Paterson & Associates

May 2012

Model Portfolios

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Conservative Portfolio

Investment Objective

This portfolio is designed to preserve investors' capital while providing a level of return which will help to maintain the purchasing power of the portfolio.

Strategy

To meet the objective, the portfolio is heavily weighted in fixed income investments. This will help to minimize portfolio volatility over the long term, and will provide a modest level of return. There is a small weighting in the portfolio that is invested in large cap equities. This portion of the portfolio is expected to provide growth of capital over the long term.

Analysis

- This is a portfolio well suited to very conservative investors who are looking to mainly preserve capital, but are looking for a rate of return that is higher than with a GIC investment.
- There is a risk of loss with this portfolio. Over the long term, an investor can expect a loss in 1 of every 3 months, and 1 out of every 5 years.
- With the capping of the PH&N High Yield Bond, we replaced the fund with the Manulife Strategic Income Fund
- Global Equity markets were hit very hard as renewed worries over Spain and a slowdown in China resulted in the biggest monthly drop in 2011.
- Investors flocked to the safe haven of Government Bonds.
- Given the continued increase in volatility in the Cundill Value Fund, we will be replacing it effective June 1 with the Mackenzie Ivy Foreign Equity Fund.

Performance Details

Return data provided by Fundata and Paterson & Associates Fund database

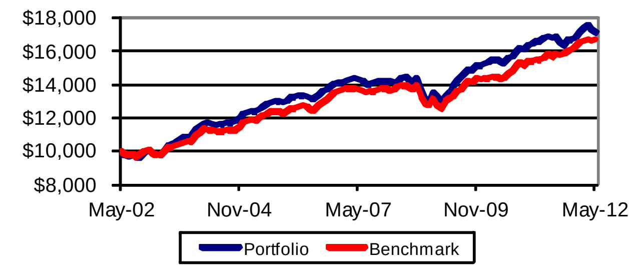
	Portfolio Weight	Risk Rank	Incept Date	Returns: YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incept
PH&N Bond	**50.0%**	Low	Dec 70	1.8%	8.2%	7.7%	6.6%	6.3%	9.1%
Manulife Strategic Income	**15.0%**	Low/Med	Nov 12	2.3%	0.7%	8.7%	8.1%	N/A	6.8%
TD Real Return Bond	**5.0%**	Low/Med	Nov 94	2.1%	13.1%	12.2%	7.9%	7.7%	7.7%
CI Harbour	**5.0%**	Medium	Jun 97	0.6%	-10.3%	3.6%	-1.4%	5.7%	6.8%
CI American Value	**5.0%**	Medium	Feb 77	4.2%	-1.0%	7.8%	-2.7%	1.2%	9.5%
Cundill Value	**15.0%**	Medium	Oct 98	-0.8%	-19.5%	2.2%	-6.2%	1.1%	6.1%
Ren. Global Healthcare	**5.0%**	Med/High	Dec 96	4.5%	-0.2%	9.0%	-0.8%	1.6%	10.7%
Portfolio Average*				**1.9%**	**1.3%**	**7.3%**	**3.7%**	**5.5%**	**N/A**
Benchmark**				**2.3%**	**5.4%**	**7.9%**	**4.0%**	**5.2%**	**N/A**

*Portfolio Returns are for the A Class versions of the funds. Assumes monthly rebalancing
'**In May 11, we replaced the PH&N High Yield Bond with Manulife Strategic Income Fund
***70% DEX Universe, 5% TSX, 5% S&P 500 C$, 20% MSCI World C$

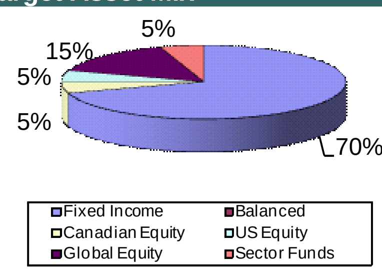
Portfolio Characteristics (60 months ending May-12)

	Monthly	Annualized
Average Return	0.30%	3.70%
Standard Deviation	1.58%	5.47%
Sharpe Ratio	0.11	0.39
Probability of Loss	42%	25%
Worst Drawdown	-10.50% (Jun 08 - Jul 09)	
Worst Return	-4.83%	-8.57%
Best Return	3.50%	18.88%
MER	1.74%	0.95%

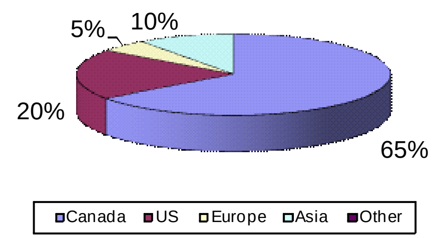
Growth of Investment



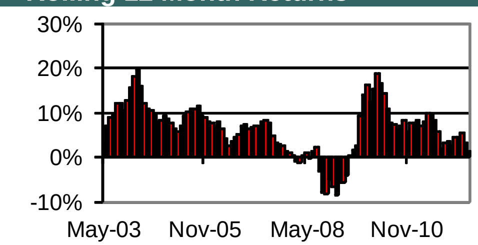
Target Asset Mix



Geographic Breakdown



Rolling 12 Month Returns



Moderate Balanced Portfolio

Investment Objective

This portfolio is designed to preserve investors' capital while providing the potential for capital gains for the investor.

Strategy

To meet the objective, the portfolio is equally balanced between fixed income investments and equity investments. This helps balance portfolio volatility with growth potential over the long term. The portfolio incorporates an actively managed balanced fund into the mix to provide for a bit of a tactical tilt between fixed income and equities.

Analysis

- This is a portfolio well suited to conservative investors who are looking to balance capital preservation with growth.
- Over the long term, this portfolio is expected to provide a rate of return that is higher than a GIC investment.
- There is a risk of loss with this portfolio. Over the long term, an investor can expect a loss in 1 of every 3 months, and 2 out of every 5 years.
- Global Equity markets were hit very hard as renewed worries over Spain and a slowdown in China resulted in the biggest monthly drop in 2011.
- Investors flocked to the safe haven of Government Bonds.
- Given the continued increase in volatility in the Cundill Value Fund, we will be replacing it effective June 1 with the Mackenzie Ivy Foreign Equity Fund.

Performance Details

Return data provided by Fundata and Paterson & Associates Fund database

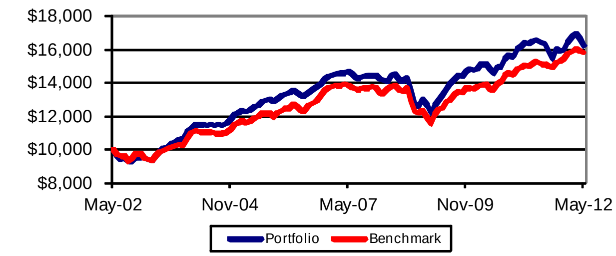
	Portfolio Weight	Risk Rank	Incept Date	Returns YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incept
PH&N Bond	**30.0%**	Low	Dec 70	1.8%	8.2%	7.7%	6.6%	6.3%	9.1%
Manulife Strategic Income	**15.0%**	Low/Med	Nov 12	2.3%	0.7%	8.7%	8.1%	N/A	6.8%
TD Real Return Bond	**5.0%**	Low/Med	Nov 94	2.1%	13.1%	12.2%	7.9%	7.7%	7.7%
CI Sig. Cdn Balanced	**10.0%**	Medium	Jun 97	0.7%	-5.5%	6.4%	1.3%	5.9%	7.2%
CI Harbour	**5.0%**	Medium	Jun 97	0.6%	-10.3%	3.6%	-1.4%	5.7%	6.8%
CI American Value	**10.0%**	Medium	Feb 77	4.2%	-1.0%	7.8%	-2.7%	1.2%	9.5%
Cundill Value	**20.0%**	Medium	Oct 98	-0.8%	-19.5%	2.2%	-6.2%	1.1%	6.1%
Ren. Global Healthcare	**5.0%**	Med/High	Dec 96	4.5%	-0.2%	9.0%	-0.8%	1.6%	10.7%
Portfolio Average*				**1.8%**	**-1.9%**	**7.0%**	**2.1%**	**5.0%**	**N/A**
Benchmark**				**2.3%**	**3.4%**	**8.2%**	**2.7%**	**4.7%**	**N/A**

*Portfolio Returns are for the A Class versions of the funds. Assumes monthly rebalancing
'**In May 11, we replaced the PH&N High Yield Bond with Manulife Strategic Income Fund
***55% DEX Universe, 10% TSX, 10% S&P 500 C$, 25% MSCI World C$

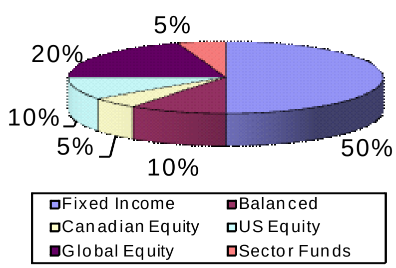
Portfolio Characteristics (60 months ending May-12)

	Monthly	Annualized
Average Return	0.17%	2.08%
Standard Deviation	2.12%	7.33%
Sharpe Ratio	0.02	0.07
Probability of Loss	47%	39%
Worst Drawdown	-16.80% (Jun 07 - Nov 09)	
Worst Return	-6.09%	-13.57%
Best Return	3.64%	21.79%
MER	2.00%	1.10%

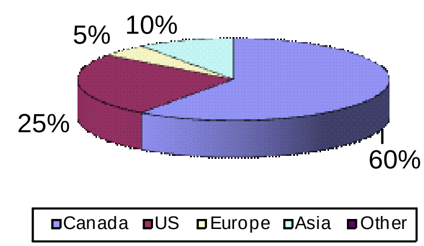
Growth of Investment



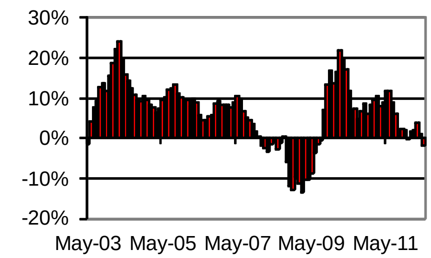
Target Asset Mix



Geographic Breakdown



Rolling 12 Month Returns



Balanced Portfolio

Investment Objective

This portfolio is designed to provide capital growth with a moderate level of volatility.

Strategy

To meet the objective, the portfolio is slightly tilted towards equity investments. In addition to the traditional core investments, the portfolio has a higher exposure to sector funds which provide for the potential of higher returns over the long term. The portfolio incorporates an actively managed balanced fund which will provide a small tactical play between fixed income and equities.

Analysis

- This is a portfolio well suited to balanced investors who are looking for capital growth with a moderate level of volatility.
- There is a risk of loss with this portfolio. Over the long term, an investor can expect a loss in 1 of every 3 months, and 1 out of every 5 years.
- Global Equity markets were hit very hard as renewed worries over Spain and a slowdown in China resulted in the biggest monthly drop in 2011.
- Investors flocked to the safe haven of Government Bonds.
- Given the continued increase in volatility in the Cundill Value Fund, we will be replacing it effective June 1 with the Mackenzie Ivy Foreign Equity Fund.

Performance Details

Return data provided by Fundata and Paterson & Associates Fund database

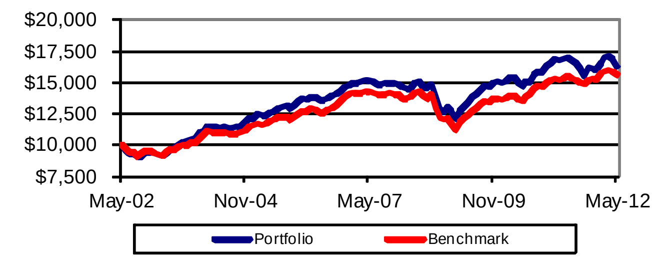
				Returns					
	Portfolio Weight	Risk Rank	Incept Date	YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incept
PH&N Bond	**20.0%**	Low	Dec 70	1.8%	8.2%	7.7%	6.6%	6.3%	9.1%
Manulife Strategic Income	**15.0%**	Low	Nov 12	2.3%	0.7%	8.7%	8.1%	N/A	6.8%
TD Real Return Bond	**5.0%**	Low/Med	Nov 94	2.1%	13.1%	12.2%	7.9%	7.7%	7.7%
CI Sig. Cdn Balanced	**10.0%**	Low/Med	Jun 97	0.7%	-5.5%	6.4%	1.3%	5.9%	7.2%
CI Harbour	**10.0%**	Medium	Jun 97	0.6%	-10.3%	3.6%	-1.4%	5.7%	6.8%
CI American Value	**10.0%**	Medium	Feb 77	4.2%	-1.0%	7.8%	-2.7%	1.2%	9.5%
Cundill Value	**20.0%**	Medium	Oct 98	-0.8%	-19.5%	2.2%	-6.2%	1.1%	6.1%
Ren. Global Healthcare	**7.5%**	Medium	Dec 96	4.5%	-0.2%	9.0%	-0.8%	1.6%	10.7%
CI Sig Cdn Resource	**2.5%**	Med/High	Apr 97	-11.9%	-24.9%	0.3%	-1.4%	11.1%	9.1%
Portfolio Average*				**1.5%**	**-3.9%**	**6.6%**	**1.4%**	**5.0%**	**N/A**
Benchmark**				**2.0%**	**1.2%**	**8.1%**	**1.9%**	**4.6%**	**N/A**

*Portfolio Returns are for the A Class versions of the funds. Assumes monthly rebalancing
'**In May 11, we replaced the PH&N High Yield Bond with Manulife Strategic Income Fund
***45% DEX Universe, 17.5% TSX, 10% S&P 500 C$, 27.5% MSCI World C$

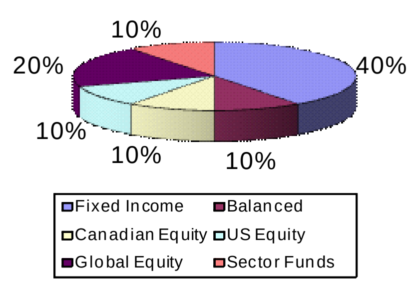
Portfolio Characteristics (60 months ending May-12)

	Monthly	Annualized
Average Return	0.11%	1.35%
Standard Deviation	2.45%	8.48%
Sharpe Ratio	-0.01	-0.02
Probability of Loss	48%	44%
Worst Drawdown	-20.12% (Jun 07 - Mar 10)	
Worst Return	-7.25%	-16.33%
Best Return	4.36%	23.89%
MER	2.15%	1.19%

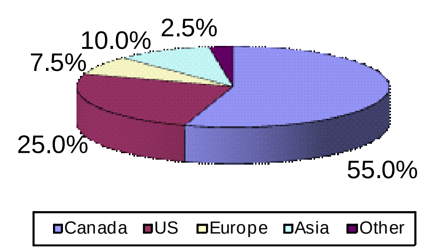
Growth of Investment



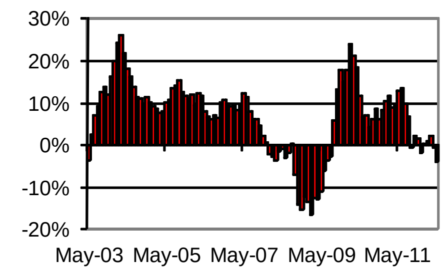
Target Asset Mix



Geographic Breakdown



Rolling 12 Month Returns



Balanced Growth Portfolio

Investment Objective

This portfolio is designed to provide capital growth.

Strategy

To meet the objective, the portfolio is heavily weighted in equity investments. In addition to the traditional core investments, the portfolio has a higher exposure to sector funds which provide for the potential of higher returns over the long term. The portfolio incorporates an actively managed balanced fund which will provide a small tactical play between fixed income and equities.

Analysis

- This is a portfolio well suited to growth oriented investors who are looking for capital growth.
- There is a risk of loss with this portfolio. Over the long term, an investor can expect a loss in 1 of every 2 months, and 1 out of every 4 years.
- Global Equity markets were hit very hard as renewed worries over Spain and a slowdown in China resulted in the biggest monthly drop in 2011.
- Investors flocked to the safe haven of Government Bonds.
- Given the continued increase in volatility in the Cundill Value Fund, we will be replacing it effective June 1 with the Mackenzie Ivy Foreign Equity Fund.

Performance Details

Return data provided by Fundata and Paterson & Associates Fund database

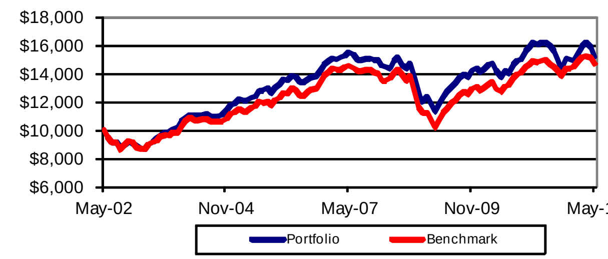
	Portfolio Weight	Risk Rank	Incept Date	Returns					
				YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incept
PH&N Bond	**10.0%**	Low	Dec 70	1.8%	8.2%	7.7%	6.6%	6.3%	9.1%
Manulife Strategic Income	**10.0%**	Low/Med	Nov 12	2.3%	0.7%	8.7%	8.1%	N/A	6.8%
CI Sig. Cdn Balanced	**10.0%**	Medium	Jun 97	0.7%	-5.5%	6.4%	1.3%	5.9%	7.2%
CI Harbour	**20.0%**	Medium	Jun 97	0.6%	-10.3%	3.6%	-1.4%	5.7%	6.8%
CI American Value	**20.0%**	Medium	Feb 77	4.2%	-1.0%	7.8%	-2.7%	1.2%	9.5%
Cundill Value	**20.0%**	Medium	Oct 98	-0.8%	-19.5%	2.2%	-6.2%	1.1%	6.1%
Ren. Global Healthcare	**7.5%**	Med/High	Dec 96	4.5%	-0.2%	9.0%	-0.8%	1.6%	10.7%
CI Sig Cdn Resource	**2.5%**	High	Apr 97	-11.9%	-24.9%	0.3%	-1.4%	11.1%	9.1%
Portfolio Average*				**1.5%**	**-6.5%**	**5.9%**	**-0.4%**	**4.2%**	**N/A**
Benchmark**				**1.9%**	**-1.6%**	**8.6%**	**0.2%**	**3.9%**	**N/A**

*Portfolio Returns are for the A Class versions of the funds. Assumes monthly rebalancing
'**In May 11, we replaced the PH&N High Yield Bond with Manulife Strategic Income Fund
***25% DEX Universe, 27.5% TSX, 20% S&P 500 C$, 27.5% MSCI World C$

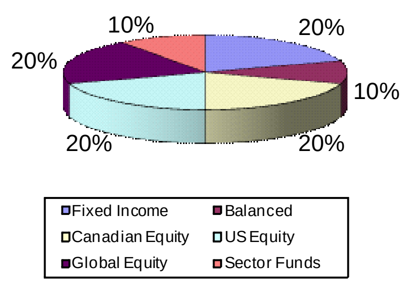
Portfolio Characteristics (60 months ending May-12)

	Monthly	Annualized
Average Return	-0.04%	-0.44%
Standard Deviation	3.03%	10.51%
Sharpe Ratio	-0.05	-0.19
Probability of Loss	50%	52%
Worst Drawdown	-26.93% (Jun 07 - Dec 10)	
Worst Return	-8.76%	-21.49%
Best Return	5.51%	26.22%
MER	2.34%	1.31%

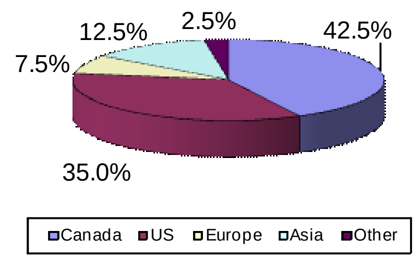
Growth of Investment



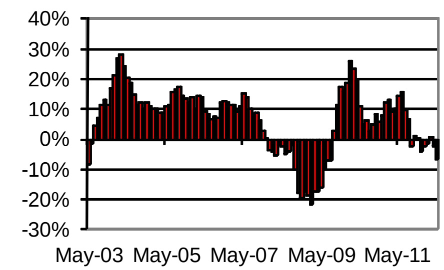
Target Asset Mix



Geographic Breakdown



Rolling 12 Month Returns



May 31, 2012
Paterson & Associates Model Portfolio

Growth Portfolio

Investment Objective

This is an aggressive all equity portfolio that is designed to provide capital growth.

Strategy

To meet the objective, the portfolio is fully invested in equity investments. In addition to the traditional core investments, the portfolio has a higher exposure to sector funds which provide for the potential of higher returns over has a small weighting in an actively managed balanced fund which will provide a small tactical play between fixed income and equities, while helping to dampen overall portfolio volatility.

Analysis

- This is a portfolio well suited to aggressive investors with a high risk tolerance and are looking for capital growth over the long term.
- There is a risk of loss with this portfolio. Over the long term, an investor can expect a loss in 1 of every 2 months, and 1 out of every 3 years.
- Global Equity markets were hit very hard as renewed worries over Spain and a slowdown in China resulted in the biggest monthly drop in 2011.
- Investors flocked to the safe haven of Government Bonds.
- Given the continued increase in volatility in the Cundill Value Fund, we will be replacing it effective June 1 with the Mackenzie Ivy Foreign Equity Fund.

Performance Details

Return data provided by Fundata and Paterson & Associates Fund database

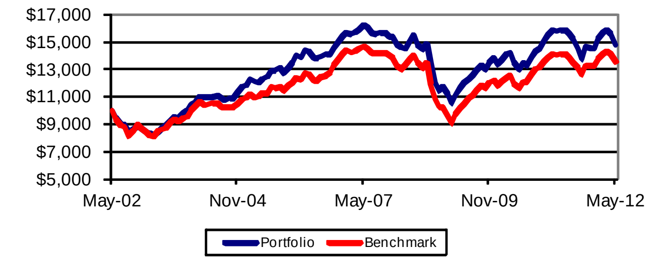
	Portfolio Weight	Risk Rank	Incept Date	Returns YTD	1 Yr	3 Yr	5 Yr	10 Yr	Since Incept
CI Sig. Cdn Balanced	**10.0%**	Medium	Jun 97	0.7%	-5.5%	6.4%	1.3%	5.9%	7.2%
CI Harbour	**15.0%**	Medium	Jun 97	0.6%	-10.3%	3.6%	-1.4%	5.7%	6.8%
IA Clar Cdn Small Cap	**7.5%**	Medium	Mar 97	9.8%	1.9%	14.1%	0.5%	8.9%	9.3%
CI American Value	**20.0%**	Medium	Feb 77	4.2%	-1.0%	7.8%	-2.7%	1.2%	9.5%
Trimark US Small Cos.	**10.0%**	Medium	Aug 12	2.8%	1.5%	23.0%	0.6%	N/A	6.2%
Cundill Value	**20.0%**	Medium	Oct 98	-0.8%	-19.5%	2.2%	-6.2%	1.1%	6.1%
Ren. Global Healthcare	**7.5%**	Med/High	Dec 96	4.5%	-0.2%	9.0%	-0.8%	1.6%	10.7%
Dynamic Glbl Real Estate	**5.0%**	Medium	Nov 96	10.9%	9.6%	15.3%	-0.1%	8.3%	7.2%
CI Sig Cdn Resource	**5.0%**	High	Apr 97	-11.9%	-24.9%	0.3%	-1.4%	11.1%	9.1%
Portfolio Average*				**2.2%**	**-6.8%**	**7.3%**	**-1.8%**	**4.0%**	**N/A**
Benchmark**				**2.0%**	**-4.1%**	**9.0%**	**-1.5%**	**3.1%**	**N/A**

*Portfolio Returns are for the A Class versions of the funds. Assumes monthly rebalancing
'**Effective August 1/10, Trimark US Small Companies replaced RBC US Mid Cap. Performance data reflects RBC Mid Cap prior to August 1.
***5% DEX Universe, 35% TSX, 30% S&P 500 C$, 30% MSCI World C$

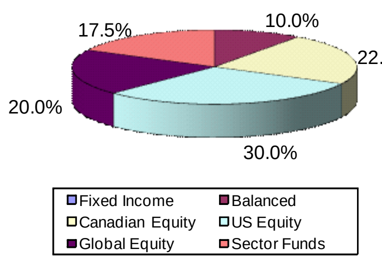
Portfolio Characteristics (60 months ending May-12)

	Monthly	Annualized
Average Return	-0.15%	-1.82%
Standard Deviation	3.63%	12.58%
Sharpe Ratio	-0.08	-0.27
Probability of Loss	52%	56%
Worst Drawdown	-35.01% (Jun 07 - Present)	
Worst Return	-10.57%	-27.56%
Best Return	6.21%	29.48%
MER	2.56%	1.39%

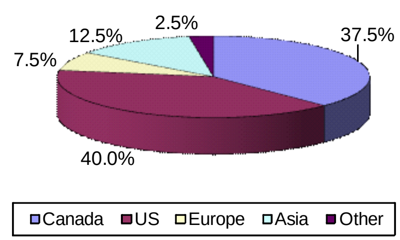
Growth of Investment



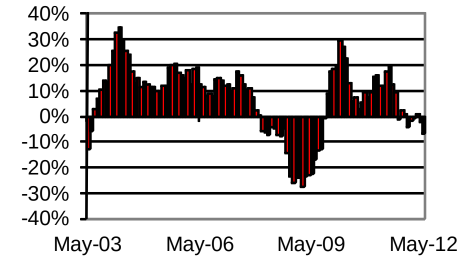
Target Asset Mix



Geographic Breakdown



Rolling 12 Month Returns



Information is from sources believed to be reliable. Every effort is made to ensure its accuracy, however, we cannot be responsible for inaccuracies or omissions in any of the data.

Information used in this analysis is historic in nature. Past performance is no guarantee of future performance.

Monthly Standard Deviation is the most recent 60 month historical standard deviation of returns.

Sharpe Ratio is a measure of risk adjusted returns. The higher the ratio, the better the manager has been at delivering more return for less risk.

Alpha represents the excess return which the manager has been able to deliver over and above the applicable benchmark.

Beta represents the volatility of the fund relative to its applicable benchmark. A beta of one means that there is a level of volatility equal that of the benchmark. A beta in excess of one indicates that the volatility is greater than the benchmark, while a beta of less than one indicates that volatility is less than the benchmark.

Correlation measures the similarity in return patterns between the fund and a benchmark. The correlation will range between –1 and +1. A correlation close to +1 indicates that the fund and the index have very similar return patters. A correlation close to –1 indicates that the returns are almost opposite, while a correlation close to zero indicates no relationship.

Historic returns are calculated using the monthly return data in our database. Slight variations in return results will be attributable to decimal rounding and number truncation.

This is not a solicitation from Paterson & Associates to sell mutual funds or any financial product. For additional information, please contact your advisor or refer to the important information found in the mutual fund prospectus.

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