TURNER INVESTMENTS COMMENTARY

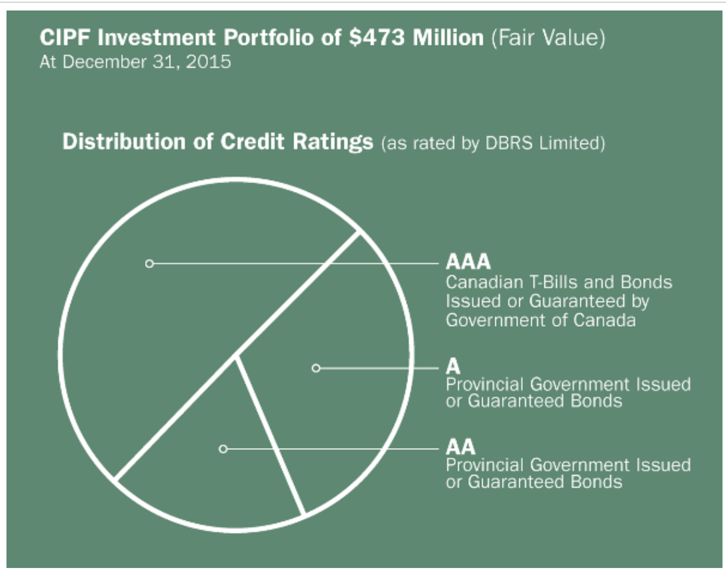
CANADIAN INVESTOR PROTECTION FUND

News stories regarding failed Canadian investment firms are, fortunately, a rare occurrence, but they are, nevertheless, shocking when they do appear and they raise questions regarding the safety of our investments.

Therefore, it's useful to highlight the merits and protections of the Canadian Investor Protection Fund (CIPF), an investment-industry-sponsored, non-profit organization that helps insure Canadians against property losses due to a wealth management firm's insolvency.

CIPF was founded in 1969 as an industry self-regulatory organization and its mandate is to provide limited asset protection to clients of CIPF member firms. Raymond James Ltd. is a member of CIPF. The protection covers all investment accounts, regardless of whether a client holds cash, stocks, bonds, ETFs, futures or currencies.

CIPF: A Low Risk Portfolio



Source: CIPF

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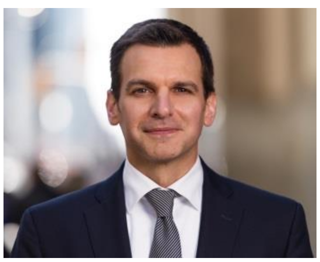

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How CIPF Works

A common misunderstanding is that the CIPF protects client portfolios from capital market losses, in other words, that it protects them from normal fluctuations in the value of their held securities. This is not the case. The CIPF is only designed to protect clients from losses due to a firm's insolvency. Bad investment advice or unsuitable (e.g., risky) investments that go down in value are not covered by the fund.

CIPF coverage, while substantial, is limited. The general coverage is as follows:

1. $1 million for all general accounts combined (such as cash accounts, margin accounts and TFSAs), plus
2. $1 million for all registered retirement accounts combined (such as RRSPs, RRIFs and LIFs), plus
3. $1 million for all registered education savings plans (RESPs) combined where the client is the subscriber of the plan. (Source: CIPF website)

When a firm declares bankruptcy, the available assets are pooled and compared to clients' net equity. A shortfall or net loss value is then determined. For example, if the pool equaled $190 million, but the total client net equity totaled $200 million, the CIPF would step in to address and fully cover the $10 million shortfall. Financial losses are calculated as of the official bankruptcy date of the member firm.

A Stellar Level of Protection

Since 1969, there have been 20 investment firm insolvencies in Canada—an impressively low number over almost 50 years. The vast majority of these failures have been small, speculative boutiques such as, to cite a recent example, real estate investment firm First Leaside Securities Inc., which collapsed in 2012 after its founders were found guilty of defrauding investors.

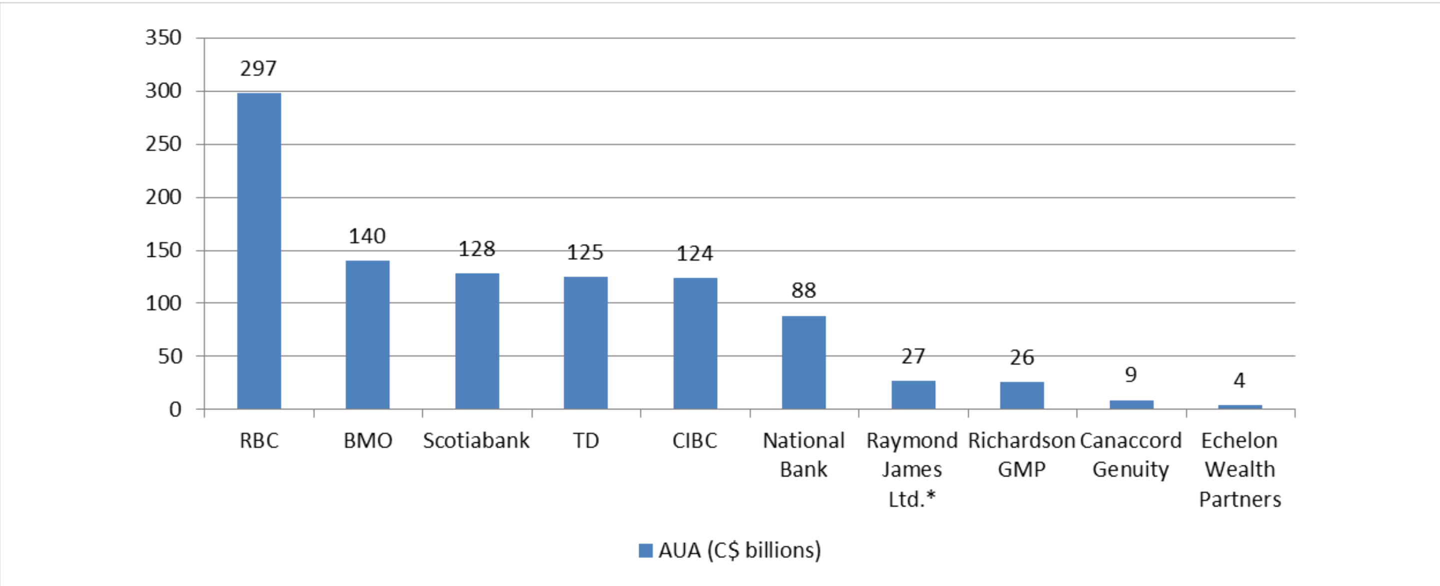
Throughout the course of its history, the CIPF has paid out a net amount of $40 million to cover investor losses from insolvencies—another impressively low number and a reflection of the comprehensive oversight of the Canadian investment industry. Viewed another way, no eligible clients have ever suffered a loss of property over almost 50 years. In terms of its available funds, as of end-2015, the CIPF had an investment portfolio of $473 million made up almost entirely of low-risk Government of Canada and provincial bonds (see chart on page 1). It also had access to lines of credit totaling $125 million and had numerous insurance policies in place to provide additional protection.

If in almost 50 years the CIPF has paid out only $40 million, something highly improbable and catastrophic would have to occur within the industry to deplete the CIPF's extensive resources.

The Raymond James Advantage

We highlighted above the insolvency of First Leaside. However, even at its peak, the firm only had a small asset level and was essentially run by just a few salespeople. Raymond James Ltd., by comparison, has hundreds of employees, a large compliance department and currently manages more than $41 billion, making it by far the country's largest

Ranking of Total Advisor Assets Under Administration by Firm



Source: Advisor.ca. Data as of May 2016. *Raymond James Ltd. data does not include assets from its 3Macs acquisition in 2016.

independent brokerage and placing it just below the Big Six banks in terms of advisor assets under management (see chart above). Raymond James Ltd. is also backed by its US parent, Raymond James Financial, a massive and well-diversified financial services company, which manages more than US$660 billion and was recently added to the S&P 500, an index which represents the largest corporations in America. In other words, Raymond James Ltd. has the strong corporate backing of a much larger, older brother.

YOU'RE WELL PROTECTED

Raymond James Ltd. works within a tightly regulated Canadian investment industry and keeps all client assets in regulated depositories, the same depositories that are used by all the major Canadian banks. Client assets and securities are entirely segregated from the assets used in Raymond James Ltd.'s corporate investing activities. However, it's comforting to know that the CIPF provides a robust secondary level of protection for your investments. For almost 50 years, the CIPF has been an essential safeguard for Canadian investors, and as a client of Turner Investments and Raymond James Ltd. you have this protection right now.

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