

## Innovation in Global Investing

### Spectrum Tactonics

### Fund to Fund Comparison

### Fund News

The Spectrum Tactonics Fund is a new innovation in Mutual Funds that combines lower risk with potentially higher returns, a fusion of technology and investment methodology that could change the scope of global mutual fund investing.

The objective of this new fund is to outperform the MSCI World Index by investing in various industry sectors,

investment styles and countries through the use of exchange-traded funds (ETFs).

### What is an exchange traded fund?

They are open-end mutual fund trusts that are listed and traded on major stock exchanges. In Canada, the largest ETF is the i60 (XIU - TSE) which invests in the top 60 companies in the TSE. On their own, these exchange traded units are higher risk than stock-indexed mutual funds (the Canadian Index Funds usually cover strictly the TSE300 – they have a broader range and therefore are slightly lower risk than individual

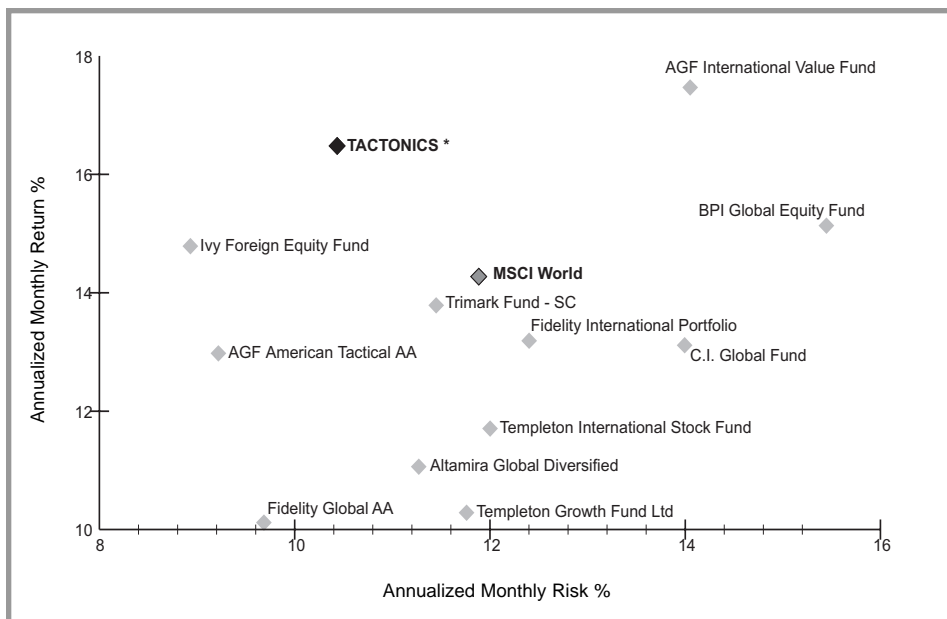
ETF's). There are also respective units for the NASDAQ and the Standard and Poor's (US indices). Until recently, there were relatively few ETFs; currently there are more than 100 listed on North American Exchanges.

### Why is Tactonics innovative?

Tactonics is innovative because it uses a computer model to help make investment decisions relating to the portfolio. The two main factors that the model takes into consideration are Winner Persistence – the tendency for outperforming stocks, industries, countries or investment styles to continue outperforming and 'Risk Metrics' – which provides indicators when a particular sector has moved to a level where a steep decline is becoming very likely. This would trigger a reduction or sell signal designed to reduce the position in a specific sector before the decline occurs.

*continued on back page*

### Risk and Return Analysis January 1994 to December 2000



Data Source & © Copyright Standard & Poor's Micropal, Inc (1999) – <http://www.micropal.com>  
\* Data based on computer-generated returns if the fund had been in existence

If you are interested in seeing how this fund can tie into your existing portfolio, please contact us at 1-800-387-9273 and one of the Associates can help you or by e-mail at: [carl\\_spiess@scotia-mcleod.com](mailto:carl_spiess@scotia-mcleod.com)

### 1 Year Total Return

1 Fidelity Small Cap America . . . . .	60.7%
2 AGF China Focus Class . . . . .	52.1%
3 Talvest Global Health Care . . . . .	46.0%
4 CI Global Energy Sector . . . . .	34.2%
5 Mac Cundill Value Series A . . . . .	29.6%
6 Mac Cundill Value Series C . . . . .	29.2%
7 AGF International Value . . . . .	28.1%
8 TD Health Sciences . . . . .	24.0%
9 O'Shaughnessy US Value . . . . .	22.3%
10 AIC American Focused . . . . .	22.1%

### 3 Year Total Return

1 Talvest Global Health Care . . . . .	46.1%
2 Talvest China Plus . . . . .	43.5%
3 Altamira Science & Technology . . . . .	34.7%
4 Talvest Global Small Cap . . . . .	32.7%
5 BPI Global Opportunities . . . . .	30.5%
6 AGF Aggressive Growth . . . . .	29.5%
7 Talvest Global Sci & Tech . . . . .	26.3%
8 CI Global Consumer Products . . . . .	24.7%
9 Elliott & Page US Mid-Cap . . . . .	24.1%
10 AGF China Focus Class . . . . .	22.7%

### 5 Year Total Return

1 BPI Global Opportunities . . . . .	34.7%
2 Altamira Science & Technology . . . . .	26.1%
3 Janus American Equity . . . . .	22.4%
4 Orbit World . . . . .	22.3%
5 AGF International Value . . . . .	21.1%
6 MB Pooled American Equity . . . . .	20.7% #
7 AGF Aggressive Growth . . . . .	19.4%
8 McLean Budden Amer Eq Growth . . . . .	18.9%
9 Fidelity Small Cap America . . . . .	18.9%
10 BPI American Equity . . . . .	18.7%

### 10 Year Total Return

1 MB Pooled American Equity . . . . .	18.5% #
2 CI Signature Amer Small Cos . . . . .	18.3%
3 Spectrum American Growth . . . . .	17.1%
4 GBC North American Growth . . . . .	16.8%
5 AGF International Value . . . . .	16.6%
6 Trimark Fund . . . . .	16.5%
7 McLean Budden Amer Eq Growth . . . . .	16.3%
8 AGF Amer Growth Class . . . . .	16.1%
9 BPI American Equity . . . . .	16.1%
10 AIC Value . . . . .	15.6%

### 1 Year Total Return

1 CI Global Technology Sector . . . . .	-60.0%
2 Altamira e-business . . . . .	-53.1%
3 CI Global Telecom Sector . . . . .	-52.1%
4 AGF Global Tech Class . . . . .	-50.9%
5 Mac Univ Internet technologies . . . . .	-50.7%
6 Mac Univ Wld Science & Tech . . . . .	-50.4%
7 Talvest Global Sci & Tech . . . . .	-49.0%
8 AIM Global Technology . . . . .	-47.2%
9 Spectrum Global Telecomm . . . . .	-46.7%
10 Clarington Globl Communication . . . . .	-46.0%

### 3 Year Total Return

1 Dynamic Europe . . . . .	-8.3%
2 Clean EnvironmentGlo Equity . . . . .	-8.2%
3 AGF Latin America . . . . .	-7.9%
4 CI European . . . . .	-6.8%
5 TD European Growth . . . . .	-6.4%
6 Scotia European Growth . . . . .	-5.8%
7 AGF Germany Class . . . . .	-5.7%
8 TD Int'l Growth . . . . .	-5.6%
9 Dynamic Real Estate Equity . . . . .	-5.1%
10 Talvest European . . . . .	-4.5%

### 5 Year Total Return

1 Royal Asian Growth . . . . .	-10.6%
2 AGF Asian Growth Class . . . . .	-9.1%
3 HSBC AsiaPacific . . . . .	-8.7%
4 CI Pacific Sector . . . . .	-6.4%
5 Talvest Asian . . . . .	-5.6%
6 CI Pacific . . . . .	-5.3%
7 TD Asian Growth . . . . .	-4.1%
8 TD Emerging Markets . . . . .	-3.8%
9 Mac Univ World Emerging Grth . . . . .	-2.6%
10 AIM Indo-Pacific . . . . .	-2.5%

### 10 Year Total Return

1 Royal Japanese Stock . . . . .	0.9%
2 AGF Japan Class . . . . .	2.9%
3 CI Pacific Sector . . . . .	3.4%
4 CI Short-Term Sector . . . . .	3.6%
5 Royal \$US Money Market . . . . .	4.0%
6 Merrill Lynch US Money Mkt . . . . .	4.0%
7 CI Pacific . . . . .	4.2%
8 AGF US Dollar Money Market . . . . .	4.3%
9 Talvest Asian . . . . .	5.1%
10 CI Canadian Sector . . . . .	5.7%

#### 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.

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.

\* Increased to 30% effective January 1, 2001  
Important information about any particular fund is contained in its prospectus. You may obtain a copy of the prospectus by calling (416) 863-7777. You should read the prospectus carefully before investing.

## 1 Year Total Return

1 Mac Universal Precious Metals	47.4%
2 CI Signature Cdn Resource	42.4%
3 Mac Universal Cdn Resource	36.2%
4 Merrill Lynch Cdn Inc Trust	34.9%
5 CI Global Energy RSP	33.4%
6 Trimark Canadian Small Cos.	31.6%
7 GGOF Guardian MonthlyHi Inc Cl	31.2%
8 Elliott & Page Monthly Hi Inc.	31.0%
9 GGOF Guardian MonthlyHiInc	30.7%
10 Trimark Canadian Resources	30.1%

## 3 Year Total Return

1 StrategicNova Cdn Technology	26.2%
2 Dynamic Venture Opportunities	23.0%
3 CI Signature Select Cdn	21.6%
4 Working Opportunity (Balanced)	19.9%
5 Capital Alliance Ventures	16.2%
6 AIM Canadian First Class	15.7%
7 CI Signature Cdn Resource	15.4%
8 Royal Energy	14.5%
9 Trimark Canadian Small Cos.	13.9%
10 B.E.S.T Discoveries	13.6%

## 5 Year Total Return

1 PH&N Dividend Income	23.8%
2 AIC Diversified Canada	19.6%
3 Royal Dividend	18.0%
4 Scotia Cdn Dividend	17.5%
5 AIC Advantage	16.9%
6 MB Pooled Cdn Equity Growth	16.7% #
7 Mac Cundill Cdn Security A	16.6%
8 Fidelity Cdn Growth Company	16.2%
9 TD Dividend Growth	16.0%
10 MAXXUM Dividend	15.8%

## 10 Year Total Return

1 AIC Advantage	20.1%
2 Northwest Specialty Equity	17.5%
3 PH&N Dividend Income	17.0%
4 Dynamic Power Canadian Growth	16.2%
5 GBC Canadian Growth	16.1%
6 MAXXUM Dividend	15.8%
7 Altamira Equity	15.0%
8 MB Pooled Cdn Equity Growth	14.8% #
9 Mawer New Canada	14.4%
10 PH&N Vintage	14.4%

## 1 Year Total Return

1 CI Global Technology RSP	-60.0%
2 Altamira RSP e-business	-53.4%
3 CI Global Telecom RSP	-52.3%
4 Mac Univ RSP World Sci & Tech	-50.7%
5 TD Nasdaq RSP Idx.	-47.4%
6 Spectrum RRSP Global Telec.	-47.2%
7 AIM RSP Global Technology	-46.9%
8 TD Nasdaq RSP Idx Fd E	-46.9%
9 AIM RSP Global Telecomm.	-43.7%
10 Altamira RSP Science & Tech	-43.3%

## 3 Year Total Return

1 Global Strategy Cdn Small Cap	-11.9%
2 AGF Canadian Aggressive AllCap	-11.6%
3 Spectrum Canadian Resource	-9.7%
4 StrategicNova Cdn High Y Bond	-8.4%
5 AGF Canadian Aggressive Equity	-8.4%
6 Global Strategy Gold Plus	-7.5%
7 Scotia Precious Metals	-7.4%
8 Global Strategy ROTH Eur+ RSP	-7.0%
9 Clean Environment Equity	-6.0%
10 Spectrum Canadian Growth	-5.2%

## 5 Year Total Return

1 Global Strategy Gold Plus	-21.5%
2 Scotia Precious Metals	-16.9%
3 Dynamic Precious Metals	-16.5%
4 Royal Precious Metals	-15.5%
5 TD Precious Metals	-11.6%
6 Mac Universal Precious Metals	-9.5%
7 Industrial Equity	-8.1%
8 Altamira Resource	-7.5%
9 TD AsiaGrowth RSP	-7.4%
10 CI Signature Explorer	-6.5%

## 10 Year Total Return

1 Working Ventures Canadian	1.3%
2 Dynamic Precious Metals	2.9%
3 Industrial Equity	3.0%
4 Mac Industrial Growth	3.7%
5 Mac Money Mrkt	4.0%
6 TD US Money Mkt (\$US)	4.1%
7 Merrill Lynch Canadian T-Bill	4.2%
8 AGF Canadian Money Market	4.3%
9 Fidelity Cdn Money Market	4.4%
10 Ethical Money Market	4.5%

### NOTES TO THE PERFORMANCE TABLES

- ScotiaMcLeod is unable to provide information on funds marked #
- Figures are average rates of return for the periods ending May 31, 2001
- Source data from Bell Charts, including over 3800 funds
- Funds with total assets under \$25 million are not included
- Only "totally public" funds are ranked
- RRSP eligible funds are at least 70% 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 30% of book value

Why a computer model? It can handle large quantities of data without the emotional ties getting in the way. As we have mentioned in previous issues, emotional investing can be hazardous to your portfolio.

Ex: Spectrum ran their computer model over the last 5 years to see what type of returns the fund may have generated. Their data showed that the fund would have reduced their position in QQQ's (Nasdaq's ETF) significantly when it was overvalued in December 1999, prior to the drop.

#### **What are the benefits?**

The main benefit of investing in this fund is that it provides broad diversification through the use of ETF's that may be difficult or very costly to attain otherwise (if done on your own by purchasing ETF's). They also are subject to less volatility in the marketplace as a direct result of this diversification (see risk/return chart on front page).

Tactonics also has a lower MER (Management Expense Ratio) than comparable mutual funds. Since the fund purchases ETF's and not individual stocks, this reduces transactional costs due to the fact that they wouldn't need to purchase as many positions as a typical equity mutual fund. The difference however can be minimal (about .25 %) depending on the other global fund in question.

#### **Any other benefits?**

An ETF can provide swift entry and exit from a particular sector. It provides the managers of the fund more flexibility to move in and out of positions in

order to take advantage of potential market opportunities. They are able to accomplish this since selling out of one sector would result in selling one ETF, which could represent 100 to 150 companies, rather than selling shares in 100 companies to get out of a sector.

#### **Who would benefit from this type of fund in their portfolio?**

We would recommend this fund as a compliment to existing foreign positions, for investors who are looking for a foreign holding with a time horizon of at least five years and are comfortable with some volatility. Although it is a less volatile fund than some other comparable 'high risk' funds, it would still be classed in a higher risk category as some ETF's that the fund may hold may represent narrow and potentially risky market segments. The risk level would be reduced however by the aspect of diversification.

#### **How does it measure up?**

Well, we compared this fund to one of our top recommended Higher Risk International Funds, AGF International Value. We like this fund because of its strong track record, with consistent returns. Spectrum has stated that the AGF fund has a higher standard deviation than the Tactonics, which would make it more volatile and the fact that it is a value oriented fund means that it may underperform in narrow growth markets. To May 31st, AGF had a one year return of 28%, it has a history of producing similar returns to the MSCI World Index and has outperformed it over the past few months. Tactonics

states that in their best year, based on computer generated data, they would have made 42% whereas in AGF's best year they made 40.5%. In summary, lower risk, with higher potential returns.

#### **So, what are the cons?**

The biggest one, no track record. This is a very new product that we will be monitoring closely. We may not jump to recommend it over other established foreign investments quite yet unless it is to be used as a compliment to your existing portfolio, especially if you are interested in Exchange Traded Funds. We will definitely keep Spectrum Tactonics as a Fund to Watch.

## **Fund News**

Trimark RSP Equity has recently changed its name to Trimark Canadian Endeavor Fund to better illustrate the objective of the fund, since most mutual funds with 'RSP' in the name are foreign 'clone' funds. The objective of the Trimark Cdn. Endeavor fund (which has not changed) is to invest in strong capital growth companies with a history of reliability over the long-term.

Talvest Cdn. Equity Leaders has a new lead manager at the helm. Talvest Fund Management has announced the appointment of Denis Ouellet as interim portfolio manager of Talvest Cdn. Equity Leaders Fund. The temporary fund manager change will not affect the mandate of the fund.