

This presentation contains confidential and proprietary information belonging to Ombudsman for Banking Services and Investments (OBSI). Unauthorized copying, disclosure, or distribution of the material in this presentation is strictly forbidden. Any use or disclosure of the contents of this presentation, without the prior written consent of OBSI, is unauthorized and may violate copyright, trademark, and other laws protecting intellectual property rights.

# OBSI's Risk Rating and Loss Calculation Methodology

February 8, 2024



**OBSI** OMBUDSMAN FOR BANKING  
SERVICES AND INVESTMENTS  
**OSBI** OMBUDSMAN DES SERVICES  
BANCAIRES ET D'INVESTISSEMENT

# Agenda

---

Analyst Team – how do we fit into OBSI?

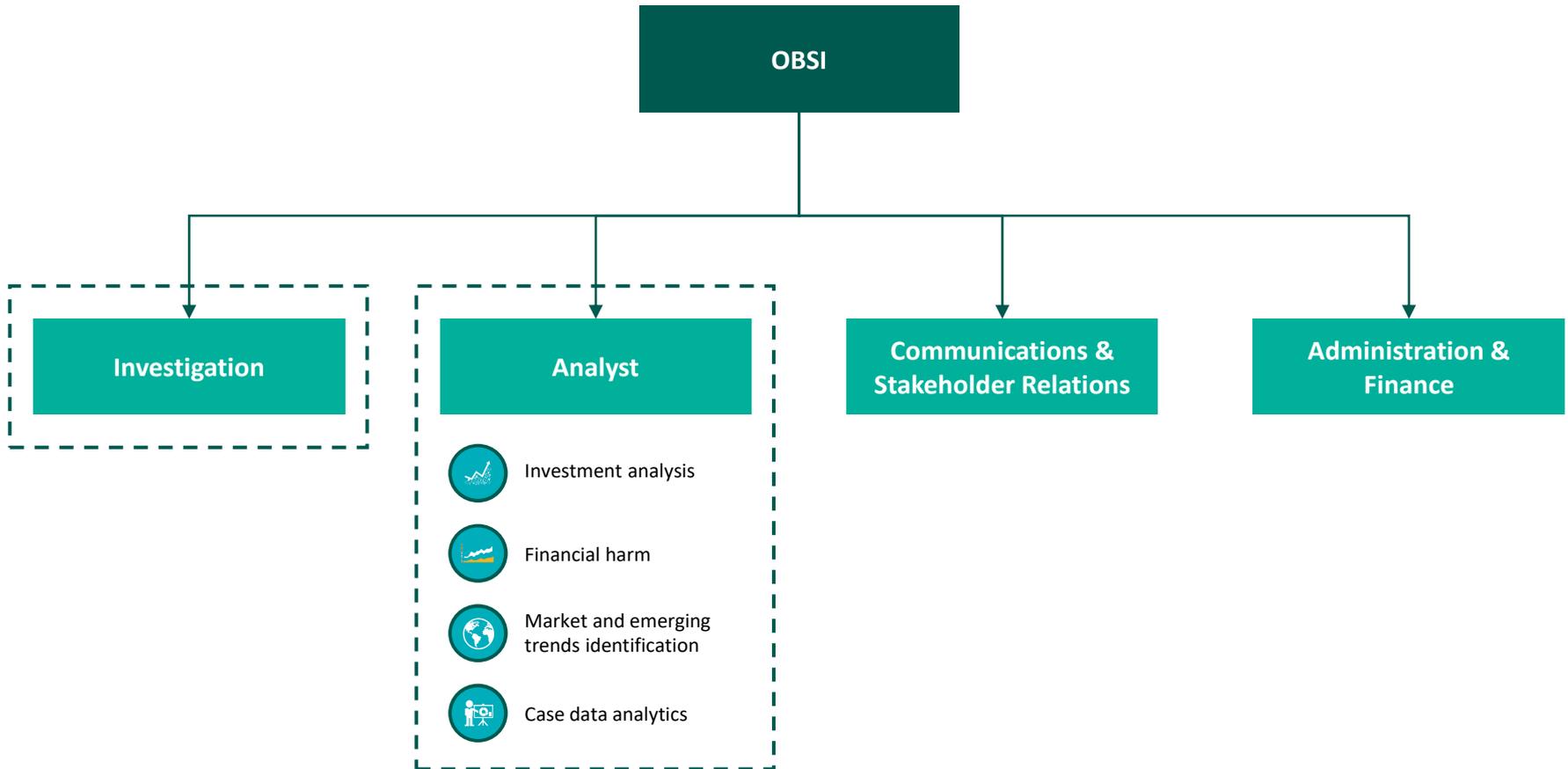
Evolution of OBSI's Loss Assessment Methodology

Process Overview for Investment Suitability Cases

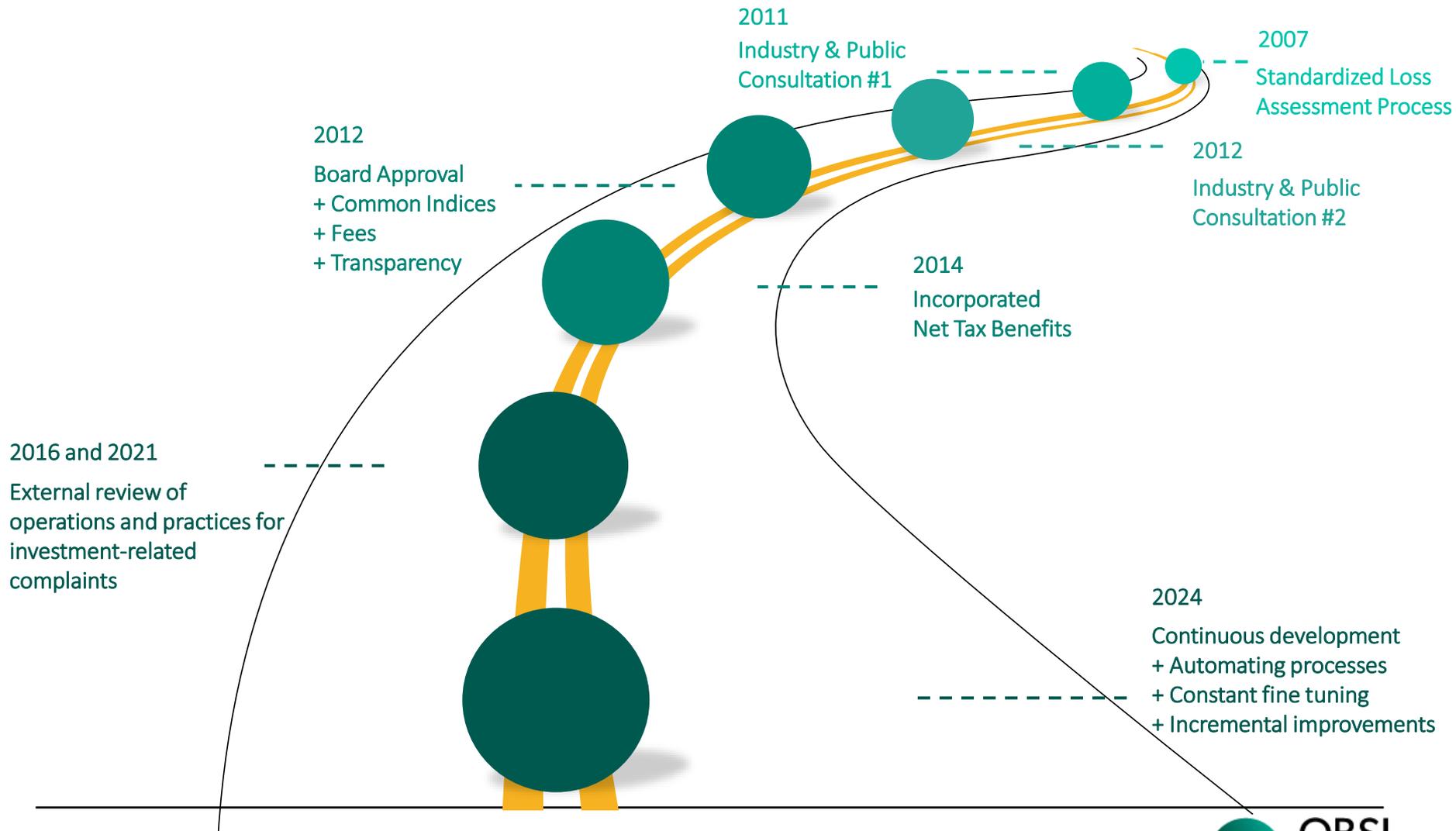
Case Study 1 – Mutual Funds

Case Study 2 – Common Shares

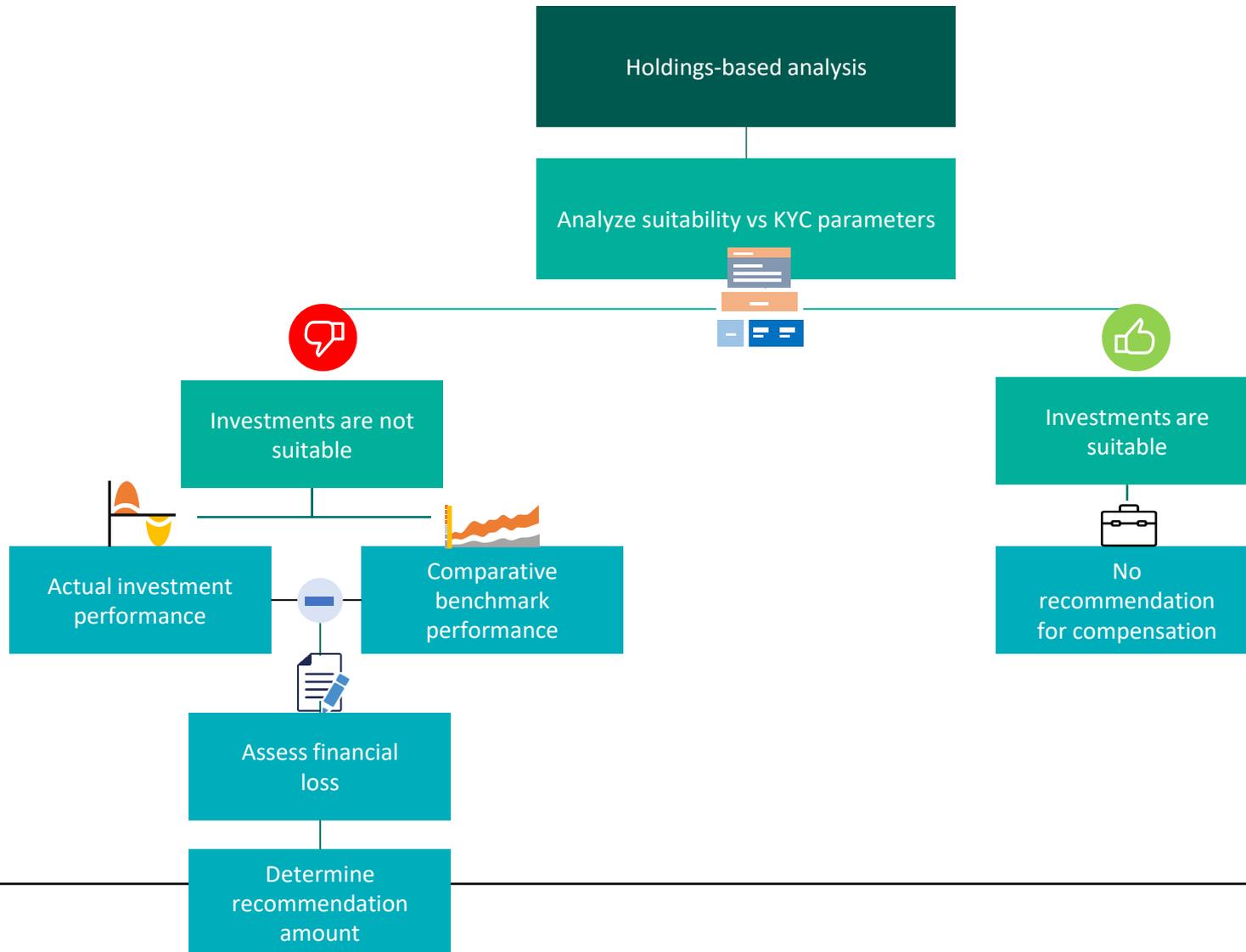
# Analyst Team – how do we fit into OBSI?



# Evolution of OBSI's Loss Assessment Methodology



# Process Overview for Investment Suitability Cases



# Case Studies

---

- Case Study 1 – Mutual funds
  - Risk rating approach
  - Risk rating database
  - Actual & comparative performance
  
- Case Study 2 – Common shares
  - Risk rating approach
  - Equity analysis template
  - Actual & comparative performance



# Case Study 1

---



<b>Consumer Profile</b>	
Date	May 2017
Risk Tolerance	100% Low Risk
Investment Objective	100% Income

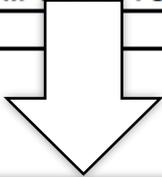
# Portfolio Analysis

			30-Jun-17		29-Dec-17	
			Market Value	% of Account	Market Value	% of Account
<b>Account - RRSP</b>						
PIMCO MONTHLY INCOME FUND	PMO005		28,009	20%	28,945	20%
BMO BOND FUND	BMO143		24,556	18%	23,546	16%
IG MACKENZIE GLOBAL DIVIDEND FUND	IGI996		25,887	19%	26,566	18%
MACKENZIE CANADIAN BOND FUND	MFC302		25,891	19%	28,637	20%
AGF PRECIOUS METALS FUND	AGF334		4,991	4%	7,035	5%
DYNAMIC BLUE CHIP EQUITY FUND	DYN304		30,136	22%	32,108	22%
<b>Account Total</b>			<b>139,470</b>	<b>100%</b>	<b>146,837</b>	<b>100%</b>
			<b>Average</b>	<b>Max</b>	<b>Min</b>	
			0.00%	0.00%	Low	0.00
			0.00%	0.00%	Low-Medium	0.00
			0.00%	0.00%	Medium	0.00
			0.00%	0.00%	Medium-High	0.00
			0.00%	0.00%	High	0.00
			<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00%</b>
			0.00		Bonds	0.00
			0.00		Equity	0.00
			<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00%</b>
			0.00		Income	0.00
			0.00		Growth&Income	0.00
			0.00		Growth	0.00
			<b>0.00</b>	<b>0.00%</b>	<b>0.00</b>	<b>0.00%</b>

5-Point Risk Scale

Asset Type

Investment Objective



**Who should invest in this Fund?**

Consider this Fund if:

- you want the growth potential of equity securities of Canadian companies with a focus on gold and precious metals
- you're investing for the longer term
- **you tolerate high risk**
- with respect to Series W securities, you are intending to make a large investment in a Fund

# OBSI Risk Rating Database

Search


**Rating Database**
Add Mutual Fund Rating
Add Stock Rating
Close Form

Select Database:

Select Criteria:  Field Name:  Criteria:  Search Reset

And/Or:  Field Name:  Criteria:

ID	FundCompa	Alternative	FundName	RiskRating	Period
7365	AGF		Precious Metals Fund	High (Apr)	2014
8786	AGF		Precious Metals Fund	High (Apr)	2015
8787	AGF		Precious Metals Fund	High (Apr)	2016
8788	AGF		Precious Metals Fund	High (Apr)	2017
8789	AGF		Precious Metals Fund	High (Apr)	2018

**Firm Helpdesk number: 1 888 451-4519 x 2405**

**Firm Helpdesk email: [FirmHelpdesk@obsi.ca](mailto:FirmHelpdesk@obsi.ca)**

# Portfolio Analysis

					30-Jun-17		29-Dec-17		
			5-Point Risk Scale	Asset Type	Investment Objective	Market Value	% of Account	Market Value	% of Account
<b>Account - RRSP</b>									
PIMCO MONTHLY INCOME FUND	PMO005	Low	Bonds	Income		28,009	20%	28,945	20%
BMO BOND FUND	BMO143	Low	Bonds	Income		24,556	18%	23,546	16%
IG MACKENZIE GLOBAL DIVIDEND FUND	IGI996	Medium		Income		25,887	19%	26,566	18%
						25,891	19%	28,637	20%
AGF PRECIOUS METALS FUND	AGF334	High				4,991	4%	7,035	5%
DYNAMIC BLUE CHIP EQUITY FUND	DYN304	Medium				30,136	22%	32,108	22%
						<b>139,470</b>	<b>100%</b>	<b>146,837</b>	<b>100%</b>
		<b>Average</b>	<b>Max</b>	<b>Min</b>					
		55.75%	56.25%	55.25%	<b>Low</b>	78,456.00	<b>56.25%</b>	81,128.00	<b>55.25%</b>
		0.00%	0.00%	0.00%	<b>Low-Medium</b>	0.00		0.00	
		40.06%	40.17%	39.96%	<b>Medium</b>	56,023.00	40.17%	58,674.00	39.96%
		0.00%	0.00%	0.00%	<b>Medium-High</b>	0.00	0.00%	0.00	0.00%
		4.18%	4.79%	3.58%	<b>High</b>	4,991.00	3.58%	7,035.00	4.79%
		100.00%				<b>139,470.00</b>	<b>100.00%</b>	<b>146,837.00</b>	<b>100.00%</b>
		55.75%	56.25%	55.25%	<b>Bonds</b>	78,456.00	56.25%	81,128.00	55.25%
		44.25%	44.75%	43.75%	<b>Equity</b>	61,014.00	43.75%	65,709.00	44.75%
		100.00%				<b>139,470.00</b>	<b>100.00%</b>	<b>146,837.00</b>	<b>100.00%</b>
		55.75%	56.25%	55.25%	<b>Income</b>	78,456.00	<b>56.25%</b>	81,128.00	<b>55.25%</b>
		18.33%	18.56%	18.09%	<b>Growth &amp; Income</b>	25,887.00	18.56%	26,566.00	18.09%
		25.92%	26.66%	25.19%	<b>Growth</b>	35,127.00	25.19%	39,143.00	26.66%
		100.00%				<b>139,470.00</b>	<b>100.00%</b>	<b>146,837.00</b>	<b>100.00%</b>

# Actual Performance of Unsuitable Investments

Trade Date	Description	Fund Code	Action	Quantity	Price	Gross	Statement (Net)	DSCs
29-Jun-17	AGF PRECIOUS METALS FUND	AGF334	BUY	225	22.20	5,000.00		
29-Jun-17	IG MACKENZIE GLOBAL DIVIDEND FUND	IGI996	BUY	1,647	15.79	26,000.00		
29-Jun-17	DYNAMIC BLUE CHIP EQUITY FUND	DYN304	BUY	1,745	17.19	30,000.00		
1-Dec-17	AGF PRECIOUS METALS FUND	AGF334	BUY	100	19.70	1,970.00		
14-Apr-18	DYNAMIC BLUE CHIP EQUITY FUND	DYN304	SELL	(1,745)	18.83	(32,862.13)		
27-Jul-18	AGF						19.24	(6,257.33)
27-Jul-18	IG M						16.43	(27,053.83)

## Net Capital Invested - Medium & High Risk Investments

	Net Capital Invested
Buys	62,970.00
Less: Sells	32,862.13
<b>Net Capital Invested</b>	<b>30,107.87</b>

## Actual Investment Performance - Medium & High Risk Investments

	Actual Performance
Value Of Medium & High Risk Investments on 27-Jul-2018	33,311.16
Plus: Dividends received	162.19
Less: Net Capital Invested	30,107.87
<b>Gross Return On Medium &amp; High Risk Investments</b>	<b>3,365.49</b>
Less: Deferred Sales Charges (DSCs)	3,843.04
<b>Net Return on Medium &amp; High Risk Investments</b>	<b>(477.55)</b>

# Comparative Performance of Unsuitable Investments

	1	2	3
Transaction Date	29-Jun-17	01-Dec-17	14-Apr-18
Transaction Amount	61,000.00	1,970.00	(32,862.13)
Fee Structure			
Ending Equity Date	Mutual Fund	Mutual Fund	Mutual Fund
	27-Jul-18		

100% iShares Canadian Universe Bond Index ETF

Suitable Benchmark Performance Return		Total Value	
Start Date	29-Jun-17	01-Dec-17	14-Apr-18
End Date	27-Jul-18	27-Jul-18	27-Jul-18
Benchmark Gross Return	0.22%	-0.31%	0.68%
Annual Fixed Income Mutual Fund MER	1.15%	1.15%	1.15%
Benchmark Net Return	-1.01%	-1.15%	-1.15%
Suitable Comparative Performance	60,384.51		

$$= ((1 + 0.22\%) * (1 - 1.15\%)^{1.08}) - 1$$

*Actual vs. Suitable Investment Performance*

	Actual Performance of Medium & High Risk Investments	Suitable Comparative Performance - iShares Universe
Value Of Investments at 27-Jul-2018 (including income and/or distribution)	33,473.36	29,357.42
	30,107.87	30,107.87
Less: Net Capital Invested	3,365.49	(750.45)
Return On Investment	3,843.04	3,843.04
Less: DSCs		
Net Return on Investment	(477.55)	(4,593.49)

The medium and high risk investments outperformed the comparative benchmark by \$ (4,116) (i.e. No Financial Harm)

# Case Study 2

---



<b>Consumer Profile</b>	
Date	May 2017
Risk Tolerance	100% Medium
Investment Objective	100% Growth

# Portfolio Analysis

				30-Jun-17		29-Dec-17	
				Market Value	% of Account	Market Value	% of Account
<b>Account - Non-reg</b>							
CASH				12,500	7%	12,103	7%
GIC - 2 YEAR				26,250	15%	26,446	14%
CANADIAN TIRE CORP	CTC/A			17,560	10%	19,504	10%
TELUS CORP	T			14,013	8%	14,905	8%
GEAR ENERGY	GXE			43,751	25%	50,255	27%
BAYTEX ENERGY	BTE			26,249	15%	31,415	17%
ALAMOS GOLD INC	AGI			34,959	20%	31,155	17%
<b>Account Total</b>				<b>175,281</b>	<b>100%</b>	<b>185,782</b>	<b>100%</b>
	<u>Average</u>	<u>Max</u>	<u>Min</u>				
		0.00%	0.00%	Low	0.00	0.00	
		0.00%	0.00%	Medium	0.00	0.00	
		0.00%	0.00%	High	0.00	0.00	
	0.00%				0.00	0.00%	0.00%
		0.00%	0.00%	Cash	0.00	0.00	
		0.00%	0.00%	Bonds	0.00	0.00	
		0.00%	0.00%	Equity	0.00	0.00	
	0.00%				0.00	0.00%	0.00%
		0.00%	0.00%	Safety	0.00	0.00	
		0.00%	0.00%	Income	0.00	0.00	
		0.00%	0.00%	Growth	0.00	0.00	
	0.00%				0.00	0.00%	0.00%

# Equity Risk Rating – Video

## #N/A Invalid Security

Prepared by:

ENTER PARAMETERS HERE

OBSI RISK RATING

Firm Rating

Historical Date January 0, 1900  
 Industry Group #N/A Invalid Security  
 Ind.Sub-Group #N/A Invalid Security  
 Domicile #N/A Invalid Security  
 Benchmark #N/A Invalid Security

Summary  
 #N/A Invalid Security

Historical Date
Ticker
Analyst Name

Prepare Document

	Jan 1900	Jan 1900	
	19000	19000	
<b>F.A. - Time Series</b>	<b>#N/A Invalid Security</b>	<b>Jan 1900</b>	<b>Jan 1900</b>
EPS (Trailing 12m)	0.00	0.00	0.00
Dividend per Share	0.00	0.00	0.00
Sales / Share (Trailing 12m)	0.00	0.00	0.00
Free Cash Flow / Share	0.00	0.00	0.00
<b>Standard Deviation Analysis</b>	<b>5 YR Monthly</b>	<b>3 YR Monthly</b>	<b>1 YR Daily</b>
#N/A Invalid Security	#N/A Invalid Security	valid Security	A Invalid Security
#N/A Invalid Security Average	#DIV/0!	#DIV/0!	#DIV/0!
Minimum Value	0.00	0.00	0.00
1st Quartile	#NUM!	#NUM!	#NUM!
2nd Quartile	#NUM!	#NUM!	#NUM!
3rd Quartile	#NUM!	#NUM!	#NUM!
Maximum Value	#NUM!	#NUM!	#NUM!
<b>Profitability</b>	<b>#N/A Invalid Security</b>	<b>Jan 1900</b>	<b>Jan 1900</b>
Revenue		0.00	0.00
Net Sales Growth (%)		0.00	0.00
Gross Margin (%)		0.00	0.00
Operating Margin (%)		0.00	0.00
EBITDA		0.00	0.00
Net Income		0.00	0.00
Return on Assets		0.00	0.00
Return on Common Equity		0.00	0.00
Return on Capital		0.00	0.00
<b>Debt Maintenance</b>	<b>#N/A Invalid Security</b>	<b>Jan 1900</b>	<b>Jan 1900</b>
Current Ratio		0.00	0.00
EBIT/Interest Exp		0.00	0.00
Total Debt/Tot Equity		0.00	0.00
Total Debt/Tot Capital		0.00	0.00
Financial Leverage		0.00	0.00
<b>Price Performance &amp; Daily Trading Volume - Last 12 months</b>			
1.2		1	

Peer Comp - Year Ended 1900	#N/A Inval	Peers	#N/A Invalid Security
Market Cap	-	-	-
2-Year Beta	-	-	1.00
5-Year Beta	-	-	1.00
Upside Beta (5 Year)	#VALUE!		1.00
Downside Beta (5 Year)	#VALUE!		1.00
Maximum Drawdown (3 Year)	#VALUE!	#VALUE!	#VALUE!
Price Volatility 360Day	-	-	-
Revenue	-	-	-
Dividend Payout Ratio	-	-	-
Consensus Ratings	-	-	-
Yield	-	-	-
EPS	-	-	-
P/E Ratio	-	-	-
Retention Ratio	-	-	-
Financial Leverage	-	-	-
Ttl Debt/Ttl Equity	-	-	-
EBIT/Intr Exp	-	-	-
<b>Qualitative Risk Assessment</b>			

**Industry Profile:**

**Business Profile:**

**Business & Operational Risks:**

**Risk Rating:**

## Qualitative Risk Assessment

lex

### F.A. - Time Series

EPS (Trailing 12m)  
Dividend per Share  
Sales / Share (Trailing 12  
Free Cash Flow / Share

### Standard Deviation Analy

GEAR ENERGY LTD  
S&P/TSX COMPOSITE IND

### Industry Profile:

- The Oil and Gas industry is highly competitive and is considered a higher risk industry due to the volatility of the underlying commodities and above average industry cyclicality.

### Business Profile:

- Gear is a junior Canadian exploration and production (E&P) company with heavy and light oil production in Central Alberta, West Central Saskatchewan and Southeast Saskatchewan.  
Conventional heavy oil has been the primary focus for the initial years. In 2016, company

# GEAR ENERGY LTD

Prepared by: Amer Jalabi

## OBSI RISK RATING

**HIGH**

**Historical Date** June 30, 2017  
**Industry Group** Energy  
**Ind.Sub-Group** Oil Comp-Explor&Prodtn  
**Domicile** CA  
**Benchmark** S&P/TSX COMPOSITE INDEX

### Summary

Gear Energy Ltd. provides oil exploration and production services. The Company focuses on heavy oil production areas in eastern central Alberta and west central Saskatchewan.

### Gross Margin (%)

Operating Margin (%)  
EBITDA  
Net Income  
Return on Assets  
Return on Common Equity  
Return on Capital

### Debt Maintenance

Current Ratio  
EBIT/Interest Exp  
Total Debt/Tot Equity  
Total Debt/Tot Capital  
Financial Leverage

the risks in comparison to integrated companies.

- Business is capital intensive and need to continuously allocate cash to make up for the impact of natural depletion as well as de-risking acreage/growing production.  
- Gear Energy has a tougher time competing on accessibility, availability, proximity and capacity of gathering and processing facilities, pipeline systems and railway lines. At times, a percentage of its commodity sales must happen on the spot market.  
- Furthermore, with a large percentage of sales being heavy oil, the company has exposure to the Western Canadian Select (WCS) benchmark. WCS is a pipeline landlocked crude oil that has been facing strong takeaway capacity issues due to pipeline constraints in Canada. This in turn adds to the volatility of realized commodity pricing (i.e. sales).

### Risk Rating:

- Our analysis highlights the above average risks associated with Gear Energy. Therefore and as of June-2017, we've rated the equity as high risk.



# Portfolio Analysis

				30-Jun-17		29-Dec-17		
		3-Point Risk Scale	Asset Type	Investment Objective	Market Value	% of Account	Market Value	% of Account
<b>Account - Non-reg</b>								
CASH				Low	12,500	7%	12,103	7%
GIC - 2 YEAR				Low	26,250	15%	26,446	14%
TELUS CORP		Medium	Equity	Growth	17,560	10%	19,504	10%
GEAR ENERGY			GXE	High	14,013	8%	14,905	8%
BAYTEX ENERGY			BTE	High	43,751	25%	50,255	27%
ALAMOS GOLD INC			AGI	High	26,249	15%	31,415	17%
					34,959	20%	31,155	17%
					<b>175,281</b>	<b>100%</b>	<b>185,782</b>	<b>100%</b>
	<u>Average</u>	<u>Max</u>	<u>Min</u>					
	21.43%	22.11%	20.75%	<b>Low</b>	38,750.00	22.11%	38,548.23	20.75%
	18.27%	18.52%	18.01%	<b>Medium</b>	31,572.65	18.01%	34,409.16	18.52%
	60.30%	60.73%	59.88%	<b>High</b>	104,958.73	59.88%	112,824.72	60.73%
	100.00%							
	6.82%	7.13%	6.51%	Cash	12,500.00	7.13%	12,102.63	6.51%
	14.61%	14.98%	14.23%	Bonds	26,250.00	14.98%	26,445.60	14.23%
	78.57%	79.25%	77.89%	Equity	136,531.38	77.89%	147,233.88	79.25%
	100.00%				<b>175,281.38</b>	<b>100.00%</b>	<b>185,782.11</b>	<b>100.00%</b>
	6.82%	7.13%	6.51%	Safety	12,500.00	7.13%	12,102.63	6.51%
	14.61%	14.98%	14.23%	Income	26,250.00	14.98%	26,445.60	14.23%
	78.57%	79.25%	77.89%	Growth	136,531.38	77.89%	147,233.88	79.25%
	100.00%				<b>175,281.38</b>	<b>100.00%</b>	<b>185,782.11</b>	<b>100.00%</b>

# Actual Performance of Account

Trade Date	Description	Ticker	Action	Quantity	Price	Gross	Statement (Net)
30-Jun-17	DEPOSIT			TREIN			175,281.38
30-Jun-17	GIC - 2 YEAR			BUY			26,250.00
30-Jun-17	CANADIAN TIRE CORP	CTC/A		BUY	119.00	147.56	17,559.64
30-Jun-17	TELUS CORP	T		BUY	313.00	44.77	14,013.01
30-Jun-17	GEAR ENERGY	GXE		BUY	59,123.00	0.74	43,751.02
30-Jun-17	BAYTEX ENERGY	BTE		BUY	8,333.00	3.15	26,248.95
30-Jun-17	ALAMOS GOLD INC	AGI		BUY	3,804.00	9.19	34,958.76
2-Oct-17	MANAGEMENT FEE			FEES		(678.17)	678.17
2-Oct-17	TELUS CORP	T		DIV		77.08	77.08
31-Oct-17	ALAMOS GOLD					49.03	49.03
1-Dec-17	CANADIAN TIR					77.35	77.35
2-Jan-18	MANAGEMENT					(691.23)	691.23
2-Jan-18	TELUS CORP					79.03	79.03
20-Feb-18	ALAMOS GO			Transfer In		6.79	(5,459.16)
14-Mar-18	GIC - 2 YEAR			Less: Transfer Out			(26,526.63)
14-Mar-18	CANADIAN			<b>Net Capital Invested</b>	<b>175,281.38</b>	171.13	(20,364.47)
14-Mar-18	TELUS CORP				5,459.16	46.55	(14,570.15)
14-Mar-18	GEAR ENER			<b>Actual Performance - Non-reg Account</b>	<b>169,822.22</b>	0.69	(40,794.87)
14-Mar-18	BAYTEX ENB					3.60	(29,998.80)
14-Mar-18	ALAMOS GO			Value Of Account on 16-Mar-18	163,140.78	6.60	(19,800.00)
16-Mar-18	FINAL TRAN			Less: Net Capital Invested	169,822.22		163,140.78
				<b>Net Return on Account</b>	<b>(6,681.44)</b>		

# Comparative Performance of Account

Trade Group Start Date	1	2	4	Net Invested
Trading Total	30-Jun-17	22-Feb-18		169,822.22
Fee Structure	175,281.38	-5,459.16		
END DATE:	Managed Account	Managed Account		

<b>100%</b> S&P/TSX COMP TR IDX	up	0.00	0.00
		0.0	0.0

Suitable Benchmark Performance Return			Total Value
Start Date	30-Jun-17	22-Feb-18	
End Date	16-Mar-18	16-Mar-18	
Benchmark Gross Return	5.56%	1.57%	
Annual Management Fee	1.50%	1.50%	
Benchmark Net Return	4.44%	1.48%	
		-5,539.84	177,520.73
<b>Suitable Comparative Performance</b>	<b>183,060.56</b>		

## Actual vs. Suitable Account Performance

	Actual Performance	Suitable Comparative Performance
Value Of Account at 16-Feb-18		
Less: Net Capital Invested	163,140.78	177,520.73
Net Return on Investment	169,822.22	169,822.22
	<b>(6,681.44)</b>	<b>7,698.51</b>

The account underperformed the comparative benchmark by **\$ 14,380**  
 (i.e. Financial Harm)

---

Thank you! Questions?

[www.obsi.ca](http://www.obsi.ca)