What is your risk profile?

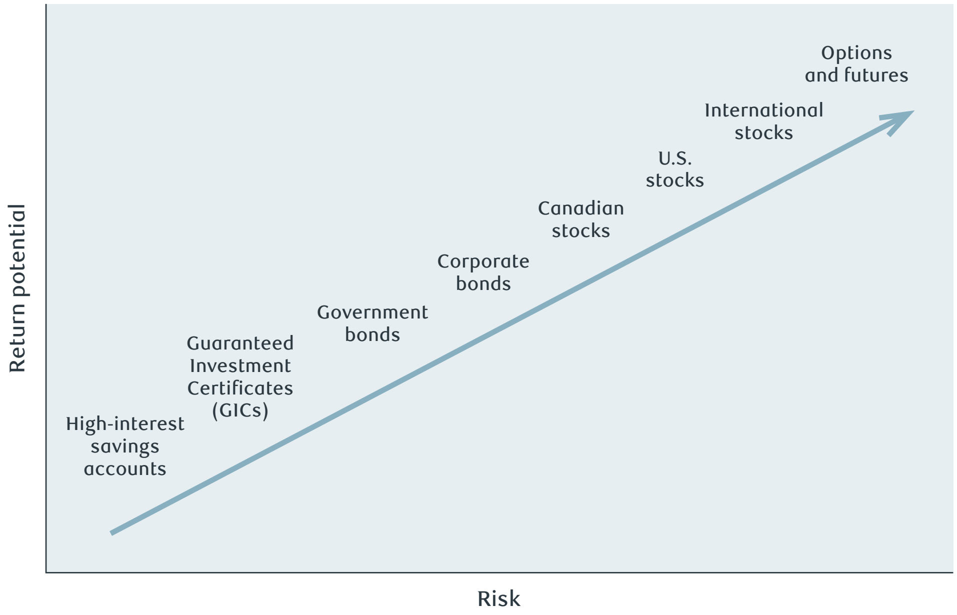
As your investment advisors, it's our job to understand why you're investing and what you're like as an investor. Only then can we recommend the right investments for you.

Understanding your investment goals is a key part of the process. But just as important is understanding your risk profile. That's why we ask you questions like: *What is your financial situation? How long do you have to invest? How do you feel about the value of your investments going down, even temporarily?*

What exactly is "risk" when it comes to investing?

In simple terms, the riskier the investment, the greater the chance that it may fluctuate in value. It has higher price volatility. However, more volatile investments may offer greater long-term growth potential.

Different investments have different risk levels:



RBC Dominion Securities Inc.

What are the different types of risk?

There are several types of risk that you should know about as an investor – and which we can help you manage as your investment advisors:

Equity risk: Equity securities of a company (e.g., stocks) are affected by the outlook for the individual company and its industry sector, as well as overall stock market movements.

Foreign exchange risk: Investments denominated in a foreign currency are subject to foreign exchange rates.

Interest rate risk: If interest rates go up, the value of your existing interest-bearing investments (which pay lower interest) will tend to go down.

Inflation risk: Investing only in low-risk investments that pay interest below the annual rate of inflation may result in their purchasing power declining over time.

Liquidity risk: Certain investments may be difficult to "liquidate" or sell for cash, for various reasons, including a lack of buyers in the marketplace.

Default risk: An issuer of a fixed-income investment such as a bond may be unable to make interest payments or repay the initial investment at maturity.

Concentration risk: Concentrating your assets in fewer investments increases the risk of volatility.

How do we determine your risk profile for your account?

We determine a separate risk profile for each account you may hold with us. Let's say you are saving for retirement in 20 years in one account, and for a child's university studies starting next year in another. With differing goals and timeframes, these two accounts may require different risk profiles.

We consider two key factors when setting your risk profile for each account:

1. Your risk tolerance

Your risk tolerance is your *willingness* to accept price fluctuations in your investments. Humans are emotional creatures, and our emotions play a major role in how we invest. How do you feel if your investments go down even a little, and only for a short time? If that causes a great deal of stress, then you probably have a lower risk tolerance.

2. Your risk capacity

Your risk capacity is about your financial *ability* to endure a loss of capital. For example, say you are saving for retirement and have 30 years before you plan to stop working. You likely have a far greater capacity for risk than someone who is saving for a down payment on a home they plan to purchase in the next three to six months.

To determine your risk capacity, we consider things like:

- How long you have to invest
- How quickly you may need access to your capital
- How much income you earn
- What your overall net worth is

Putting it together

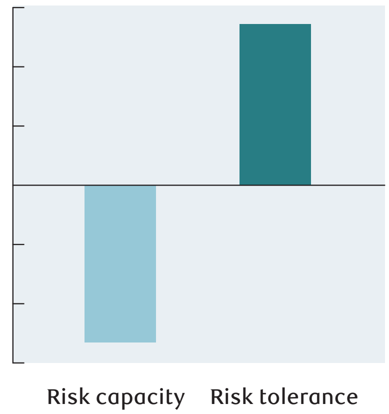
Your risk profile is based on the lower of your risk tolerance and risk capacity, not an average of the two. Let's say you have a lower risk tolerance but a higher risk capacity. In that case, we would assess your risk profile as "low." We will then record your risk profile in the "know-your-client" documentation, which we will follow in managing a specific account.

We're here to help you determine your risk profile. As your investment advisors, we will ask you questions and assess your responses to help gauge both your risk tolerance and risk capacity.

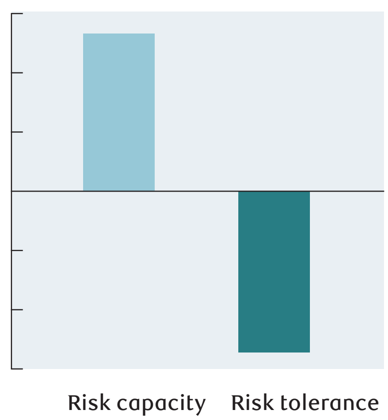
Case study:

Two investors – two different reasons for having the same "low" risk profile

Investor 1: Saving for a home down payment in 3-6 months. Feels confident when markets go down that it's temporary.



Investor 2: Saving for retirement in 20-30 years. Feels nervous when markets go down and wants to sell.



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