



FACTS And OPPORTUNITIES

An Investment Update

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McIver Wealth Management Consulting Group - Building on Success

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"Man is the only animal that even blushes, or needs to"
- Mark Twain

Quick Market Facts:

As expected, the first quarter of the year showed largely negative U.S. small growth equities as the most negative asset class losing 6.84%. Canadian equities, lead by Oil and Metal stocks, provided the best performing asset class returning some 4.66% over the first three months of the year.

Technical analysis (charting) suggests that we are likely just past the top of the medium-term bull market, which began in October 2003. Technical analysis also suggests that the equity markets in the U.S. should correct downward and touch bottom sometime in late 2006, indicating that we will have to move forward cautiously. Currently, the Dow Jones is close to a 5 month low. Please note that this, to a certain extent, will be reflected in your portfolios and on your statements.

Your portfolios are, if asset-allocated, properly structured, hedged and resistant (though not immune) to these interruptions. As an example, one of the hedges in your portfolio is our position in oil, which may be represented by a combination of Pengrowth Energy, Canadian Oil Sands, Bonvista Energy, Petro Canada, Husky Energy and Suncor among others. Each of these positions has been highly recommended and employed in all our portfolios to take advantage of higher oil prices and each has done extremely well.

Going forward the price of oil will dominate the market as demand in the developing world drives up the price. There have been forecasts made by respected economists suggesting oil prices will move from the current \$50/barrel range to over \$100/barrel in the next five years. While considering this a few primary issues need to be understood:

- 1) Oil is a depleting resource and reserves will eventually run dry
- 2) All major oil deposits are thought to be found
- 3) Rising oil prices are inflationary (for those of us old enough to be concerned about inflation!) and eventually drive up interest rates; negatively effecting real estate prices and all other goods
- 4) Unlike interest rates and liquidity, which can be controlled to certain a degree, oil prices are market-based and outside the control of Central Bankers such as Alan Greenspan
- 5) A new industrial revolution is evolving in the populous regions of India and China, driving new demand for oil

For these reasons, oil remains the largest economic concern going forward. OPEC recently said they would increase production, which has at least temporarily, reduced the upward pressure on prices. Regardless, oil and metals have been the primary reason behind the unusual out performance of the Canadian market over the U.S. market. This is a similar scenario that took place in the 1970s when the equity markets in general became flat, but oil and metal stocks bubbled to the surface. In reviewing our model portfolios, I will be looking carefully at this period in market history to ensure the lessons that were learned then are not lost on us today.

Be good,
Neil

Best Rates – RRSP Eligible

GIC		GOVERNMENT TREASURY BILLS		STRIPPED BONDS	
1 YEAR	1.75%	30 DAYS	2.45%	1 YEAR	3.05%
2 YEARS	2.25%	60 DAYS	2.46%	3 YEARS	3.45%
3 YEARS	2.50%	90 DAYS	2.52%	5 YEARS	3.94%
4 YEARS	2.75%	180 DAYS	2.60%	10 YEARS	4.82%
5 YEARS	3.10%	364 DAYS	2.87%	28 YEARS	5.46%

*GIC rates represent the best rates offered by a large group of Canadian financial institutions. These institutions include all major banks and life insurance companies. All institutions are CDIC insured. *Rates are as of April 14, 2005 and are subject to change.*

On the Mark

Insight into our investment approach

In last month's edition, **Asset Allocation** was highlighted as the cornerstone of the Mclver Wealth Management investment process. Why is it important to maintain an Asset Allocation over a holding period for a portfolio?

By maintaining the Asset Allocation, sectors that have performed well are trimmed back, and those that have lagged are increased. This is achieved through periodic re-balancing. Consistently the effect is to reduce the risk exposure to sectors that have become overvalued and take advantage of sectors that have yet to catch the attention of most investors. These ebbs and flows are the result of investor psychology. Fear and greed cause investors to constantly over and underestimate the potential of various investments. Well-situated portfolios that are designed through a defined process, as opposed to portfolios that chase last year's darlings, can exploit these imbalances.

Numerous academic and professional studies have concluded that this approach is one of the few that can yield above-market returns when applied with discipline.

Mark

Good Karma

Monthly Statements

You should have recently received your Richardson Partners Financial monthly statement. These statements have can help enhance your perspective about your investments. If you find them unfamiliar to read or you require any clarification on your statement, please call me, or any member of our Team and we will be happy to assist you. My direct line is 604-685-6563.

RBC Statements

By now, most of you should have received your second last account statement from RBC Dominion Securities. Upon first look, this Royal Bank statement can appear misleading and I would like to clear up a few issues.

Firstly, under the *Activities Section* you will have noticed a Transfer Fee of \$135, plus taxes, which Richardson Partners Financial fully reimbursed at \$144.45. This credit appears on your Richardson Partners Financial Statement.

Secondly, within the same section, there is a transaction labeled, *NBC Clearing Services Account Transfer*. Many clients have thought this was a transfer fee of some sort while in fact this is simply a transfer of the cash from the old account at RBC to your new account at RPFL. This will be shown as a debit to your RBC DS account; however, this simply confirms the cash balance has been transferred out.

Thirdly, again in the same section, there may be activity marked as, *Advisor Account Fee*. This is the standard account management fee that is both normal and has been prorated exactly to the day the account was transferred out. Lastly, we would like to reinforce the fact that this transfer process occurred at no additional cost. If you have any questions, please feel free to call me.

Welcome Package

You recently received your Welcome Package from Richardson Partners Financial. Please note that if you have a Radius (fee based) account, and most do, the majority of the costs listed on the fee schedule do not apply.

I hope to speak with you soon.

Karm