CIBC

CIBC GUIDE TO INVESTMENT PRINCIPLES AND PORTFOLIO CONSTRUCTION

A Strategic Framework for Wealth Creation



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Introduction

The financial landscape of the 21st century is defined by a paradox of choice and complexity; there are more equity fund products available on the market than there are individual publicly-listed stocks. The Canadian investor, whether establishing their financial foundation or managing established assets, has individual goals and varied attitudes towards money and wealth. For some, investing is a tool for achieving life goals, for others it is a source of financial security, and for others still, it is a marker of status and success.

This comprehensive guide sets out the CIBC Group of Companies' investment philosophy and approaches to portfolio construction. It is designed to connect client's individual ambitions with institutional-grade execution, providing a unified framework for both prospective clients seeking trusted stewardship and CIBC advisors who guide them.

Our mission is to help Canadians realize their ambitions through trusted financial advice, products, and services. We recognize that an investment portfolio is never an end in itself; rather, it is the engine that powers a life goal – a secure retirement, a new home, a child's education, or a legacy for the next generation.

The CIBC Group of Companies believes the key to wealth creation stems from a mutual relationship between disciplined client behaviour, the value of working with an advisor and partnering for thoughtful portfolio construction. The framework is outlined through three distinct reinforcing pillars.

The first is **The Investor Impact**, which outlines four time-tested principles of investing and how CIBC advisors help clients adhere to them: having an investment objective or objective to achieve, investing enough, maximizing time spent invested, and investing regularly.

The second is **The Advice Differentiator**, which details how advisors guide clients through the behavioural decisions that need to be made. We believe our guidance should be rooted in purpose, and that the investment solutions we recommend should align with our clients' needs and goals. Our advisors understand the emotional connection to investing and provide guidance with this in mind; they act as the choice architect, helping clients understand how the decisions they make impact how and where their money is invested.

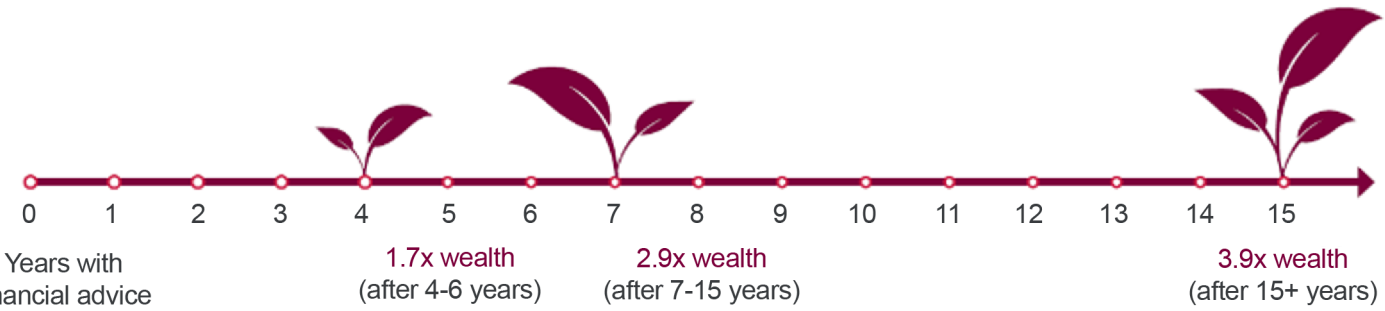
The third and final pillar, **The Firm's Best Thinking**, outlines how we bridge the investment options across Global Asset Management, Capital Markets and Fixed-Term investing. We highlight the value our partners bring to our clients through open architecture, oversight, thought leadership and portfolio construction.

The value of advice

Holistic advice and planning create real value beyond the costs associated with a client's investment account. An advisor can guide clients through market dislocations, recommend adapting their plans as their needs evolve, identify tax considerations, advise on estate goals, and help them balance short-term spending with long-term goals. This is the value of working with a CIBC advisor.

Advice enhances asset growth over time

The longer investors get financial advice, the more their investments grow:



Source: Advisor Insights, January 2018, The Investment Funds Institute of Canada.

Section 1: The investor impact – Principles of investing success

Even the most sophisticated investment strategy needs to be updated and revisited periodically to stay on track, to stay focused on outcomes and to help make rational decisions when required. Our investment process begins with advice and an understanding of client objectives, not investment selection. Our advisors draw on their knowledge, planning framework, and systems to help clients achieve their financial ambitions.

At CIBC, we help our clients establish investment approaches based on principles that support long-term investment success. These principles consider both measurable financial factors and the behaviours that influence wealth accumulation.

1.1 The principle of having a plan

We believe a foundational investment principle is to define and document investment goals and objectives. A clear plan gives investors a reference point during market fluctuations and helps them remain focused on building their wealth.

By starting with this foundation, our advisors provide advice and recommendations that are based in each client's circumstances. When our clients are experiencing uncertainty or discomfort we help them see the influence of the markets, the impact of action or inaction, and most importantly the decisions that are rooted in investment principles rather than emotion.

1.1.1 Goals-based investing

Investment success is often assessed by comparing a portfolio or strategy with a particular market or index, or by considering the strategy's rating. At CIBC, we shift the focus to "Goals-Based Investing," in which the primary measure of success is progress towards the client's financial goals.

- **The Metric of Success**: Success is not beating an index; it is achieving the goal. Progress is measured by whether the portfolio meets or exceeds the growth rate required by the plan.
- **Volatility-Managed Returns**: We show our clients what is required to achieve their financial goal and how the investment solutions we recommend are in line with the return required in order to achieve their goals. This means the solutions align with the client's comfort with investment volatility and their understanding of how it may affect the portfolio over time.
- **The Emotional Compass**: During periods of market dislocation, an investor focused on the downside of volatility may view falling portfolio values as a loss of wealth. At CIBC, we begin with a plan that helps clients put these movements in context and recognize the opportunities they may present. Over a 30-year horizon, for example, a market correction may represent a temporary deviation from the portfolio's projected path while also creating investment opportunities.

Clear investment objectives connect a client's current decisions with their future ambitions and reduce the likelihood of emotional choices that could permanently impair their capital.

1.2 The principle of investing enough

CIBC advisors initiate the planning process by understanding our clients and quantifying their ambitions. Whether investors want to generate a retirement income that supports their desired lifestyle, purchase a cottage within a set timeframe, fund a child's or grandchild's education, or achieve other intertwined financial priorities, each goal has a cost. We help clients understand those costs in today's terms and project how those requirements may change over time, so they can make informed decisions about how to achieve their goals.

- **Gap or surplus identification**: We estimate and show our clients how their current investment and savings strategy can grow over the required time period. This reveals the potential future value of current assets and quantifies the gap or the surplus of the client's current approach.
- **The lever of savings**: One option is for clients to review their cash flow and determine how much they can direct towards their various ambitions. Even a small increase in contributions can have a meaningful and measurable impact on their ability to achieve these goals over the long term.
- **The lever of goal prioritization**: Helping our clients understand and, more importantly, prioritize their financial goals is fundamental to their investment success. This also serves to ground decisions when trade-offs need to be made.

1.3 The principle of time

Time is one of the most powerful advantages available to investors. Investing early allows returns to compound over a longer period. When those returns are reinvested, they can generate further returns – a cumulative process often described as the "snowball effect."

Example: The cost of delaying

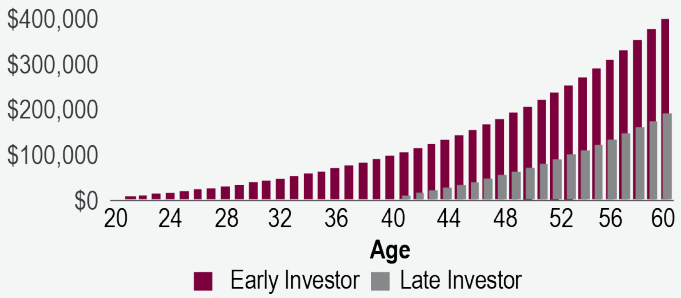
The human mind is wired to think in linear terms, often underestimating the impact of exponential growth over long time horizons. Consequently, investors may delay the start of their investment journey, believing they can "catch up" later with larger contributions. However, starting later leaves less time for investment returns to compound, making it more difficult to catch up with larger contributions alone.

Consider the divergent paths of two hypothetical investors:

- **The Early Starter** begins investing at age 20, contributing $200 per month for 40 years
- **The Late Starter** begins investing at age 40, contributing $400 per month for 20 years

Both investors contribute the same total amount of $96,000 by age 60. However, assuming an illustrative long-term annual return of 6% , the Early Starter accumulates approximately $200,000 more.

This difference reflects the benefit of starting 20 years earlier, which gives the Early Starter's contributions more time to generate returns and for those returns to compound.



1.4 The principle of investing regularly

Consistency acts as the stabilizer of a wealth accumulation plan. Investing regularly – often through a regular investment plan – can turn a series of potentially emotional decisions into a consistent, systematic approach. This approach leverages the mechanism of **Dollar Cost Averaging (DCA)**.

1.4.1 The importance and mechanics of dollar cost averaging (DCA)

Market volatility is an unavoidable aspect of investing, and attempting to predict short-term market movements is notoriously difficult, even for professionals. Dollar Cost Averaging (DCA) is a disciplined investment strategy in which a fixed amount is invested at regular intervals, regardless of market conditions. Mechanically, this means that when prices are high, the fixed investment buys fewer units, and when prices are low, it buys more units, effectively lowering the average cost per unit over time.

The true power of DCA lies in its ability to turn market downturns into opportunities for accumulation, transforming volatility from a risk into a potential advantage. By removing the emotional temptation to time the market, DCA helps investors avoid common behavioural pitfalls that can erode returns. This systematic approach smooths the investment experience by reducing the impact of sharp market swings and supports disciplined long-term participation in the market.

Ultimately, DCA empowers investors to stay committed to their investment objectives, promoting consistency, lowering overall portfolio volatility, and enhancing the likelihood of achieving their investment goals.

1.4.2 The psychology of automation

Beyond the math, regular investing addresses a critical behavioral flaw: inertia. The decision to invest is often derailed by short-term consumption desires or market noise. By automating contributions, the decision is made once, and the "default" state becomes saving. Behavioural finance literature suggests that "paying yourself first" through automation significantly increases total lifetime savings rates compared to discretionary saving models. It is also important to note that investing in the appropriate Registered or Non-registered account type based on the goal, is important and helps to remove the temptation to use the invested capital for something other than its intended use. CIBC advisors help our clients understand the options and provide guidance for the most appropriate approach.

Section 2: The advice differentiator

Clients play a critical role in achieving their financial goals through the decisions they make and the information they share. Our advisors guide them through every step by understanding their priorities, aligning advice to their needs and goals, and helping them navigate trade-offs as their lives and circumstances evolve.

2.1 Matching solutions to purpose

There are many factors that are taken into consideration when determining a client's optimal investment portfolio profile. Our advisors help clients understand and contextualize each of the components below, that are then used to formulate a recommended investment strategy.

Financial goals: Financial goals are specific, measurable outcomes a client aims to achieve through an investment strategy. When clients start to think about all the financial goals they wish to achieve, it can be overwhelming. Documenting and prioritizing them is a critical first step.

Comfort with volatility: We help our clients understand what it means to invest in financial markets, and what to expect over time. Understanding how and why investments can fluctuate over the short term helps our clients make informed decisions. We do more than ask clients how comfortable they are with volatility; we explain how it relates to investment approaches such as DCA.

Financial situation: Clients with a stable financial situation or high net worth may be able to withstand more investment volatility and have a higher growth-oriented strategy. Clients with less financial security or a lower net worth may prefer to focus on capital preservation through a more conservative strategy.

Time horizons: Longer time horizons allow an investor to pursue more growth-oriented investment strategies. Higher growth produces greater volatility, but the longer time horizon provides more opportunity to recover from market fluctuations. Shorter time horizons will generally necessitate a more conservative approach and prioritize capital preservation.

Short term goals: A short-term investment time horizon is typically less than three years. This period is characterized by immediate or near-term financial goals.

- Principal protection is paramount.
- Returns are generally lower, but so is the risk.
- Accessibility of funds is important.

Medium term goals: A medium-term investment time horizon generally spans three to ten years. It is suitable for goals that are not immediate but are expected within the foreseeable future.

- Balancing growth and risk is critical.
- Investments may include both fixed income and equities.
- Liquidity needs should be periodically reassessed.

Long term goals: A long-term investment time horizon is usually defined as more than ten years. This period is associated with significant wealth accumulation and future-oriented goals.

- Retirement planning and retirement income planning
- Building generational wealth
- Education planning
- Funding long-term care or legacy planning

Income needs: Investors with ongoing income needs often prioritize income generation over capital growth. Those without immediate requirements can focus on capital growth for long-term wealth accumulation.

Liquidity needs: High liquidity needs lead clients to select assets that can be readily sold, such as cash, money market funds, flexible or redeemable GICs. Low liquidity needs allow for investment in less liquid assets like real estate, private equity, or long-term bonds, which may offer higher returns but are harder or more costly to sell quickly.

Tax considerations: Investors may select tax-advantaged accounts to defer or eliminate taxes, aligning objectives like retirement savings or tax-efficient wealth accumulation. Taxable accounts require careful selection of investments to minimize annual tax liabilities.

Unique circumstances: Special goals such as starting a business, supporting family members, charitable giving, and many others, may require tailored investment strategies. Objectives may shift to accommodate non-standard needs, such as funding a child's education abroad or early retirement.

Investment objectives are dynamic and often change as clients' circumstances, priorities, and resources evolve. We commit to regularly reviewing investment objectives and strategies to help clients ensure that their portfolios remain aligned through every stage of life.

2.2 Tailored portfolio objectives: matching solutions to needs

While academia measures risk as "standard deviation" (volatility), clients should consider risk as the failure or inability to meet their specific financial goals. We make investment recommendations to our clients that align with who they are, their time horizon and growth objectives and how comfortable they are with volatility within their portfolio. We then tailor portfolios across asset classes to match goals to the most suitable investor profile or investment approach.

We align our clients to one of seven investor profiles:

1. **Safety**: Focuses on the preservation of capital and aims to avoid losses, with portfolios primarily in cash equivalents and short-term fixed income. This approach is suitable for investors with a very high need for safety, a short time horizon, and little to no tolerance for market fluctuations. Investors should note that while the risk of loss is minimized, the portfolio may not keep pace with inflation, potentially eroding purchasing power over time.

2. **Most Conservative**: This profile is designed for investors with a very low tolerance for volatility, who prioritize capital preservation and predictable returns. It is usually allocated entirely to cash equivalents and fixed income. This strategy is appropriate for investors with low tolerance for volatility who are willing to accept lower long-term returns in exchange for stability. Investors should be aware that while this approach minimizes volatility, it does not protect against inflation risk, which can gradually reduce real wealth.

3. **Very Conservative**: Maintains a strong emphasis on safety and liquidity but allows for a modest allocation to equities, with the majority in fixed income. This approach is suitable for investors with a low tolerance for volatility and a medium-term investment horizon (a minimum six years), who seek steady returns but are open to limited growth potential. While there is some opportunity for capital appreciation, the priority remains on minimizing downside volatility and preserving capital.

4. **Conservative**: Balances the need for capital preservation with some growth potential, allocating a significant portion to fixed income but with a higher allocation to equities compared to more defensive strategies. This is suited for investors with a low tolerance for volatility but a longer time horizon, who are willing to accept modest fluctuations in portfolio value for better long-term growth prospects. Investors should recognize that there is a greater chance of short-term market volatility compared to more conservative approaches.

5. **Balanced**: Seeks an equal emphasis on growth and safety, typically dividing assets between equities and fixed income to achieve moderate returns with moderate volatility. This approach is appropriate for those with a medium tolerance for volatility and a long-term investment horizon, who can accept some capital fluctuations in pursuit of higher returns than conservative strategies offer. Investors benefit from diversification but should be prepared for periods of intra-year portfolio declines as part of the growth process.

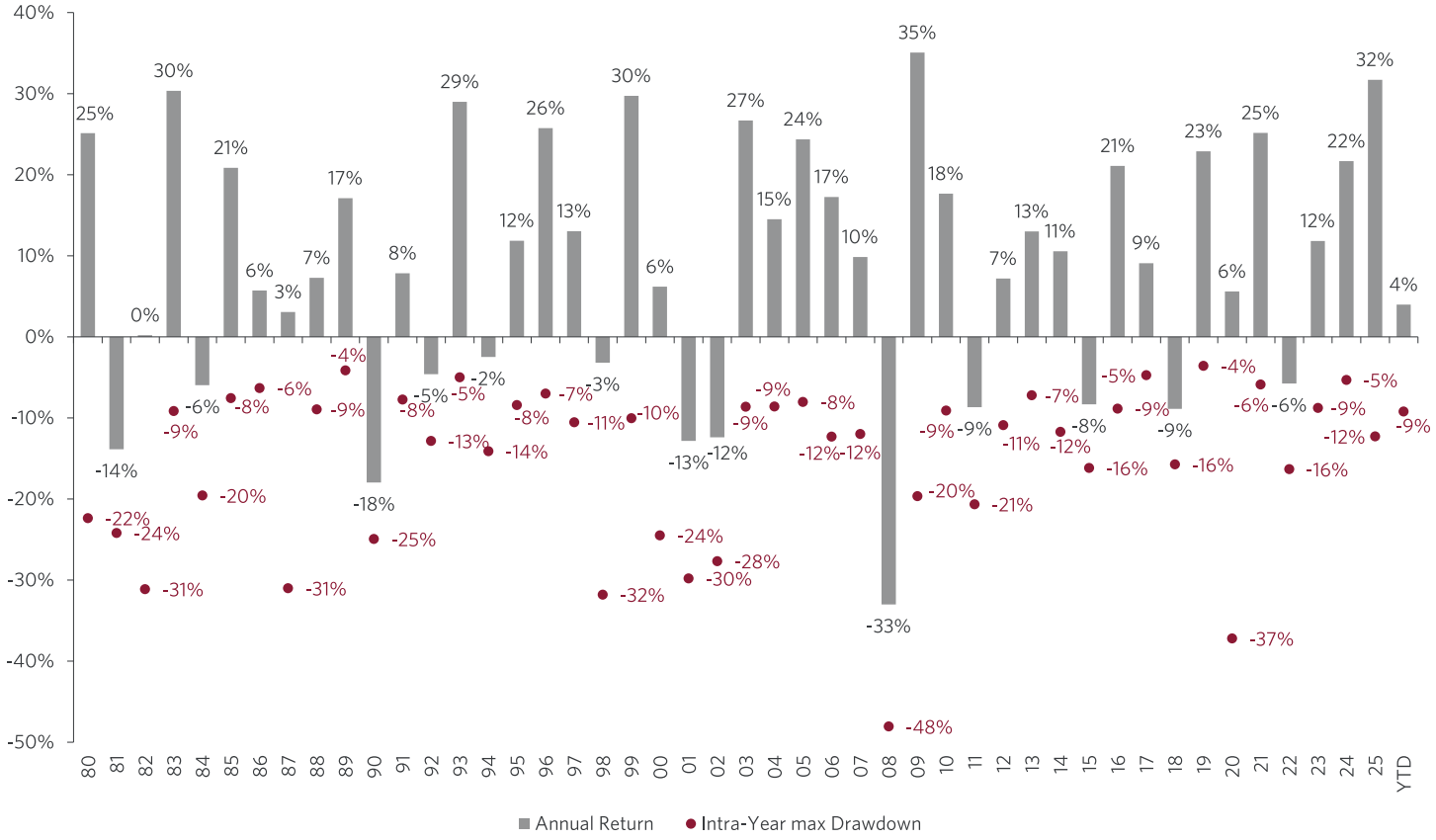
6. **Balanced Growth**: Tilts more toward growth, allocating a larger portion to equities while maintaining a meaningful fixed income component to buffer volatility. This strategy suits investors with a medium-to-high tolerance for volatility and a long-term outlook, who are comfortable with significant fluctuations in portfolio value to achieve higher growth. While this approach offers the potential for increased returns and inflation protection, it requires investors to withstand greater short-term market swings.

7. **Growth**: Designed for investors seeking maximum capital appreciation, with the majority of the portfolio invested in equities and minimal allocation to fixed income or cash. It is well-suited for those with a high degree of comfort with volatility and a long-term investment horizon, who are willing to accept substantial short-term volatility and meaningful intra-year declines in pursuit of higher long-term returns. This approach is most effective for investors aiming to outpace inflation and grow wealth significantly over time, but it requires both financial and emotional resilience.

2.3 Behavioral coaching: the "advisor's alpha"

One of the significant challenges faced by investors is their own emotional connection to their hard-earned capital. We emphasize that understanding behavioural finance is essential for our advisors to better support clients in making sound decisions.

Canadian investors, like others, are subject to biases such as overconfidence, loss aversion, and herd behaviour, which can result in suboptimal investment choices – such as panic selling during market downturns or chasing recent performance. At CIBC, our advisors look to foster better client outcomes through awareness, education, and the design of investment processes that help clients stick to their long-term plans, even when market events prompt emotional reactions.



% gain/loss 1 year later for Liberation Day tariffs reflects the return from April 8, 2025 to March 31, 2025.

Source: Bloomberg as of March 31, 2026.

2.3.1 The behavioral gap: why good advice matters

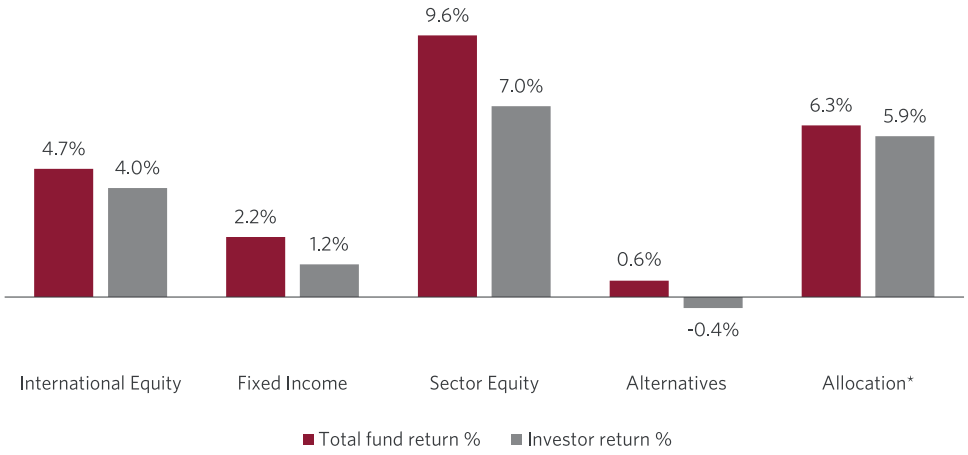
Even the best investment strategy can fall short if investors don't stick with it. Research shows that there is often a significant difference between what an investment earns (fund returns) and what the average investor actually earns (investor returns). This difference is known as "the behavioural gap."

Why Does This Happen?

Some investors may make decisions based on emotion rather than a long-term plan. It is common to see money flowing into funds after periods of strong performance – when optimism is high – and withdrawn after downturns, when fear takes over. This pattern of buying high and selling low can significantly erode returns over time.

Due to the power of compounding, over decades, even a small annual gap can have a substantial impact on total wealth.

This is where the value of professional advice becomes clear. An important role that a CIBC advisor can play is to serve as a choice architect – helping clients make informed, disciplined decisions that keep them on track toward their long-term goals. By framing choices, providing perspective, and helping clients avoid costly emotional decisions, we can help close the behavioural gap and improve investment outcomes.



Source: Morningstar Research Inc. "Mind the Gap 2024." August 15, 2024 . Data as of December 31, 2023. Investor return gap (by US categories) is measured as the average of total returns for the fund versus returns that investors actually receive over five separate 10-year periods (years ending 2020, 2021, 2022 and 2023). *Allocation funds combine stocks, bonds, and other asset classes.

2.3.2 The advisor as choice architect

As a choice architect, a CIBC advisor thoughtfully structures how financial options are presented to clients, helping them make decisions that serve their long-term interests.

Structuring decisions:
CIBC advisors organize and frame investment options, account types, and financial strategies in a clear, accessible manner, reducing complexity and making it easier for clients to understand their choices.

Mitigating biases:
By anticipating common behavioural biases, such as status quo bias, loss aversion, or short-term thinking, CIBC advisors can help clients set up options that encourage positive behaviours, for example, by establishing automatic savings plans or adding rebalancing triggers where these are not already built in.

Empowering informed choices:
CIBC advisors provide context, education and tailored recommendations to help clients understand the implications of each option. This approach helps clients avoid pitfalls and stick to their financial goals, even when emotions or market volatility might otherwise tempt them to make a decision that could lead to a permanent impairment of their invested capital.

2.4 Framing the impact of asset classes on long-term success

Building a successful investment portfolio involves more than simply picking individual investments; it requires an understanding of the role each asset class plays in achieving a client's long-term goals. Framing asset classes according to their function helps clients make more informed decisions and build portfolios that are resilient, balanced, and well positioned for future growth. The main asset classes are cash, fixed-income, equities, and alternatives.

Functional roles
Each asset class serves a specific function within a portfolio – whether the asset class drives growth, provides income, ensures liquidity, or adds diversification. Knowing the role of each asset helps clients to understand how these asset classes work together to generate returns and manage volatility over time.

Building blocks of success
Think of asset classes as the building blocks of an investment strategy. Just as a well-constructed building relies on different materials for strength and stability, a successful portfolio is built from a combination of assets, each contributing in a different way to overall financial health.

Volatility and return spectrum
Every asset class has its own balance of volatility and potential return. Some, like equities, offer higher growth but may fluctuate more in value. Others, such as fixed income or cash, offer greater stability but may provide lower returns. Understanding these trade-offs helps clients build a portfolio that matches their comfort with fluctuations in invested capital and their investment horizon.

Resilience across economic cycles
Markets move through different cycles, including periods of growth, recession, inflation and deflation. Different asset classes tend to perform differently in certain environments. By including a mix of assets, this can help protect a portfolio from downturns and take advantage of opportunities as market conditions change.

2.4.1 Asset class hierarchy

To help illustrate these concepts, we refer to each asset class by the role it plays within the portfolio. This approach helps to illustrate not just what is being invested in, but why each component is important for long-term success.

Equities: The Growth Engine
Equities, or stocks as they are often referred to, are the growth engine of a portfolio. They are designed to drive long-term capital appreciation, helping investments outpace inflation and build wealth over time. While equities may experience short-term fluctuations, they have historically delivered the highest returns for investors with longer time horizons.

Fixed Income: The Stabilizer
Fixed-income investments, including government and corporate bonds, act as the stabilizer in a portfolio. Their primary role is to provide income and reduce overall volatility. During periods of market uncertainty or downturns, fixed income can help preserve capital and provide a sense of security.

Cash: The Safety Net
Cash and cash-equivalent investments serve as the portfolio's safety net. This component ensures the investor has liquidity for immediate needs or unexpected opportunities and helps protect the portfolio from having to sell other assets during periods of market stress. However, holding too much cash over the long term can erode purchasing power due to inflation.

Alternatives: The Diversifier
Alternative investments, such as real assets, private equity, and private credit, add diversification to a portfolio. Their value lies in providing returns that don't always move in step with traditional stocks and bonds. By including alternatives, clients can smooth their portfolio's performance and reduce expected volatility, especially when traditional markets are volatile.



Section 3: The firms best thinking

CIBC Global Asset Management

We partner with our Global Asset Management (GAM) team to leverage the best minds of the firm to deliver institutional-quality solutions. GAM employs a disciplined, objective framework to evaluate investment managers and ideas, ensuring robust decision-making and performance expectations. Guided by an asset-owner mindset and a holistic, total portfolio approach, GAM seeks long-term value and optimal outcomes. The team draws on professionals with diverse backgrounds, global experience, and numerous industry credentials, to ensure broad perspectives and thoughtful, innovative solutions.

CIBC Capital Markets

We partner with the Wealth Solutions Group within Capital Markets to create innovative financial products tailored to meet client needs and address market gaps. The Wealth Solutions Group leverages capital markets expertise, advanced technology, and in-depth industry knowledge to deliver market-leading solutions to a variety of client segments, including investment advisors, retail advisors, private bankers, family offices and self-directed investors.

CIBC Fixed Term Investing

We partner with our Fixed Term Investing team to provide clients with principal-protected solutions that deliver certainty, stability, and flexibility within a total portfolio framework. The Fixed Term Investing team is responsible for the design, pricing, and management of CIBC's Guaranteed Investment Certificate (GIC) and Market-Linked GIC (MLGIC) product suites — solutions that serve as foundational building blocks across conservative and income-oriented investor profiles.

The team offers a comprehensive range of GIC solutions spanning redeemable and non-redeemable structures across short, medium, and long-term maturities, enabling advisors to tailor fixed-term strategies that align precisely to client goals, time horizons, and liquidity needs.

For clients seeking the security of guaranteed principal with the potential for enhanced returns tied to equity market performance, the Fixed Term Investing team partners with CIBC Capital Markets' Wealth Solutions Group to deliver innovative Market-Linked GIC solutions. These products combine the principal protection of a traditional GIC with variable return potential linked to the performance of one or more market indices.

3.1 Open architecture: The "manager of managers" model

CIBC Global Asset Management's Total Investment Solutions (TIS) team leverages an open architecture framework, using a "Purpose, Structure, Fulfillment" sequence. The team is guided by the widely accepted principle that asset allocation is the primary driver of returns. Its allocation decisions use forward-looking return and risk expectations to diversify portfolios across geographies, asset classes, sectors, and other factors to support efficient outcomes. This includes decisions about currency policy (hedged or unhedged), rebalancing cadence, and thematic considerations.

After these major Purpose and Structure decisions are made, manager selection (Fulfillment) is analyzed. GAM takes an evidenced-based, manager agnostic view of fulfillment, with the primary objective being to deliver on the desired outcomes of Purpose and Structure. Active management should exceed these outcomes where GAM believes that there are inefficiencies in the underlying markets that can be exploited.

At the Fulfillment stage, once the portfolio's Purpose and Structure have been established, the team considers whether and where to use sub-advisors. GAM becomes investment manager and the manager of sub-advisors, conducting objective and comprehensive research across a broad universe of investment managers and strategies. The team evaluates and ranks investment ideas based on factors such as excess return potential (above Purpose and Structure), risk, diversification, and overall conviction and are assessed through a disciplined process that includes evaluation of skill, process rigour, and alignment with objectives for our clients. The benefit is access to specialized and diverse investment expertise and global intellectual capital.

3.1.1 Institutional oversight

CIBC Global Asset Management's institutional oversight model delivers significant value to investors by combining disciplined manager selection with ongoing, transparent monitoring. This structured approach is designed to support that every investment strategy is thoroughly vetted, continuously assessed for performance, has acceptable levels of volatility, and is aligned with stringent governance standards. This provides investors with confidence, accountability, and a higher standard of portfolio stewardship.

3.2 Strategic Asset Allocation (SAA): The foundation of a well-constructed portfolio

In the prior section, we discussed the role of asset classes in a portfolio, and the investor profiles to which they are aligned. These investor profiles are the foundation of the Strategic Asset Allocation models that we design through our investment strategies and fulfill through portfolio solutions.

Strategic Asset Allocation is based on the idea that broad diversification improves a portfolio's volatility/return profile. In other words, diversification aims to reduce portfolio volatility while still achieving the targeted return. By examining the correlation of returns between these asset classes, we aim to construct portfolios that seek to maximize the client's returns while respecting the client's objectives and constraints.

3.2.1 Tactical asset allocation (TAA)

In addition to SAA, a number of portfolio solutions curated by GAM may also implement tactical asset allocation (TAA). This approach adjusts portfolio weights in response to short and medium-term market outlooks.

GAM can use several levers to adjust portfolios tactically. For example, it may overweight equities and underweight bonds or shift geographic exposure from one region to another. The goal is to enhance returns and manage short-term volatility in response to current economic and market conditions. It is important to note that TAA supplements the long-term SAA with flexible and timely shifts to improve investor outcomes.

3.3 Advanced diversification: beyond cash, fixed income and equites

Traditional diversification, holding a combination of stocks and bonds, is still the foundation of investing. However, in a complex global economy, GAM employs a multidimensional diversification strategy that addresses a comprehensive set of factors. These factors are outlined below with additional examples that illustrate their importance.

Risk should be considered in the context of the volatility clients may experience. In many cases, constructing portfolios that consider several of the factors discussed below can reduce overall portfolio volatility. This is one of the reasons we partner with and leverage the investment expertise of CIBC Global Asset Management.

"The benefit to our clients is access to specialized and diverse investment expertise and global intellectual capital."

3.3.1 Protecting wealth and reducing volatility

Portfolio construction that considers a wide range of factors provides structural benefits that help defend against often overlooked or misunderstood risks that affect investment success.

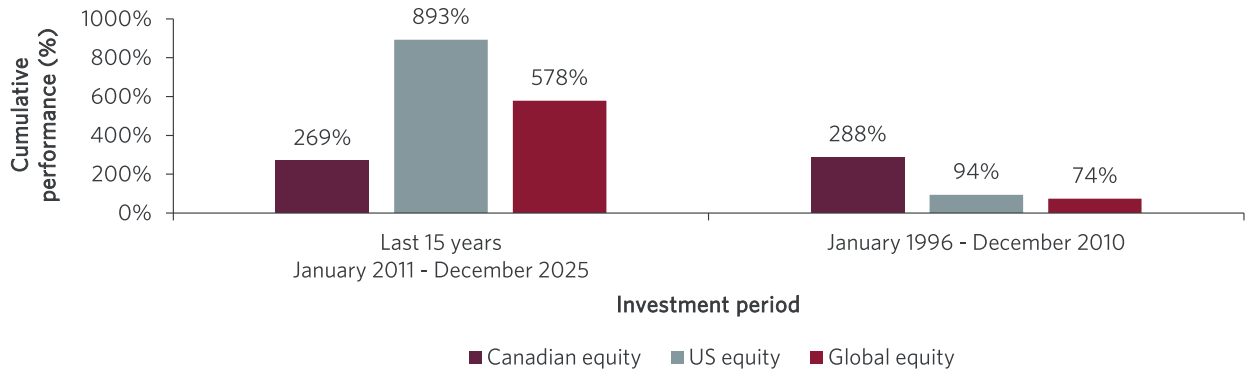
- **Economic growth**: Weak or negative economic growth can hamper investment success. GAM and our advisors mitigate this risk by diversifying portfolios across asset classes, regions, and countries. This reduces exposure to weak growth in any one economy.
- **Concentration**: This refers to investing capital in a limited number of securities, a particular sector or industry, or a single type of investment. When clients invest in a portfolio solution, capital is pooled with that of other investors, allowing for greater portfolio diversification than would otherwise be possible.
- **Currency**: The value of foreign investments can increase or decrease due to changes in the exchange rate between the Canadian dollar and foreign currencies of the securities invested in. Global diversification allows for the management of this exposure, sometimes using currency hedging strategies.
- **Sector**: This is in relation to specific industries like technology or energy. By diversifying across multiple industries and sectors, portfolio construction seeks to reduce how a downturn in one industry could impair an investors capital.
- **Correlation**: Asset classes do not generally carry high degrees of correlations between them. There are times however where correlation between asset classes can increase, meaning they move in tandem with one another.
- **Interest rates**: Like equities, fixed-income securities increase and decrease in value. It is the movement of interest rates that impacts fixed-income securities. As prevailing interest rates fall, bond values rise; when prevailing interest rates rise, bond values decline. This is mitigated by diversifying across bonds with different maturities, including short- and long-term bonds, and actively managing the portfolio's duration, which measures a portfolio's sensitivity to changes in interest rates.
- **Inflation**: The purchasing power of money will erode over time. While cash feels safe, it is highly vulnerable to inflation. A thoughtfully constructed investment portfolio of equities, bonds and, where appropriate, alternative assets, is specifically designed to outpace inflation over the long-term.
- **Reinvestment**: Specifically relevant to GICs and term products, this is the risk that arises when an investment needs to be renewed. The unknown is whether the investment will be reinvested at a higher or a lower interest rate when it matures. A laddered strategy or an actively managed and diversified bond fund can help mitigate this by staggering maturities so that not all capital is reinvested at a single point in time.
- **Opportunity cost**: Opportunity cost is the value of the next-best investment forgone when one option is chosen over another. For example, if an investor chooses bonds over stocks, the opportunity cost is the potential return that the stocks might have generated. A traditional diversification approach can reduce the impact of this trade-off by allowing investors to hold both investments rather than making an either-or choice.



Example of concentration: The home country bias

A common allocation approach for many Canadian investors is a "Home-country bias" despite Canada representing a small portion of the global economy.

- **The Reality of the Canadian Market**: The S&P/TSX Composite Index , a broad measure of the Canadian equity market, has relatively high exposure to the financials, energy and materials sectors, and lower exposure to sectors such as information technology, health care and consumer discretionary.
- **The Impact**: A portfolio concentrated in Canada is highly correlated to and dependent on the price of oil, mining, metals and the health of the Canadian housing market.
- **The CIBC Solution**: GAM constructs globally invested portfolios such as the Smart Investment Solutions. These portfolios systematically allocate to U.S. equities for innovation and growth, international developed markets for industrial and consumer exposure, and emerging markets for demographic-driven growth. This allows us to take advantage of what the world has to offer, reduces volatility and noise, and smooths out regional economic cycles.



Source: Bloomberg®. Data as at December 31, 2025.
Canadian Equities = S&P TSX Index; US Equities = S&P 500 Index; World Equities = MSCI All Country World Index.

Example of sector rotation: The dispersion of performance leadership

Performance leadership among sectors and asset classes is fluid and difficult to predict. A sector that leads the market one year can easily lag in the next.

- **The Rotation of performance**: The chart below illustrates how asset class returns vary from year to year. This variation is a key reason to diversify across asset classes and geographies, giving portfolios exposure to sectors and regions that may perform more strongly in any given year. The chart also shows the performance of a balanced portfolio, illustrating the effect of global diversification.
- **Recency bias**: Investors often fall into the trap of buying last year's winner without knowing if the performance will continue. A balanced investment portfolio is also shown in the chart below to illustrate the importance of the portfolio approach, and to empirically demonstrate the volatility management of a multi-asset, multi-manager, and multidimensional diversification approach.

Asset Class Returns

2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Canadian Equities 31.68%	US Equities 36.36%	US Equities 22.90%	Cash 1.82%	Canadian Dividend 27.82%	Emerging Market Equities 16.60%	US Equities 24.84%	Global Bonds 8.09%	Emerging Market Equities 28.70%	Canadian Dividend 24.00%
Canadian Dividend 28.48%	Global Equities 30.01%	Global Equities 21.08%	Canadian Dividend -0.09%	US Equities 27.61%	US Equities 16.32%	Canadian Equities 22.84%	US Equities 4.23%	International Equities 17.36%	Canadian Equities 21.08%
Emerging Market Equities 28.05%	Canadian Equities 21.65%	International Equities 15.66%	Canadian High Yield -5.44%	Canadian Equities 25.15%	Global Equities 14.45%	Global Equities 21.91%	Canadian High Yield 2.15%	Global Equities 14.99%	Canadian High Yield 16.93%
International Equities 25.70%	Canadian Dividend 19.85%	Balanced Portfolio 12.77%	Canadian Equities -5.84%	Global Equities 21.31%	Balanced Portfolio 9.91%	Canadian Dividend 21.71%	Canadian Gov Bonds 1.53%	US Equities 13.83%	US Equities 8.09%
Global Equities 15.90%	Emerging Market Equities 17.85%	Canadian Equities 11.73%	International Equities -7.76%	International Equities 10.82%	Canadian Corporate Bonds 8.74%	International Equities 16.45%	Cash 1.38%	Canadian High Yield 9.94%	Emerging Market Equities 7.74%
US Equities 12.35%	Balanced Portfolio 15.31%	Canadian High Yield 10.00%	Balanced Portfolio -9.09%	Balanced Portfolio 7.53%	Canadian Gov Bonds 8.69%	Emerging Market Equities 12.87%	Canadian Corporate Bonds 1.10%	Canadian Dividend 9.33%	Balanced Portfolio 6.33%
Balanced Portfolio 11.74%	International Equities 13.81%	Canadian Dividend 9.63%	Canadian Corporate Bonds -9.87%	Canadian High Yield 6.18%	Global Bonds 8.18%	Balanced Portfolio 12.56%	Global Equities 0.06%	Balanced Portfolio 9.27%	Global Equities 4.41%
Canadian High Yield 7.61%	Canadian High Yield 11.48%	Canadian Corporate Bonds 8.37%	Global Equities -11.75%	Cash 0.17%	Canadian High Yield 6.69%	Canadian High Yield 8.48%	Balanced Portfolio -0.76%	Canadian Equities 9.08%	Canadian Corporate Bonds 3.73%
Canadian Corporate Bonds 4.48%	Canadian Corporate Bonds 6.97%	Emerging Market Equities 7.31%	US Equities -12.16%	Canadian Corporate Bonds -1.34%	International Equities 6.38%	Canadian Corporate Bonds 8.05%	International Equities -5.55%	Canadian Corporate Bonds 3.38%	Canadian Gov Bonds 0.89%
Cash 2.84%	Global Bonds 5.94%	Canadian Gov Bonds 6.11%	Global Bonds -12.32%	Canadian Gov Bonds -2.97%	Canadian Equities 5.60%	Canadian Gov Bonds 6.42%	Emerging Market Equities -6.52%	Canadian Gov Bonds 2.18%	Cash 0.51%
Global Bonds 2.50%	Cash 4.92%	Cash 4.71%	Canadian Gov Bonds -12.34%	Emerging Market Equities -3.06%	Canadian Dividend 1.08%	Cash 1.61%	Canadian Dividend -8.59%	Cash 0.56%	Global Bonds -1.91%
Canadian Gov Bonds 2.05%	Canadian Gov Bonds 3.31%	Global Bonds 2.36%	Emerging Market Equities -13.90%	Global Bonds -7.76%	Cash 0.90%	Global Bonds 0.54%	Canadian Equities -8.88%	Global Bonds 0.43%	International Equities -2.00%

Source: PC Bond Analytics, FTSE Global Debt Capital Markets Inc., Zephyr Associates Inc., Rimes Technologies Inc., Bloomberg. Canadian dollar total returns. Data as of June 30, 2026.

3.4 Systematic rebalancing and regular monitoring

Over time, divergent market returns will cause a portfolio's asset allocation to drift from its strategic target.

At CIBC, regardless of the investment solution used to fulfill the plan, we encourage clients to rebalance their portfolios regularly. Some solutions provided by our partners incorporate rebalancing within the investment solution, and at other times this may be the responsibility of the client, together with their advisor, to carry out.

This involves selling asset classes that have outperformed (selling high) and reinvesting the proceeds into the asset classes that have underperformed (buying low). While this can be emotionally difficult, it restores the volatility profile and, historically, can enhance long-term returns by capturing mean reversion, where periods of stronger performance are often followed by more moderate returns, while weaker-performing asset classes may recover over time.

Conclusion : A partnership for ambition

CIBC's approach to investing is grounded in a simple belief: clients succeed when a disciplined plan is paired with thoughtful portfolio construction and supported by consistent, professional guidance. In a world of abundant choice and constant market noise, our framework is designed to bring clarity and link each investment decision back to what matters most: the client's goals.

This guide has outlined three reinforcing pillars that shape better outcomes:

- **The Investor Impact**: Success is driven by adhering to time-tested principles: having a plan, investing enough, staying invested over time, and investing regularly.
- **The Advice Differentiator**: Our advisors help clients translate objectives into an appropriate strategy, frame decisions clearly, and reduce the behavioural gaps that can quietly erode long-term returns.
- **The Firms Best Thinking**: CIBC provides clients with institutional-quality thinking and portfolio design, supported by strategic asset allocation, advanced diversification, ongoing oversight, and disciplined rebalancing.

We do not promise to predict the future, nor do we promise that markets will never decline, in fact, we know they will. We promise a disciplined and professional process designed to navigate both exuberance and uncertainty. By adhering to these pillars, we maximize the probability that our clients will not only weather the inevitable storms of the markets but arrive safely at their ambitions. This is the definition of trusted financial advice.

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