

## Reducing Taxes and Adding Diversification

### Labour Sponsored Investment Funds Fund News

Once again it is the time of year to start looking towards the upcoming tax season. If you are looking for ways to lower the amount of Income Tax you have to pay, maximizing your RRSP contributions for the year 2000 should always be your first choice. If you have already reached your limit for this upcoming year, or if you are looking to get the maximum deductions from your 2000 RRSP contributions, Labour Sponsored Investment Funds (LSIF's) are worth considering. For the long-term investor, LSIF's not only reduce your total income tax payable, they may also provide above average returns and an avenue for further diversification with respect to your investment portfolio. Also, they provide an opportunity to participate in IPO's normally not available to most Canadians.

### What is a Labour Sponsored Investment Fund?

A Labour Sponsored Investment Fund (LSIF) is similar to a mutual fund, where individual investors pool their money, allowing professional investment managers to make decisions on their behalf by investing in several different companies, thus reducing their overall investment risk. An LSIF differs from traditional

mutual funds in that a venture capital fund invests in small and medium-sized Canadian businesses - public and private, therefore the inherent risk is slightly higher. In return for creating jobs and promoting economic growth through your investment in these companies, the government provides a tax credit of 30% of your investment. (Purchase maximum is \$5000.) When we consider that over 99% of Canada's businesses operate with less than 500 employees, we can see that small business plays a significant role in the Canadian economy, and it is these same small companies who turn to Labour Sponsored Venture Capital Corporations for their financing needs.

### Diversification & Choice through LSIFs

Apart from the attractive tax reduction and increased foreign content room, LSIF's now offer investors a method of diversification in their portfolios by offering various 'Sector Specific' funds, predominantly through the technology sector. With funds specializing in areas such as Internet, E-Commerce and Medical Science, investors can gain exposure in these sectors through these LSIF's while reducing the overall risk through mutual fund investing and the 30% tax credit. With Canada's e-commerce market expected to grow to over \$80 billion in 2003, and over 65% of Canadians to be on-line, LSIF's geared towards Internet

companies become quite attractive. As with traditional mutual funds, Labour Sponsored Investment Funds have evolved over the last decade to provide options for investors not only through investment choice, but now investment risk. For example, for aggressive investors there are the sector specific LSIF's. Whatever your investment approach, there is a Labour Sponsored Investment Fund suited to your preference (see insert).

*continued on back page*

## The time is now!!

ScotiaMcLeod offers self-directed and mutual fund Registered Education Savings Plans. Contribute before December 31st, 2000 to get a 20% government grant and to take advantage of tax deferral outside of an RRSP. Call us at: 1-800-387-9273 or visit our website at: [www.mutualfundreporter.com/resp](http://www.mutualfundreporter.com/resp) for more information.

## 1 Year Total Return

1	Altamira Science & Technology	174.8%
2	Altamira Health Sciences	155.5%
3	C.I. Global Biotech Sector	149.3%
4	C.I. International	147.1%
5	Talvest Global Sci & Tech	131.1%
6	AGF Aggressive Growth	130.6%
7	Talvest Global Health Care	116.3%
8	AIM Global Technology	99.2%
9	Royal Life Science & Technology	96.7%
10	Elliott & Page US Mid-Cap	86.1%

## 3 Year Total Return

1	Altamira Science & Technology	85.5%
2	Talvest Global Sci & Tech	75.4%
3	C.I. Global Telecom Sector	67.9%
4	AGF Aggressive Growth	65.8%
5	AIM Global Technology	62.2%
6	C.I. Global Technology Sector	47.4%
7	BPI Global Opportunities	46.2%
8	Talvest Global Health Care	45.1%
9	Janus American Equity	42.4%
10	Spectrum Global Telecomm	39.5%

## 5 Year Total Return

1	Altamira Science & Technology	59.3%
2	AGF Aggressive Growth	43.6%
3	BPI Global Opportunities	43.3%
4	Janus American Equity	36.3%
5	Royal Life Science & Technology	33.3%
6	BPI American Equity	31.0%
7	Spectrum American Growth	30.2%
8	Green Line Science & Technology	28.3%
9	AIM Global Telecom Class	28.0%
10	AIM European Growth	26.8%

## 10 Year Total Return

1	Spectrum American Growth	26.7%
2	C.I. Signature Amer Small Cos	23.2%
3	BPI American Equity	22.9%
4	MB Pooled American Equity	21.6%
5	GBC North American Growth	21.3%
6	AGF Amer Growth Class	21.2%
7	Fidelity Growth America	21.1%
8	Green Line US Index Fund (\$US)	21.1%
9	AIC Value	20.4%
10	PH&N US Pooled Pension	20.1%

### 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.

## 1 Year Total Return

1	AGF India	-36.8%
2	Universal Japan	-12.9%
3	AIM Pacific Growth Class	-10.3%
4	Green Line Japanese Growth	-9.7%
5	Royal Asian Growth	-9.0%
6	AGF Japan Class	-7.1%
7	Dynamic Global Income & Growth	-4.7%
8	Universal World Tactical Bd	-4.7%
9	Green Line Global Gov't Bond	-4.7%
10	AGF Global Government Bond	-4.5%

## 3 Year Total Return

1	Ethical Pacific Rim	-16.9%
2	AGF Latin America	-15.5%
3	C.I. Latin American	-9.2%
4	Fidelity Emerging Mkts Port	-8.7%
5	Templeton Emerging Markets	-8.5%
6	Universal Far East	-6.8%
7	AGF Asian Growth Class	-6.1%
8	Dynamic Real Estate Equity	-6.0%
9	AGF Emerging Markets Value	-5.9%
10	AIM Pacific Growth Class	-5.6%

## 5 Year Total Return

1	Fidelity Emerging Mkts Port	-7.9%
2	Ethical Pacific Rim	-7.1%
3	AGF India	-6.5%
4	AGF Asian Growth Class	-5.5%
5	Royal Asian Growth	-4.4%
6	Universal Far East	-4.1%
7	C.I. Pacific Sector	-0.6%
8	Altamira Asia Pacific	-0.5%
9	Talvest Asian	0.1%
10	AGF Emerging Markets Value	0.2%

## 10 Year Total Return

1	C.I. Short-Term Sector	3.8%
2	Atlas American Money Mkt \$US	4.1%
3	Royal \$US Money Market	4.2%
4	Royal Japanese Stock	5.4%
5	AGF Japan Class	6.5%
6	Global Strategy ROTH Wrld Bond	6.6%
7	C.I. Pacific Sector	6.8%
8	AGF Global Government Bond	6.9%
9	C.I. Pacific	7.5%
10	GBC International Growth	7.8%

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.

## 1 Year Total Return

1	YMG Growth	107.7%
2	Capital Alliance Ventures	98.1%
3	C.I. Global Telecom RSP	75.8%
4	Altamira Capital Growth	74.6%
5	AIM Canadian Premier	72.6%
6	Synergy Cdn Growth	71.2%
7	Trimark Enterprise Sm-Cap	69.1%
8	Dynamic Power Canadian Growth	66.2%
9	B.E.S.T Discoveries	66.2%
10	Elliott & Page Generation Wave	66.1%

## 3 Year Total Return

1	YMG Growth	27.3%
2	AIM Canadian Premier	27.0%
3	VenGrowth Fund	26.6%
4	Altamira Capital Growth	26.5%
5	Working Opportunity (Balanced)	24.0%
6	Capital Alliance Ventures	23.7%
7	Bissett Microcap	23.7%
8	Triax Growth Fund Inc	21.8%
9	Global Strategy Cdn Companies	21.2%
10	AIM Canadian First Class	20.8%

## 5 Year Total Return

1	YMG Growth	30.9%
2	AIC Diversified Canada	26.4%
3	AIC Advantage	26.0%
4	AIM Canadian Premier	24.4%
5	PH&N Dividend Income	24.1%
6	MB Pooled Cdn Equity Growth	23.7%
7	AIM Canada Growth Class	22.2%
8	Altamira Capital Growth	21.1%
9	Tradex Equity Fund Limited	21.0%
10	Fidelity Cdn Growth Company	20.5%

## 10 Year Total Return

1	AIC Advantage	24.5%
2	Dynamic Power Canadian Growth	19.8%
3	GBC Canadian Growth	19.7%
4	Altamira Equity	19.2%
5	ABC Fundamental Value	19.1% #
6	PH&N Vintage	17.9%
7	PH&N Dividend Income	17.7%
8	MB Pooled Cdn Equity Growth	17.4%
9	Altamira Capital Growth	17.3%
10	MAXXUM Dividend	16.9%

## 1 Year Total Return

1	Dynamic Precious Metals	-27.9%
2	Scotia Precious Metals	-26.7%
3	Global Strategy Gold Plus	-22.0%
4	Industrial Growth	-20.5%
5	Spectrum Canadian Resource	-18.8%
6	Green Line Precious Metals	-18.3%
7	Royal Precious Metals	-16.0%
8	AGF Managed Futures Value	-10.3%
9	AGF RSP Japan	-9.6%
10	Marathon Equity	-8.8%

## 3 Year Total Return

1	Scotia Precious Metals	-25.0%
2	Spectrum Canadian Resource	-23.5%
3	Global Strategy Gold Plus	-21.7%
4	AGF Managed Futures Value	-20.7%
5	Dynamic Precious Metals	-19.1%
6	Royal Precious Metals	-17.4%
7	AGF Canadian Resources	-15.4%
8	Marathon Equity	-14.8%
9	Green Line Energy	-14.1%
10	Green Line Precious Metals	-13.7%

## 5 Year Total Return

1	Scotia Precious Metals	-12.3%
2	Dynamic Precious Metals	-12.3%
3	Global Strategy Gold Plus	-11.7%
4	AGF Managed Futures Value	-9.1%
5	Universal Precious Metals	-5.4%
6	Royal Precious Metals	-4.9%
7	Altamira Resource	-4.3%
8	MAXXUM Natural Resource	-3.2%
9	Green Line Precious Metals	-2.9%
10	BPI Canadian Resource Inc	-2.7%

## 10 Year Total Return

1	Dynamic Precious Metals	-0.2%
2	Industrial Growth	3.1%
3	Royal Precious Metals	3.6%
4	Industrial Equity Fund Ltd	3.9%
5	Green Line US Money Mkt (\$US)	4.2%
6	Atlas Canadian T-Bill	4.6%
7	AGF Canadian Money Market	4.8%
8	Strategic Value Money Market	4.9%
9	Ethical Money Market	4.9%
10	Dynamic Global Bond	4.9%

### NOTES TO THE PERFORMANCE TABLES

- ScotiaMcLeod is unable to provide information on funds marked #
- Figures are average rates of return for the periods ending Sep. 30, 2000
- Source data from Bell Charts, including over 3200 funds
- Funds with total assets under \$25 million are not included
- Only "totally public" funds are ranked
- RRSP eligible funds are at least 75% 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 25% of book value

## Key Benefits of Labour Sponsored Investment Funds

Investing in a Labour Sponsored Mutual Fund inside an RRSP brings to the investor several key benefits that traditional mutual funds may not. These are:

- The potential for above average returns by investing in small and medium sized Canadian businesses – public and private (see insert).
- A 30% Tax Credit on the amount purchased to a maximum of \$5000.00 (minimum \$500).
- An increase in Foreign Content room
- Sector specific exposure (i.e. E-commerce, Medical Science) while reducing overall risk through the 30% tax credit and professionally managed mutual fund investing

### Benefit from Substantial Tax Savings When Purchased in an RRSP

To reward the investor for taking on this additional risk, both the Federal and Provincial Governments offer favorable tax benefits in the form of tax credits. When you purchase an LSIF, you receive both a 15% Federal and 15% Provincial Tax Credit on top of your RRSP contribution benefit.

**For Example:** (Assuming a \$5000 RRSP Contribution with an LSIF Purchase)

<b>LSIF Investment</b>	<b>\$5000</b>
15% Federal Tax Credit	\$750
15% Provincial Tax Credit	\$750
RSP Tax Savings (@50%)	<b>+\$2500</b>
<b>Total Tax Savings</b>	<b>\$4000</b>

### Increase Your Foreign Content Limit

LSIF's held in an RRSP may result in increases in foreign content room above the usual 25% limit. A larger foreign content position provides for added diversification and the potential for greater returns from exposure in larger foreign markets. The additional foreign content that is permitted is 3 times the book value of the LSIF assets in your account, to a maximum of 45% of your plan's overall book value.

*For Example:*

Suppose you purchase \$5,000 of a LSIF in 2000 in an existing RRSP account with a total book value of \$20,000:

- Pre-LSIF Foreign Content Limit = 5000 (25% of book value i.e. 25% of \$20000)
- Additional Foreign Content Room with \$5000 LSIF purchase = \$15,000 (\$5000 x 3)

- Maximum Foreign Content capped at 45% = \$9000 (45% of \$20000)

*Note: Maximum foreign content will be capped at 50% after January 1st, 2001 (30% pre-LSIF adjustment).*

For a complete overview of the LSIF's available to you, refer to the handy insert.

For more information, **please call our Service Centre at (416) 863-7777 or 1-800-387-9273** or visit our website at: [www.mutualfundreporter.com/lisif](http://www.mutualfundreporter.com/lisif)

## Fund News

As previously announced, **Trimark** Financial Corporation has recently merged with London based AMVESCAP, parent company of **AIM** group of funds.

**Switches are now available between the two fund families.** Please note also that the fund codes for the Trimark funds have changed.

**Atlas Asset Management** (a brand of Merrill Lynch mutual funds) have renamed their funds to include Merrill Lynch as the brand name.

**Scudder Maxxum** is changing its name back to **Maxxum**.

**Dynamic** has announced that they will be merging the following funds, pending approval.

Dynamic Global Income & Growth with Dynamic Global Partners Fund,

Dynamic Power Cdn Fund with Dynamic Power Cdn Growth

If approval takes place, the funds should be merged at the end of November.

## Do You Qualify for a Rollover ??

If you currently hold shares in an LSIF purchased before March 5th, 1996, you can elect to 'Rollover' these shares into the same LSIF or another one of your choice and **re-claim tax credits for the 2000 tax year** if instructions are received **before the end of February**. For our investors who qualify for this rollover opportunity, you will be contacted shortly with options and instructions. For those who participate, this rollover will occur in the last days of RRSP season (end of February/ early March) and instructions must be received prior to this time.

If you wish to redeem your units prior to the designated rollover period, both the federal and provincial tax credits will need to be returned.

### **Purchased after March 5th, 1996**

Units must be held for 8 years for ALL shareholders, or repayment of the tax credits will apply.