

Not All Dollars Are Equal

You're planning a trip to New York to catch a Broadway show this weekend. As you search for tickets, you notice that prices are reflected in U.S. dollars (USD) and Canadian dollars (CAD), and they have different values.

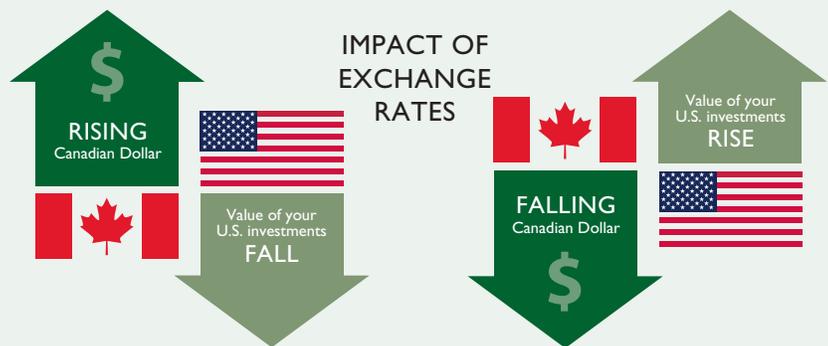


Why the different prices?

The difference has to do with how currencies are valued and traded. Currencies trade daily, just like stocks and bonds. If the value of a currency changes, it affects the exchange rate between them. The fluctuation in exchange rates and how it impacts what you pay for things is known as currency risk.

Currency Risk and Your Investments

When you invest in a mutual fund that buys stocks and bonds outside of Canada, you take on a currency risk. For example, a change in the USD/CAD exchange rate will cause the Canadian dollar value of your U.S. investments to go up or down. In short, a falling Canadian dollar increases the value of your foreign investments, while a rising Canadian dollar reduces it.



How is Currency Hedging Done?

Put simply, we enter into a contract with another financial institution to lock in an exchange rate, for example, at \$1.00 USD for \$1.24 CAD. If the Canadian dollar strengthens, your portfolio is protected and the fall in the value of the U.S. dollar investments is minimized.

Our Active Approach

We hedge the U.S. dollar exposure in a portfolio as it is typically the most significant currency risk. Our portfolio management team monitors the movement of the U.S. dollar carefully and actively adjusts how much of your portfolio is hedged. The goal is to minimize any losses due to currency risk in your portfolio. If the Canadian dollar shows signs of getting stronger, we may add a hedge. Conversely, as the Canadian dollar weakens, the hedge is reduced or removed so you can enjoy the benefit of an increase in the value of your U.S. dollar investments.

Targeted currency risk mitigation is just one of many value added investment management services that we offer to help support your financial plan.



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