

A vertical bar on the left side of the slide, consisting of a thin grey line and a wider orange bar.

LEARN TO LOVE VOLATILITY



EDGEPOINT

AGENDA

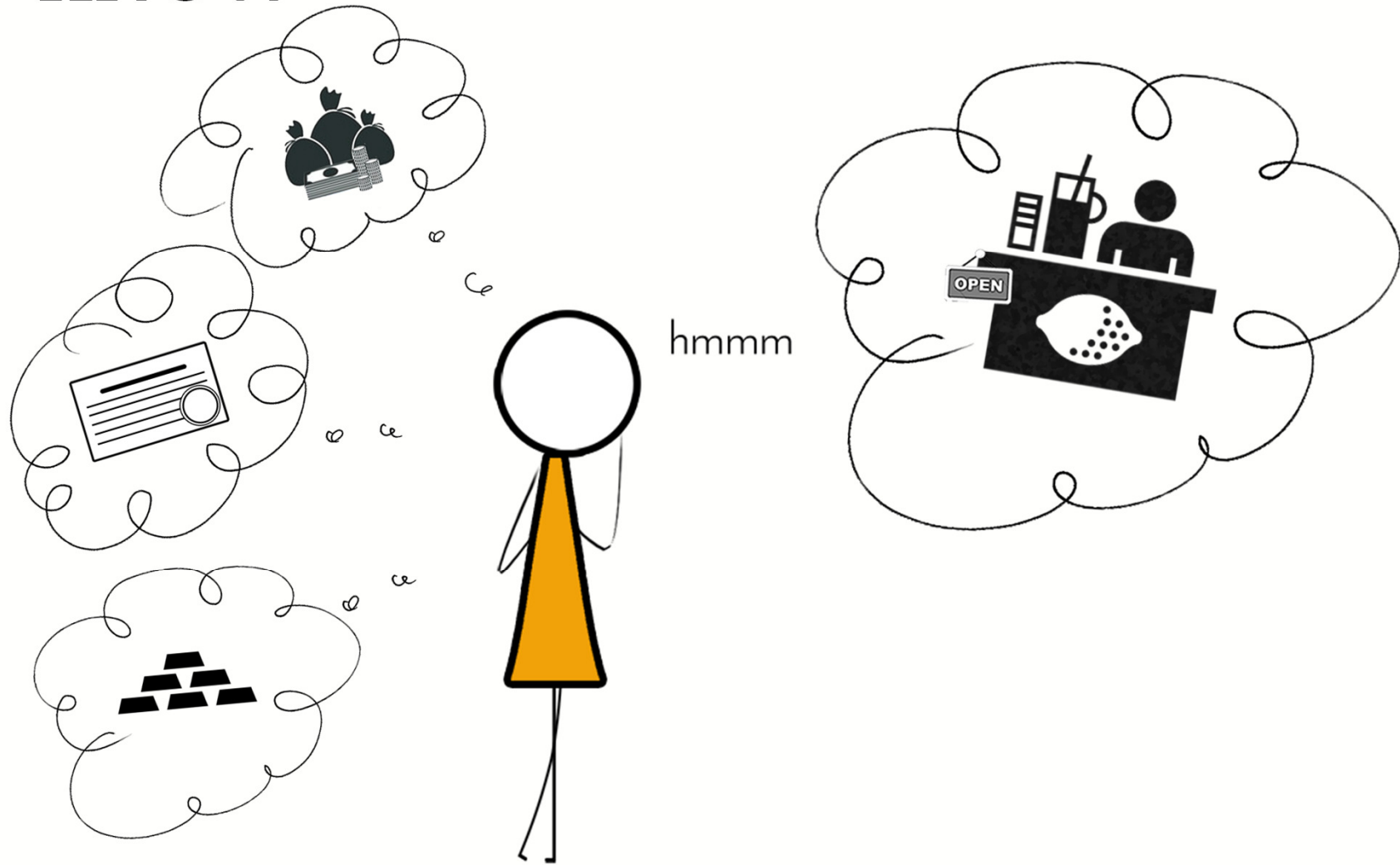
- Why you need stocks
- Why you need volatility

FROM POINT A TO POINT B – HOW?



Education
Home ownership
Retirement
Financial independence

THE WEALTHIEST PERSON YOU KNOW





INFLATION



EDGEPOINT

INFLATION IN ACTION



**Over the last 18 years, Big Mac prices
have risen 5% annually**

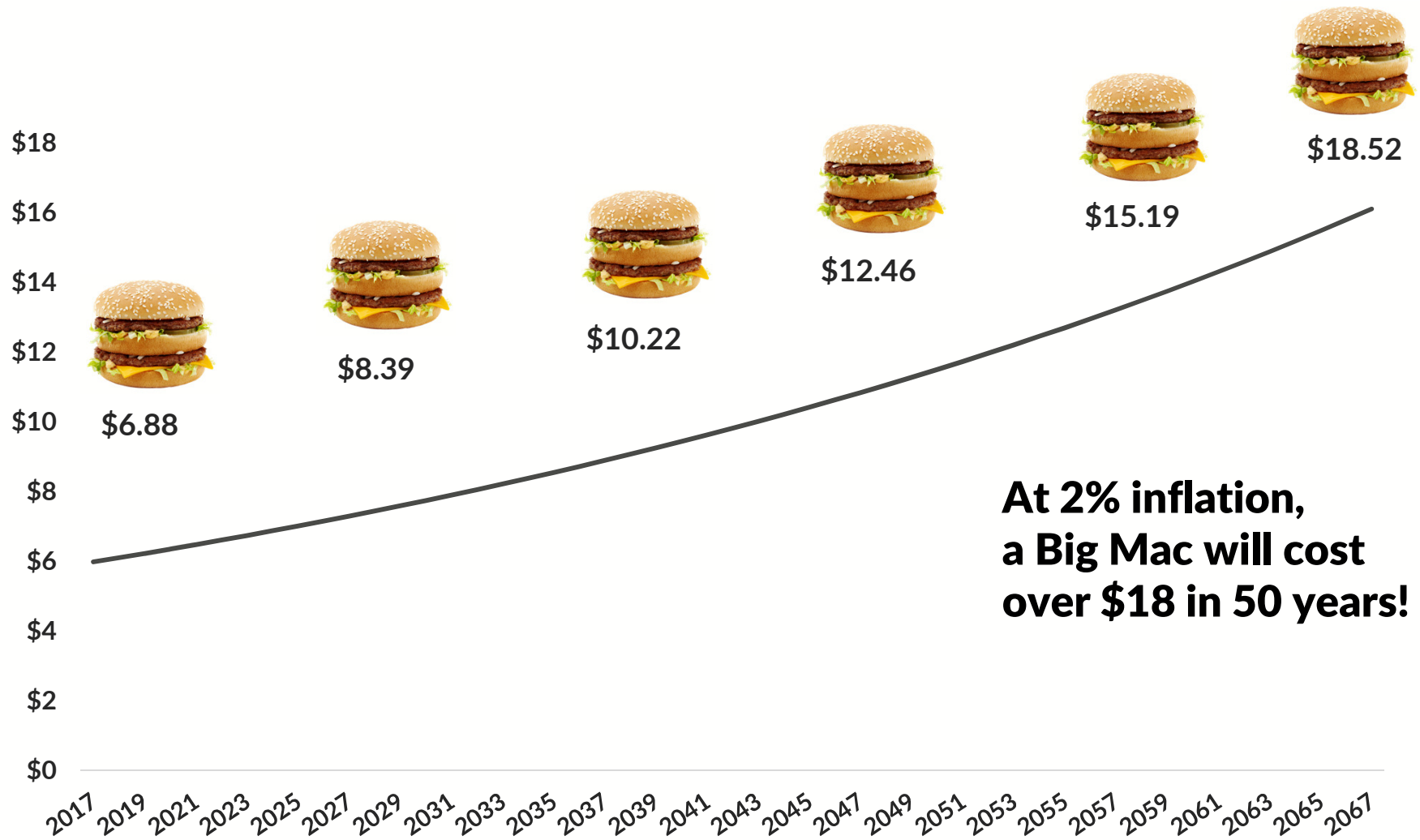
Source: www.economist.com/content/big-mac-index. Rate of inflation is used only to illustrate the effects of the compound growth rate and isn't intended to reflect future values.

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EDGEPOINT

INFLATION IN ACTION



Rate of inflation is used only to illustrate the effects of the compound growth rate all else being equal and isn't intended to reflect future values.
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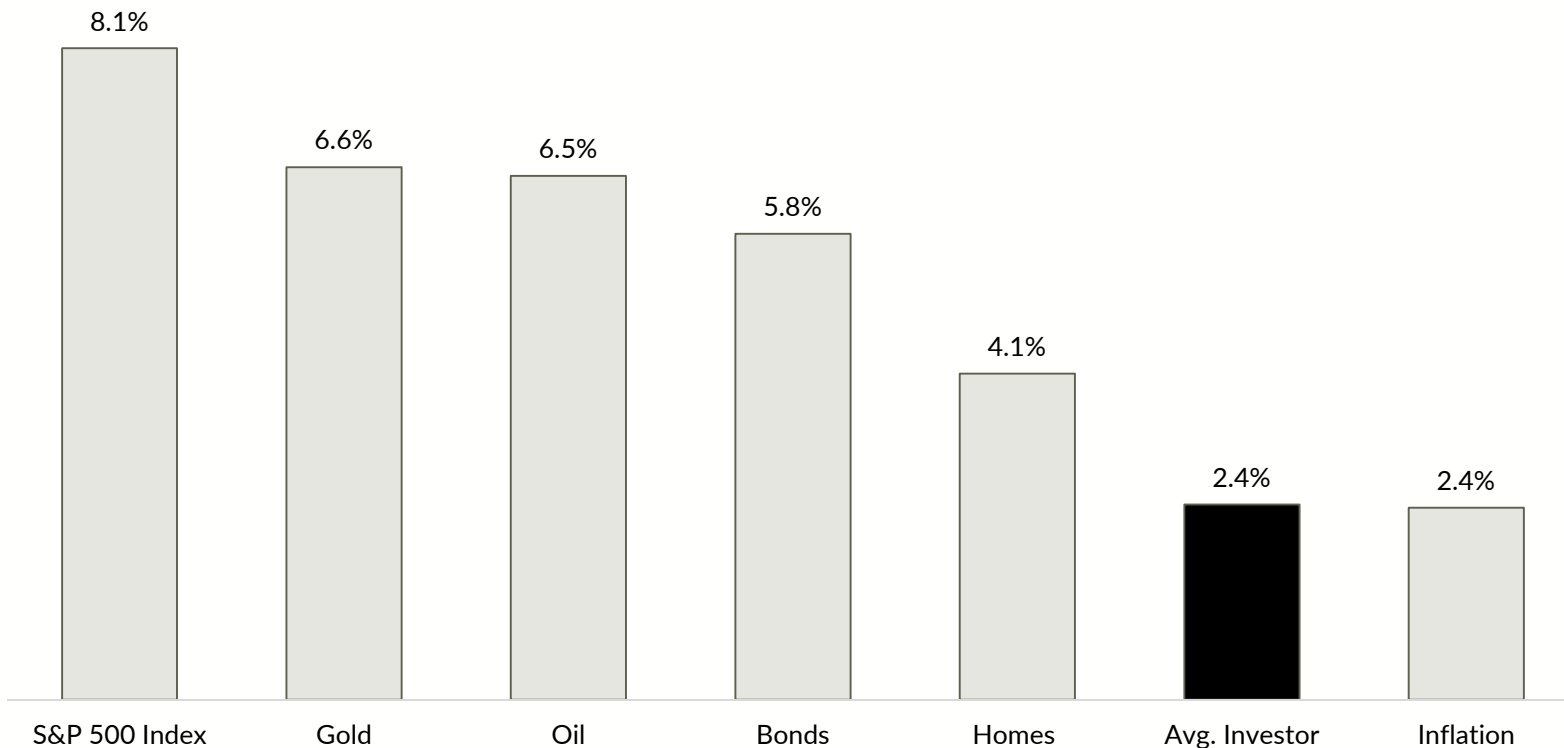
EDGEPOINT

KEY TAKEAWAYS

- Inflation is the rate at which your cash declines in value
- The governments wants some level of inflation, the historical average is 2%
- Your wage and savings need to increase equal to the rate of inflation or else you're POORER
- Invest in things that can grow faster than rate of inflation

20-YEAR ANNUALIZED ROLLING RETURN BY ASSET CLASS FROM 2009 TO 2018

Average of the 20-year annualized rolling returns



Source: "Quantitative Analysis of Investor Behavior, 2019", DALBAR, Inc., Bloomberg LP. Bonds: Barclays Capital U.S. Aggregate Bond Index; Gold: Bloomberg gold spot price per troy ounce; Homes: S&P/Case Shiller U.S. Home Price Index; Oil: Bloomberg WTI Cushing Crude; Inflation: U.S. Consumer Price Index. Average investor return based on DALBAR, Inc. analysis using the average of asset allocation, equity and fixed-income funds. The analysis utilizes the monthly net of aggregate mutual fund sales, redemptions and exchanges as a measure of investor behaviour. Asset allocation funds invest in a mix of equities, fixed-income securities and money market instruments. All rolling returns annualized and in US\$. S&P 500 Index return is a total return which includes reinvestment of dividends. The S&P 500 Index is a broad-based market-capitalization-weighted index of 500 of the largest and most widely held U.S. stocks. As at December 31, 2018

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WHY DO INVESTORS FAIL?

- Short time horizons
- View stock price fluctuations as risk and act accordingly
- Don't know the value of what they own

Average holding period of all stocks in the S&P 500 Index: 6 months

Source: FactSet Research Systems. As at March 6, 2019. Average holding period in months is calculated using cumulative one-year volume and average shares outstanding for the past year minus closely held shares. Actual equity holding periods may differ from results above which are used as a best estimate. The S&P 500 Index is a broad-based market-capitalization-weighted index of 500 of the largest and most widely held U.S. stocks.

FORGET ABOUT IT

A mutual fund company released a study discussing performance of their clients' accounts

- The clients that did the best were the ones who were dead
- The second best performing set of clients forgot they had investment accounts

Source: Fidelity study

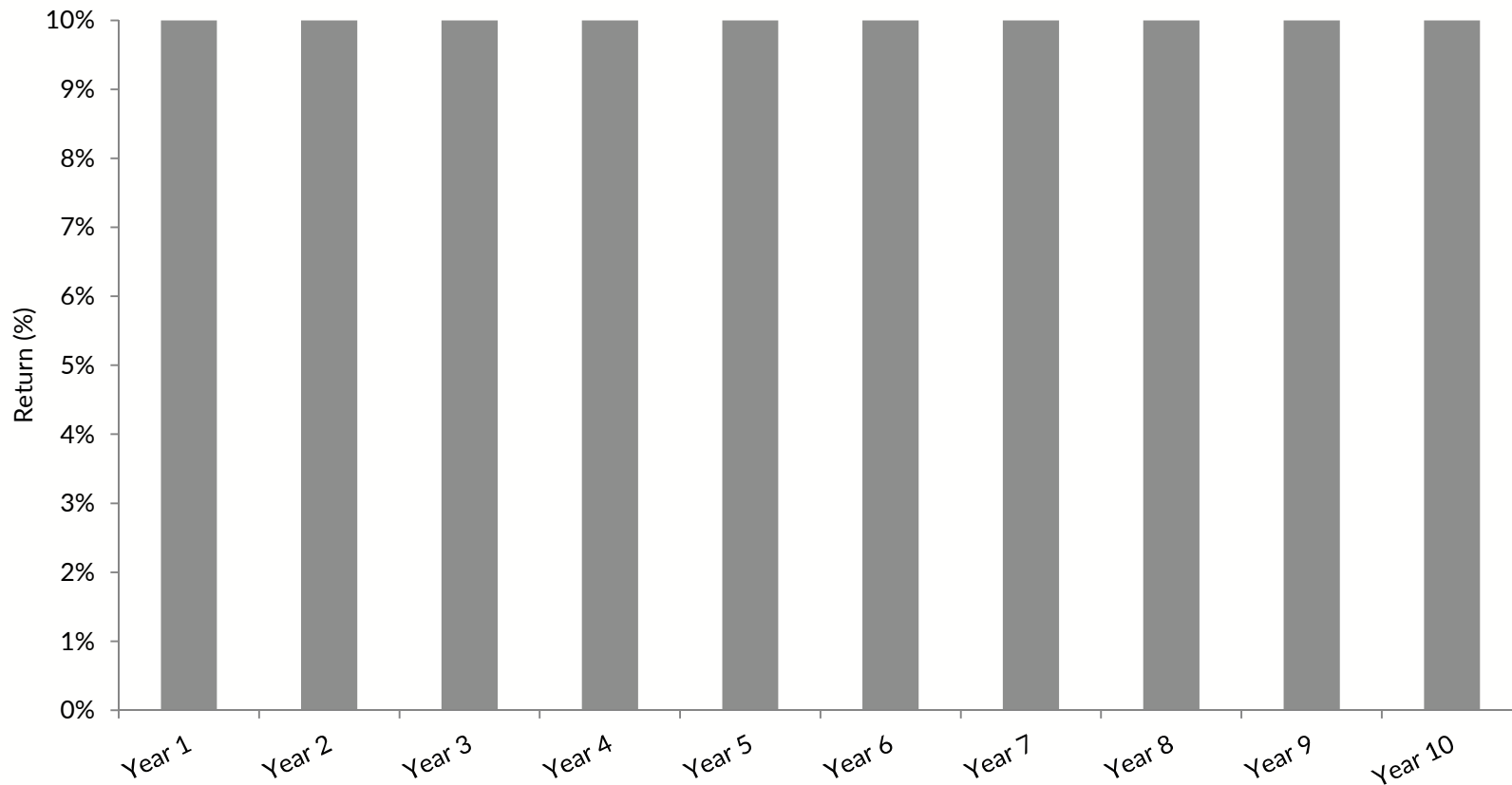
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E D G E P O I N T

WISHFUL THINKING

Investors think a 10% annualized return will look like this:



Hypothetical example. The chart above is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the fund or returns on investment in the fund.

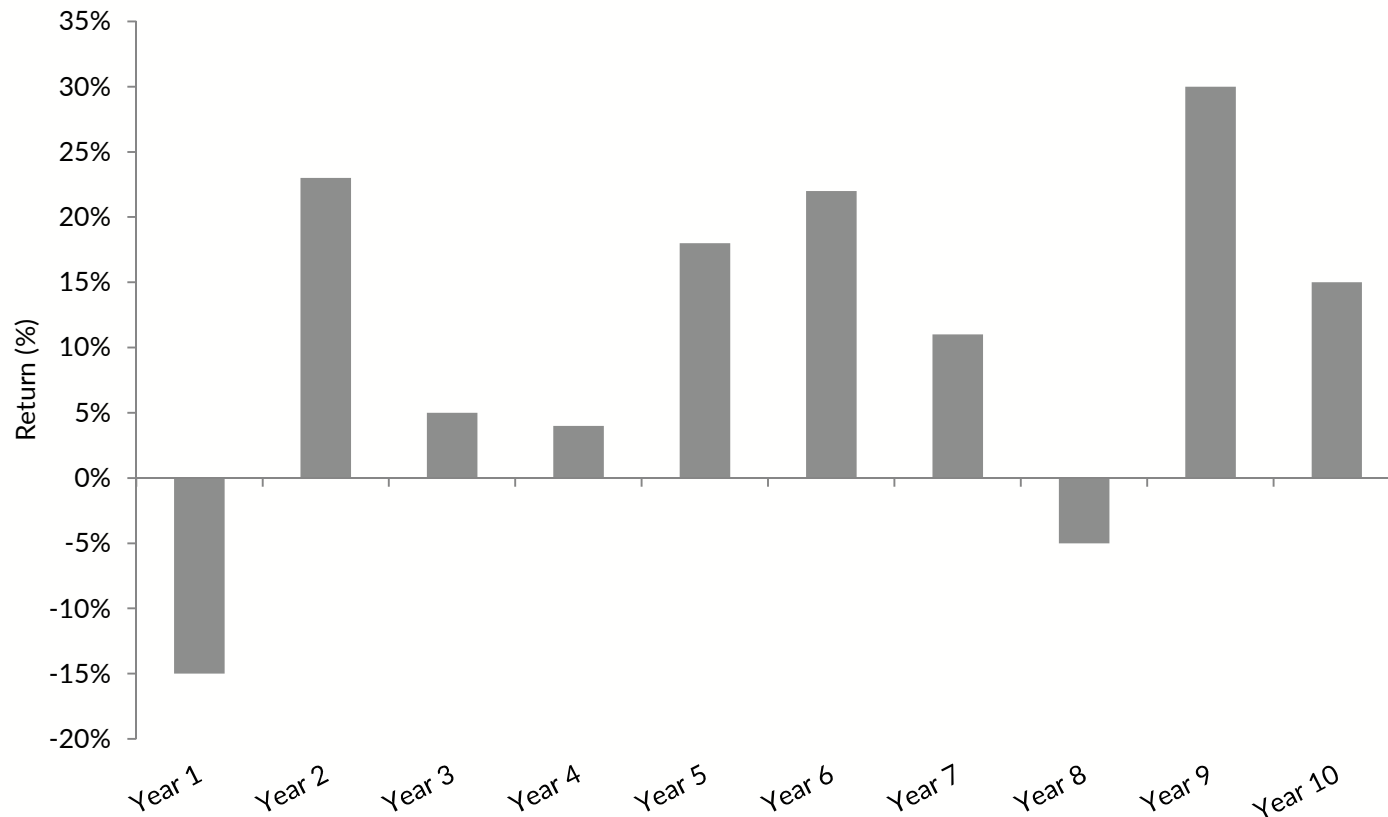
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EDGEPOINT

“AVERAGE” IS RARER THAN YOU THINK

What a 10% annualized return can really look like:



Hypothetical example. The chart above is used only to illustrate the effects of the compound growth rate and is not intended to reflect future values of the fund or returns on investment in the fund.

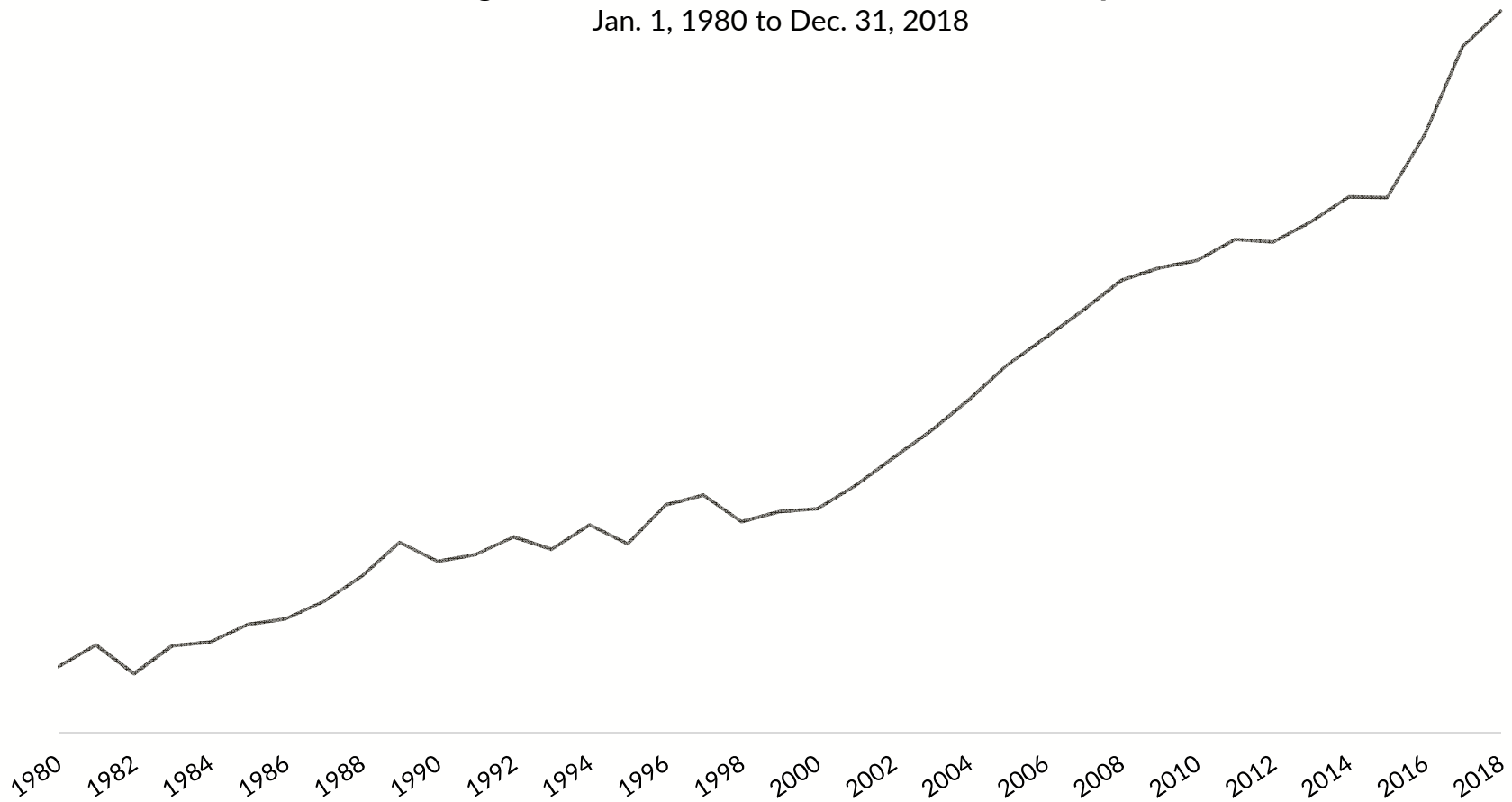
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EDGEPOINT

A SMOOTH RIDE

Average Prince Edward Island residential home price
Jan. 1, 1980 to Dec. 31, 2018



Source: BMO – Economic Research. Home prices in C\$. Average Prince Edward Island residential home price between 1980 and 2018.

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EDGEPOINT

A BUMPY RIDE

S&P 500 Index
Jan. 1, 1980 to Dec. 31, 2018



Source: Bloomberg LP. Total returns measured in C\$ from Jan. 1, 1980 to Dec. 31, 2018. The S&P 500 Index is a broad-based market-capitalization-weighted index of 500 of the largest and most widely held U.S. stocks.

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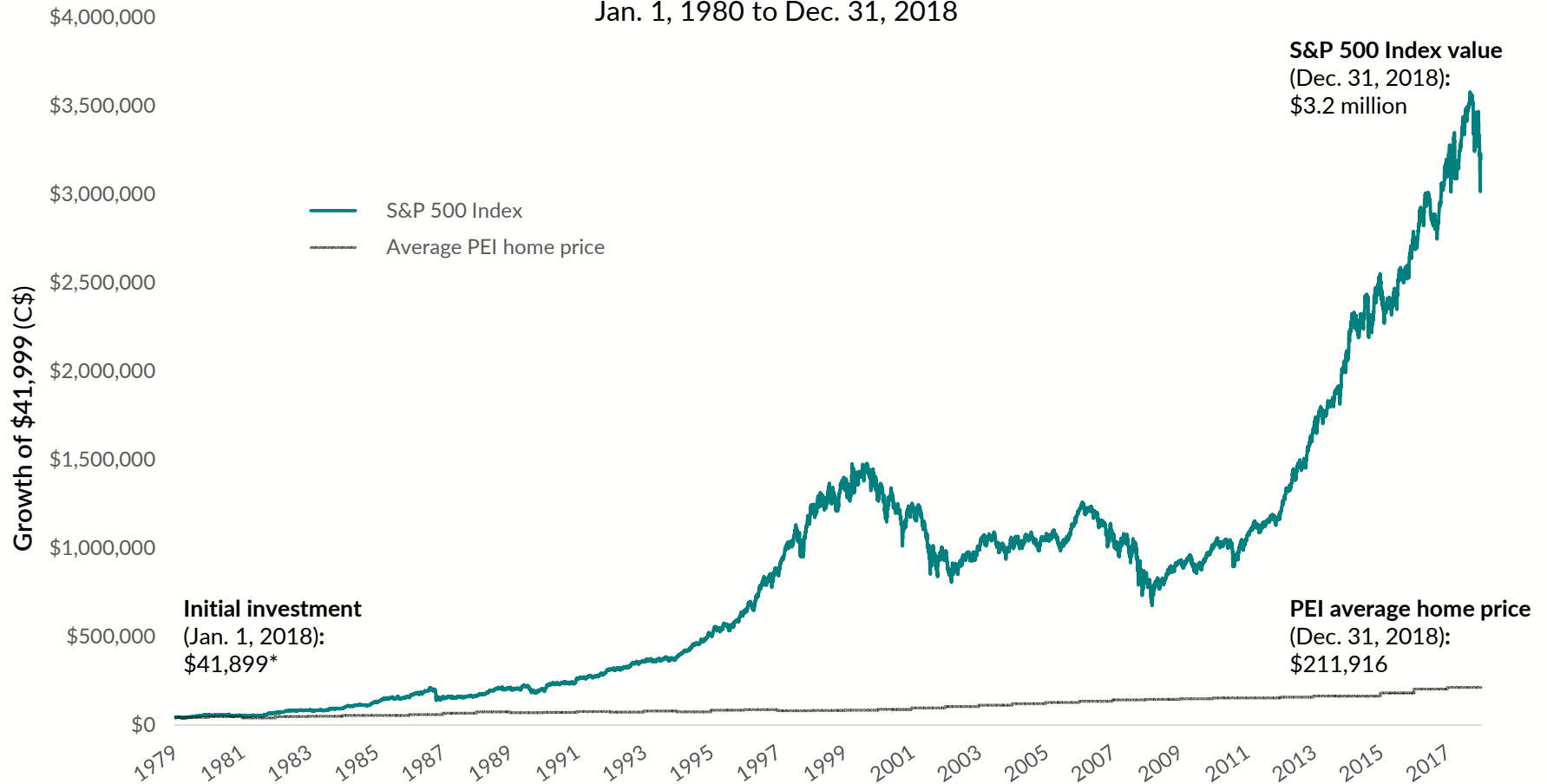


EDGEPOINT

WHAT WOULD YOU RATHER OWN?

Average residential home prices in PEI vs. S&P 500 Index (Growth of \$41,899)

Jan. 1, 1980 to Dec. 31, 2018



*\$41,899 was the average PEI residential home price in 1980.

Source, Index: Bloomberg LP. Source, PEI: BMO – Economic Research. Total gross returns and house prices in C\$. Period is January 1, 1980 to December 31, 2018. The S&P 500 Index is a broad-based market-capitalization-weighted index of 500 of the largest and most widely held U.S. stocks.

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EDGEPOINT



COMPOUNDING



EDGEPOINT

WOULD YOU RATHER...



\$1 million today



**A penny today
that doubles
every day for
30 days**

DAY 30



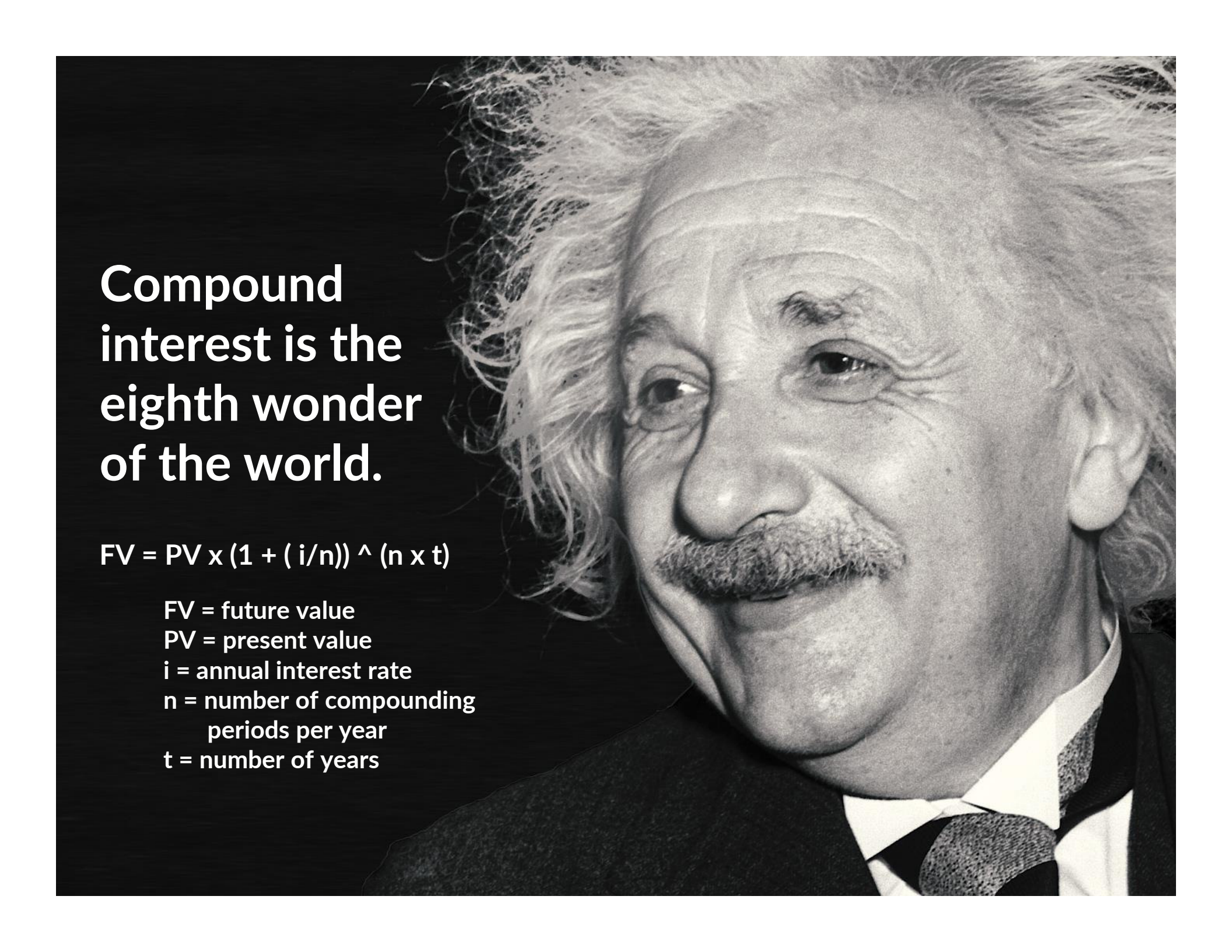
\$10.7 MILLION

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EDGEPOINT

A black and white portrait of Albert Einstein, showing his characteristic wild, white hair and mustache. He is wearing a dark suit jacket, a white shirt, and a patterned tie. The background is dark.

**Compound
interest is the
eighth wonder
of the world.**

$$FV = PV \times (1 + (i/n)) ^ (n \times t)$$

FV = future value

PV = present value

i = annual interest rate

n = number of compounding
periods per year

t = number of years

EXAMPLE

Investment: \$100
Rate of return: 10%/year

Year 1:
 $\$100 \times 0.10 =$ **\$10**



Year 2:
 $(\$100 + \$10) \times 0.10 =$ **\$11**



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EXAMPLE

Investment: \$100
Rate of return: 10%/year

Year 1:
 $\underbrace{\$100}_{\text{Investment}} \times \underbrace{0.10}_{\text{Return}} = \mathbf{\$10}$



Year 2:
 $\underbrace{(\$100 + \$10)}_{\text{Investment}} \times \underbrace{0.10}_{\text{Return from Year 1}} = \mathbf{\$11}$



Year 3:
 $\underbrace{(\$100 + \$10 + \$11)}_{\text{Investment}} \times 0.10 = \mathbf{\$12.10}$



As your investment base gets bigger, it grows faster (exponentially)

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COMPOUNDING'S 3 ESSENTIAL INGREDIENTS



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EXPONENTIAL GROWTH IN ACTION

Mitch



\$2,000/year from
age 18 to 25
(8 years)

= \$16,000

Auston



\$2,000/year from
age 26 to 65
(40 years)

= \$80,000

At 9% per
year, who's
got more
money at
age 65?

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EXPONENTIAL GROWTH IN ACTION

At 65...

\$692,796

Mitch



\$16,000

\$675,765

Auston



\$80,000

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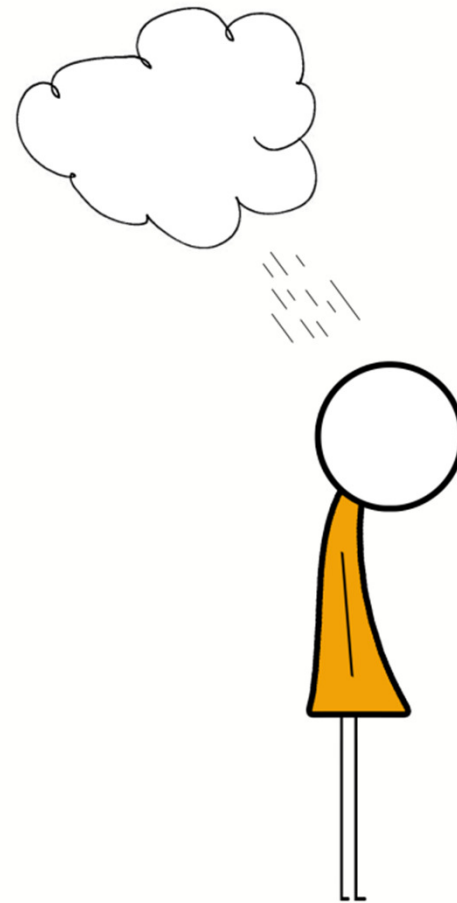
DEFINING RISK THE RIGHT WAY

“Risk” to investors

The bumpiness of the ride
(volatility)

Real risk

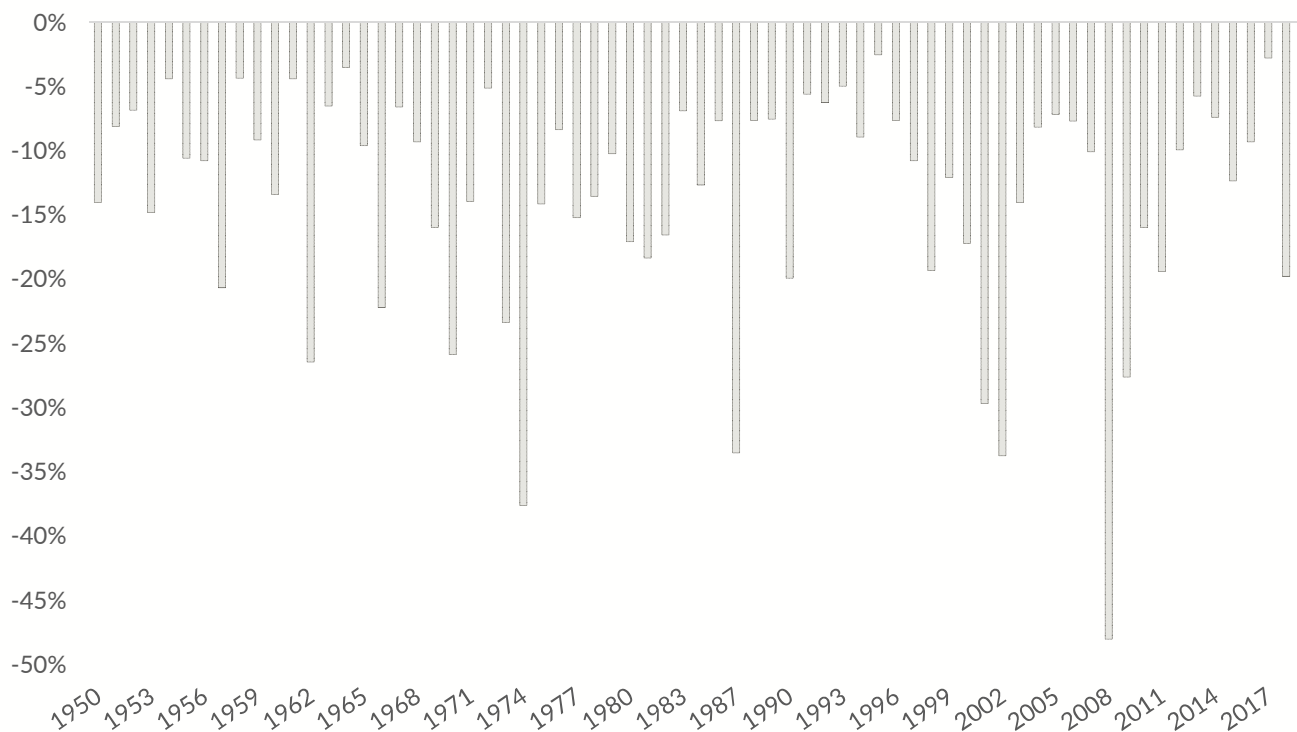
Not getting to Point B



THE REALITY IS THAT STOCK PRICES ARE VOLATILE

S&P 500 Index maximum drawdowns

Dec. 31, 1949 to Dec. 31, 2018



S&P 500 Index by the numbers

- Years with double-digit drawdowns: 37
- Years without a minimum 5% drawdown: 7
- Annualized return since 1950: 11%

Source: Bloomberg LP. Maximum drawdown is the largest intra-year market drop from a peak-to-trough during a calendar year. Returns and drawdowns measured in US\$. Drawdowns are calculated using price returns. Annualized return since 1950 measured in total returns. Total return assumes dividends are re-invested back into the index. The S&P 500 Index is a broad-based market-capitalization-weighted index of 500 of the largest and most widely held U.S. stocks.

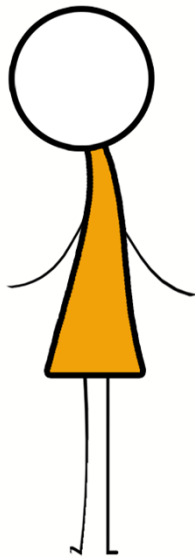
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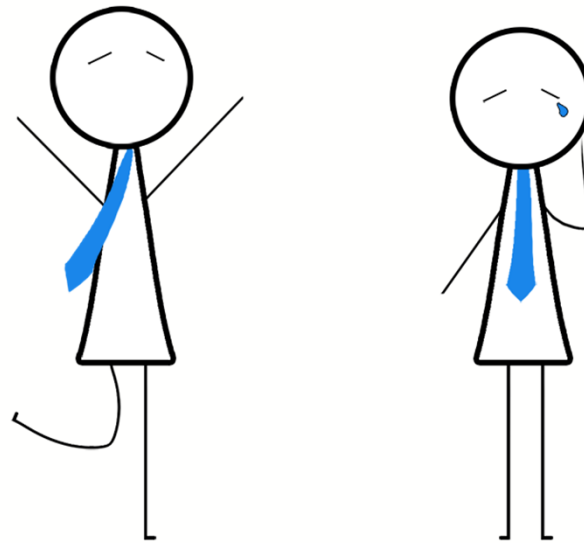
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MR. MARKET, YOUR BIPOLAR PARTNER

You

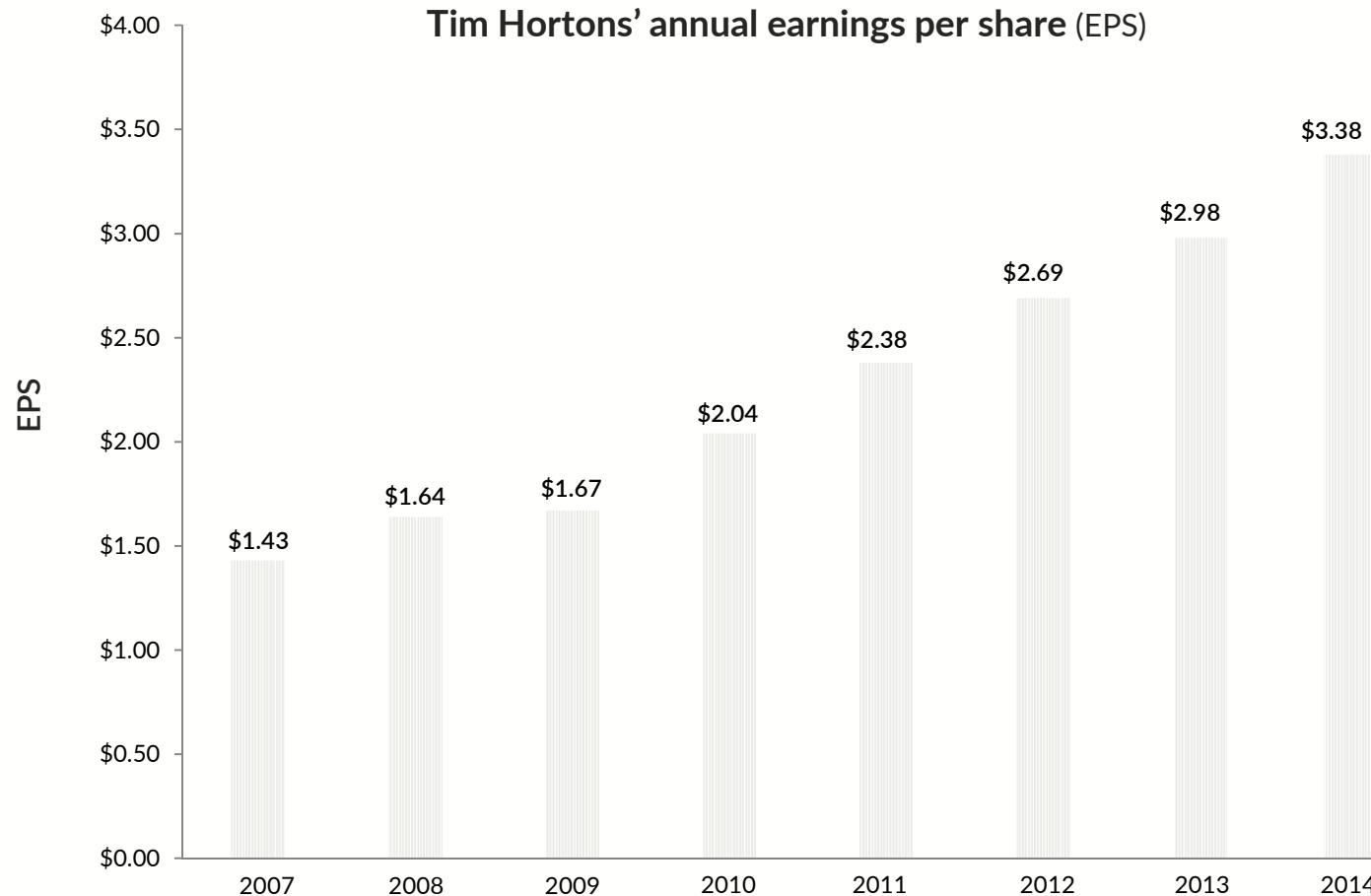


Mr. Market



Mr. Market is there to serve you, NOT guide you

WHAT A BUSINESS OWNER SEES



Source: Bloomberg LP. Annual adjusted earnings per share in C\$. As at December 12, 2014. Q4 2014 estimate source: FactSet Research Systems Inc.



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MR. MARKET IN ACTION



Source: Bloomberg LP. Annual adjusted earnings per share and stock price in C\$ and exclude dividends. 34% decline: December 10, 2007 to November 20, 2008; 20% decline: January 2, 2009 to May 22, 2009; 12% decline: May 10, 2011 to August 8, 2011; 22% decline: May 7, 2012 to December 4, 2012. Stock price as at December 12, 2014. Q4 2014 EPS estimate source: FactSet Research Systems Inc.

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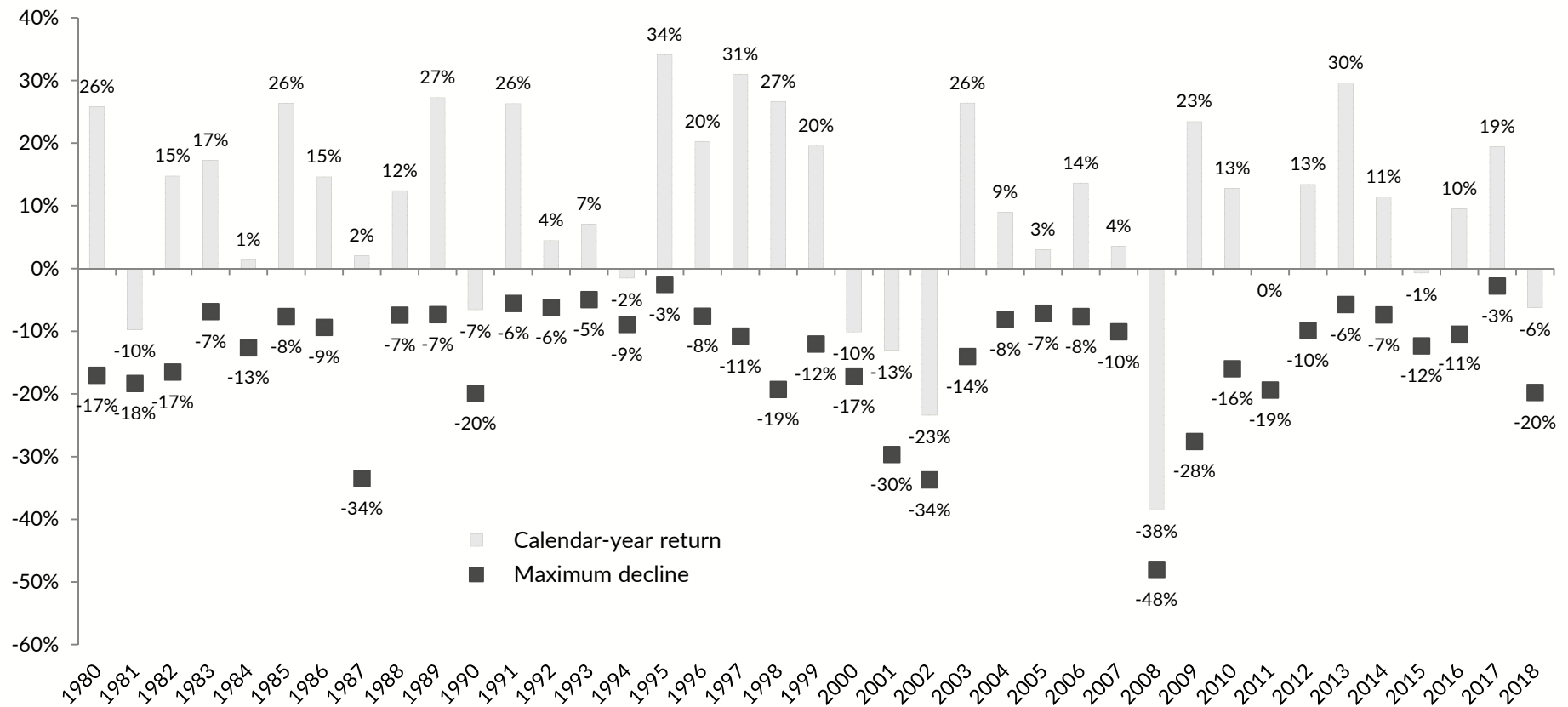
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ANNUAL RETURNS AND INTRA-YEAR DECLINES

S&P 500 intra-year declines vs. calendar-year returns

Despite average intra-year drops of 13.9%, annual returns positive in 29 of 39 years

Annualized return since 1980 = 11.3%



Source: Bloomberg LP. As at December 31, 2018. Returns based on price index only, excludes dividends and in US\$. Maximum decline is the largest intra-year market drop from a peak-to-trough during the calendar year. Calendar-year returns shown from 1980 to 2018. Annualized return includes reinvestment of dividends. The S&P 500 Index is a broad-based market-capitalization-weighted index of 500 of the largest and most widely held U.S. stocks.

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EDGEPOINT

BUSINESSES SOLD AT A PROFIT IN EDGEPOINT GLOBAL PORTFOLIO THAT WERE DOWN AT LEAST 10% DURING HOLDING PERIOD

Name	Decline	Holding-period return	Name	Decline	Holding-period return
AMN Healthcare Services Inc.	-66%	367%	Arista Network Inc.	-33%	49%
EXFO Inc.	-65%	66%	Service Corporation International	-32%	76%
Carpenter Technology Corp.	-62%	14%	Ubiquiti Networks Inc.	-32%	116%
Alere Inc.	-61%	91%	WPP plc	-32%	26%
American Express Co.	-58%	38%	Pegasystems Inc.	-31%	99%
International Rectifier Corp.	-57%	41%	Ryanair Holdings plc, ADR	-31%	128%
Harman International Industries, Inc.	-55%	93%	NKT Holdings A/S	-31%	124%
LCA-Vision Inc.	-54%	54%	Eastman Chemical Co.	-30%	26%
International Game Technology plc	-50%	10%	Union Pacific Corp.	-30%	23%
Rexnord Corp.	-47%	11%	Hughes Communications Inc.	-29%	157%
TravelSky Technology Ltd., class H	-45%	12%	Hamamatsu Photonics K.K.	-29%	65%
Knoll Inc.	-44%	54%	Willis Group Holdings plc	-28%	32%
Tokyo Ohka Kogyo Co., Ltd.	-43%	98%	Clariant International Ltd.	-27%	49%
BorgWarner Inc.	-41%	27%	Makita Corp.	-27%	14%
JPMorgan Chase & Co.	-41%	80%	Interface Inc., class A	-26%	116%
Pool Corp.	-40%	81%	Atos	-26%	66%
Altera Corp.	-39%	49%	Gerresheimer AG	-26%	38%
Eiken Chemical Co. Ltd.	-39%	64%	Wabtec Corp.	-25%	37%
Kinetic Concepts, Inc.	-36%	71%	Koninklijke Philips N.V.	-25%	10%
The Progressive Corp.	-36%	47%	American International Group Inc.	-24%	58%
Anthem, Inc.	-35%	115%	Grupo Aeroportuario Centro Norte, ADR	-23%	14%
PTC Inc.	-35%	97%	Delphi Automotive plc	-22%	87%
Grupo Televisa S.A.B., ADR	-34%	14%	Nalco Holding Co.	-22%	46%
Xilinx Inc.	-34%	43%	National Instrument Corp.	-22%	30%
Live Nation Entertainment Inc.	-34%	58%	Grupo Modelo	-20%	13%
SHFL Entertainment Inc.	-33%	122%	Aena SME, S.A.	-20%	58%
SemGroup Corp., class A	-33%	77%	Microsoft Corp.	-19%	96%
Kabel Deutschland Holding AG	-33%	45%	Unilever N.V.	-19%	30%
HORIBA Ltd.	-33%	32%	DCC plc	-18%	56%

Source: Bloomberg LP, EdgePoint Global Portfolio. As at Feb 28, 2019. The above includes names that returned more than 10% over their holding period and had at least a 10% decline. Declines in local currency, price returns. Holding-period returns in C\$, total returns.

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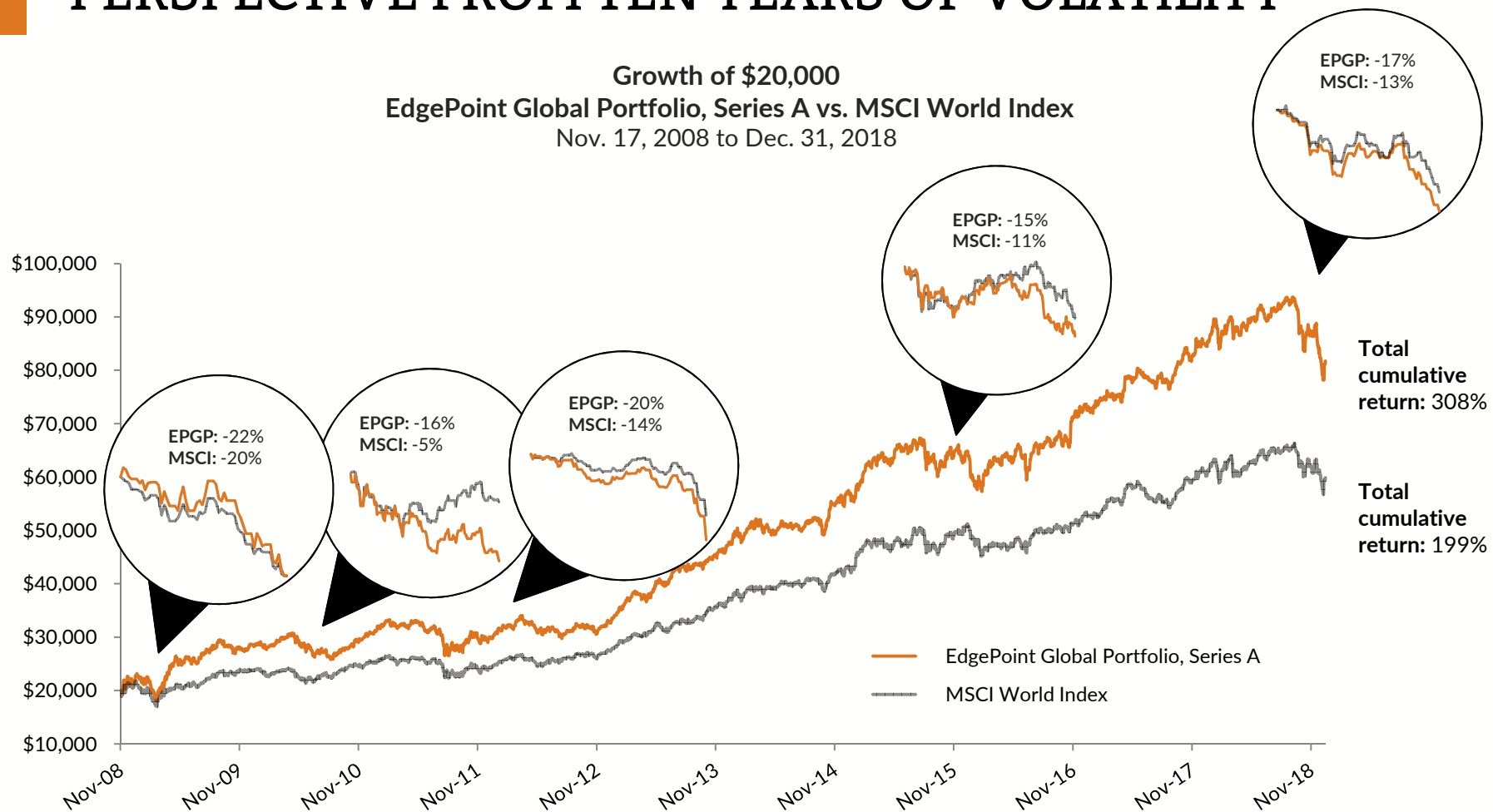


E D G E P O I N T

SHORT-TERM DECLINES

PERSPECTIVE FROM TEN YEARS OF VOLATILITY

Growth of \$20,000
 EdgePoint Global Portfolio, Series A vs. MSCI World Index
 Nov. 17, 2008 to Dec. 31, 2018



Total returns in C\$. See *Important information – Index definitions* for more detail. First decline: January 6, 2009 to March 9, 2009. Second decline: April 29, 2010 to August 24, 2010. Third decline: May 10, 2011 to August 8, 2011. Fourth decline: August 5, 2015 to February 11, 2016. Fifth decline: September 22, 2018 to December 24, 2018.

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E D G E P O I N T

TAKEAWAYS

- Risk is not the bumpiness of the ride. We define risk as not getting to your final destination
- To get to Point B, you need stocks
- The average investor does worse than the market because:
 - They have a short time horizon
 - They let stock price fluctuations guide their behaviour
- Volatility is your friend in getting to Point B

IMPORTANT INFORMATION

Performance as at March 31, 2019

Portfolio	YTD	1-year	3-year	5-year	10-year	Since inception [†]
EdgePoint Global Portfolio - Series A	9.65%	1.67%	12.32%	11.72%	15.57%	15.56%
MSCI World Index	10.02%	7.79%	11.89%	10.94%	13.06%	12.19%
EdgePoint Canadian Portfolio - Series A	12.20%	-1.49%	7.23%	4.83%	11.05%	11.51%
S&P/TSX Composite Index	13.29%	8.12%	9.27%	5.44%	9.49%	9.22%
EdgePoint Global Growth & Income Portfolio - Series A	6.94%	2.62%	9.77%	9.14%	12.94%	12.70%
60% MSCI World Index/40% ICE BofAML Canada Broad Market Index	7.57%	6.85%	8.23%	8.14%	9.68%	9.33%
EdgePoint Canadian Growth & Income Portfolio - Series A	9.06%	0.59%	6.73%	4.92%	9.87%	9.99%
60% S&P/TSX Composite/40% ICE BofAML Canada Broad Market Index	9.54%	7.13%	6.71%	4.90%	7.63%	7.62%

[†]November 17, 2008.

Commissions, trailing commissions, management fees and expenses may all be associated with mutual fund investments. Please read the prospectus and Fund Facts before investing. Copies are available at www.edgepointwealth.com. Unless otherwise indicated, rates of return for periods greater than one year are historical annual compound total returns net of fees including changes in unit value and reinvestment of all distributions, and do not take into account any sales, redemption, distribution or optional charges, or income taxes payable by any security holder, which would have reduced returns. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated. This is not an offer to purchase. Mutual funds can only be purchased through a registered dealer and are available only in those jurisdictions where they may be lawfully offered for sale. This document is not intended to provide legal, accounting, tax or specific investment advice. Information contained in this document was obtained from sources believed to be reliable; however, EdgePoint does not assume any responsibility for losses, whether direct, special or consequential, that arise out of the use of this information. Portfolio holdings are subject to change. EdgePoint mutual funds are managed by EdgePoint Investment Group Inc., a related party of EdgePoint Wealth Management Inc. EdgePoint® and Owned and Operated by Investors™ are registered trademarks of EdgePoint Investment Group Inc. Published February 28, 2019



E D G E P O I N T

IMPORTANT INFORMATION

INDEX DEFINITIONS

These are the benchmark indexes we've chosen for our portfolios:

EdgePoint Global Portfolio: MSCI World Index is a broad-based, market-capitalization-weighted index comprising equity securities available in developed markets globally. The index was chosen for being a widely used benchmark of the global equity market.

EdgePoint Canadian Portfolio: S&P/TSX Composite Index is a market-capitalization-weighted index comprising the largest and most widely held stocks traded on the Toronto Stock Exchange. The index was chosen for being a widely used benchmark of the Canadian equity market.

EdgePoint Canadian Growth & Income Portfolio: 60% S&P/TSX Composite Index, 40% ICE Merrill Lynch Canada Broad Market Index. S&P/TSX Composite Index is a market-capitalization-weighted index comprising the largest and most widely held stocks traded on the Toronto Stock Exchange. ICE BofA Merrill Lynch Canada Broad Market Index tracks the performance of publicly traded investment-grade debt denominated in Canadian dollars and issued in the Canadian domestic market. The blended benchmark was chosen because the S&P/TSX Composite is a widely used benchmark of the Canadian equity market and the Merrill Lynch Canada Broad Market Index is representative of fixed-income opportunities consistent with the Portfolio's mandate.

EdgePoint Global Growth & Income Portfolio: 60% MSCI World Index/40% ICE BofA Merrill Lynch Canada Broad Market Index. MSCI World Index is a market-capitalization-weighted index comprising equity securities available in developed markets globally. ICE BofA Merrill Lynch Canada Broad Market Index tracks the performance of publicly traded investment-grade debt denominated in Canadian dollars and issued in the Canadian domestic market. The blended benchmark was chosen because MSCI World is a widely used benchmark for the global equity market and the Merrill Lynch Canada Broad Market Index is representative of fixed-income opportunities consistent with the Portfolio's mandate.

Why our performance may differ from our benchmarks: We manage our Portfolios independently of the indexes we use as long-term performance comparisons. Differences including security holdings and geographic/sector allocations may impact comparability and could result in periods when our performance differs materially from the index.

