

The Next Generation of Tax Efficiency

New Wave of Funds

Tax Deferral

Fund News

Looking for a tax efficient substitute for a Money Market Fund, T-bill, GIC or Coupon?

Whether you are saving to buy a car, planning on doing home renovations or simply want to have a safety net in case of emergency, non-registered investments are something you may want to consider when you think of your short and long-term goals. We often recommend that you place your guaranteed investments within your RRSP to defer any taxes as well as shelter any income that comes your way. However, when looking at a shorter time frame, where you simply

need to save and earn a better rate of return than your 0.2% bank account can offer you, consider the new Mackenzie Funds that are now available. They may give you the tax efficient return you have been looking for, or perhaps should be.

When purchasing investments outside of an RRSP, taxes are often a consideration. When the funds need to be invested for the short term this usually results in the purchase of an interest bearing investment, such as T-Bills, Coupons, GICs or Money Market Mutual Funds, which are taxed at the highest rate. Alternatively, you could purchase a stock or an equity fund, where capital gains are incurred and are the most tax efficient form of investing. The problem lies in volatility, if you are investing for the short

term, you likely want your money to be stable but earning as much as possible with minimal risk.

Mackenzie Financial Corporation has introduced a truly different, tax efficient form of money market fund. The earnings on the fund are taxed as capital gains as opposed to interest. Since interest is taxed at a much higher rate than capital gains, this could make your overall rate of return on your portfolio significantly higher.

What are they?

The mutual funds are called Mackenzie Canadian Managed Yield Capital Class and Mackenzie U.S. Managed Yield Capital Class. The funds are an attractive alternative to traditional money market funds.

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	Traditional T-Bill Fund (45% marginal rate)	Mackenzie Managed Yield (45% marginal rate)
Pre-Tax Return	5.00% (interest income)	5.30% (capital gain)
Tax	2.25% (fully taxable)	1.19% (50% taxable)
After Tax Return	2.75%	4.11%

1 Year Total Return

1	CI Global Biotech Sector	134.5%
2	Altamira Health Sciences	127.7%
3	CI International	120.3%
4	Talvest Global Health Care	115.4%
5	Altamira Science & Technology	101.9%
6	Talvest Global Sci & Tech	87.5%
7	Royal Life Science & Technology	73.1%
8	Elliott & Page US Mid-Cap	69.8%
9	TD Health Sciences	69.2%
10	AGF Aggressive Growth	65.7%

3 Year Total Return

1	Altamira Science & Technology	80.7%
2	Talvest Global Sci & Tech	72.6%
3	CI Global Telecom Sector	63.5%
4	AIM Global Technology	60.4%
5	AGF Aggressive Growth	59.0%
6	Talvest Global Health Care	45.7%
7	BPI Global Opportunities	45.2%
8	Janus American Equity	41.6%
9	CI Global Technology Sector	40.9%
10	Spectrum Global Telecomm	40.7%

5 Year Total Return

1	Altamira Science & Technology	54.4%
2	BPI Global Opportunities	43.6%
3	AGF Aggressive Growth	38.9%
4	Janus American Equity	35.8%
5	Royal Life Science & Technology	30.8%
6	BPI American Equity	29.4%
7	Spectrum American Growth	28.0%
8	AIM Global Telecom Class	27.3%
9	MB Pooled American Equity	26.3%
10	Spectrum Global Telecomm	26.2%

10 Year Total Return

1	Spectrum American Growth	26.1%
2	CI Signature Amer Small Cos	22.8%
3	MB Pooled American Equity	22.2%
4	BPI American Equity	22.1%
5	GBC North American Growth	21.9%
6	AGF Amer Growth Class	21.3%
7	TD US Index Fund (\$US)	21.2%
8	AIC Value	21.1%
9	Fidelity Growth America	21.1%
10	PH&N US Pooled Pension	20.6%

COMMENTARY

ScotiaMcLeod would be pleased to provide you with further detailed information on the above mutual funds, however we cannot provide information on the funds marked #. These are historical performance rankings, and are not indicative of future investment performance. When analyzing particular funds, stress longer term performance.

1 Year Total Return

1	Royal Asian Growth	-21.5%
2	Universal Japan	-21.3%
3	TD Japanese Growth	-17.4%
4	Ethical Pacific Rim	-15.8%
5	AGF Japan Class	-14.9%
6	Templeton Emerging Markets	-12.1%
7	Universal Far East	-10.8%
8	Talvest Asian	-10.6%
9	CI Pacific Sector	-10.3%
10	TD Japanese Index Fund	-9.3%

3 Year Total Return

1	Ethical Pacific Rim	-10.6%
2	AGF Latin America	-10.4%
3	Dynamic Real Estate Equity	-6.6%
4	Fidelity Emerging Mkts Port	-5.0%
5	Templeton Emerging Markets	-4.8%
6	CI Latin American	-4.5%
7	Universal Far East	-2.1%
8	Universal World Emerging Grwth	-1.7%
9	Royal Asian Growth	-0.5%
10	AGF Emerging Markets Value	-0.4%

5 Year Total Return

1	Ethical Pacific Rim	-8.7%
2	Fidelity Emerging Mkts Port	-7.8%
3	Royal Asian Growth	-6.0%
4	Universal Far East	-5.4%
5	AGF Asian Growth Class	-5.2%
6	CI Pacific Sector	-1.7%
7	Altamira Asia Pacific	-1.3%
8	CI Pacific	-0.7%
9	Talvest Asian	-0.6%
10	TD Asian Growth	-0.3%

10 Year Total Return

1	Royal Japanese Stock	2.5%
2	CI Short-Term Sector	3.7%
3	AGF Japan Class	3.7%
4	Royal \$US Money Market	4.1%
5	Merrill Lynch US Money Mkt	4.1%
6	CI Pacific Sector	5.4%
7	Global Strategy ROTH Wrld Bond	6.1%
8	CI Pacific	6.1%
9	GBC International Growth	6.3%
10	AGF Global Government Bond	6.4%

These rankings are not sales advice and ScotiaMcLeod does not recommend simply selling bottom past performance funds and buying top past performance funds. Purchase or redemption fees may be involved. Please call (416) 863-7777 or 1-800-387-9273 for specific recommendations tailored to your individual needs.

1 Year Total Return

1 Capital Alliance Ventures	91.2%
2 YMG Growth	89.6%
3 B.E.S.T Discoveries	58.9%
4 VenGrowth Fund	54.5%
5 Synergy Cdn Growth	53.5%
6 Talvest Cdn Equity Leaders	52.8%
7 Scotia Cdn Small Cap	52.7%
8 AIM Canadian Premier	51.4%
9 Fidelity Cdn Large Cap	51.2%
10 Trimark Enterprise Sm-Cap	50.5%

3 Year Total Return

1 AIM Canadian Premier	26.3%
2 Working Opportunity (Balanced)	25.8%
3 Altamira Capital Growth	24.7%
4 VenGrowth Fund	23.7%
5 Capital Alliance Ventures	22.3%
6 YMG Growth	21.4%
7 Bissett Microcap	20.9%
8 Global Strategy Cdn Companies	18.7%
9 AIM Canadian Balanced	18.5%
10 Dynamic Venture Opportunities	18.2%

5 Year Total Return

1 YMG Growth	27.7%
2 AIC Diversified Canada	27.3%
3 AIC Advantage	26.4%
4 PH&N Dividend Income	24.9%
5 MB Pooled Cdn Equity Growth	23.3%
6 AIM Canadian Premier	23.0%
7 Tradex Equity Fund Limited	21.6%
8 AIM Canada Growth Class	20.5%
9 PH&N Vintage	20.4%
10 GBC Canadian Growth	20.3%

10 Year Total Return

1 AIC Advantage	24.7%
2 Dynamic Power Canadian Growth	19.7%
3 GBC Canadian Growth	19.7%
4 Altamira Equity	19.3%
5 ABC Fundamental Value	19.2% #
6 PH&N Dividend Income	18.1%
7 PH&N Vintage	18.0%
8 MB Pooled Cdn Equity Growth	17.5%
9 Altamira Capital Growth	16.8%
10 Bissett Canadian Equity	16.7%

1 Year Total Return

1 Dynamic Precious Metals	-26.6%
2 AGF Managed Futures Value	-26.0%
3 Industrial Growth	-23.3%
4 Scotia Precious Metals	-22.7%
5 Global Strategy Gold Plus	-21.8%
6 AGF RSP Japan	-16.3%
7 TD Precious Metals	-16.0%
8 Royal Precious Metals	-15.3%
9 Spectrum Canadian Resource	-13.0%
10 Global Strategy ROTH Jpn+ RSP	-12.5%

3 Year Total Return

1 AGF Managed Futures Value	-25.1%
2 Scotia Precious Metals	-22.7%
3 Spectrum Canadian Resource	-22.2%
4 Global Strategy Gold Plus	-21.1%
5 Dynamic Precious Metals	-17.1%
6 AGF Canadian Resources	-16.9%
7 Royal Precious Metals	-15.9%
8 Marathon Equity	-15.5%
9 TD Energy	-15.4%
10 Global Strategy Cdn Small Cap	-15.0%

5 Year Total Return

1 AGF Managed Futures Value	-12.8%
2 Dynamic Precious Metals	-12.6%
3 Scotia Precious Metals	-12.4%
4 Global Strategy Gold Plus	-11.8%
5 Royal Precious Metals	-6.3%
6 Altamira Resource	-4.9%
7 Universal Precious Metals	-4.6%
8 MAXXUM Natural Resource	-4.2%
9 Industrial Equity Fund Ltd.	-4.0%
10 TD Precious Metals	-3.0%

10 Year Total Return

1 Dynamic Precious Metals	0.3%
2 Industrial Growth	2.5%
3 Industrial Equity Fund Ltd.	3.0%
4 Royal Precious Metals	3.5%
5 TD US Money Mkt (\$US)	4.1%
6 Dynamic Global Bond	4.1%
7 Merrill Lynch Canadian T-Bill	4.6%
8 AGF Canadian Money Market	4.7%
9 Ethical Money Market	4.8%
10 Global Strategy ROTH Mny Mkt	4.9%

NOTES TO THE PERFORMANCE TABLES

- ScotiaMcLeod is unable to provide information on funds marked #
- Figures are average rates of return for the periods ending Oct. 31, 2000
- Source data from Bell Charts, including over 3200 funds
- Funds with total assets under \$25 million are not included
- Only "totally public" funds are ranked
- RRSP eligible funds are at least 75% Canadian content and can also be held outside RRSPs
- Performance figures include reinvested dividends and management fees have been subtracted
- Non RRSP eligible funds can be held inside a ScotiaMcLeod RRSP to a maximum of 25% of book value

Why own these funds?

For one thing, the returns are expected to be similar to that of Bankers' Acceptance investments. These are the obligations of major banks, and typically pay slightly more than T-bills. Often, these investments are available only to larger investors. So the pre-tax returns are attractive if you have short-term needs.

How are they more tax-efficient?

Short-term funds usually earn monthly interest. These funds are more tax efficient because of their unique structure, the earnings are mainly paid out as capital gains. So what this means to you is that while the monthly yield is expected to be higher than usually offered by T-Bills, and while the price of the fund will be highly stable, the earnings will be taxed at a lower rate. That's because capital gains are only 50% taxable while interest income is fully taxable at your marginal rate. You may also be able to offset your capital gain with previously incurred losses.

Are they right for me?

The funds are mainly geared towards the following types of investors:

- Non-Registered investors with short-term time horizons, or preservation of capital concerns.
- Tax-Sensitive, income oriented investors
- Clients wishing to move out of equity funds during periods of market uncertainty, without realizing capital gains in the process, and market-timers.
- Parents wishing to transfer property to a related minor can avoid having returns attributed back to them as occurs with interest income
- Corporate investors seeking relief from capital tax costs which apply to fixed-income instruments.

These tax-friendly investments are part of a new group of funds being offered by Mackenzie that allow you to do switches without incurring capital gains and are called Mackenzie Capital Class Funds.

Mackenzie Capital Class Funds are designed to give you the freedom to

move from one equity to another without realizing a capital gain.

Within the structure, you can move among thirty-two Capital Class funds without triggering the capital gain that can hamper the growth potential of your portfolio.

Other fund companies including AIM and C.I. Group of Funds have been offering similar funds for quite awhile, although the managed yield funds are a new and unique innovation.

Fund News

AIM Funds have announced a management change in regards to the **Trimark Indo-Pacific Fund**, the new fund managers will be AIM's Henry Chan and Robert Lloyd George. AIM has also renamed **AIM Canada Value Class** to AIM Canadian First Class.

Mackenzie have merged a few of their funds:

- **Industrial American** will be merged into Universal U.S. Blue Chip
- **Industrial Mortgage Securities** will be merged with Industrial Yield Advantage
- **Mackenzie Sentinel Global** will be merged with Universal International Stock

All **Strategic Value, O'Donnell, Nova and Navigator funds** will be grouped under a new company named StrategicNova Mutual Funds

Talvest has renamed **Talvest Cdn. Equity Value Fund** to Talvest Cdn. Leaders Fund.

Global Strategy, which is now owned by AGF Group of Funds has replaced Tony Massie on the **Global Strategy Income Plus Fund** with Bob Farquharson.