

Future Financial News

Certified Financial Planners, Chartered Financial Consultants, Chartered Life Underwriters

WINTER 2012 NEWSLETTER

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Carl's Comments

Much as occurred during 2011. My daughter Julie had her first child Jack, who was born in September. Jack is happy and healthy and I love being a grandfather!

The stock market peaked out in April at 14,500; a gain of about 100% from March 2009. Then in the fall, it pulled back to 11,500. There have been huge, unprecedented one-day fluctuations brought on by multiple factors.

NASA found a new planet outside our solar system which seems to be an ideal place for life. There is a hitch however, as it would take a space shuttle about 22 million years to get there! I keep mentioning good planets are hard to find and perhaps we should do our best to respect this one.

Apple's brainchild marketing guru Steve Jobs passed away, Future Financial acquires a hockey team (big news for us - see enclosed photo) and our assets under administration continue to grow. Certainly our success is due to our loyal customers who continue to have trust and confidence in our operation.



We would like to thank you and wish you all happy holidays and continued health and prosperity for years to come!

Continued Volatility Ahead

In August, stocks fluctuated wildly as investors reacted to Europe's debt crisis and the downgrade of the US governments debt by Standard & Poor's. The Dow swung at least 400 points on four consecutive days which was the first time its 115 year history.

There are many reasons that lead us to believe volatility will continue. The Internet is likely one of the larger contributors. When I first started in this business, clients received statements once a year and I don't recall anyone asking for them more frequently. Now, clients receive statements from fund companies no less than four times a year by mail and have access to their holdings online 24 hours a day. News travels around the world over the Internet in seconds and for those who don't use the Internet, you can get the same information on the news channels 24/7. This rapid access to information has caused huge flows of capital in and out of markets quicker than ever before.



Another new contributor is the use of ETF's, which cause huge same day swings in the

markets according to the US Securities Regulators Investigations. Exchange traded funds have surged in popularity and generate 35 to 40% of the exchange traded volumes. These funds are often used by high-frequency traders who buy and sell stocks and other assets at a rapid clip. Leveraged ETF's further amplify investors bets often through derivatives (financial contracts with values linked to other assets). Some ETF's offer double and triple the return of indices such as the TSX. Some critics have long said that high-octane ETF's can intensify market volatility, because a single ETF trade often reflects a move in a several securities which, is in contrast to individual stock trades.

ETF manufacturers can add to the market volatility at the opening and closing of trading. Market makers buy and sell stocks or underlying assets in the ETF just after the open and before the close to rebalance their portfolios. If the market makes big moves overnight or during regular trading hours, the ETF market makers must buy or sell large chunks of underlying assets during a short period. These moves can be intensified by other investors trading in anticipation of the re-balance.

Factors such as instant access to information, media bombardment and now the wildcard ETFs will contribute to high volatility. In the past the main drivers were greed and fear now the greedy and fearful have more information and tools that ever before.

Worldwide Views

We expect the markets to force the European Union to get its act together, which should set the stage for some kind of rally inside this bear market. We expect two or three more years of sideways markets seesawing back and forth with low single digit returns. We believe a recession is unavoidable with Europe slowing and China's growth also starting to slow. This slowing down is likely spread worldwide.

Even though the information coming out of the US appears to be positive, we must take a deeper look. The unemployment rate was actually 8.6% last month largely due to the fact that over 300,000 unemployed workers abandoned their search for work and consequently were dropped out of the count altogether. The unemployment report wasn't all that bad, it was simply too tepid to carry much weight.

I reviewed multiple analysts' reports and the ones that carry the most weight with me as of last week a simple average of 20 of these binary recession indicators continue to show a preponderance of signal's still in place a condition that has never been observed except alongside the US recession.

On the other side we have the largest fund company in the world Fidelity and their analysts don't see a recession coming. When in doubt I always revert to the long wave theory on economics and these charts indicate a few more years of winter or dormant activity.

The other thing I've learned is always error on the side of caution. This is great information but you may wonder what do I do with it? Well I've learned a few other things along the way and that is to watch what the wealthy people are doing. The world's wealthiest man, Warren Buffett, has been acquiring companies in the last year at an unbelievable pace. So why is that? I believe that the worldwide macro events have driven share prices much lower than the true values of these companies. Warren Buffett and other savvy investors recognize these opportunities and are pouncing on them. One way to understand financial markets can be through fear or greed. Currently fear is winning and this represents your best opportunity for value. We certainly know with everything that's going on plus the uncertainty surrounding the Euro zone that stocks are most likely not overpriced.

What are the other non-savvy investors doing? According to an Investors Group poll, 9% didn't invest in their RRSP last year because of market volatility. This number is expected to rise above 10% this year. It is my belief that the non-saver will use any excuse, even a weak one, not to invest. A saver on the other hand, believes it is always a good time to invest.

million. There are multiple risks in retirement but the largest one is widowhood. Why? Because, most pensions are cut in half to the survivor. This is a risk that can easily be downloaded to an insurance company. Talk to us and get all the information. **Be prepared. Have a plan.**

Key Risks to Retirement Income

Longevity – Canadians are living longer and healthier lives, retirement plan must last for 20-30 years +.

Inflation – requirement for portfolios to keep up with inflation as rising consumer prices reduce ones purchasing power.

Asset Allocation – problems resulting from the wrong mix of equities, bonds and cash. Historically, equities have provided long term growth, critical to retirement plans.

Health Care – a future illness or disability may have a huge impact on savings. Need to understand what the costs to health care and what is and is not covered by government or other plans.

Withdrawal Rate – withdrawing from savings too quickly and running out of money. Increased volatility is one reason to drawn down on investments at a cautious pace.

A retirement plan that has identified the above risks and implemented a strategy to mitigate them provides retirees with peace of mind to enjoy the fruits of their labour.

Many Baby Boomers set to Retire

Approximately 10 million baby boomers were born between 1946 and 1965. In 2011 the first baby boomers will reach 65. Today that is 4.5 million and by 2021 the number will be 7.5



RRSP Reminder

The last day to make an RRSP contribution for 2011 is February 29th, 2012. Don't delay; make a contribution as soon as possible!

If you are getting an RRSP loan, please make arrangements with us before January 31st, 2012, in order to make sure it is done on time.

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FUND REPORT

Compounded to November 30, 2011



<u>Fund</u>	<u>RRSP Eligible</u>	<u>Volatility</u>	<u>1 yr %</u>	<u>3 yr %</u>	<u>5 yr %</u>	<u>10 yr %</u>
CANADIAN EQUITY						
BMO Dividend	Y	M	0.00	7.81	-0.39	6.39
BMO Growth and Income	Y	M-H	1.30	16.49	4.52	10.90
Dynamic Power Canadian Growth	Y	H	-19.43	9.69	-3.07	7.50
Dynamic Equity Income	Y	H	9.19	19.48	7.25	12.73
Fidelity Canadian Disciplined Equity A	Y	M-H	-6.47	12.35	1.36	7.37
Fidelity Dividend Plus (was Income Trust)	Y	M-H	3.21	19.99	8.29	n/a
Front Street Growth	Y	H	-13.07	38.56	4.46	19.94
IA Canadian Conservative Equity	Y	M-H	4.21	11.85	3.27	7.49
Dynamic Small Business	Y	M	2.86	22.78	12.23	15.11
IA Clarington Canadian Small Cap	Y	H	-0.51	13.92	0.89	11.57
Fidelity Canadian Large Cap	Y	M	15.30	19.53	7.29	9.28
Sprott Canadian Equity	Y	H	-14.08	20.81	1.92	16.26
INTERNATIONAL/GLOBAL EQUITY						
Dynamic Global Discovery	Y	H	-7.98	7.50	-1.21	5.29
ROI Global Supercycle A	Y	H	-5.99	9.97	n/a	n/a
Mackenzie Cundill Value C	Y	M	-7.82	4.42	-4.04	2.53
Mackenzie Cundill Recovery C	Y	H	-18.80	16.72	-1.57	9.40
BALANCED FUNDS						
Acuity Canadian Balanced	Y	M	-4.68	10.81	-0.33	6.26
Acuity Conservative Asset Allocation	Y	L-M	-1.39	9.92	0.69	n/a
IA Clarington Tactical Income	Y	L-M	-1.05	n/a	n/a	n/a
Dynamic Value Balanced	Y	M	-7.85	12.53	1.97	6.99
Dynamic Power Balanced	Y	M-H	-8.72	10.15	2.90	7.79
Fidelity Canadian Asset Allocation A	Y	M	-1.09	9.50	2.54	5.73
Fidelity Canadian Balanced	Y	L-M	1.09	11.23	3.82	6.51
Fidelity Income Allocation	Y	M-H	6.70	17.56	6.57	n/a
OTHER FUNDS						
Vertex Fund	Y	H	-5.62	26.85	6.56	13.21
Arrow High Yield	Y	L	-2.11	10.70	6.37	n/a
Front Street Special Opportunities Canadian	Y	H	-20.44	37.30	8.61	n/a
Act II Media	Y	H	-2.56	3.43	n/a	n/a
Sprott Opportunities Hedge Fund LP	Y	M	1.65	4.21	7.01	n/a

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Source of Data – Globefunds.com

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