

# Connections

SUMMER 1999 NEWSLETTER

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## Message from the editor

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**Recently  
Updated**



Dear Investor,

By now you've probably had a chance to enjoy family, friends, and fun...sports, outdoor projects, and activities like the campfire on our cover. During the quiet times you can read Bill Sterling's views on technology, get some tips on *Choosing an Executor*, evaluate the C.I. Global Industry Funds, and review a simple, proven approach to investing in our article on *Automatic Investing at C.I.* Also, if you would like to introduce a friend to *Connections*, [www.cifunds.com](http://www.cifunds.com) has all of our issues available for downloading.

Now is also a good time for all of us to pull back from the mutual fund section of the newspaper and look instead

at the big picture. Your investments are tools, you plan to use them to reach your goals. But it doesn't work to focus on the tool—while you are building that new deck, try looking at your hammer instead of the nail and you'll soon see why.

Instead of concentrating on your investments, concentrate on yourself, your family, and your goals. The *Building Your Portfolio* article in this issue will help. Once you have defined your goals, your time horizon, and your acceptable risk, the right investments and mix of investments will follow.

At C.I., our philosophy is simple: Be innovative in our thinking, generate trust by our actions, be responsible in

our financial management, and ensure that you receive a consistently high level of service. We firmly believe that there is never a bad time to invest, and we will continue to provide the most effective tools to help you achieve your financial goals.

We spend a lot of time developing these investment products, tools, for you. Let us know if our hammers are squarely hitting your nails and how we can do even better.

Hope you are having a great summer.

*Steven Moore*

Steven Moore, Editor



Sterling's World Report

# Why The Technology Revolution is Underhyped

By William Sterling, Global Strategist

The world's numerati have long been fascinated by the awesome power of exponential growth. When someone asked Albert Einstein what he considered mankind's most powerful discovery, for example, Einstein replied without hesitation: "Compound interest". This is highly relevant to businessmen and investors who are taking serious notice of the technology revolution.

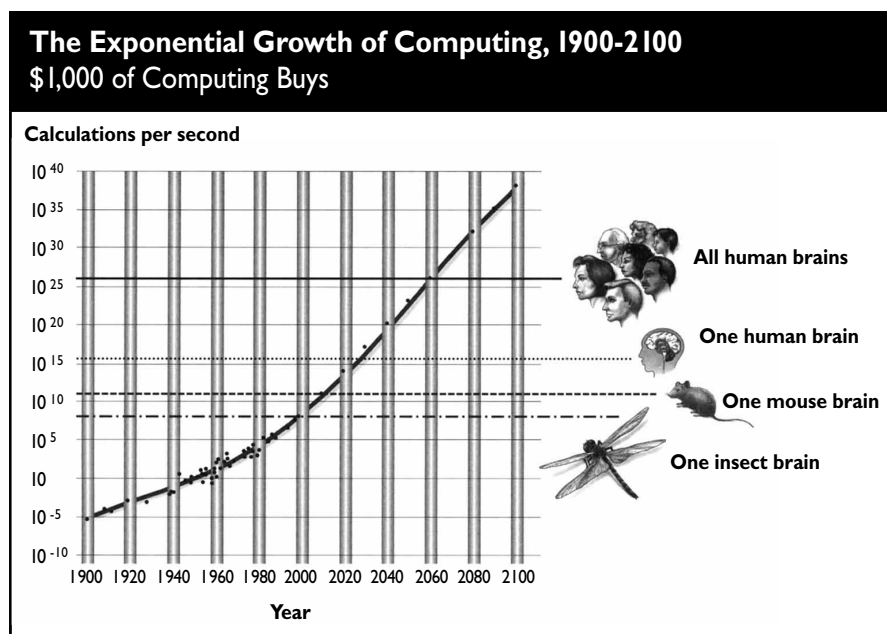
Exponential trends can be as initially deceptive as they are powerful. In the early stages of an exponential growth trend, the doubling process may appear to be of little consequence. But once the trend reaches an inflection point known as the knee of the curve, it explodes with astounding power. Perhaps this is why the well-known author and futurist, Arthur C. Clarke, once noted that people exaggerate the short-run impacts of technical change and underestimate the long-run impacts.

## Thinking Machines

It is our view that the technology revolution is fundamentally underhyped. This is especially true if one looks ahead over the next several decades. We will focus on just one aspect of the technology revolution, the computing revolution, to make this point. To do so, we draw heavily on musings by artificial intelligence pioneer Ray Kurzweil found in his current book, *The Age of Spiritual Machines*.

Kurzweil starts by observing that there have been about 32 doublings of speed and capacity since the first operational computers were built in the 1940s. With the underlying trend of a doubling of speed and capacity every year likely to be intact for at least the next 20 years or so, he argues that we are just now where things start to get interesting.

Based on current trends, computer circuitry should run more than a billion times faster than the human brain by around 2020. Using superior speed to trade off against human neural capacity, \$1000 computers should then rapidly eclipse the brain's computational advantages.



Source: Kurzweil (1999), p. 104

If exponential growth in computation continues for several decades, the results will be startling.

## Advanced AI: Coming Sooner Than You Think

Several recent developments appear to have emboldened AI (artificial intelligence) experts to speak publicly about a likely timetable for the emergence of human-level AI capabilities. Perhaps most important, advances in semiconductor technology have finally provided the processing speed and memory to permit AI researchers to create machines capable of massive parallel processing. By the second half of the next decade, Intel expects to be able to squeeze the equivalent of one billion transistors on each chip, compared to the equivalent of 7.5 million transistors on one current Pentium II processor and just 3,500 transistors per chip in the early 1970s. The result would be an awesome increase in the speed and capabilities of relatively low-cost computers.

Such projections are not seriously disputed in the technical community, although some thoughtful observers warn that the exponential growth of computing will hit a wall by around 2020. By that time, transistor insulators are expected to be just a few atoms thick, making further shrinkage impossible.

Ray Kurzweil is fully aware that mindless extrapolations of exponential growth trends have been responsible for many foolish forecasts about the future. He argues convincingly, however, that exponential growth in computing speed and capacity is likely to continue in the next century, even after today's semiconductor technology has run its course.

If anything, there even appears to be some risk that current forecasts of AI progress could turn out to be conservative if next-generation technologies become viable before digital computing matures. The historical trend in computational power appears to be "superexponential", reflecting an acceleration of exponential growth.

## Is Demographics Destiny in the Long Run?

In our recent book *Boomernomics*, Stephen Waite and I argued that demographics, technology, and globalization are likely to be the three most powerful forces to shape the investment climate of the next several decades. Based on demographics, we came up with a good news/bad news story.

The good news is that the financial market environment should remain positive over the next decade as baby boomers pass through their peak years of earnings and savings. The bad news is that markets could take a decided turn for the worse when the boomers retire in large numbers, becoming wards of the state and natural sellers of financial assets and real estate.

The process of exponential (or superexponential) growth in computing suggests that a true productivity miracle may well develop just around the time that baby boomers are retiring in large numbers.

Garden-variety exponential growth means that computing capacity will increase by a factor of about 1,000 every 10 years (see chart). Based on that trend, a \$1,000 computer will be able to simulate the brain power of a small village by 2030, the entire population of the U.S. by 2048 and a trillion human brains by 2060. As computers build smarter computers, Ray Kurzweil anticipates that one penny's worth of computing will have a billion times greater computing capacity than 10 billion people by the end of the century!

To be sure, the future visions of Kurzweil and like-minded AI experts may turn out to be as far-fetched as those of nuclear engineers several decades ago who thought that electricity would turn out by now to be too cheap to meter. But when serious scientists and engineers who actually understand and exploit quantum physics have a view of the future so radically different from that of investment bankers and economists, the rest of us ought to pay some attention.

## Food For Thought

We conclude with a few forecasts:

- Demographics will remain an important force in financial markets, but trends in technology are likely to be more important in the long run.
- The pace of wealth creation in coming decades is likely to accelerate rather than stagnate.
- Reversion-to-the-mean of stock valuations is unlikely as the technology revolution accelerates, and different metrics of valuation will become increasingly necessary.
- Countries and companies at the leading edge of the technology revolution should sustain higher valuations compared to those left behind in the machine age, frustrating traditional value investors.
- Cheap labor (as in emerging nations) and cheap capital (as in Japan) may become less important sources of competitive advantage as advanced technology displaces labor—as well as bricks, mortar, and vintage machinery.

We have always been fans of a mathematical technique called "proof by repeated assertion". So we'll say it again: the technology revolution is underhyped.

William Sterling, Global Strategist



# Compendium

FACTS & FIGURES TO AMUSE, AMAZE & INFORM

❖ Lowest costs among G-7 countries of setting up and running a business for 10 years: **Canada**

❖ Inventors:  
**Hair Dryer: Chester Beach**  
**Electric Washing Machine: Alva Fisher**  
**Paper Clip: Johann Vaaler**  
**Scrabble: Alfred Butts**

❖ Species of insects native to Canada: **about 67,000**

❖ Recommended treatment for minor insect stings and bites: **a poultice of baking soda and water.**

❖ Number of mosquitoes a brown bat will eat per day: **3,000**

❖ All government revenue that came from corporate taxes in 1995: **25.6%**  
 In the 1980s: **28%**  
 In the 1970s: **30%**  
 In the 1950s and 1960s: **37%**

❖ Number of Canadian tornadoes reported per year: **about 80**

❖ 1998 foreign assets owned by Canadians: **\$647 billion**  
 1998 Canadian assets owned by foreigners: **\$971 billion**

❖ Ratio of stock analysts' "buy" to "sell" recommendations in the early 1980s: **1 to 1**  
 Ratio in 1999: **68 to 1**

❖ Average salary advantage that women business executives who are 10-handicap golfers or better hold over non-golfing male colleagues in similar jobs: **30%**

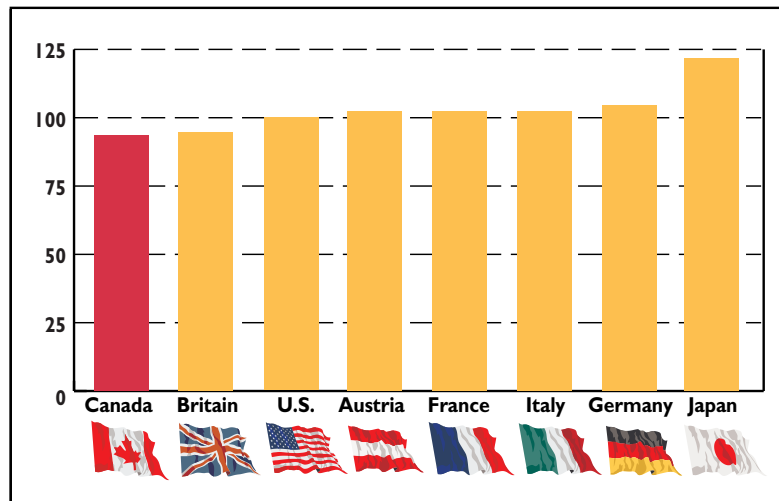
❖ Profile of the average board member of Canada's 100 largest corporations: **male, 58 years old, paid \$31,078 a year.**

❖ Largest directors' fees: **Seagram Co. Ltd at \$86,250**  
 Second largest: **Loewen Group at \$78,000**

❖ Homicide rates in 13th century England compared to the 1970s: **18:1**

## Business Costs Less in Canada

Total 10-year cost of creating and running a business (U.S. = 100)



Sources: KPMG

Sources: KPMG; Century Makers, David Hillman and David Gibbs; The Globe and Mail; Ontario Environment Ministry; Environment Canada, Statistics Canada; The Economist; Hyatt Hotels; Financial Post; Harpers

## Quiz Answers

- Start with the recommended megawatt increase in the transmission interconnection capacity with the U.S. after the Ontario electricity market is deregulated. **2000**
- Multiply by the number of kilometres Leith Drury bicycled in the International Triathlon World Championships.  $(\times 40) = 80,000$
- Divide by the number of severe corrections of 15%-19% that the U.S. stock market has endured over the past 100 years.  $(\div 50) = 1,600$
- Take the positive square root of your answer after step #3 above.  $(\sqrt{1,600}) = 40$
- Subtract the number of seconds within which C.I. Client Services aims to answer 90% of your calls.  $(- 12) = 28$

- Multiply by the year Gordon G. Thiessen was appointed Governor of the Bank of Canada.  $(\times 1994) = 55,832$
  - Divide by the number of seasons in a year.  $(\div 4) = 13,958$
  - Add 42 to your answer after #7 above.  $(+ 42) = 14,000$
  - Divide by the annual frequency of publication of Connections Magazine.  $(\div 2) = 7,000$
  - Divide by the floor number that appears in C.I.'s address at 151 Yonge Street.  $(\div 7) = 1,000$
- The final answer is **1,000.**

## "Quotable Quotes"

"The transition to Internet computing is the last big architectural change we'll see in computer technology for a long, long time."

**Larry Ellison**  
 Founder and CEO, Oracle Corp. News

"Every human has a right to have their life as a surprise. We have a right not to be manufactured."

**Dr. Margaret Somerville**  
 McGill University ethicist, speaking on human cloning at the World Science Conference

"There is just no relationship whatsoever between the size of the bank in terms of equity and the profitability of the bank. You don't need mergers for the banks to be able to make money... I just don't buy the argument that their profitability is going to suffer in the absence of mergers."

**R. Todd Smith**  
 C.D. Howe Institute, author of *Money in the Bank: Comparing Bank Profits in Canada and Abroad*

"If a truckload of toxic chemicals spills somewhere, the money spent cleaning it up is added to the GDP. If nearby residents can no longer use their wells for water, their expenditures on bottled water are added to GDP. If they become sick from exposure to the chemical, their medical costs are added to the official measure of well-being."

**Mike Nickerson**  
 The Sustainability Project, Ontario 1997

"In the political and economic sphere history appears to be progressive and directional...culminating in liberal democracy as the only viable choice for technologically advanced societies. In the social and moral sphere, however, history appears to be cyclical, with social order ebbing and flowing over the course of generations. There is nothing to guarantee upturns in the cycle; our only reason for hope is the very powerful innate human capacity for reconstituting social order."

**Francis Fukuyama**  
*The Great Disruption*

**Congratulations** to **Helen George** of Ottawa, Ontario and **Greg McEachen** of Edmonton, Alberta who were the winners from our Winter edition's calculator quiz and draw. Each wins **\$250 worth of Harbour Fund units.**

Due to the change in our publication schedule, there is no quiz in this issue. Next time we will have our spring winners and a new quiz.

We appreciate the comments, suggestions, and questions that arrive with many of your quiz answers. Keep them coming. Or, feel free to contact us even without a quiz submission if we can help you in any way. We like to hear from you.

Fax: 416-681-6535  
 E-mail: [connections@cifunds.com](mailto:connections@cifunds.com)

# C.I. Global Industry Funds

## Focusing on Promising Global Industries

When you invest, you want your money to work hard for you. Wouldn't it be nice if you could target those global economic sectors that are expected to perform most favourably? You can. C.I.'s global industry funds give you the power to invest in specific global industries according to world economic events and your investment goals.

### Fund Features:

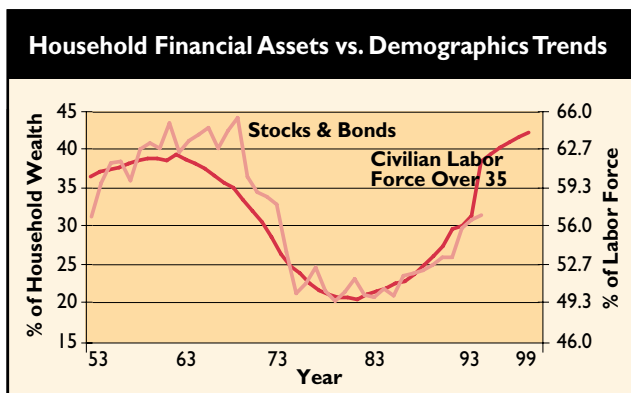
- Concentrate your investment choices on promising global industries
- Outstanding portfolio advisers with a strong track record
- World-wide diversification for a balanced portfolio

### C.I. Global Financial Services Fund C.I. Global Financial Services RSP Fund



According to the Society for Worldwide Interbank Financial Telecommunication, US \$2.3 trillion moves through the world's electronic network daily. Three trends will drive the financial services sector in coming years: (1) asset accumulation by "baby boomers" in developed countries, (2) the increasing capital requirements of emerging economies, and (3) globalization of financial services to provide the necessary linkage.

C.I. Global Financial Services Fund taps the growth of financial services on a global scale. This highly-diversified investment universe includes commercial and savings banks, money management companies, insurance companies, brokerage firms, credit card issuers, and mortgage lenders, as well as other finance-based businesses with a total world capitalization of US \$2.1 trillion.



Source: Federal Reserve Board and Census Bureau

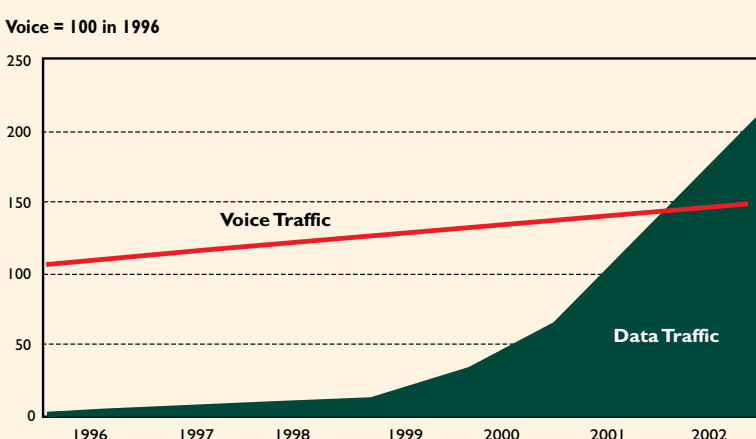
### C.I. Global Telecommunications Fund C.I. Global Telecommunications RSP Fund



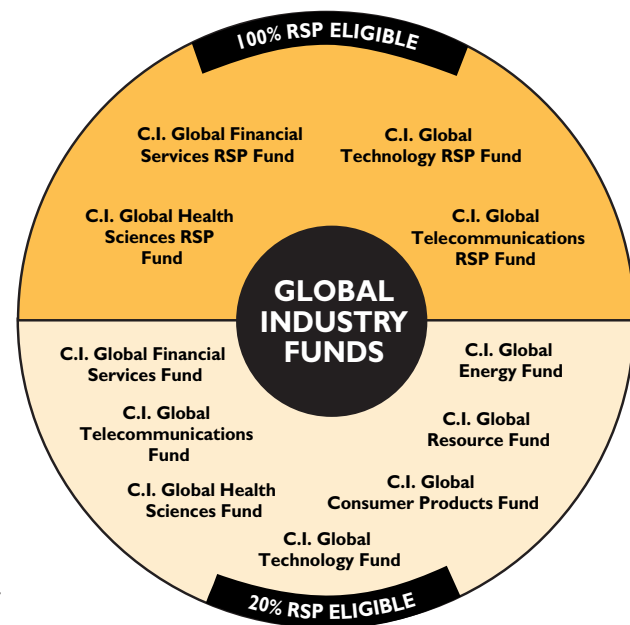
Worldwide growth of the telecommunications business is powered by strong factors: multiple uses such as phone lines carrying cable TV signals and enabling computers to interconnect; upgrading of analog copper wiring with digital fiber-optic lines; and the explosive telecommunications growth in developing nations.

Emerging economies will invest billions of dollars to upgrade their telecommunications technology to the level of developed countries. For China to equal the telephone penetration of Canada, it would have to install nearly 600 million telephone lines.

### Data Overtakes Voice Traffic Voice vs. Internet Data Traffic Growth



Source: The Yankee Group



C.I. Global Telecommunications Fund is well-positioned to profit from the global growth in telecommunications. It invests primarily in the securities of companies which develop, manufacture, or sell telecommunications services or equipment. Its global orientation provides substantial diversification and an extensive selection.

### C.I. Global Health Sciences Fund C.I. Global Health Sciences RSP Fund



#### World Health Facts

- Life expectancy in the world's most developed countries: **78 years**
- Life expectancy in the world's least developed countries: **43 years**
- Proportion of the world's population without regular access to treatment of common diseases and the most needed essential drugs: **1/2**
- Increase in population aged over 65 in the developing world during the next 30 years: **200 to 400 per cent**

Source: World Health Organization

An aging population in developed countries, a demand for health services in the developing countries, and an increasing requirement for cost-containment in health services are combining to create dramatic changes in global health care. C.I. Global Health Sciences Fund is poised to help investors benefit from the future growth in this exciting new area.

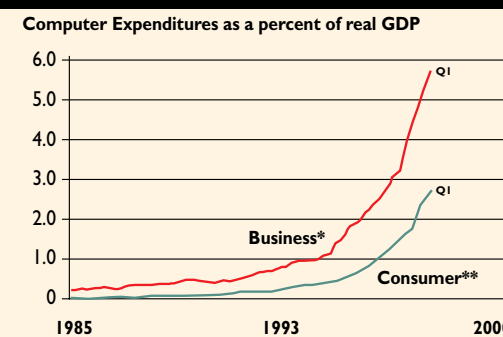
Morgan Stanley estimates the global capitalization for health sciences to be \$1.0 trillion. Of that, 55% is in the U.S.; 34% in Europe; yet only 11% in Asia and Latin America where global population growth is expected to be greatest. C.I. Global Health Sciences Fund may invest in companies anywhere on the globe, and this flexibility widens the Fund's investment universe and opportunity.

### C.I. Global Technology Fund C.I. Global Technology RSP Fund



Technology is booming. Global technology spending is accelerating to \$3 trillion this decade—four times higher than in the 1980s. This provides a broad, diverse market in which to make sound investments.

#### An Integral Part of the Global Economy



Source: The New Economy, Dr. Ed Yardeni; yardeni.com  
\*Producers' durable equipment spending for computers  
\*\*Personal consumption expenditures for computers

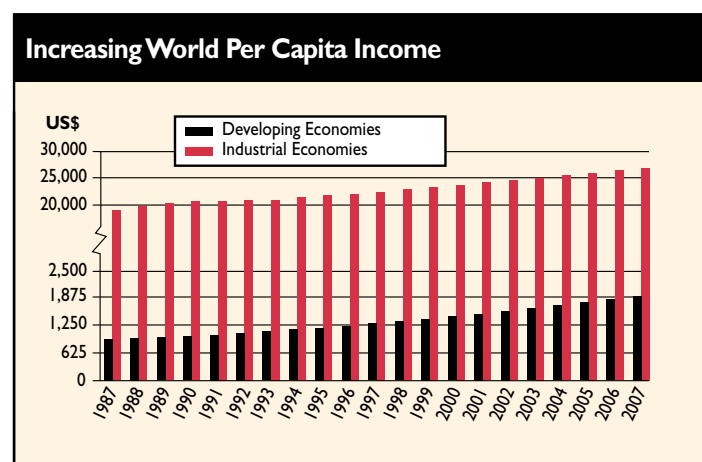
Technology stocks have been among the top performers of all companies this century (IBM, Bell, Xerox, Microsoft, Intel). Investment in the early stages of any of these companies would have paid off handsomely.

Our innovative C.I. Global Technology Fund offers investors the opportunity to participate in the technological leaders of the 21st Century. It is highly diversified, choosing stocks from the most promising technology subsectors. It is global, accessing markets throughout the world. It is flexible, investing in stocks with market capitalizations of all sizes.



## C.I. Global Consumer Products Fund

Consumer products fulfil basic, recurring needs such as eating, drinking, and personal hygiene that cross all geographical and cultural boundaries. The number of people all over the world who can pay to meet such needs is dramatically increasing.



Source: DRI  
Recent and projected per capita GDP increases for both the industrial and developing economies.

This rising demand makes a compelling argument for investing in the stocks of companies whose products and services are used again and again—through C.I. Global Consumer Products Fund.



## C.I. Global Resource Fund

**World Reserve Life Index**

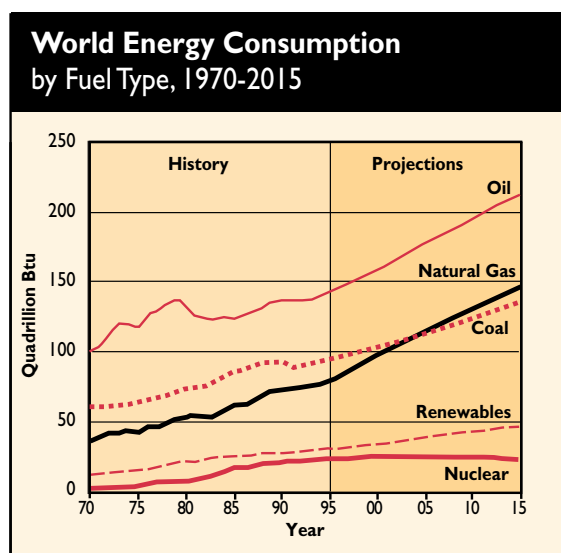
	(Years)
Aluminum	207
Copper	33
Iron Ore	152
Lead	23
Nickel	59
Zinc	20
Mercury	45
Cadmium	17
Tin	41

Source: World Resources 1996-97,  
World Resources Institute

The engines of global growth are fuelled by natural resources, and the supplies are limited. This increasing demand on a decreasing supply offers the potential for significant valuation and price increases, making natural resources a very attractive investment opportunity. The table shows the World Reserve Life Index, the years remaining of both measured and indicated reserves of selected metals, using currently economic mining methods. The calculation is based on dividing world reserves by the world production rate for 1992.

Invest in the raw materials required for continuing global growth with the C.I. Global Resource Fund.

## C.I. Global Energy Fund



Source: Energy Information Administration, U.S. Department of Energy



An investment in energy is an investment in the future because all energy use from all sources except nuclear is projected to grow substantially. For example, by 2015, oil consumption is expected to increase by 50% above 1995 levels.

Natural gas is expected to have the highest growth rate among fossil fuels, from 55% of oil consumption in 1995 to 66% of oil consumption in 2015.

Renewable energy sources such as geothermal, wind, and solar will provide about 8% of the projected growth in energy demand over the next two decades.

The C.I. Global Energy Fund—Investing in the World's Future

**Talk to your investment adviser today about C.I.'s global industry funds: powerful industries, proper diversification, premier fund management.**

# Choosing an Executor

By Barry S. Corbin

As I explained in my previous article on estate planning (Winter 1999 Connections Magazine), one of the benefits of having a will is being able to choose the person who will administer your estate after your death. (In Ontario, the name "estate trustee" has been introduced as an alternate way of referring to the executor.) Estates lawyers are frequently asked for advice on choosing an executor. Here are some points to ponder:

1. The best choice of executor is someone who knows you and your family and has good business sense. Sometimes, no one person fits that description and the appointment of two or more persons as co-executors may be necessary. At a minimum, choose someone who knows his or her own limitations and who will hire a professional to assist him or her when complex issues arise.
2. When your will makes an outright distribution to a single adult beneficiary (a spouse or adult child, for example), simplicity might dictate that the beneficiary be your first choice as executor.
3. Before signing your will, speak to the person you wish to appoint to ensure that he, she, or they will be able and willing to act for you. Remember, the role of executor is primarily a burden, not an honour. If you have ever had occasion to act as an executor, you will recognize the wisdom in this statement.
4. If your estate must be administered over an extended period of time, you would be wise to choose someone who is likely to survive to the end of that period. Better still, choose an alternate executor against the contingency of your first choice being dead or incapacitated (either before your death or after your death during the course of the administration), or perhaps being unwilling to act due, perhaps, to a change in circumstances since having agreed to act.
5. In most jurisdictions, there is no limit on the number of executors you can appoint. Remember, however, that two executors means the possibility of deadlock. If there are three or more, you will have to decide how decisions are to be made: unanimously, by majority, by majority with a specific executor having a veto, etc. The more executors you appoint, the more difficult it will be for them to meet, discuss, and agree on a particular course of action or sign necessary documents. (When you have several adult children and one of them is the obvious choice, you may be concerned that appointing that child as sole executor could cause ill feeling among the others. Remember what was said above about the burden of the executorship. Your other children may well consider themselves fortunate not to be appointed. Talk to them about it.)
6. Choosing an executor who lives at a distance from the estate assets or from the beneficiaries can be a problem. Persons who live outside the province may be obliged by the court to post a bond (an insurance policy, in effect, against possible misconduct).
7. Beware of potential conflicts of interest. For example, if you are in a long-term business relationship with another person, you may be inclined to choose that other person as executor (if not as primary executor, then possibly as a first alternate after your spouse). That can place your business partner in an untenable position if he or she is required under a business agreement with you to buy out your interest in the business after your death. How can your business partner be both a buyer and a seller?
8. In some cases, appointing a professional trustee (that is, a trust company) is the best answer, whether as the sole executor or jointly with others. That is particularly true when the estate is so large and complex that it would place a heavy burden on an individual.
9. You can appoint a separate executor to deal with specific assets. For example, if you have an important collection of literature, music, or art, you may wish to appoint someone knowledgeable in the field to handle the disposition of that asset.

While these points are important to keep in mind when choosing your executor, remember that everyone's situation is different. The best advice I can give is to discuss this matter fully with your estates lawyer before making a decision.

*Guest contributor Barry Corbin is a partner with the Toronto law firm of Borden & Elliot, practising in the areas of estate planning, estate administration, and the mediation of estate disputes.*



## Good answers to some tough investing questions

# Automatic Investing at C.I.

- “Where am I going to find the money?”
- “Does this mean more paperwork?”
- “Don’t I need to focus on my household finances first?”
- “Won’t an automatic investment plan lock me in?”
- “Isn’t there too much volatility in the markets right now?”

Sounds familiar. Wouldn’t it be nice to find a simple, proven approach to investing that keeps you on the right path even when market volatility occurs? You have.

### Consider the Pre-Authorized Chequing (PAC) plan at C.I. Mutual Funds:

A PAC plan is simply an agreement between you, the investor, and C.I. to automatically and regularly withdraw a fixed amount from your chequing account to purchase units in the fund(s) of your choice. This simple plan contains some of the most powerful tools available for personal financial management. The savings advantages of paying yourself first, the power of compound growth, and the volatility reduction of dollar cost averaging are just some of the built-in benefits of a PAC.

**Tough Question:** Where am I going to find the money?

**Good Answer:** One of the most powerful features of a PAC plan is that you start paying yourself first. The regular purchases of a PAC plan are a painless way of developing an investment discipline. You may be pleasantly surprised by the investment strength you can accumulate when you combine the long-term power of compounding, the regularity of PAC plan purchases, and our management expertise.

Although the many benefits of a PAC plan apply to any investment amount, the C.I. PAC plan is particularly well-suited to first time investors. Because C.I. requires no initial deposit, you can begin to pay yourself first with as little as \$25 per month.

**Tough Question:** Does this mean more paperwork?

**Good Answer:** A glance below at the PAC section on our consolidated application should convince you of our “less is more” philosophy when it comes to paperwork.

**Tough Question:** Don’t I need to focus on my household finances first?

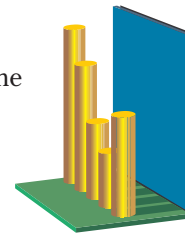
**Good Answer:** Credit card debt and high interest loans should, of course, be priorities. But any household budget should also include a strategy to increase assets. The manageable purchases of a PAC plan can go a long way toward tipping the balance sheet in your favour.

**Tough Question:** Won’t an automatic investment plan lock me in?

**Good Answer:** You can choose:

- An investment schedule anytime from twice a month to once a year.
- To hold or stop any or all purchases with one business day’s notice.
- To change the purchase amount, and the choice of funds, with two business day’s notice.

**Tough Question:** Isn’t there too much volatility in the markets right now?

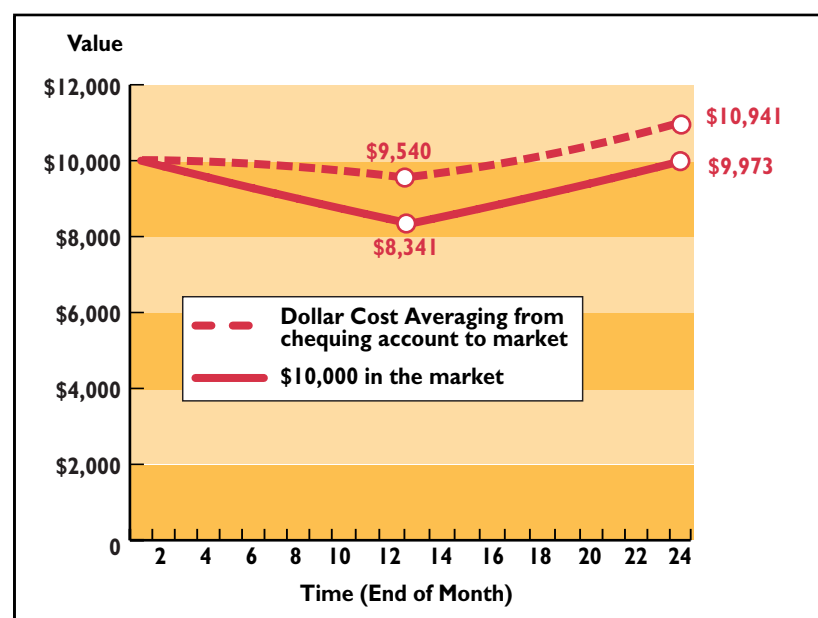


**Good Answer:** The only certainty in investing is that markets will fluctuate. Dollar cost averaging, a key component of a PAC plan, can help reduce the impact of market volatility and provide reassurance through choppy periods.

Because you are contributing the same amount bi-weekly or monthly, a PAC plan buys more units when unit values are falling and less when they are rising. This strategy can often lower the average cost of investments. Of course, if you have lower costs coming in, you will have more profit going out.

A PAC plan can convert volatility to opportunity. With a PAC plan, you can now use market downturns to lower your costs and take advantage of bargain prices. PAC plan holders are more likely to see short-term trends as temporary and less likely to sell into weakness. When fluctuations occur, you are more likely to keep your investments invested.

*In this scenario, created to mimic short-term volatility, the market falls 1.5% per month for the first 12 months, then recovers 1.5% per month for the last 12 months. This model assumes a 0.5% interest rate in the chequing account.*



The chart above compares the results of investing \$10,000 in a lump sum purchase versus investing the same amount gradually, using a PAC plan strategy.

**Easy Question:** Where can I find more information about a PAC plan with C.I. Mutual Funds?

**Good Answer:** You can call our Client Services Department at 1-800-268-9374 or ask your Financial Adviser for information on this great service. Our website ([www.cifunds.com](http://www.cifunds.com)) provides insights into every aspect of our funds including daily prices, account access, and free automatic e-mail service. To see the advantages of a PAC for yourself, check out our PAC analyzer in the Investment Tools section of [www.cifunds.com](http://www.cifunds.com).

**A PAC at C.I.: Simple, accessible, and flexible.**



# Building Your Portfolio

Building your investment portfolio is one of the most important financial decisions you will make. Mutual funds may help bring strength and diversity to that portfolio, and they offer several advantages:

- **Professional money management.** Professional portfolio advisers have the skills and time to do the research required to make informed investment decisions. They also have access to information not readily available to the average investor.
- **Diversification.** This is the investment equivalent of not putting all your eggs in one basket. Because investment values are constantly changing, owning different investments may provide better long-term returns because the investments that increase in value compensate for those that don't. A mutual fund may contain 40 or more different investments and is a simple way to diversify.
- **Accessibility.** You can redeem your mutual fund investment at any time, although sales charges may apply. Other investments, such as stocks, bonds, gold, real estate, gems, or art, may require you to find a specific buyer before you can sell.
- **Recordkeeping and Reporting.** Mutual fund companies use sophisticated recordkeeping systems and send you regular financial statements, tax slips, and reports.

There are many funds to choose from within the C.I. family. Here are three general guidelines to help you make the right choices in consultation with your investment adviser:

- Decide on your investment objectives. Do you want steady income, an increase in your capital, or a combination of both? Income funds provide steady income, equity funds are designed to provide an increase in capital, and balanced funds provide a bit of both.

For example, if you are younger, your objectives may include investing for your children's education, a new home, or retirement. These objectives usually call for equity investments that provide a long-term increase in capital.

If you are near retirement, you may require both current income for now and capital growth to provide income later. These objectives usually call for a combination of equity and income investments.

- Decide when you will need the money. The number of years before you will spend your investment determines your investment horizon.

If you plan to buy a house within five years, your horizon is relatively short.



If you are investing for retirement in 20 years, your horizon is much longer. Even in retirement, though, you won't need all your money on the day you retire. Because you may live for 20 years after retirement, your total horizon may be 40 years and part of your investment should be managed with this in mind.

When it comes to investing, time is definitely an asset. For equities which can fluctuate significantly over the short term, a long-term strategy is best to make sure you are invested during market upswings to decisively increase your capital.

- Decide on your tolerance for risk. One risk that affects all investments is inflation risk. If inflation is at an annual rate of 3%, a "safe" investment that guarantees a 3% return is not growing at all, and a "safe" investment that guarantees a 2% return is putting you farther behind every year.

\$10,000 after The Effects of Inflation						
	Inflation Rate					
Years	3%	4%	5%	6%	7%	8%
5	\$8590	\$8150	\$7740	\$7340	\$6960	\$6590
10	\$7370	\$6650	\$5990	\$5390	\$4840	\$4340
15	\$6330	\$5420	\$4630	\$3950	\$3370	\$2860
20	\$5440	\$4420	\$3580	\$2900	\$2340	\$1890
25	\$4670	\$3600	\$2770	\$2130	\$1630	\$1240

Generally, higher-risk investments have the potential for higher returns, and the longer your investment horizon, the greater risk you can tolerate. But returns are not the only yardstick for a successful investment.

An investor who checks fund prices every week and worries when investments temporarily lose some value has a low tolerance for risk and might be more comfortable with money market funds, bond funds, or equity funds that aim for low volatility.

An investor who is willing to take on more risk might prefer a higher proportion of equities, or a regional focus such as an emerging market fund that has the potential for higher returns. Over the longer term, equities have historically provided the greatest returns, although their short-term volatility risk may also be the greatest. If you think you might need short-term access to your investment, however, a more conservative investment, such as a money market fund, will likely be less volatile.

In consultation with your investment adviser, you can build a portfolio tailored to your specific investment objectives, horizon, and risk tolerance. The nearby hypothetical portfolios represent sample investment programmes based on these variables.

The C.I. family of funds contains all the investment choices you need to build a finely-tuned investment plan that will satisfy your financial goals.

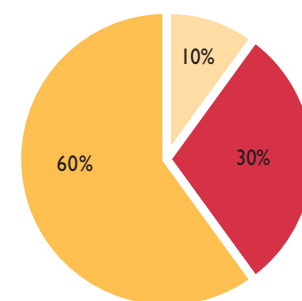


## My Investment Horizon is...

- Growth
- Money Market
- Income

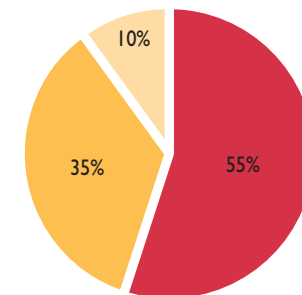
### 5 YEARS OR LESS

GOAL: Current Income and Inflation Protection



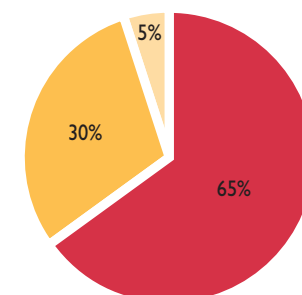
### 5 - 10 YEARS

GOAL: Growth and Income



### 10 YEARS OR MORE

GOAL: Growth



# Web Strands

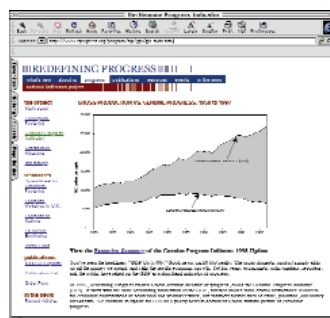


## CANNEX Canada [www.cannex.com/canada/](http://www.cannex.com/canada/)

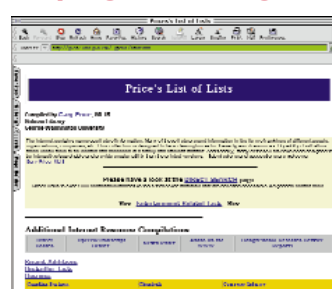
Posted interest rate, unit values and product information for: Annuities, Term Deposits/ Guaranteed Investment Certificates (GICs), Mortgages, Registered Term Deposits/ GIC - Registered Retirement Savings Plans (RRSPs), Deposit Accounts, and Registered Retirement Income Funds (RRIFs) offered by banks, trust companies, life insurance companies, mutual fund companies, savings and loan companies and credit unions in Canada.

## Redefining Progress [www.rprogress.org/progsum/nip/gpi/gpi\\_main.html](http://www.rprogress.org/progsum/nip/gpi/gpi_main.html)

In 1995, Redefining Progress created a more accurate measure of progress, called the Genuine Progress Indicator (GPI). It starts with the same accounting framework as the GDP, but then makes some crucial distinctions: it adds in the economic contributions of household and volunteer work, but subtracts factors such as crime, pollution, and family breakdown. Updated on a yearly basis to comprehensively document economic progress.



## Price's Lists of Lists <http://gwis2.circ.gwu.edu/~gprice/listof.htm>



"Canadian Business" is only one of 31 broad categories and the first few entries in this category alone are: 25 Top Software & Services Multinationals in Canada; 25 Up & Comers (Information Technology); 50 Top Canadian IT Professional Service Companies; Financial Post Top 50 Companies; Performance 2000 (Largest Canadian Companies); Profit 100 (Fastest Growing Companies in Canadian Business); Top 40 Money Managers; Top 100 Canadian Independent Software Companies. A listreader's delight.

## The Small Tractor FAQ [www.andrew.cmu.edu/user/kb13/TF\\_home.htm](http://www.andrew.cmu.edu/user/kb13/TF_home.htm)

Information about small tractors intended to assist people in the specification, selection, use, and maintenance of riding mowers, lawn tractors, garden tractors and estate tractors (also known as compact diesel tractors). Safety First, Lawn Care, Feature Articles, Mailing Lists, Tractor Facts, Glossary, and Links. Don't buy that new riding mower until you've surfed this site.



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