



PI High Yield Dividend Growth Model (“PI HYDG”) Portfolio

Description and Disclosure Statement [984]

Investment Objectives

The PI High Yield Dividend Growth (“PI HYDG”) Model Portfolio is a focused, large capitalization Canadian equity income and moderate growth portfolio with the objective to provide a high dividend yield, a lower level of volatility, consistently growing dividend equity income and moderate long-term capital appreciation.

The portfolio’s return objective is to outperform its benchmark, the iShares S&P/TSX Composite High Dividend Index Exchange Traded Fund (before fees) over rolling 3 year periods with lower volatility as measured by standard deviation and beta. ***Although it is our opinion that our quantitative and fundamental methodology can achieve this target, there can be no assurances this objective will be realized.***

Investment Portfolio

The PI HYDG Portfolio is an all Canadian equity mandate. Small to moderate amounts of cash or cash equivalents may be held for tactical purposes. This portfolio will not include any other asset class such as bonds or derivatives. The portfolio will hold between 20 to 30 S&P/TSX listed dividend paying equities with market capitalization equal to or greater than C\$1 billion dollars. The portfolio will focus on holding a broad range of Canada’s largest and highest quality dividend paying companies that have a long term record of paying and consistently growing their dividends. The overall portfolio will have a dividend yield greater than that of the TSX Composite Index.

The investable universe approximately mirrors that of the benchmark iShares S&P TSX Composite High Dividend Index ETF (Ticker XEI.TO). The portfolio will, (1) be overweight the more defensive sectors (utilities, real estate, financials, and telecom), (2) hold companies that have increased their dividends per share every year for at least the past 4 years, (3) hold companies that are of high financial quality, (4) have a lower level of volatility (weekly beta) and (5) the portfolio will have an overall dividend yield greater than that of the TSX Composite Index.

To reduce concentration and increase diversification, sector weights will be capped at 30% of the overall portfolio and no individual company will have a weighting greater than 8% of the portfolio.

Portfolio Management Strategy and Asset Allocation

	TARGET	RANGE
Cash and Equivalents	5%	0-25%
Canadian Equities/ REITS/ ETF	95%	75-100%

The PI HYDG Portfolio investment analytical process uses a combination of quantitative and fundamental analysis methodologies – refer to the *PI HYDG Portfolio Process and Methodology* documentation for further details.

The portfolio's asset mix is equity-only and is expected to be approximately fully invested at most times as noted above. Small positions in cash and cash equivalents, up to 25% of the portfolio, will be used to adjust for periods of market volatility, sector or company valuation fluctuations. Sector and company selection as well as allocation will be used to adjust for changes in business and economic cycles.

Time Horizon

The PI HYDG Portfolio is suitable for investors with a time horizon of at least 3 years and preferably 5 years or more.

Risk and Disclosure

The PI HYDG Portfolio should be considered MEDIUM RISK.

The PI HYDG Portfolio is a fully discretionary portfolio managed by PI Financial Senior Portfolio Manager and Managing Director of Discretionary Asset Management, Mr. Bert Quattrociocchi, a licensed portfolio manager with 35 years of investment industry experience.

This portfolio is expected to be, approximately, fully invested at all times, thus, investors should expect a higher level of volatility and risk of capital losses, compared to other more diversified portfolios which may also hold fixed income securities.

This PI HYDG portfolio is a concentrated Canadian equities only portfolio of 20-30 large capitalization companies. The portfolio will not hold any foreign securities or other asset classes.

This portfolio should be used in combination with a more fully diversified asset class investment portfolio and strategy.

Liquidity

The companies held within this portfolio are listed on the Toronto Stock Exchange which may see periods of illiquidity. However since these are large capitalization and highly liquid securities we do not expect any material liquidity (the ability to sell shares) issues during normal market conditions.

Benchmark

The PI HYDG Portfolio benchmark is the iShares S&P TSX Composite High Dividend Index ETF (Ticker XEI.TO) which represents a diversified list of Canadian high dividend paying companies.