

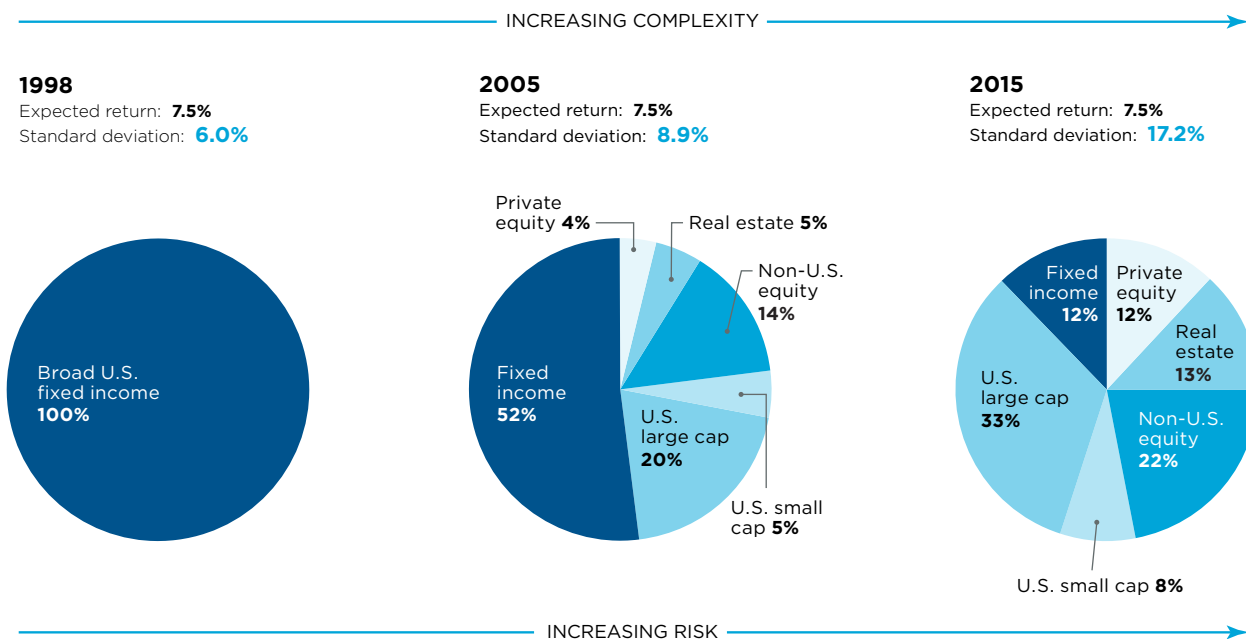


Navigating the World of Active Alternatives

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Invest with advice.

The evolution of portfolio construction

The current investment landscape is drastically different from a few decades ago. Today's equity market volatility and low fixed-income yields mean that investors have to take on much more risk to achieve a similar return to 20 years ago. In light of these challenges, traditional portfolio management must evolve.



Source: Callan Capital Market Projections

The rise of alternative investments

Once the exclusive domain of institutional and high-net-worth investors, alternative investments have become increasingly accessible to investors across Canada as they can be used to diversify portfolios and access new investment strategies.

¹ Source: CIBC

The demand for liquid alternatives is estimated to exceed \$100 billion by 2023¹, evolving the way we view portfolio construction.

Defining alternative investments

Unlike traditional assets (such as stocks, bonds and cash), alternative investments generally fall into one of three broad categories:

- **Alternative assets**, such as commodities, real estate, infrastructure or currencies;
- **Alternative strategies**, such as long/short, event-driven, market neutral, and global macro;
- **Illiquid investments**, such as private credit, private equity, or direct real estate.

What are liquid alternative funds?

Liquid alternatives combine the liquidity and transparency of mutual funds with much of the investment flexibility of hedge funds. Because they rely on alternative sources of returns,

liquid alternatives offer investors the potential for enhanced diversification, decreased volatility, and attractive risk-adjusted returns – independent of traditional stock and bond markets.

Comparing fund structures

	TRADITIONAL MUTUAL FUNDS AND ETFs	LIQUID ALTERNATIVE FUNDS	HEDGE FUNDS
Target investors	Retail investors	Retail investors	Accredited investors
Offering document	Simplified Prospectus	Simplified Prospectus	Offering Memorandum
Minimum investment	Low	Low	High
Liquidity	Daily	Daily	Less liquid: redemption periods vary but are typically offered monthly
Borrowing	5% of Net Asset Value (NAV) with restrictions	50% of NAV*	Limits set by individual funds
Short selling	20% of NAV with no more than 5% in one issuer	50% of NAV with no more than 10% in one issuer*	
Leverage	None	3x	
Concentration in one issuer	No more than 10% of NAV	No more than 20% of NAV	
Illiquid assets	No more than 10% of NAV	No more than 10% of NAV	

*Total borrowing and short selling is limited to 50% of NAV

Why Alternatives Matter



Diversification

With the potential for lower correlation to stocks and bonds, alternative asset strategies can increase portfolio diversification



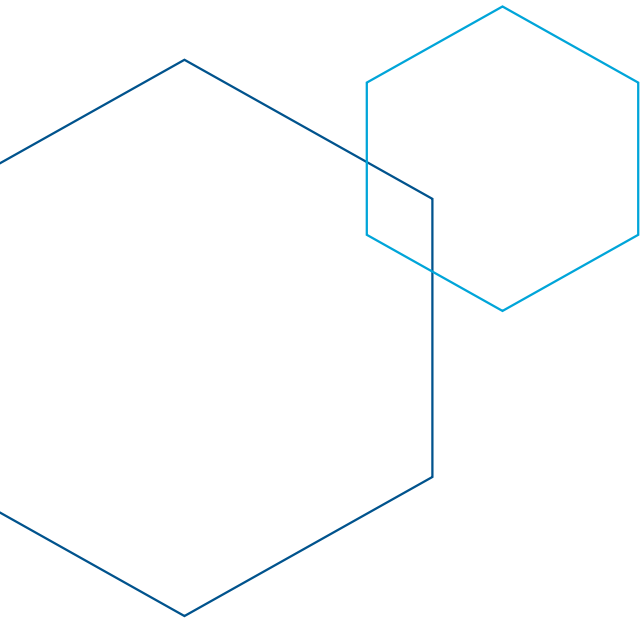
Downside Protection

Because they don't move in tandem with stock and bond markets, alternative strategies can help mitigate risk in times of volatility and potentially enhance a portfolio's long-term risk-adjusted returns



Access to Additional Sources of Return

Many alternative investments seek to deliver returns via trading strategies outside the "buy and hold" approach. They can therefore complement existing holdings and provide a set of tools for even more focused strategic portfolio positioning



For more information on Dynamic Active Alternative Funds, contact your financial advisor.

Customer Relations Centre

Toll free: 1-800-268-8186

Tel: 514-908-3212 (English)
514-908-3217 (French)

Fax: 416-363-4179 or 1-800-361-4768

Email: service@dynamic.ca

dynamic.ca/activealts

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