

# Roles of asset classes

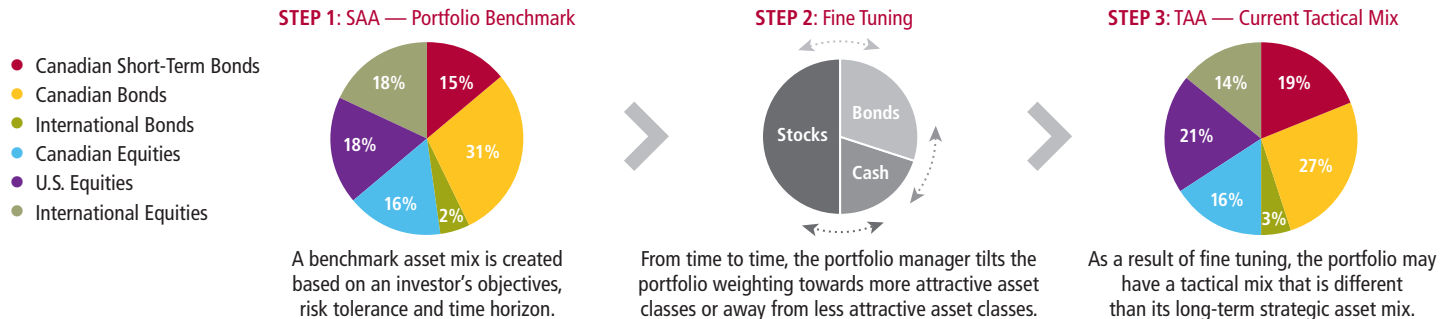
Here are some key asset classes, and the roles they can play in a diversified portfolio:

ASSET CLASS	ROLE IN A PORTFOLIO
<b>Cash</b>	Cash investments such as money market funds offer a high degree of safety, but low returns. They are a good place to park money for the short term, or money that is part of a systematic dollar cost averaging program.
<b>Bonds</b>	Bonds can add stability and regular income to a portfolio. They may be guaranteed by governments or by corporate entities.
<b>Real return bonds</b>	Real return bonds offer the same benefits as conventional bonds, plus an income stream that can rise in step with inflation.
<b>Global bonds</b>	Global bonds can enhance fixed income returns and reduce risk by providing exposure to the business conditions and interest rate environments of various global economies.
<b>Dividend-paying equities</b>	Dividend-paying equities offer the dual return potential of rising stock markets plus dividend income from established corporations.
<b>Canadian equities</b>	Canadian equities offer participation in the growth of Canada's financial, energy, technology and materials industries.
<b>U.S. equities</b>	U.S. equities provide exposure to some of the world's largest companies, many of which offer indirect participation in the global economy as they do business around the world.
<b>Global equities</b>	Global equities offer exposure to the growth potential of markets around the world, from established European economies to the fast-growing emerging regions of Asia and Latin America.
<b>International equities</b>	International equities offer many of the same rewards as global equities, except they exclude North American stocks in order to minimize overlap and maximize diversification.
<b>Infrastructure</b>	Infrastructure is a specialty asset class that offers stable income similar to bonds, plus protection against rising inflation.
<b>Emerging markets</b>	Emerging markets include many of the less mature but relatively high-growth economies of the world, such as Brazil, Russia, India and China.

# Understanding strategic and tactical asset allocation

**Strategic asset allocation (SAA)** refers to the long-term asset mix of a portfolio. Over time, much of a portfolio's performance can be attributed to strategic asset allocation. Disciplined strategic asset allocation helps you ignore short-term market fluctuations and focus on an appropriate long-term risk/reward profile that is consistent with your objectives, risk tolerance and time horizon.

**Tactical asset allocation (TAA)** is active asset mix shifting around a long-term asset allocation. These tactical shifts can provide the opportunity to take advantage of short- to mid-term market conditions. The aim is to create extra value by taking advantage of temporary pricing anomalies or strong cyclical market trends.



**Portfolio rebalancing** helps a portfolio avoid unintended changes to its strategic and tactical asset mixes. This is achieved by continually monitoring the portfolio's composition, and periodically shifting capital out of asset classes that have risen in value ahead of the rest of the portfolio, and moving more capital into asset classes that have lagged the rest of the portfolio.