

THIS INFORMATION IS FOR FINANCIAL SECURITY ADVISOR AND INVESTMENT REPRESENTATIVES. NOT FOR USE WITH CLIENTS.

BALANCED FUNDS:

## Built for a steady approach

It's not the world it was a decade ago. Since the financial crisis, volatility has been on the minds of many investors. Thanks to **low yields** and **stock market swings**, investors need to be diversified broadly and to look for modern ways to meet their financial goals. Balanced funds can play an essential role in building a well-rounded portfolio. These versatile funds are designed to deal with a number of market scenarios.

THE  
**Great-West Life**  
ASSURANCE  COMPANY

# Volatility and low interest rates are affecting the market environment

Equity markets around the world have been seeing more volatility over the last 20 years. Meanwhile, low interest rates across the globe mean fixed-income funds are not providing the income they have in the past, as illustrated by long-term interest rates.



Source: U.S. Federal Reserve and Bank of Canada interest rates, as of Dec. 31, 2016.

It is understandable how volatility and the uncertainty associated with it can dampen investor enthusiasm for equity markets. At the same time, low yields from traditional fixed-income investments can leave investors unable to achieve their financial goals. Although this environment can be uncomfortable, it is no reason to be left uninvested with idle cash. Balanced funds can help address these challenges.

## ADVANTAGES OF BALANCED FUNDS

# Enter the balanced fund

The aptly named balanced fund provides investors with a combination of equity fund return potential and fixed-income investment stability while generally staying within a low-to-medium risk category. The exact combination of the two types of investments can vary between mandates but the general benefits are often present across all balanced funds.



**DIVERSIFICATION**



**RISK  
MANAGEMENT**



**EMOTIONAL  
AWARENESS**



## DIVERSIFICATION

### Balanced funds offer diversification across asset classes.

The broad range of available investments on the market each functions and reacts in different ways to economic factors, such as interest, unemployment rates and inflation. When one portion of the investment landscape is struggling, another portion might be flourishing. Balanced funds capitalize on these variations in the economy by tapping into a wider range of securities and funds throughout the marketplace.

The fixed-income portion of a balanced mandate can stabilize a portfolio's performance during times of equity market turbulence. As a result balanced funds have an ability to capture some of the upside in positive equity markets, while at the same time, can outperform equities when markets are down.

Balanced funds bring the best of both worlds – growth potential and downside protection.

	2011	2012	2013	2014	2015	2016
Cdn Bonds	9.7%	16.0%	48.1%	23.9%	21.6%	35.4%
Global Bonds	8.8%	15.3%	41.3%	15.0%	19.6%	21.1%
US Large Cap	4.6%	14.0%	35.9%	14.3%	19.5%	17.1%
US Small Cap	-1.8%	13.8%	31.6%	10.6%	16.4%	8.1%
Global Equities	-2.7%	13.4%	13.0%	9.7%	14.6%	7.7%
Cdn Large Cap	-8.7%	7.2%	7.8%	8.8%	3.5%	4.4%
Foreign Equities	-9.5%	3.6%	4.3%	7.0%	2.4%	1.7%
Cdn Small Cap	-14.2%	2.5%	2.4%	4.1%	-8.3%	-2.0%
Emerging Markets	-16.1%	0.0%	-1.2%	-0.1%	-13.8%	-2.1%

Source: Morningstar Direct as at December 31, 2016 (CAD)

Canadian Bonds: FTSE TMX Canada Universe Bond Index  
 Canadian Large Cap: S&P/TSX Composite TR Index  
 Canadian Small Cap: BMO Small Cap Blended (Weighted) Index

Emerging Markets: MSCI EM GR Index  
 Foreign Equities: MSCI EAFE GR Index  
 Global Bonds: JPM GBI Broad TR Index

Global Equities: MSCI World GR Index  
 US Small Cap: Russell 2000 TR Index  
 US Large Cap: S&P 500 TR Index

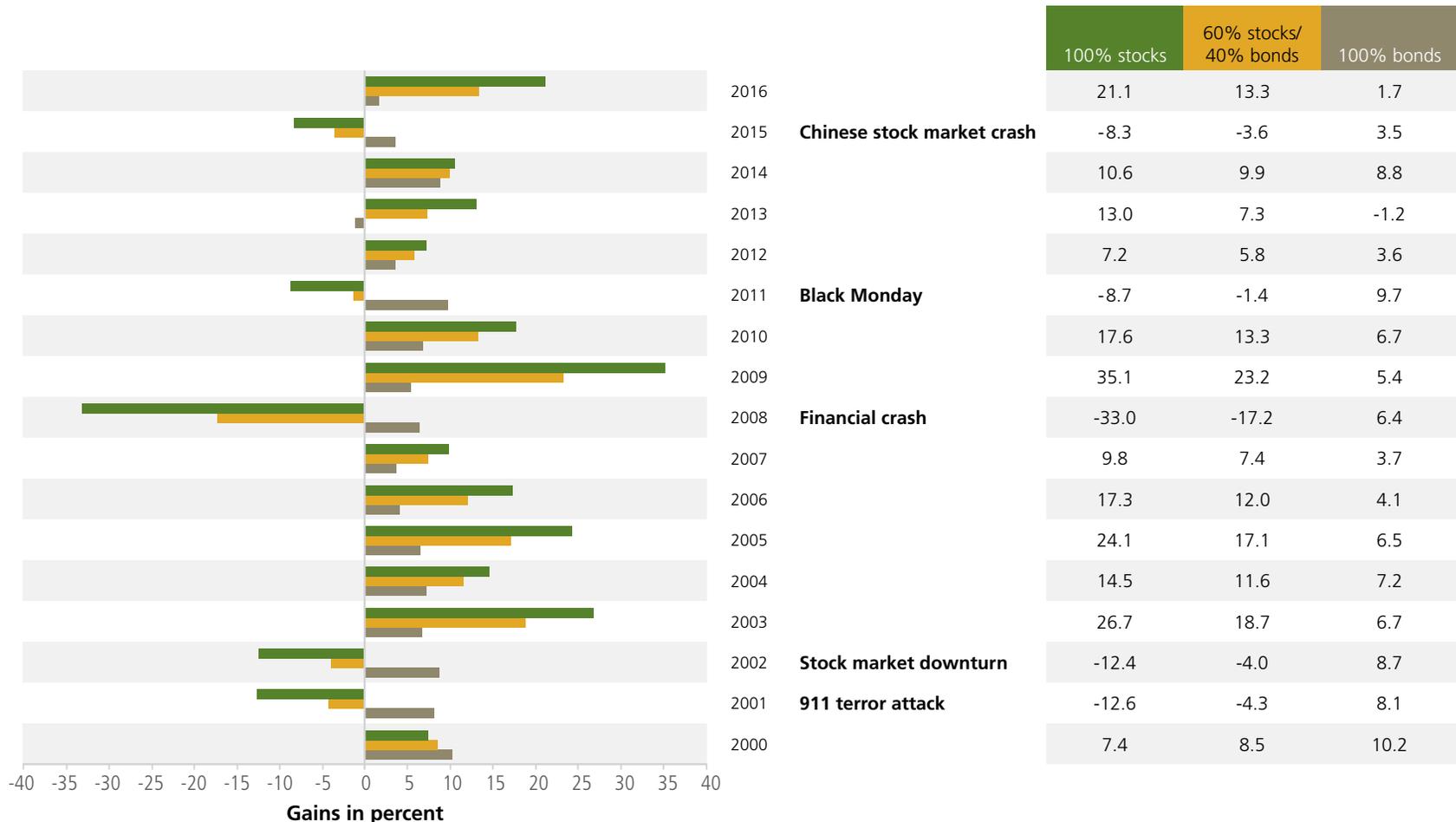


## RISK MANAGEMENT

# Balanced funds offer attractive risk-adjusted rewards versus pure equity holdings.

Balanced funds may help an investor achieve good upside potential while taking on less risk in their portfolio. A better risk/reward ratio means less portfolio volatility for a similar degree of gain, which in turn can make investing a more stable experience for risk-averse investors.

These benefits mean balanced funds are appropriate candidates for investing in all type of markets.



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Source: MorningstarDirect, as at Dec. 31, 2016.



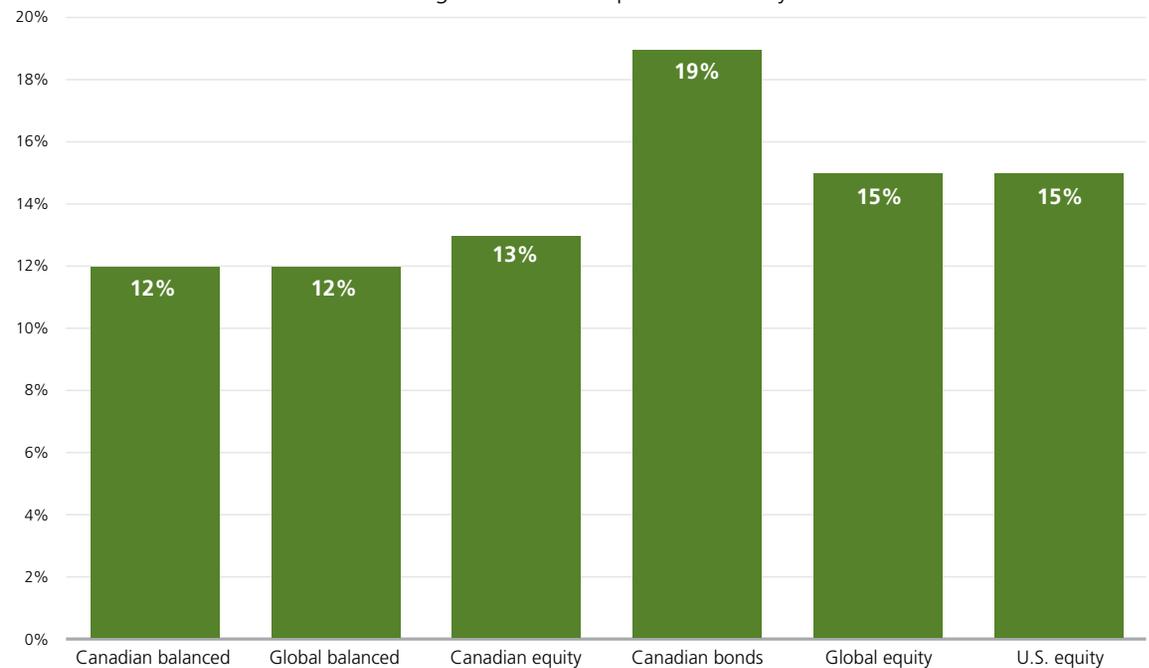
## EMOTIONAL AWARENESS

# How do balanced funds help prevent emotional investing?

Emotions can dictate how and when investors decide to invest their money. The following chart demonstrates how balanced funds have lower redemption frequency than either equities or bonds. The trend is attributable to balance funds' ability to moderate the emotional highs and lows of investing by lowering volatility. Additionally, the longer an investor stays invested the smoother their return picture begins to look.

### Balanced fund investors stay invested

Average annual redemptions over 10 years



Source: SimFund Strategic Insight, as at Dec. 31, 2016.

The chart shows average annual redemptions over 10 years ending Dec 2016 as a percentage of average year end assets over the same period. IEL asset classes were used to group data.



## EMOTIONAL AWARENESS

### Balance funds work: It pays to stay invested.

Lower redemption occurrence means staying invested for longer, which can smooth out an investor's overall return picture.

#### Balanced funds provide a smoother path over the long run

One-year returns versus 10-year returns



Source: Morningstar, as at Dec. 31, 2016.

Chart showing one-year versus 10-year rolling returns of a balanced portfolio made up of 60% S&P/TSX Composite and 40% FTSE TMX Canada Universe Bond. Annual rebalancing applied to portfolio.

Balanced funds are generally more consistent in their performance and can experience less severe swings than equities that help mitigate emotional decision-making in reaction to changes in the market. Balanced funds can also provide investors with 'soft' benefits. Best seen through the lens of behavioural economics, steadiness helps to reduce the impact from loss aversion fears.

#### DID YOU KNOW?

Loss aversion – Some studies have suggested that losses are twice as powerful, psychologically speaking, as gains. This investor tendency can lead to a greater need for risk-aversion. The bias can be so powerful that belief alone can create investor inertia or a desire to redeem investments at the exact wrong moment.

## CORE AND EXPLORE

### Take action with a 'core and explore' strategy:

Harness balanced mandates to expand on initial fund choices and adjust the tilt of clients' overall portfolios. Within a 'core and explore' strategy, you can use a balanced fund as a core component of the portfolio in conjunction with other single fund solutions (with concentrated and focused mandates) to better respond to clients' needs.

Without moving clients out of their client risk tolerance range, incorporating balanced funds into a more conservative portfolio can help strengthen the equity portions: increasing the equity exposure means more growth through domestic or foreign opportunities (thus expanding investment universe, increasing risk and return potential).



In addition, some balanced funds can be used to strengthen a portfolio's fixed-income portions: increases access to steady income with core or specialty exposure [e.g., use the Monthly Income (London Capital) as a core stabilizer while adding the Unconstrained Fixed Income (Mackenzie) fund to fill a special purpose and offer additional yield to your portfolio].

Balanced funds act as an appropriate diversifier for those who prefer to build their portfolio with more than one fund.

## TAKE ACTION

# Balanced solutions that work for investors

Great-West Life's diversified suite of balanced, income-oriented and asset allocation funds are designed to give clients the choice they need and the confidence they want.



### TRADITIONAL BALANCED- ORIENTED FUNDS:

- **Diversified**  
(London Capital)
- **Balanced**  
(Beutel Goodman)
- **Global Balanced**  
(Mackenzie)



### INCOME- ORIENTED FUNDS:

- **Income**  
(Portico)
- **Monthly Income**  
(London Capital)
- **Global Monthly Income**  
(London Capital)



### RISK/RETURN- ORIENTED FUNDS:

- **Conservative Portfolio**
- **Moderate Portfolio**
- **Balanced Portfolio**
- **Advanced Portfolio**
- **Aggressive Portfolio**

### WHAT TO DO NEXT:

- **Review** fund choices to assess the level of value being provided over the long term
- **Consider** adding balanced funds to enhance or complement a portfolio with respect to tolerance for risk
- **Implement** an appropriate strategic mix to capitalize on the benefit of holding balance funds within the overall portfolio

If balance funds are right for your clients, we have a broad range of funds that complement any portfolio.

For more information about dividend and income funds, please visit [WealthCentre](#).

A description of the key features of the segregated fund policy is contained in the information folder. Any amount allocated to a segregated fund is invested at the risk of the policyowner and may increase or decrease in value.

This fund is available through a segregated funds policy issued by Great-West.

**This information is for financial security advisor and investment representatives. This material is not intended for use with clients.**

Make your investment decisions wisely. Important information about the Quadrus Group of Funds is found in Fund Facts. Please read this carefully before investing. Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. Unit values and investment returns will fluctuate.

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