

ALL YOUR NEEDS IN HARMONY

When planning a vacation, there are many questions to answer and much research to do. Where will you go? Where will you stay? Will you rent a car and, if so, what size? What will you do when you get there? And, as you know, it's even harder to plan if your spouse is involved. They may have very different ideas of what "vacation" means.

What if you could find that perfect all-inclusive resort — the one that lets the athletic vacationers get their fill of sports while the sunbathers lounge by the pool? That resort would put you in a room you liked, give you the meals you wanted, interesting things to do and a rental car to suit your needs. Moreover, the whole package would be more convenient.

AGF Harmony is an investment just like that all-inclusive resort. You get all the comforts you need—in fact, the same comforts that are offered to large investors such as pension funds. These include professional money management, diversification opportunities, several layers of due diligence and detailed tax packages. You also get it customized to your own particular goals and risk tolerance.

Just like the all-inclusive resort, Harmony makes sure that you're taken care of, whether it's 30° below or breezy and warm, by combining different management styles within an individual portfolio. That means you can ride out the extremes while your investment grows.

AGF Harmony is an innovative way of *“wrapping”* all the benefits of personalized portfolio management into a single account. If you'd like a comprehensive investment strategy, Harmony is for you.



INVESTING AS UNIQUE AS YOU ARE



Harmony, AGF's tailored investment program, can actually be described as a dynamic relationship between you, your advisor and AGF. As illustrated above, you would undertake steps 1 and 2 with your advisor on a one-to-one basis, since they are very specific to you.

Steps 3 to 5 of the cycle depict AGF's involvement in the investment process. Finally, you and your advisor review these steps to make sure you stay on track. Based on the information you both provide, we work with you to help you reach your goals.

By working together, you can enjoy peace of mind and the ability to reach your after-work dreams.

You may be a conservative investor and want to *minimize risk* while ensuring slow and steady growth. Or, you may be at a stage in your life where your obligations and goals let you maximize growth and cope with a little more risk. In each case, and every one in between, multiple managers work together to build your portfolio into a successful package.





Harmony is managed using some basic principles, similar to those used for pension funds:

- Strategic asset allocation
- Diversification (management style/geographic)
- Preservation of capital

Harmony provides you with:

- Personalized service and professional advice
- Customized portfolio design
- Elite money management
- Ongoing manager monitoring
- Personal performance reporting
- Comprehensive year-end tax reporting
- Liquidity

Harmony combines the benefits of multiple investment styles to protect against risk. And that gives you optimum portfolio diversification so you can reach your goals regardless of market ups and downs, as you are delegating the day-to-day decisions to professionals.

You can rest assured knowing that your portfolio is being managed to reach your exclusive goals. And quarterly statements keep you updated on your progress.



DEFINING YOUR GOALS

Building an effective portfolio begins by defining your goals. By setting goals and building a long-term plan, you give yourself a target to work towards. And with your advisor, you can plan the steps to get you there.

Most investors want to meet at least one of the following goals:

- Investing for a specific long-term plan, such as a larger house, a cottage or a dream vacation
- Saving for retirement, or maintaining a lifestyle in retirement
- Streamlining and centralizing investments — one service, one quarterly statement

Defining your goals begins with the AGF Harmony Client Profile. By completing the client profile with your investment advisor, you'll both be able to better understand your needs and your future plans.

Investment Time Horizon

How much time do you have to invest? This is important since your timelines will influence the type of portfolio designed to meet your financial goals.

Personal Risk Tolerance

By understanding your emotional tolerance for risk, your advisor will be able to balance your financial needs in a portfolio suited to you.



Contribution Level

Your advisor needs to understand your ability to save or your potential need to withdraw funds from your portfolio.

Economic Variables

You can control the amount of money you invest, the type and quantity of assets you buy, and who manages your money. But there are some things you can't control, such as inflation, taxes and the volatility of each asset class.



CUSTOM PORTFOLIO DESIGN

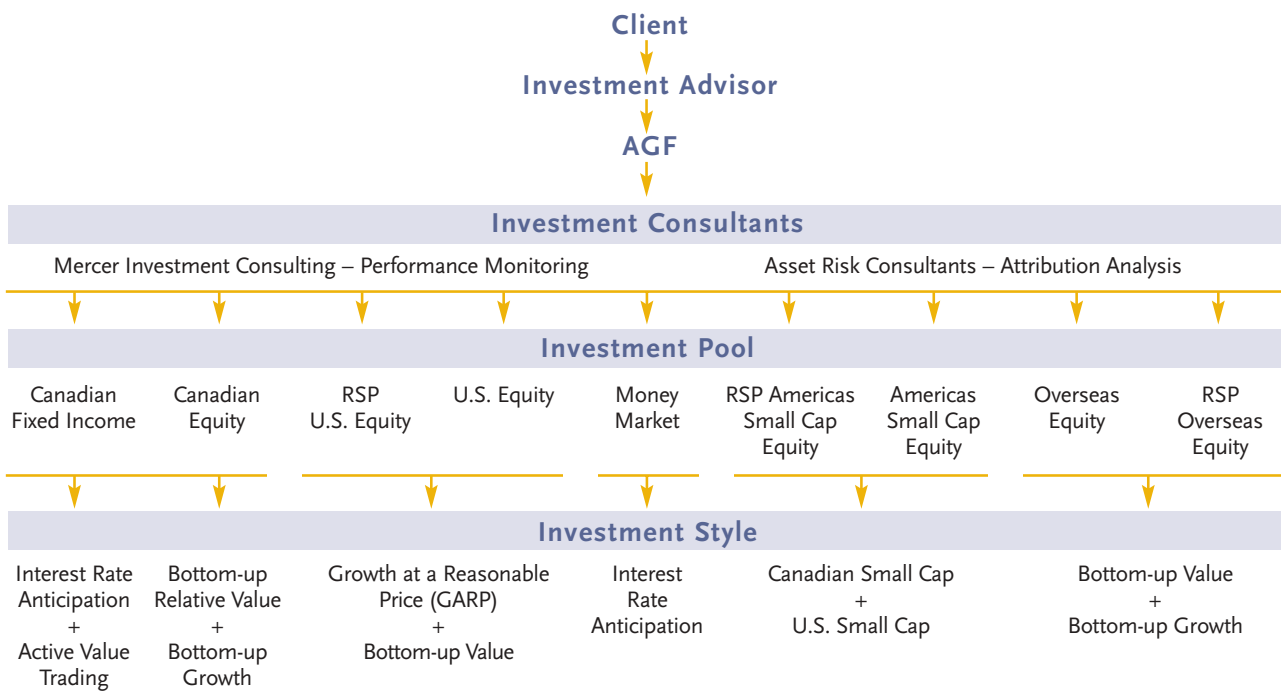
Once the client profile is complete, the portfolio design process begins. Choosing the right asset classes in the appropriate blend is the basis for a good portfolio. In fact, six studies conducted between 1986 and 1993 (examining periods between 1974 and 1992) showed that, on average, more than 90% of portfolio differentials depended on careful asset allocation.

Each Harmony model portfolio is designed to achieve the perfect balance of asset classes for your personal investment objectives. And Harmony helps your advisor design a portfolio that maximizes the return at a level of risk within your comfort zone.

How it works

Harmony offers nine investment pools that represent five asset classes. These asset classes are used to create five risk-adjusted model portfolios designed around your personal investment objectives.

The chart on the following page outlines how everyone plays a role in managing, maintaining and protecting your investments. It starts with the strategy developed by you and your advisor and includes three layers of manager monitoring, plus, of course, the portfolio managers themselves.



Personal Risk Tolerance

Harmony’s sophisticated portfolio modelling incorporates asset-mix strategies from the Nobel Prize-winning Modern Portfolio Theory by Dr. Harry M. Markowitz, a financial economist at the University of California, San Diego. Dr. Markowitz’s theory explores how risk-averse investors build portfolios through diversification and optimize market risk against expected returns.

Your investment advisor will show you investment options and the potential results, along with the optimum blend of assets from the investment pools. These pools represent the most important and broadly diversified asset classes: Canadian fixed-income, Canadian equity, U.S. equity, small-cap equity and overseas equity.



The greatest risk of investing is not investing at all. The surest path to increasing your wealth is to *be fully invested.*

AGF HARMONY MODEL PORTFOLIOS

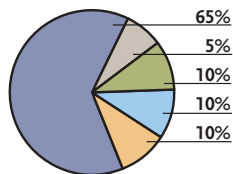
Harmony's five model portfolios are based on strategic asset allocation. This means that your asset mix is based on long-term trends and changes only when your investment objectives change — we don't change it just to jump on the bandwagon of short-term trends. By "staying the course" you don't chase, and potentially underachieve, the returns of the best-performing investments.



Efficient Frontier

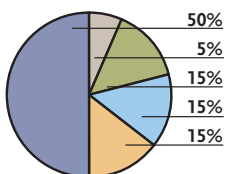
INCREASED RETURN

- Harmony Canadian Fixed Income
- Harmony Canadian Equity
- Harmony RSP U.S. Equity*
Harmony U.S. Equity
- Harmony RSP Americas Small Cap Equity*
Harmony Americas Small Cap Equity
- Harmony RSP Overseas Equity*
Harmony Overseas Equity



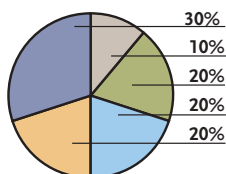
Conservative

The conservative portfolio meets the needs of an investor with a low tolerance for volatility in year-to-year returns. The investor should have short-to medium-term goals for the invested funds.



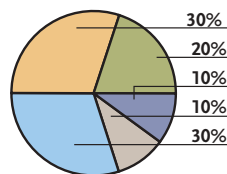
Balanced

The balanced portfolio meets the needs of an investor with a low tolerance for volatility in year-to-year returns. The investor would like to achieve some capital growth over time while generating a moderate income.



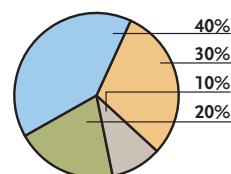
Growth

The growth portfolio meets the needs of an investor with a moderate tolerance for volatility in year-to-year returns. The investor would like to achieve moderate capital growth over time while placing less emphasis on generating income.



Aggressive Growth

The aggressive growth portfolio meets the needs of an investor with a moderate to high tolerance for volatility in year-to-year returns. The investor should be focused on long-term capital growth and place little emphasis on income.



Maximum Growth

The maximum growth portfolio meets the needs of an investor with a high tolerance for volatility in year-to-year returns. The investor should be focused on maximum long-term capital growth.

* Suitable for registered accounts

« « REDUCED RISK



MULTIMANAGER™ POOL CONSTRUCTION

The success of your investments depends on the professionals you've trusted to manage your savings. And that's why Harmony is selective when it comes to choosing money managers to direct our investment pools. We use rigorous screening procedures to hire our team of elite portfolio managers and monitor their style and performance on an ongoing basis.

Our portfolio managers' investments are exclusive to the program. And one important way we strive to reduce risk is by blending the investment styles of different managers within each pool. By knowing the characteristics of money managers, we can select management styles that balance each other, and combine them in a single asset class. This greatly reduces the potential for volatility within each pool. In many of our pools, there are two managers with negatively correlated styles, for example, one, bottom-up value and the other, bottom-up growth.



By combining these styles, we compensate for *individual investment styles* that work in some markets but are less effective in others.

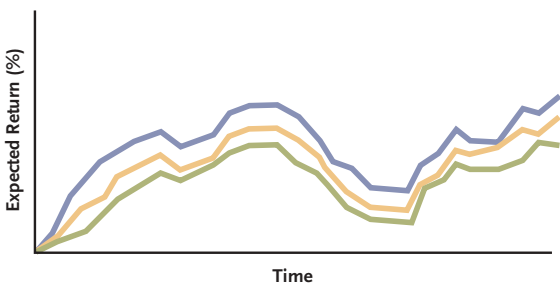


Chart 1
Ineffective Asset Allocation

As Chart 1 illustrates, ineffective asset allocation results from spreading investments in the same asset class with the same investment objective and management style. The resulting investments rise and fall simultaneously with no protection from market volatility.

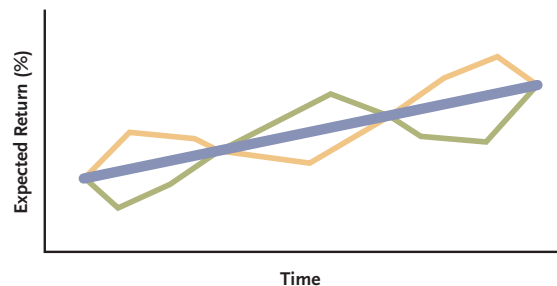


Chart 2
The Result

Chart 2 illustrates the potential result of effective asset allocation. By combining investments that are not affected by the same factors, you may increase returns while reducing the potential effects of volatility, especially if one asset class is outperforming another.

ONGOING MANAGER MONITORING

Our three-tier management process ensures that you benefit from the highest quality money management. In addition to our analytics division, Harmony uses two internationally recognized third-party investment consulting companies: Mercer Investment Consulting and Asset Risk Consultants (ARC).

Together, these three resources monitor the managers continuously to ensure your investments stay on track.

1. AGF Fund Analytics

- Monitors the day-to-day business of the Harmony managers.
- Conducts performance analysis on the pools and selects new portfolio managers.
- Provides quarterly in-depth reviews to address the pools' performance and measure the five model portfolios (RSP and non-RSP) against their appropriate benchmark.
- AGF Fund Analytics and your investment advisor oversee Mercer and ARC in this comprehensive management process.

2. Mercer Investment Consulting

- Provides a database to measure the managers' performance against their peer group (gross of fees and by investment style).
- Maintains a database of more than 1,500 institutional money managers.
- Uses historical market data from the past 15 years, adjusted based on current market conditions, to construct a framework to create the five optimal asset mixes for the Harmony model portfolios.
- Examines models annually and adjusts them if asset weights need to be revised.

3. ARC

- Uses portfolio analysis and performance measurement to determine the return, risk, efficiency and consistency of each manager.
- This analysis determines if the managers' risk profiles are appropriate and if the portfolios are structured within the objectives of the defined mandate.



We use a rigorous manager monitoring process
to make sure that *your investments grow*
based on your personal goals.



PERFORMANCE REPORTING

You realize the importance and value of receiving correct, timely information. To keep you in touch and in control, Harmony provides various reporting tools so you have a clear picture of where you stand.

These include:

Quarterly Personal Portfolio Performance Statement:

A full-colour, easy-to-understand statement that details exactly how your portfolio has performed for that quarter, year to date, and since the inception of the account. It also illustrates the rate of return your portfolio has earned, factoring in contributions and withdrawals as well as manager commentaries.

Year-End Tax Reporting Package: Each January, AGF prepares a comprehensive tax-reporting summary and year-end guide to help you prepare your income taxes.

These reports will help you stay on top of your portfolio and on track to your goals.

AGF Harmony is a comprehensive investment

vehicle that will help you plan for and realize *your dreams.*

Talk to your advisor about Harmony then relax and

let our managers grow your investments.

REVIEW AND REBALANCING

Rebalancing is the process of reallocating the investments in the pools back to their original proportions. After your portfolio is established, you should review your personal asset mix on a regular basis with your investment advisor. Asset classes grow at different rates, so you may need to rebalance the mix to maintain your ideal asset allocation. Or, your personal circumstances may change and you want to set new financial goals.

