High Net Worth Journal

An Investment Update

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McIver Wealth Management
CONSULTING GROUP

What's News

By Neil McIver

Summer Headwinds:
Newly minted U.S. Federal Reserve Chairman Ben Bernanke has made quite a splash since being appointed to replace Alan Greenspan. Off the cuff remarks from both he and a few of his Regional Chairman have sent mixed signals to the market which had the effect of eroding some confidence in his ability to effectively steward the giant U.S. economy. He does appear to be moving quickly to ensure that inflation is contained by raising rates. The difficulty is that after growing at the remarkable interest rate of 5.6% in the first quarter of 2006, the U.S. economy appears to be slowing just as interest rates move up. Another issue facing the U.S. economy today is the cresting valuations of the housing market. This market, which has been responsible for a tremendous amount of wealth creation over the past number of years, has led many in both Canada and U.S. to borrow against their homes in order to speculate in other real estate markets or to fund their lifestyle. The spectre of rising rates has caused the homebuilders confidence (similar to consumer confidence for U.S. homebuilders) to fall to an 11 year low and the pool of unsold homes to rise significantly. More importantly, the level of U.S. personal debt is high with most of it borrowed based upon the now questionable value of the consumers' home.

It's very likely that by raising rates now Bernanke will engineer a 'soft landing' and slow the U.S. economy in a controlled manner.

Outside the U.S. economic growth remains robust, which will help insulate Canada from a slowdown south of the border. China's industrial capacity alone will grow at an astounding 15% this year and global demand for Canada's commodities remains strong.

Markets:
Technical indicators (charting) suggest that both energy and precious metals have tested the bottom and now will likely recover nicely. Large cap Canadian equity positions in your portfolio such as Petro Canada and Encana appear poised to resume their upward march. Similarly, the TSX Gold Index appears to have bounced off the bottom and although it's off 30% from its peak, it has still provided a 38% return over the past year. The longer term view of Gold also looks rather positive. Strong corporate earnings have resulted in the TSX being at the least expensive level that it has traded on a price/earnings basis for ten years. I expect that the TSX will provide a 6.5% to 10.5% rate of return from this point until the end of the year.

High quality U.S. companies, likewise, are trading at less than half the price/earnings multiple they were four or five years ago. Many of these companies are becoming quite attractive for patient investors.

Corporate bonds are finally beginning to look somewhat more lucrative as they are beginning to provide realistically more attractive rates of return versus government bonds.

West Coast Trail:
By the time you read this, comfortably in your home, I will likely be out on the wild West Coast Trail with my wife Tricia and my 12 year old step-son Mitchell with 50 to 60 pounds on my back. We will be carrying all our food, clothing and tents while filtering water from streams as we hike the trail over eight days. Although I look forward to the adventure, I seem to be constantly checking the weather forecast hoping for no rain! With any luck out there, I'll be returning to the office on Monday, July 17th.

On the Mark

By Mark Jasayko

Defining Bull and Bear Markets:
The terms "Bull" and "Bear" markets have become common terms to investors. However, what defines a Bull and Bear market is far from common. With market volatility over the past eight weeks, such diverging definitions become more apparent.

Many commentators claim that we have seen a Bull market in stocks since 2003 and that if there is at least a 20% downward move from the peak, we will enter a Bear market. With a definition like this, it appears that Bull and Bear markets frequently alternate. The more the two types of markets oscillate back and forth, the less useful the definition is to a strategic investor looking to benefit from Asset Allocation.

One of my preferred definitions for Bull and Bear markets is the trend in the average Price-to-Earnings (PE) ratio for the market. For instance, as a Bull market reaches its peak, the PE ratio will also be at its highest. The Ratio indicates that investors pay an historically high price for a stock given its current earnings. This is what happens when investors are euphoric.

Using the overall PE ratio, we are currently in a Bear market that began in March 2000. The overall PE ratio has fallen from a peak of over 30 to around 14 now. The preceding Bull market lasted from 1982-2000, and the Bear market before that was from 1966-1982. The PE measure also corresponds nicely with the public's psychology towards owning stocks during these time periods.

These longer-term cycles are often referred to as Secular Bull and Bear markets. Within these cycles, there are always fluctuations that can trend in the opposite direction for a couple of years, just like we have seen with rising markets from 2003-2005. However, overall PE ratios continued to decline and over the 2000-2006 stretch the major market indices are also down.

Despite the fact that we are in a Secular Bear market and are susceptible to sell-offs like the one recently, many of the great investors established their stellar track records in markets like this. Peter Lynch, Warren Buffet and John Templeton planted the seeds of their success back in the Secular Bear market of the 1970's before rising to fame in the 1980's.

Our Asset Allocation Process is designed to take advantage of Secular Bear markets. We are under-weighting the most vulnerable components such as large US growth companies and avoiding low quality companies. In addition, the Process' significant weighting in Canadian stocks will help to offset some of the Bear market ailments in the US. Canada is a unique market with a focus on exporting energy and materials to a growing world. This trend should continue.

Sincerely Saleena

By Saleena Vellani

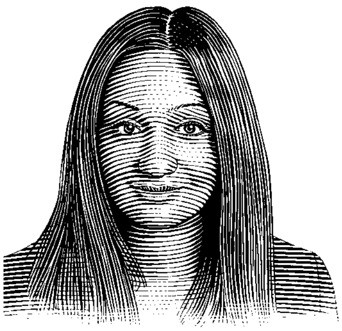
Website:
After many months of restructuring, we are pleased to have launched our new website: ***www.mciverwealth.com***

Our new website is designed as a resource and guide for our clients. It contains full biographies on each of the team members, explains the concept of a ***family office***, and the ***portfolio management*** section explains our advanced portfolio management process. The ***key links*** section has a group of very useful websites, including a full range of easy to use financial calculators. Additionally, you can access your portfolio online directly from our website.

At the McIver Wealth Management Consulting Group, we pride ourselves in delivering the highest quality advice and financial solutions tailored for the most successful Canadians and their families. Please feel free to share our website with those who qualify and may benefit from our exclusive services. We believe that they will value our conservative guidance.

Good Karma

By Karm Bhatti



Rebalancing -Update:
This year's annual rebalancing of our Asset Allocated portfolios is now nearly complete. As we near the end of our rebalancing there are a few legacy positions which remain and will need to be addressed. Once these have been dealt with, the rebalancing process will be complete. Either Neil or Mark will be contacting those of you who hold these positions.

Genuity:
Very recently RPFL entered into a strategic relationship with the Genuity Capital Markets. Genuity is a very well respected independent institutional Canadian investment banking firm which was originally (and spectacularly) founded by an entrepreneurial group of the top investment bankers from a major bank owned investment dealer. Genuity will provide us with greater access to high quality new issues to compliment our Asset Allocated portfolios, in addition to research which will compliment our current full access to top ranked National Bank and Credit Suisse research.

Preserve and Protect

By Tricia McIver

Family Success:
60% of affluent families will lose their wealth by the end of the second generation. By the end of the third generation 90% of wealthy families will have seen their legacy disappear altogether. Wealth, it would appear, is not always an easy thing to manage.

Many studies have confirmed the realities of generational erosion of family wealth. But for all the failures, there are countless examples of successful wealth transfers. What is the difference between success and failure? The obvious answer is a sound legacy plan that has been properly structured and documented, provides flexibility for changing events, and is practical and not overly complicated. However, the less obvious answer, but the one that often will have a more significant impact, is preparing heirs for the responsibilities of inheriting wealth. Many legacy plans address the quantitative issue of asset transfer, but neglect to deal with the qualitative issues such as leadership, management and succession. How can heirs succeed if they have not been groomed for success?

Over the course of my career, I've had the good fortune to work with a large number of very successful individuals and families. Most of these clients shared many of the same challenges and concerns in managing the succession of their wealth. Would heirs be prepared for the responsibilities of wealth? Do the heirs have the skills and expertise to continue operating the family business? Are they interested in running the business? Would the heirs be capable of managing investments? Do they share the same values, goals and objectives as the patriarch and or matriarch? If not, can the values, goals and objectives be aligned? Are there potentially troubling heirs? How will this affect the transition of wealth and what implications will this have for other heirs? Is the patriarch and or matriarch willing to share information with family members and advisors?

Both my experience with, and studies on, wealth transition planning tells us that the most successful transitions typically share two common elements - communication and education.

Although it may be difficult to discuss legacy issues or disclose information, success will be dependant on the heirs being informed. Informed not only of the specifics of the plan and the assets to be transferred, but also informed with regard to the rational behind the plan and the intended goals and objectives. Starting communication early on, of course bearing in mind the appropriateness of what is shared depending on the age and maturity of the heirs, is an important vehicle for sharing values and goals and demonstrating leadership and management. Heirs may likely have a keener interest in the issues by virtue of being part of the discussions - the old theory of osmosis. Sharing skills, experiences and opinions on the rights, privileges and responsibilities of wealth will assist heirs in developing their own wealth management abilities. Open family forums have the benefit of keeping family members involved and informed, and a positive by-product is often a more harmonious family.

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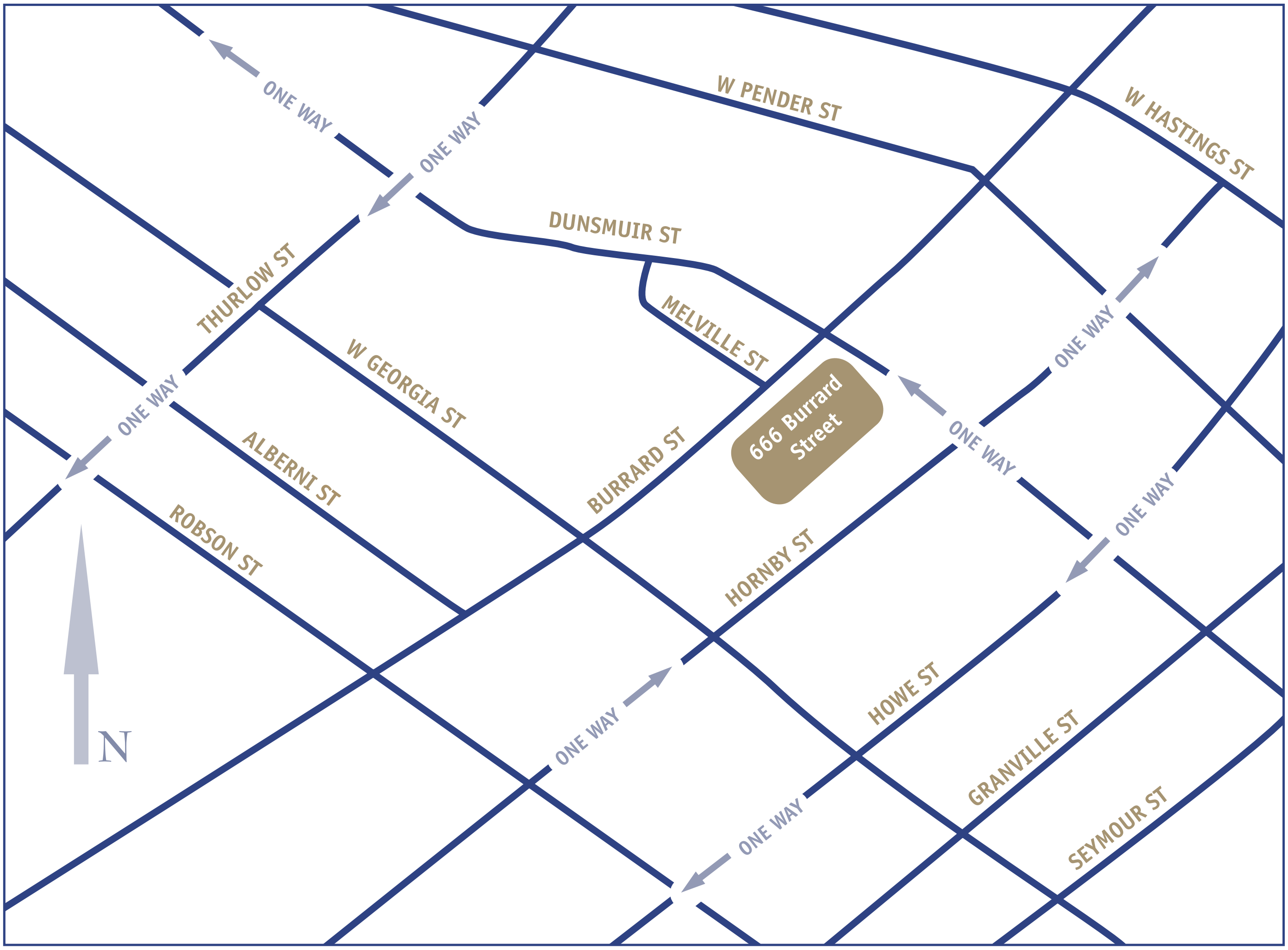

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