

Understanding SECTOR FUNDS *can save you taxes!*

Investing in Sector Funds...

Investing in Sector Funds (or Capital Class Funds as they are sometimes referred to) can give you the tax-deferral advantages of an RRSP. You don't get a tax deduction for investing as you would with an RRSP, but you can switch between funds without triggering capital gains taxes. You can re-balance and lock in gains while diversifying among world regions and economic sectors.

The most important attribute of Sector Funds is the compounding power of capital appreciation; you can finally make pure investing decisions that are not driven by tax considerations.

The Sector Fund program is like an umbrella that contains share classes that invest in many different fund classes like Canadian Equities, International Equities, Country Specific Funds or Specialty Funds like Healthcare or Technology.

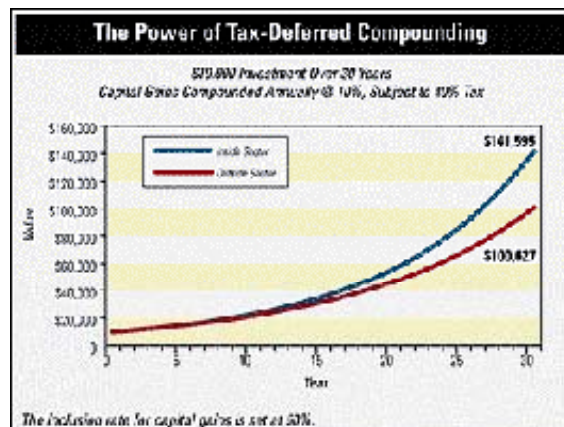
As long as your investment is in one of the share classes of a Sector Fund, capital gains on switches to other share classes are tax-deferred to maximize investment returns. You can move from equities to treasury bills or from one world economic region to another without worrying about the possible tax consequences.

Sector Funds may disburse taxable dividends, but capital gains on switches within Sector Fund are tax deferred until Sector Fund shares are redeemed. You control your investments and decide when to declare capital gains.

Tax-Deferral of Investment Gains makes all the difference!

Long-term tax-deferred compounding is very powerful. The chart below compares in two ways the value of a \$10,000 investment compounded at 10% annual capital appreciation and subject to 40% tax:

1. Inside Sector Fund with one annual rebalancing and when tax is paid upon redemption; and
2. Outside Sector Fund when taxed annually.



You can benefit if:

- ^a you want to accelerate compounding by deferring capital gains taxes.
- you want to minimize the impact of taxes when making investment decisions.
- you want to control when and how much of your capital gains you declare.



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