset classes specified within the portfolio, with the intention of minimal turnover but also proactive management.

Why the wide range in cash allocation (5%-100%)?

We have lived and worked through two major market meltdowns (2000-03 and 2007-09) and we don't intend on riding down the next financial crisis; whenever it happens. We have partnered with two independent research firms to continually evaluate the health of the global markets and the investments within them. Both firms gave well timed warnings to reduce risk during the early stages of the last market collapse. To be clear – just because an indicator worked in the past does not guarantee it will work in the future. However, suffice it to say that we would rather make the mistake of selling out as the markets roll-over, only to have it recover some weeks to months later and buy-back our positions at slightly higher prices, than making the mistake of NOT selling out of our investments when the markets fall and losing half of your money over the next 18 months. Sometimes, it *is* better to be safe, than sorry.

What is our investment philosophy?

- **Proactive:** We are impatient with our losers.

- **Trend following:** An investor's best odds of making money lies in aligning their investment dollars with the current positive trends, and sticking it out until the trend ends. We do not underestimate the madness of crowds and how long and high they can push an individual market, or how low.

- **All in or all out:** We continually measure both the price action of individual securities and the price action of the broad market itself. We apply disciplined investment criteria to each security within the portfolio and deem its performance to be acceptable or unacceptable. If a securities behavior turns unacceptable, we sell it immediately. If the broad market's price behavior turns unacceptable, we immediately reduce or sell all the positions within the portfolio (note that this is rare, triggering only three times in the last 15 years). In this manner we believe we can keep individual investment losses small and let our winners run, leaving room for high compound returns. It also addresses the most pressing concern of the majority of investors – "When should I sell?"

- **The Odds on Your Side:** When we invest, we are investing with the best possible odds of success. It is never an emotional commitment – we know that we can earn above-average returns even if we are wrong half the time – as long as we have the sense

- **Stick with the winners:** The secret to good long-term performance is in avoiding large losses. Good performance over time comes from holding investments that perform well and to avoid the ones performing poorly. Knowing when to sell is the key to achieving good long-term results.

- **Nearly all:** We make no attempt to 'buy the bottom' or 'sell the top'. To do so is unrealistic, and our experience and testing has shown us that we are able to achieve above-average results by sticking with our winning positions; when they show signs of consistent weakness, they are sold and replaced with other potential market leaders.

- **Identify the Vital Few:** Most of the big gains in your portfolio come from a few select winners, and most of the big losses come from a few select losers. The process of eliminating the weaker investments and buying strength shows consistent outperformance; we are stacking the odds in our favor of capturing those positive outliers, and eliminate the risk of riding a losing position down over time.

- **Beware "Too":** Underperformance is always a good reason to sell. Too many times we have seen investors buy because they are down "too much", or the investment is "too cheap". Beware the word "too" – it can be used as a justification to avoid the pain of doing the right thing – selling a loser. A loss is a loss, even if you haven't sold it yet.

- **Hope is not a winning strategy:** Our investment selection process is based on the strength of the investment relative to the market – it is impossible to outperform the market in portfolios heavy with underperforming investments. Holding on to these investments costs you twice – once because of the continued losses and a second time because of the winning position you are not participating in.

- **Fact-Based:** We invest based on the reality and odds of the present, not on what "might/could/should" happen tomorrow. Positive and negative trends in specific investments and sectors can last years at a time – we use those forces to your advantage. Keep it simple and align yourself with the trend. Investors consistently buying investments in downtrends are betting on 'being smarter than the market', and we believe this will result in long- term frustration, underperformance, and ulcers.

- **Anti-Anticipatory:** When the facts change, so will we. But no sooner.

- **Prediction-Free:** We do not incorporate market forecasts, predictions, or analyst opinions into our investment process. Our belief is that for an investment process to be useful it has to be reliable over time. We have yet to see anyone reliably and consistently predict the future. We have, unfortunately, seen more than a few investors suffer unnecessarily while clinging to misplaced faith in an 'expert' opinion or prediction.

On the Importance of Portfolio Management over Investment Selection!

What is Portfolio Management? It is the process by which we manage the investment within the portfolio when surprises happen (and surprises regularly happen). For us, the four key elements of money management are:

1. Objective Investment Approach
For a long-term investment process to be effective, it has to be based on objectively determined indicators (i.e. measureable) and not gut emotion. It is very easy to get caught in a trap of 'imagining' a bottom or a top in a stock or a broad market, even when those beliefs are grounded in sound logic. However, markets aren't typically driven by logic. Stick with something measureable and turn off the TV – that's what we do, and our investors are far better off because of it.

2. Discipline
No investment approach is going to outperform over all time periods. There is no 'perfect' process. We are confident in what we do and how we do it while recognizing that there will be times when we underperform.

There will be times when the investment choices we make don't work out and even a few times when we just look stupid. However, these are exactly the times when we find it critically important to stick with our discipline. As good times follow bad, it is the adherence to our process that will help our clients reach their Nirvana (or as close to it as possible).

3. Flexibility
Just as important as being disciplined, is the ability to be flexible enough to follow what your process is telling you do, even though the reasons why may not be clear. The best opportunities to reduce risk (at major market highs) or buy investments (at major market lows) are usually emotionally and intellectually challenging at the time – it is only in hindsight that the reasons become clear (and by then, the opportunity is gone).

4. Risk-Averse
Above all things, we are trying to avoid large losses. If we can avoid large losses, then we achieve our twin goals of eliminating investor anxiety and capturing above-average investment returns. Nearly all of the most successful professional money managers we've studied are obsessed with keeping losses small. We believe our investment process achieves this (controlling losses, not avoiding them) both on an individual security level and on the bigger picture/broad market level as well.

What to do next?

If the idea of building wealth over time without the full measure of market risk appeals to you, contact us by email at dcameron@pifinancial.com or jwoods@pifinancial.com or by phone at 1-877-405-2900, or visit our website at www.cameronwoods.ca .

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