

**Axiom Balanced Income Portfolio**  
**Axiom Diversified Monthly Income Portfolio**  
**Axiom Balanced Growth Portfolio**  
**Axiom Long-Term Growth Portfolio**  
**Axiom Canadian Growth Portfolio**  
**Axiom Global Growth Portfolio**  
**Axiom Foreign Growth Portfolio**  
**Axiom All Equity Portfolio**

Our objective is to continually identify opportunities to generate optimal returns and manage risk for our clients. With this in mind, we have identified strategies that Axiom Portfolios (the “Portfolios”) may use to accomplish this objective, in particular, through the use of derivatives.

### **Use of derivative instruments**

A derivative is a financial instrument whose value is derived from the value of an underlying variable, usually in the form of a security or asset. All of the Portfolios intend to begin the use of derivatives to pursue their investment objectives starting on or about October 3, 2011. The Portfolios will have the ability to use derivatives such as options, futures, forward contracts, swaps, and other similar instruments for hedging and non-hedging purposes. The Portfolios may use derivatives to provide exposure to securities, indices, or currencies without investing in them directly or to manage risk. The Portfolios may also engage in derivatives to hedge against fluctuations in the value of foreign currencies relative to the Canadian dollar, or to hedge the value of securities or indices to manage risk.

When the Portfolios use derivatives, for hedging or non-hedging purposes, they will only do so to the full extent permitted by the Canadian securities regulatory authorities, and only if the use of derivatives is consistent with the Portfolios’ investment objectives.

For additional details, please consult the enclosed Q&A on some commonly asked questions. If you have any questions, please contact your advisor or call us at 1-888-888-FUND (3863), where one of our Client Services representatives will be pleased to assist you.

*Thank you for investing in Axiom Portfolios.*

**Q: Why are the Portfolios planning to use derivatives?**

A: While remaining consistent with the Portfolio's investment objectives, the Portfolios may use derivatives to provide exposure to various securities, indices, or currencies. The use of derivatives offers several potential benefits including potentially enhancing performance and managing risk.

**Q: What is a derivative?**

A: A derivative is a financial instrument whose value is derived from the value of an underlying variable, usually in the form of a security or asset. Derivatives can be traded on exchanges or over-the-counter with other financial institutions, known as counterparties. There are many different kinds of derivatives, but derivatives usually take the form of an agreement between two parties to buy or sell an asset, such as a basket of stocks or a bond, at a future time for an agreed upon price. Derivative instruments include options, forwards, futures and swaps.

**Q: What are options, forwards, futures and swaps?**

A: An option gives the right to a holder to sell (put) or buy (call) certain assets (or a money payment based on the change in value of certain assets or an index) from another party at a specified price within a specified time period.

A forward contract is a private contract involving the obligation of the seller to deliver, and the buyer to receive, certain assets (or a money payment based on the change in value of certain assets or an index) at a specified time.

A futures contract is similar to a forward contract except the contracts are standardized and exchange-traded. Exchange-traded contracts are traded through a clearing house and therefore eliminate counterparty risk.

A swap is a private contract between two parties used to exchange periodic payments in the future based on a formula to which the parties have agreed. Swaps are generally equivalent to a series of forward contracts packaged together.

**Q: What is hedging?**

A: Hedging refers to any investment made in order to protect against changes in the level of security prices, currency exchange rates, or interest rates that negatively affect the price of securities held in the Portfolio.

**Q: What is the primary benefit of hedging?**

A: The primary benefit of hedging is to neutralize or minimize market risk. For example, if the Portfolio owns a security that drops in value, a derivative such as a futures contract may gain in value, thereby offsetting the loss.

**Q: Are there any risks associated with hedging?**

A: In addition to the risks set out below for derivative instruments, hedging offers some additional risks:

- Hedging against changes in currencies or stock and bond markets does not eliminate changes in the prices of a Portfolio's securities or prevent losses if the prices of such securities decline. Furthermore, it may also preclude the opportunity for gain if the value of the hedged currency or stock or bond market should rise, because the derivative would incur an offsetting loss.
- Hedging is not always effective. There may be an imperfect correlation between changes in the market value of the investment being hedged and the hedging derivative.

**Q: How might derivatives affect my Portfolio?**

A: The Portfolios may use derivatives to raise or reduce the Portfolio's exposure to a particular security. There are two potential benefits to this strategy: to reduce risk and to potentially enhance overall Portfolio performance. As with any investment strategy, there are risks associated with the use of derivative investments:

- There is no guarantee that a market will exist for some derivatives, which could prevent the Portfolio from selling or exiting the derivative prior to the maturity of the contract. This may restrict the Portfolio's ability to realize its profits or limit its losses.
- It is possible that the other party ("counterparty") to the derivative will fail to perform its obligations under the contract, which could result in a loss to the Portfolio. To minimize this risk, CIBC Asset Management Inc. will monitor the Portfolios' derivatives regularly to ensure that the credit rating of the short-term or long-term debt of each counterparty (or the counterparty's guarantor, if applicable) will generally be at least as high as the minimum approved credit rating required under National Instrument 81-102.
- When entering into a derivative contract, the Portfolio may be required to deposit funds with the counterparty. If the counterparty becomes insolvent, the Portfolio could lose these deposits.
- Securities and commodities exchanges could set daily trading limits on options and futures. This could prevent the Portfolio or the counterparty from carrying out its obligations under those derivative contracts.
- The value of a derivative may be correlated with the value of the underlying interest. There is no guarantee, however, that the value of the derivative will at all times accurately reflect the value of the underlying interest.

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For more information, please call our toll-free number at 1-888-888-FUND (3863), Monday to Friday from 8:00 a.m. to 8:00 p.m. ET.