Alpha investing – the quest for exceptional performance
The focus on absolute returns, management expertise unleashed

United Financial focuses on partnering with investment managers who add value beyond the indexes, and we take it a step further by offering a truly distinct alternative known as alpha investing. Alpha refers to returns greater than what the benchmark index provides. Our alpha mandates are concentrated portfolios of selected investment managers’ very best ideas. These mandates cover Canadian, U.S. and international equities, and have been crafted to maximize risk-adjusted performance.

What are our alpha mandates?

Concentrated portfolios
Our alpha managers create concentrated portfolios of stocks of approximately 20 to 60 quality companies, selected for their attractive valuation and/or growth prospects.

Characteristics unlike the index
The managers ignore the benchmark index when they construct their portfolios. Sector exposure and other characteristics of the alpha mandates can be very different from the index, and because of this, the difference between the performance of the alpha mandates and the benchmark could be significant, both in the short and long term.

Potential to enhance performance and reduce risk
The appeal of alpha investing is its potential to enhance the performance of your portfolio. While the managers may take on different risk than the benchmark and their performance may vary significantly from the benchmark index, they will be reducing the absolute risk of their portfolios by buying a very select group of what they determine to be attractively valued companies with excellent upside potential. This means that the alpha mandates may be appropriate as part of, or as a replacement for, your core equity holdings.
United Canadian Equity Alpha

Joe Jugovic on the Canadian alpha mandate: "This is a unique portfolio offering medium risk with concentrated positions in Canadian companies that we have a lot of confidence in because of their strong management and their attractive valuations. We’re buying high-quality businesses when they are on sale and offer us a good opportunity."

Since its launch in September 2008, United Canadian Equity Alpha Corporate Class has proven its ability to add alpha, as shown in this chart, which compares the growth of $10,000 invested in United Canadian Equity Alpha Corporate Class versus the benchmark.

United Canadian Equity Alpha Corporate Class annualized compound returns as of March 31, 2013.

- 1 year: 18.1%
- 3 year: 11.8%
- Since inception: 9.3%

QV Investors Inc. was selected for its ability to provide alpha over the long term. Given that United Canadian Equity Alpha Corporate Class was only launched in 2008, we’ve gone back to see how well they did in a similar Canadian equity mandate that they’ve managed since January 1, 1998. The chart below compares the growth of $10,000 invested in QV’s Canadian Equity Large Cap Mandate versus the benchmark.

QV Canadian Equity Large Cap Mandate

Annualized compound returns as of March 31, 2013.

- 1 year: 14.7%
- 3 year: 9.1%
- 5 year: 6.7%
- 10 years: 12.8%

*Growth of $10,000 invested in QV’s Canadian Equity Large Cap Mandate between February 1, 2002 and March 31, 2013 versus the S&P/TSX Composite Index over the same period. Performance does not include management fees or expenses. Performance comparison to the S&P/TSX Composite Index, a broad-based large capitalization index, may differ significantly due to investment strategy and is shown here for illustrative purposes.
United US Equity Alpha

Danny Bubis describes the U.S. alpha mandate: “Our alpha approach is to buy shares of companies that have very good upside potential versus downside risk. The more conviction we have in any individual company, the more we’ll put of it in the portfolio. But we’re also going to make sure the holdings are not all in one industry sector because we want to be relatively diversified.” Mr. Bubis’s U.S. equity mandate avoided the tech bubble of 1998-2000 in a contrarian call that proved the value of his disciplined approach. In contrast to many investors, he decided to underweight technology stocks, relative to their representation in the benchmark S&P 500 Index. It was a move that meant his mandate underperformed the benchmark by 44% (13% versus 57%) during the tech run-up. But it paid off when the bubble burst in 2000: Over the following two years, his mandate outperformed the benchmark by 66 percentage points (54% versus -12%).

Tetrem Capital Management Ltd. was selected for its ability to provide alpha over the long term. Given that the United US Equity Alpha Corporate Class was only launched in 2008, we’ve gone back to see how well they did in a similar U.S. equity mandate that they’ve managed since January 1, 1998. The chart compares $10,000 invested in the Tetrem Capital Management Ltd. Equity Mandate versus the benchmark.

Tetrem US Equity Mandate
Annualized compound returns as of March 31, 2013.

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Return</th>
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</thead>
<tbody>
<tr>
<td>1 year</td>
<td>9.8%</td>
</tr>
<tr>
<td>3 year</td>
<td>6.0%</td>
</tr>
<tr>
<td>5 year</td>
<td>4.1%</td>
</tr>
<tr>
<td>10 years</td>
<td>5.8%</td>
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*Growth of $10,000 invested in United US Equity Alpha Corporate Class I between October 1, 2008 and March 31, 2013 versus the S&P 500 (C$) Index over the same period. Performance does not include management fees or expenses. Performance comparison to the S&P 500 Index, a broad-based large capitalization U.S. index, may differ significantly due to investment strategy and is shown here for illustrative purposes. Index returns have been calculated using the RBC Investor Services 4 p.m. closing foreign exchange rates.

Since its launch in September 2008, United US Equity Alpha Corporate Class has proven its ability to add alpha, as shown in this chart, which compares the growth of $10,000 invested in the United US Equity Alpha Corporate Class versus the benchmark.

United US Equity Alpha Corporate Class annualized compound returns as of March 31, 2013.

<table>
<thead>
<tr>
<th>Time Period</th>
<th>Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 year</td>
<td>10.0%</td>
</tr>
<tr>
<td>3 year</td>
<td>6.7%</td>
</tr>
<tr>
<td>Since inception</td>
<td>6.3%</td>
</tr>
</tbody>
</table>

*Growth of $10,000 invested in United US Equity Alpha Corporate Class between February 1, 2002 and March 31, 2013 versus the S&P 500 Index (C$) over the same period. Tetrem’s US Equity Mandate (C$) is a separately managed account that is available to high net worth and institutional investors. Performance does not include management fees or expenses. Performance comparison to the S&P 500 Index, a broad-based large capitalization U.S. index, may differ significantly due to investment strategy and is shown here for illustrative purposes. Index returns have been calculated using the RBC Investor Services 4 p.m. closing foreign exchange rates.
United International Equity Alpha

David Picton and Michael Kuan describe the potential of the international alpha mandate: "What makes this mandate different is its unconstrained stock selection. It’s basically pure alpha, which we believe over time will result in higher performance. One of the most consistent ways to add value is by finding stocks with positive fundamental change — stocks that are improving for the better, where the earnings growth rate is accelerating or where they’re beating analysts’ and investors’ expectations. Our approach is to deliver alpha with a healthy dose of risk control, which includes having a number of sectors and countries represented at all times."

Since its launch in September 2008, United International Equity Alpha Corporate Class has proven its ability to add alpha, as shown in this chart, which compares the growth of $10,000 invested in the United International Equity Alpha Corporate Class versus the benchmark.

United International Equity Alpha Corporate Class annualized compound returns as of March 31, 2013.

- 1 year: 17.8%
- 3 year: 7.5%
- Since inception: 3.2%

Picton Mahoney Asset Management was selected for its ability to provide alpha over the long term. Given that the United International Equity Alpha Corporate Class was only launched in 2008, we’ve gone back to see how well they did in a similar international equity mandate that they’ve managed since February 1, 2002. The chart compares $10,000 invested in the Picton Mahoney International Equity Mandate versus the benchmark.

Picton Mahoney International Equity Mandate
Annualized compound returns as of March 31, 2013.

- 1 year: 16.8%
- 3 year: 9.1%
- 5 year: 2.1%
- 10 year: 9.3%

*Growth of $10,000 invested in Picton Mahoney’s International Equity Mandate (C$) between February 1, 2002 and March 31, 2013 versus the MSCI EAFE (C$) Index over the same period. Performance does not include management fees or expenses. Performance comparison to the MSCI EAFE Index, a broad-based large and mid-capitalization index, may differ significantly due to investment strategy and is shown here for illustrative purposes. Index returns have been calculated using the RBC Investor Services 4 p.m. closing foreign exchange rates.

*Growth of $10,000 invested in United International Equity Alpha Corporate Class Class I between October 1, 2008 and March 31, 2013 versus the MSCI EAFE (C$) Index over the same period. Performance does not include management fees or expenses. Performance comparison to the MSCI EAFE Index, a broad-based large and mid-capitalization index, may differ significantly due to investment strategy and is shown here for illustrative purposes. Index returns have been calculated using the RBC Investor Services 4 p.m. closing foreign exchange rates.

*Growth of $10,000 invested in United Canadian Equity Alpha Corporate Class Class I between December 1, 2005 and March 31, 2013 versus the S&P/TSX Composite Index over the same period. Performance does not include management fees or expenses. Performance comparison to the S&P/TSX Composite Index, a broad-based large capitalization index, may differ significantly due to investment strategy and is shown here for illustrative purposes. Index returns have been calculated using the RBC Investor Services 4 p.m. closing foreign exchange rates.

*Growth of $10,000 invested in United US Equity Alpha Corporate Class Class I between October 1, 2008 and March 31, 2013 versus the S&P 500 Index over the same period. Performance does not include management fees or expenses. Performance comparison to the S&P 500 Index, a broad-based large capitalization U.S. index, may differ significantly due to investment strategy and is shown here for illustrative purposes. Index returns have been calculated using the RBC Investor Services 4 p.m. closing foreign exchange rates.
United Canadian Equity Alpha
QV Investors Inc. is well known for its small-company portfolios managed by Portfolio Manager Joe Jugovic since 2000 and its equally successful large company mandates managed since 1999 by Chief Investment Officer Leigh Pullen.

United US Equity Alpha
Tetrem Capital Management Ltd. has been managing money for United Financial since 1993. Tetrem and its Chief Investment Officer, Daniel Bubis, have an extensive track record of managing U.S. assets.

United International Equity Alpha
Picton Mahoney Asset Management specializes in equity portfolios. Chief Investment Officer David Picton and Portfolio Manager Michael Kuan are founding partners of Picton Mahoney Asset Management. The firm focuses on strong risk-adjusted returns by combining fundamental and quantitative analysis as the foundation for its success.
Is alpha for you?

Due to their characteristics, our alpha mandates may be appropriate as part of, or as replacements for, your core equity holdings. If you are looking for investments that focus on absolute returns that are not directly correlated to the performance of market benchmarks, and represent a select portfolio of an investment manager’s best ideas, then our alpha mandates may be appropriate for you.

Talk to your advisor to see how United Financial’s alpha mandates can enhance the growth potential of your investment program.