High Net Worth Journal

An Investment Update

Richardson Partners Financial Limited
Family Wealth Management

Volume I, Issue IV
September 7, 2006

McIver Wealth Management
Consulting Group

What's News

By Neil McIver

Check Please:
Both the U.S. and Canada are currently in the late stages of a five year economic growth cycle, which is more or less following the path of past growth cycles. At some point in time, the price of this growth will have to be paid in both North American economies. Recently there has been a fair amount of debate in the financial press about the potential impact of inflation just as the economy in the U.S. begins to slow. As predicted, higher interest rates and energy prices are beginning to have a dampening effect on the U.S. economy and the confidence of the consumer. This has been witnessed most visibly in the growing inventory of unsold homes and falling prices reported recently in the press. The Canadian economy, riding the strong global demand for our commodities, is more buoyant and not yet exhibiting all of the same warning signs.

The U.S. economy is not stopping however, only slowing after a five year advance from 2001. There are a number of continued sources of strength at work. Export growth has begun to accelerate because of the weaker U.S. dollar and the improving global economic growth of both Asia and Europe, while corporations are spending to expand their capital base. Despite the headlines, U.S. consumers, (who represent a staggering 20% of the global economy) are continuing to spend and the average consumer is earning higher wages than in the past. Interestingly, individual U.S. tax revenues are up some 17% over last year.

I expect slower U.S. growth, without triggering a recession in the months ahead, while global economic growth should continue to broaden with greater contributions from Japan and Europe. Canada should continue to benefit from global demand for our commodities albeit with slower demand from the U.S.

Un-natural Gas:
An interesting situation has developed in the natural gas market recently. Currently, barring a hurricane-induced supply disruption, natural gas inventories are running some 21% above average for the late summer and early fall. In normal markets this would cause the price of natural gas to fall substantially and the stock of those who produce or deal in natural gas to fall as well. The price of natural gas however, ($7 per mcf) remains strong because the price of crude oil remains high. This is due to the relative price of natural gas being much cheaper than crude oil (expensive) and the perception that end users who can switch, have been switching to natural gas.

One might expect that the large inventory overhang would stop drillers from extracting even more natural gas. Yet, despite the high inventories, natural gas drilling activity continues to set new records. About 80% of all North American drill rigs are drilling for natural gas. It's hard to blame the producers as the current high price of natural gas is well above the operating cost of extracting it. It's an interesting catch-22. As we all know, this un-natural relationship is bound to unravel with the usual laws of supply and demand dictating the outcome.

The obvious upshot of this is to ensure we are reducing our exposure to natural gas which, for most, would currently be found in the high yield/income trust component of your Asset Allocated portfolios. Positions from which we will be taking substantial profits include Paramount Energy, Primewest Energy and Shiningbank Energy. A portion of these profits will be directed toward more defensive crude oil positions such as Petro Canada and Suncor.

Housekeeping:
I hope everyone had a nice summer. It was a travel-filled summer for those here at McIver Wealth Management. Mark travelled to Scotland to play seven different courses in the birthplace of golf - Karm explored the alluring east coast of South America - and Tricia and I spent our holiday time backpacking the West Coast Trail. Don't worry, Saleena is also allowed to take time off - she spent some time at home with her husband and son and will be trying her luck in Las Vegas later this month.

On the Mark

By Mark Jasayko

The Hallmarks of 2006 - Uncertainty & Volatility:
The investment markets of 2006 have distinguished themselves from those of the past couple of years on the basis of significant uncertainty. A number of issues have arisen that have served to cloud the landscape. These include the end of the housing bubble and its effects on the US economy, a heightening of Middle-east tensions, growing inflationary pressures, and concern over a global economic slowdown. It is at times like these that the importance of Asset Allocation and Risk Management becomes more apparent.

Asset Allocation and Risk Management, if properly implemented, can help save all investors, professional and amateurs, from themselves. Without these tools, our natural tendency is to extrapolate recent developments into the future. For example, after a few good years, investors tend to expect that the market will continue to rise into the foreseeable future. Conversely, after a few dismal years, it is common to fear that things will not improve and that we are heading towards an apocalyptic finale. The result is extreme investment strategies. Very aggressive bets are placed after years of good investment performance. And, after a few poor years or in the face of great uncertainty, a full conversion to cash or burying gold in the backyard begins to look very tempting.

Barton Biggs, one of the investment industry's true luminaries during his career with Morgan Stanley and now with his own hedge fund company, reiterates this advice in his new book: "... the right thing to do has been always to bet against a return to the Dark Ages and not worry about hedging the unknowable." (Hedgehogging, John Wiley & Sons, 2006, p. 123). Portfolios that have made ill-timed aggressive investments or wholesale retreats to cash have commonly incurred damage that cannot be reversed within the investment horizons of most investors.

Despite the current uncertainty, there are also a number of bright spots that could provide a cushion against any North American market turbulence and add performance to your Asset-Allocated portfolio over the coming years. The long-awaited Japanese recovery, led by a new political zeal for implementing effective economic and banking reforms, has increased investor confidence in Japan. There is also a sense of greater corporate accountability in Japanese companies. Also, the gold sector continues to exhibit promise with its reputation as a hedge in difficult periods. Lastly, smaller US basic industry companies that have not garnered the attention that brand name and growth stocks have received could also be attractive investments going forward. The potential of each of these areas will be taken into account with respect to your Asset-Allocated portfolios.

Sincerely Saleena

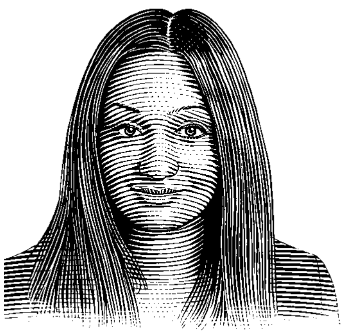
By Saleena Vellani

The Journal:
Our publication, the High Net-Worth journal will be published nine times throughout the year. They will be published each month except in January, July and August. Thank- you for all your positive feed back on the Journal.

My Portfolio:
With the children at home over the summer holidays, I am sure you have tucked away your statements for the time being. ***My Portfolio***, a service we provide to our clients, has an array of powerful functionality that allows you to manage and be informed about your investments and still stay ahead of your busy schedule. ***My Portfolio*** provides clients with access to their accounts 24 hours a day, seven days a week from anywhere you can access the Internet. ***My Portfolio*** provides a summary of all your accounts within your portfolio. The ***Markets*** section allows you to view information on your stocks, options and fixed income securities. The ***Research*** tab gives you access to search and view the top ranked research of National Bank Financial. A wide variety of interactive tools are provided on this service. If you would like have access to ***My Portfolio***, please either call or email me.

Good Karma

By Karm Bhatti



Due Diligence:
The results of our recently completed quarterly Due Diligence will result in some changes to your portfolios if you own our Canadian Equity Portfolio. Profits will need to be taken and redistributed into new positions. Neil or Mark will be in contact with those of you in September regarding these changes.

Shareholder Communication:
Shareholder Communications are the annual reports, prospectuses, and proxy solicitations you periodically receive that relate to the securities you hold in your portfolio. While the majority don't read these, their issuance is required by provincial securities laws. In the past, National bank, which is our back office, absorbed the costs of these required mailings. However, as the volume of shareholder communication has increased, National Bank will no longer absorb these costs. Richardson Partners Financial Ltd. will be absorbing all such costs on your behalf and there will be no newly introduced fees or expenses.

Preserve and Protect

By Tricia McIver

Everyone agrees the family cottage is a favorite. Emotional ties to this particular asset run deep. It is for this reason, in addition to financial issues, that it is one of the most difficult assets to deal with in a legacy plan. Transitioning the cottage to the next generation, ensuring the transfer is both tax effective and conscientious to the equitable enjoyment and use of the property, is no easy feat. But addressing the issues head on, communicating decisions and envisioned plans for the property can provide direction and guidelines to future generations. As in other areas of legacy planning, thinking about, developing and implementing a plan will surely provide for a more successful transition of assets than having no plan at all.

There a number of significant financial hurdles to overcome:

- Capital gains tax will arise on the transfer of the cottage (by way of a sale, a gift or bequest on death). Where the cottage has been owned for an extended time period this tax liability can be quite significant.
- If owned on death, probate fees will be payable on the value the cottage
- Cash resources available to pay both the tax and probate fees liabilities (particularly when a cottage is bequeathed to family members where the deemed sale of the cottage does not generate any cash but the tax and probate fee liabilities are still payable).

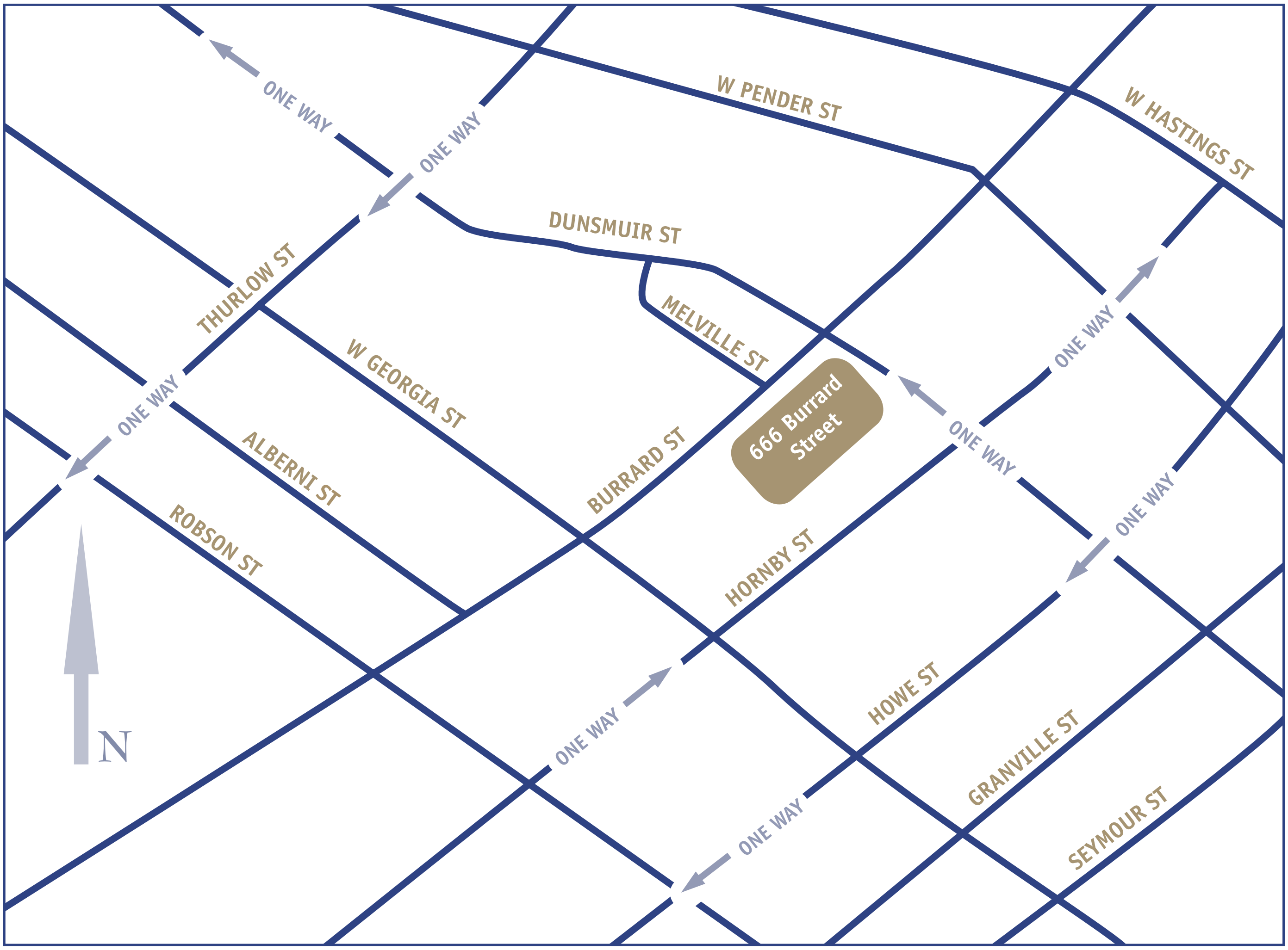
Effective strategies and tax provisions may be used to minimize the tax bill. Use of the principal residence exemption to shield gains from tax, ensuring the cost of the property is correctly calculated (don't forget to include any cost adjustments from prior capital gain crystallizations) and the reorganization of ownership structures can provide effective measures to minimize or eliminate some of the costs. Where cash flow issues exist life insurance may provide the solution.

Non-financial issues, or soft issues, will provide a whole host of challenges that by their very nature may be far more difficult to deal with. Pragmatic consideration should be given to:

- Who should inherit the cottage:
  - Have one or more children shown a greater interest in the property?
- Where more than one child will inherit the property:
  - Do the children get along?
  - Does each child have the ability to make financial contributions to the upkeep of the property (maintenance, taxes, insurance)?
  - How should the property be owned (direct co-ownership, some form of trust or corporation)?
- Governance issues:
  - A written agreement (the extra parachute!), dealing with issues of usage, shared responsibilities, cost sharing of expenses and availability to guests or renters, can head off potential problems.

Passing on a cottage is not an easy task. But thoughtful consideration of the process and a plan can go a long way to ensuring many more volumes of memories are created and logged. In conjunction with your other professional advisors, we can help to make that happen.

Visit Us in Person or Online!



RICHARDSON PARTNERS FINANCIAL LIMITED

Park Place ▪ 666 Burrard Street, Suite 1800 ▪ Vancouver, British Columbia ▪ V6C 2X8

Toll Free: 1 (866) 364-7735 ▪ Phone: (604) 678-6561 ▪ Fax: (604) 678-6640

www.mciverwealth.com

Neil R. McIver	Investment Advisor	(604) 678-6561	neil.mciver@rpfl.com
Mark Jasayko, MBA, CFA	Portfolio Analyst	(604) 678-6562	mark.jasayko@rpfl.com
Karm Bhatti	Associate Assistant	(604) 678-6563	karm.bhatti@rpfl.com
Saleena Vellani, BA	Associate Assistant	(604) 678-6564	saleena.vellani@rpfl.com
Tricia McIver, CA, CFP, TEP	Tax & Estate Planning Consultant	(604) 678-6565	tricia.mciver@rpfl.com