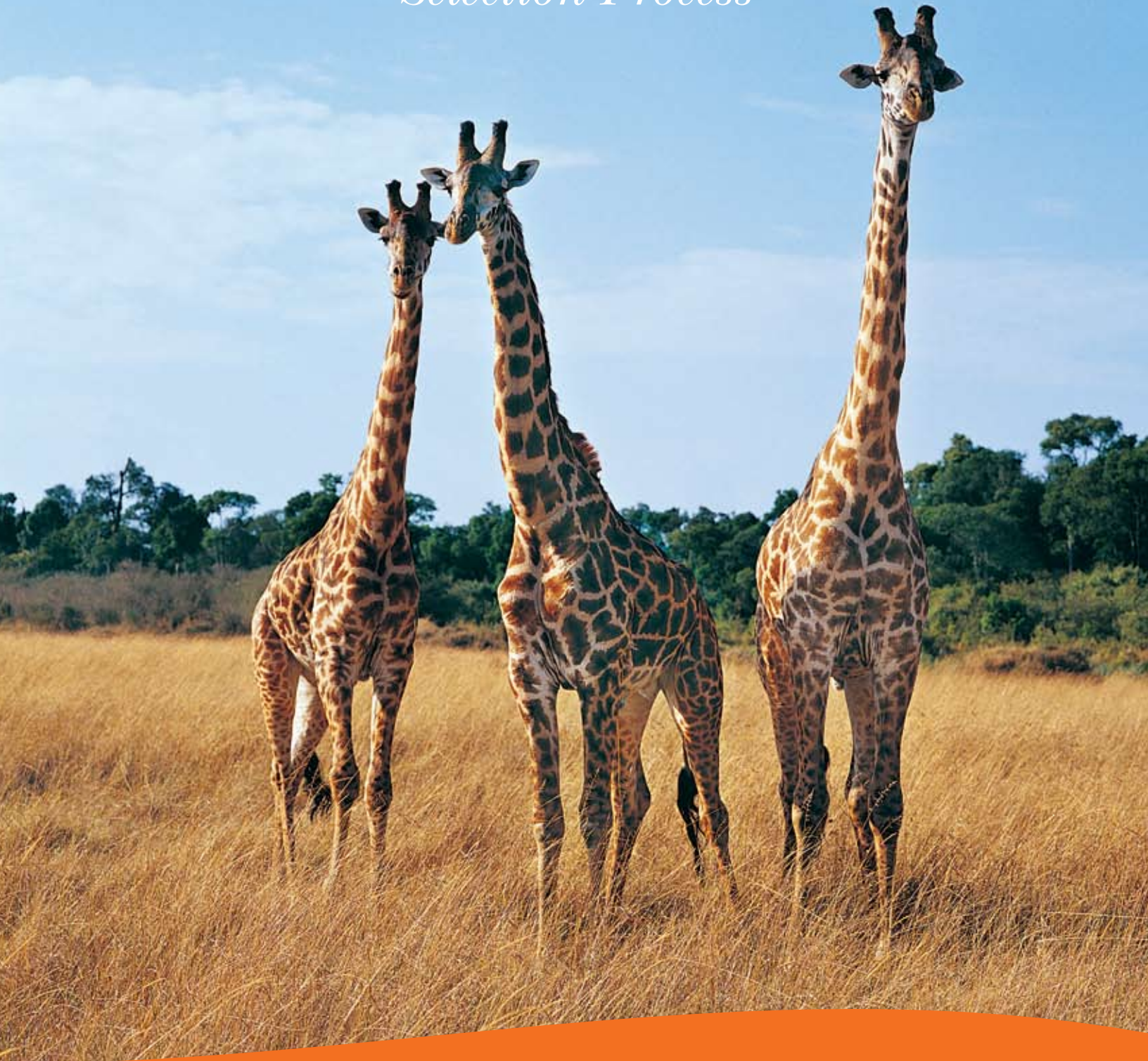


*The WISE Mutual Fund  
Selection Process*



*Securing Your Future Is Our Main Investment*

A Member of the  FINANCIAL GROUP





## *Survival of the Fittest*

**N**ature is ruthless in the application of its laws. It is completely indifferent as to which individual or species survives. To Nature there are no favourites. Every species must continuously improve itself so that it is better equipped to meet the competition in the fierce battle for survival. This competition can seem very cruel and unfair, but it is necessary for a healthy ecosystem.

Survival of the fittest, the law of nature that says, "Only the strongest survive," is a principle that WISE applies to qualifying our mutual fund candidates. Rather than considering the merits of each mutual fund in isolation, we start our analysis with over 1000 candidates, giving us the luxury of weeding out the weakest contenders and utilizing funds with the best performance.

It is a case of relative strength – the only way to achieve outstanding long-term investment returns is to consistently pick top performing mutual funds. Just as predators contribute to the health of their prey by attacking the weaker members of a herd, our rigorous screening criteria eliminates the poor performing funds thereby significantly enhancing your portfolio's ability to thrive.

But investment isn't only about generating a return. It is about generating reliable returns over time at a risk compatible with your own risk appetite. Our mutual fund selections must continuously prove their adaptability by consistently delivering market beating historical returns with minimal risk.

## Why Mutual Funds?

**M**utual funds, which pool the money of many investors pursuing a common investment objective, can provide an affordable solution to pursuing a broad range of investment goals.

Professional investment management, diversification and convenience are the key reasons to invest in mutual funds.

- **INVESTMENT EXPERTISE**

Mutual funds are managed by experienced investment professionals with the sound judgement and knowledge required to participate effectively in today's financial markets. These professionals constantly monitor the activity of these markets and are capable of effectively pursuing their fund's objectives.

- **DIVERSIFICATION**

Mutual funds invest in a wide range of stocks, bonds or a combination of the two. This helps diversify your portfolio and, in turn, reduces the risks associated with any one stock that may cause a decline in the portfolio's value.

Mutual funds invest in many different securities; they can provide a greater degree of protection against loss of principal than an investment in one specific issue. Within a well-diversified portfolio, the overall value of the portfolio should not be dramatically affected by any one stock.

- **EASY ACCESS TO YOUR MONEY**

Mutual funds provide a greater degree of liquidity than most types of investments. In most cases, investors may redeem their shares on any business day at the current Net Asset Value (which can be more or less than the original purchase price).

- **OPTION FOR AUTOMATIC REINVESTMENT**

Shareholders typically have the option to reinvest fund dividends and capital gains distributions allowing the fund to purchase additional shares without any sales charges.

- **AFFORDABILITY**

You can invest in mutual funds with a modest initial investment. A mutual fund portfolio costs a fraction of what it would cost to develop a diversified portfolio of stocks or bonds on your own.



## Building an Investment Portfolio with *Mutual Funds*

**M**utual funds make it easy and less costly for investors to meet their goals for capital growth, income and/or income preservation. These funds bring the benefits of diversification and money management to the individual investor by providing many different types of growth potential, furthering chances to diversify for different objectives.

In order to be well-diversified, your mutual fund portfolio should be invested in domestic and foreign stock mutual funds and in fixed-income mutual funds or income fund equivalents.

- **DOMESTIC STOCK FUNDS**

Domestic equity funds invest primarily in stocks of local and regional companies based throughout the Caribbean. By pooling money from many investors, domestic equity funds give small investors access to a well-diversified portfolio of stocks. Domestic stocks offer appealing potential growth opportunity and are a good source of asset diversification. They are inherently

more volatile and less correlated with the other asset classes and can actually reduce the volatility in your overall portfolio.

- **INTERNATIONAL STOCK FUNDS**

Investing internationally can help reduce fluctuations in a portfolio's value because of the differences in economic and market cycles between countries around the globe. Foreign investments allow access to high-potential sectors not well represented in the local stock market, such as technology and industrials. Holding assets denominated in US Dollars also reduces the currency risk of a portfolio.

Foreign investments should cover established firms in industrialised countries and stocks of countries that would be considered emerging markets. Representation in North America, Europe and Japan for developed markets mutual funds is important, and investments in Latin America, Eastern Europe and the Pacific Rim are crucial when considering emerging stock mutual funds.

- **FIXED INCOME FUNDS**

Bonds tend to be less volatile than stocks and can therefore stabilise the value of a portfolio, especially during periods of market volatility. Bond funds also have the potential to generate a steady stream of dividends to supplement other income sources. High yield bond funds typically pay the highest dividends because they carry greater risks. High yield bonds can play an important role in a portfolio, enhancing return potential while improving the diversification of a broad allocation to fixed income.

- **BALANCED FUNDS**

Balanced funds provide investors with a single mutual fund that combines growth and income objectives by investing in both stocks and bonds. Also known as asset allocation funds, they can be an effective way of simplifying diversification in an investment portfolio. Since most investors should have a combination of stocks and bonds in their portfolio, investing in a balanced fund ensures that an appropriate mix is automatically achieved and sustained.



## WISE Screening Criteria for *International Mutual Funds*

**W**ISE has developed a disciplined selection strategy to identify its Select List of recommended mutual funds in each asset category.

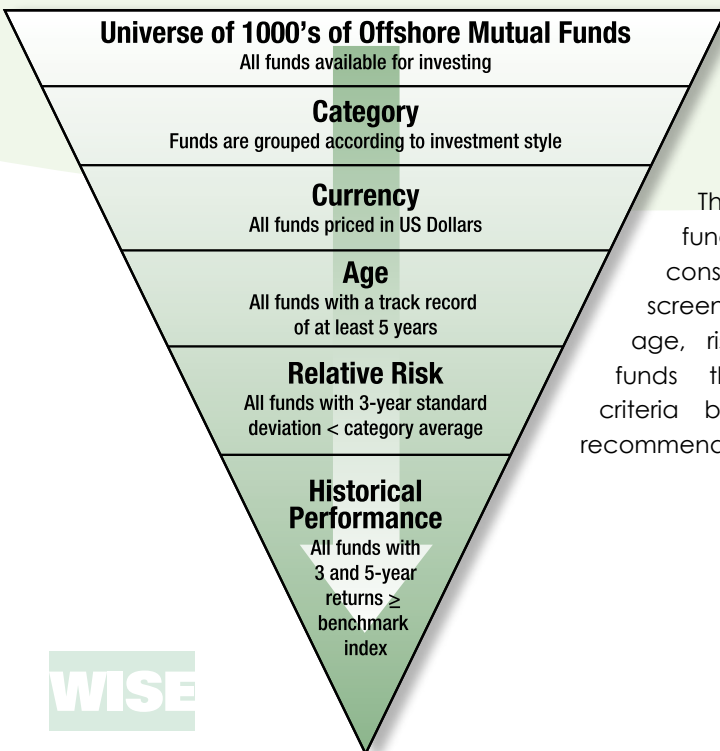
In the case of international assets, we apply the WISE selection criteria to the mutual fund universe of thousands of international funds. The list of available securities is restricted to mutual funds

registered outside of the U.S. since the majority of domestic funds are only permitted for distribution to citizens or residents of the United States.

Offshore mutual funds offer eligible investors significant tax benefits not available with U.S. registered funds, including the immunity to Withholding and Estate Tax. Offshore funds cannot be sold or distributed within the United States or to any citizen of the United States.

The international mutual fund selection criteria consist of a number of screening factors including age, risk and return. Those funds that best fit WISE's criteria become part of our recommended list of securities.

- 1) Fund priced in U.S. Dollars – makes buying foreign currency for your international investments easier and eradicates the currency risk of your assets to the U.S. Dollar.
- 2) Age of fund greater than or equal to 5 years – only considers funds with a track record of at least five years.
- 3) Minimum Initial Investment less than or equal to US\$5,000 – ensures that the fund is accessible to a broad spectrum of clients.
- 4) 3-year annualised standard deviation of returns is less than or equal to category average – isolates funds with average or below average risk based on all funds within the same investment category.
- 5) 3-year and 5-year annualised returns greater than or equal to benchmark index – isolates funds with consistently superior historical returns.





# WISE Screening Criteria for *Domestic Mutual Funds*

**W**ith the industry still in its infancy, a lack of reporting and disclosure standards for domestic mutual funds make it difficult to unify criteria and effectively compare fund performance.

In the interest of consistency, WISE has applied international classification standards to the universe of domestic mutual funds to identify its Select List of recommended funds in each asset category.

## • DOMESTIC EQUITY

According to international standards, an equity fund typically won't invest in any bonds or notes and usually has a minimum weight in equities of 80-90%. Given this definition, there is currently no truly domestic equity mutual fund available since they may all hold significant fixed-income positions. Investors can gain domestic equity exposure by purchasing units in a domestic balanced fund or by direct investment in the local stock market.

## • DOMESTIC BALANCED

Our selection process for domestic balanced funds consists of a number of screening factors including age, return, management credibility and disclosure/reporting. Those funds that best fit WISE's criteria become part of our recommended list of securities.

- 1) Fund priced in TT Dollars
- 2) Age of fund greater than or equal to 5 years
- 3) Fund managed by a team of highly skilled professionals with extensive experience
- 4) Minimum initial investment less than or equal to TT\$10,000
- 5) 3-year and 5-year annualised returns greater than traditional deposits and inflation

## • DOMESTIC FIXED INCOME

In the absence of a pure domestic fixed income fund with a track record of at least five years, this category will be represented by our recommended emerging market fixed income funds.

### *Disclaimer*

*The criteria and screening process for the Select List funds was developed by West Indies Stockbrokers Limited. The availability of the Select List funds should not be construed as personalized investment advice. Investment decisions should be based on an individual's unique situation, tolerance for risk, time horizon, investment objectives, and other factors. An investment in a Select List fund does not assure a profit or protect against losses. There is no assurance the Select List funds will outperform other funds that did not meet the criteria selected by West Indies Stockbrokers Limited. Investing in mutual funds involves risk, including the possible loss of principal.*

**WISE**

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