High Net Worth Journal

An Investment Update

Richardson Partners Financial Limited
Family Wealth Management

Volume III, Issue III
April 11, 2008

McIver Wealth Management
Consulting Group

What's News

By Neil McIver

It's been a challenging year in the equity markets, particularly for Canadian investors with assets outside Canada; however most indicators suggest that we are close to, if not, at the end of this short term corrective cycle. This does not mean, however, that all is sunshine and flowers. For a change, I'm going to focus my thoughts this month on the longer term technical picture of the S&P 500 Index in the U.S.

Technically In Trouble

Technical research is the study of charts depicting the price, volume and momentum of any particular security, commodity or part or whole of a marketplace. One can study gold bullion for instance, or perhaps the price of the Bank of Montreal, or even an entire marketplace such as the S&P 500 in the U.S. By accurately calibrating the parameters of the chart and carefully interpreting the results, a trained analyst can draw fairly accurate conclusions as to what the likely next movement will be for the target security, commodity or marketplace.

While Technical analysis is often used when concerned with short term market movements, it becomes more valuable to conservative investors when target assets are viewed over a longer period of time, perhaps many months, years or even decades. By doing this we may spot longer term trends as well as bottoms or tops in market movements.

When viewed over many decades, long term bull (generally upward moving) and bear (generally sideways or downward moving) markets become unmistakably clear. One can think of those as 10 to 20 year tides either coming in (bull) or receding outward (bear). Inside these longer term tidal bull and bear markets, shorter term trends develop, like waves, which build upward for a time, before crashing back down.

A very long term chart of the S&P 500 paints a clear indication that it is currently in a longer term bear market which began in 1998, not withstanding the technology bubble which burst in 2000. This is evidenced by the simple fact that the S&P 500 has advanced just 3% in 8 years while the NASDAQ Index is still some 52% below its high in 2000.

The most recent three and a half year recovery rally (2003 to 2007) was an example of a shorter term trend or 'wave' which broke late last year.

Opportunity – Sell High and Buy Low

The good news is that we're nearly 10 years into a bear market in the largest equity market in the world. Thus far we have weathered the storm nicely; our asset allocation process ensuring portfolios have been well hedged and focused on Canadian equities. Such bear markets have historically persisted for 10 to 18 years with the most recent periods being of shorter duration. We now have time to structure ourselves for the next bull market.

Outside of U.S financial companies, U.S corporate balance sheets are in excellent shape and carry less debt than they have in the past. While they may yet become cheaper, U.S equities, on a relative basis, are the least expensive that they have been in over 25 years.

Our commodity laden TSX index has outperformed and defied the gravitational pull of the U.S S&P 500 because of a global demand for commodities - primarily from the rapidly growing BRIC (Brazil, Russia, India and China) countries. However all bull markets end and we are likely closer to the end of the current commodity cycle than the beginning. The TSX represents less than 2% of the global equity market and, being a very narrowly focused market (banks and commodities), is certainly not a basket in which one should place all their eggs.

The other result of the commodity bull market has been to send our Loonie skyward against all other global currencies, putting it at generational highs. Most notably it's risen over 35% against the troubled U.S dollar.

Taken together, all the above facts paint a compelling long term picture and provide a roadmap for the future. Carefully and over time, we need to take profits on Canadian equities and move those dollars out of the Loonie to buy the least expensive foreign assets with the best prospects into the future. Then wait, be patient and temper our expectations over the next few years.

On the Mark

By Mark Jasayko

Dubai-land

Nine years ago I travelled through Dubai while returning home from a trip to India. At the time, Dubai was a relatively small city that was mostly known has a place to find bargains on Persian carpets or gold trinkets and a place to drink Turkish coffee in cafes while escaping from the searing midday sun.

In March I had a chance to go back and visit Dubai. The cafes and souks (markets) are still there, but they seem almost lost in the dramatic transformation that the Emirate has gone through since my first visit.

In areas that were complete desert nine years ago, there are now skylines that rival Manhattan. Massive high-rise condominiums line the beaches and newly constructed inland waterways are walled by 60-story skyscrapers. The central area of the city contains a project called the Burj Dubai which is now the world's tallest free-stranding structure, recently surpassing the CN Tower in Toronto. Once it is completed, it will officially be referred to as the world's tallest building, dwarfing the current titleholder, the Taipei 101 Tower in Taiwan. Add in 4 colossal man-made offshore islands (expected to house more than a million residents in ten years), the world's largest indoor skiing facility, underwater restaurants and hotels, and the world's only seven star hotel, and it becomes very hard to stop staring at everything that is happening there.

So, why is this happening? It is basically an attempt to diversify the local economy away from its dependence on oil as reserves are being depleted. This scenario is being played out elsewhere in the Gulf as Abu Dhabi, Qatar, and Bahrain rush to transform their economies before it is too late.

The Gulf states are also taking excess oil revenues and investing them through the establishment of sovereign wealth funds in order to achieve further economic diversification. These funds are joining a growing list from other countries such as Singapore and China which have historically accumulated excess currency reserves as a result of being export-based economies.

Over the past couple of years, these sovereign wealth funds have made headlines by purchasing assets around the world. Often they will just make purchases of shares in the open market, however, they will also attempt to make some direct investments with offers to buy large parts of companies or entire operations. Recently, these funds have been a source of capital for troubled American banks such as Citigroup.

This has led to a backlash from the citizens and governments of the countries where the targeted assets are located. Much of the concern involves issues of national security which, as an example, occurred when Dubai Ports World attempted to purchase port operations in some major U.S. cities. The central debate focuses on the fact that these are essentially foreign governments who are making these purchases and, thus, there may be political interests.

Yet another source of anxiety is the fear that these growing funds will take over ever larger swaths of the economy. However, just as trees don't grow to the sky, economic history tells us that limiting forces will come into play.

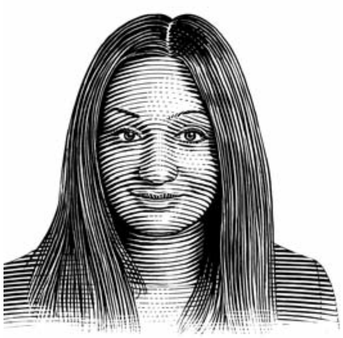
In the 1980's there were fears in the U.S. that Japanese banks and corporations would begin to control parts of the U.S. economy with the purchase of venerable American industries and high-profile real estate. Eventually these assets were sold back at fractions of the original price. It was not that these assets were poor investments. Instead, it was a need to retract capital back to Japan to combat a shrinking Japanese economy and a banking/financial crisis. This is the achilles heel of aggressive investment into foreign markets by governments and major corporations. When conditions begin to deteriorate back home, they become sellers and everyone knows it, making it difficult to get a good price. Additionally, the financial capital required to stabilize an economy can quickly dwarf the amounts that were invested abroad, even though those amounts were initially considered to be extraordinary.

In the case of Dubai, the Emirate has been borrowing heavily in order to finance much of the construction and international investing. Right now, the oil revenues comfortably cover the cost of the debt. However, if the economy stalls it will become harder to finance that debt and complications could begin to multiply.

As a result, many of the sectors receiving funding from overseas are often sectors to avoid. At present, our Asset Allocation process has not found these asset categories very attractive (leverage buyout firms and American banks are a couple of examples).

Good Karma

By Karm Bhatti



1st Year Anniversary for High Net Worth Weekly
April 1st, 2008 marked the first year anniversary since our launch of the High Net Worth Weekly. As most of you aware this email-only publication is designed to keep you informed in a quick fashion. This is achieved through both Neil and Mark's market related commentary. In addition to that, Tricia provides professional suggestions and recommendations for wealth preservation and I provide a market summary for the trading day as well as the heatmaps which track portfolio performance. If you who are not currently receiving this email publication and would like to, please email me directly at karm.bhatti@rpfl.com and I will add you to the list.

Tax Deadline Reminder
Please keep in mind that this year's tax deadline is on Wednesday April 30th, 2008. For those who are currently holding Canadian Dominion Limited Partnership, you will be receiving your T5013A slip shortly as these were sent out late. If you feel that you are missing anything call me directly at 604-678-6563.

Preserve and Protect

By Tricia McIver

Save Your Money!
As you or your accountant complete your 2007 tax return, I thought it would be prudent to remind you of four primary and four secondary tax savings strategies:

(1) Pension income splitting: The most significant change this year to impact our retired clients is the ability to split pension income with a spouse or common-law-partner. If you are 65 years or older you may allocate up to 50% of registered pension payments, and payments from DPSP's (deferred profit sharing plans), RRSP's and RRIF's. If you under 65 years of age, allocations to a spouse or common-law partner are limited to payments from an RPP and certain other payments received as a result of the death of the individual's spouse or common-law partner.

> a. individuals over the age of 65 are eligible for the $2,000 pension income tax credit and, so at a minimum, allocations should be made to use this benefit; and
> b. care should be taken in allocating pension payments so as to not compromise government benefits or increase medical benefits (i.e. care facility costs) that are based on an income means test.

(2) RRSP contributions: The age limit for contributing to an RRSP was raised to 71. If you have RRSP contribution room but forgot to, consider making a contribution during the remainder of 2008.

(3) Tax Credit for children born in or after 1990: You may claim $2,000 for each child born after 1990 and who was under the age of 18 in the year. This amount, like the basic personal amount, is converted into a non-refundable tax credit by applying the lowest federal tax rate of 15% (thus, credit of $300). If not relevant to you, perhaps you have adult children who can take advantage of this tax benefit.

(4) Children's Fitness Tax Credit: Up to $500 of eligible fees paid in 2007 for a "prescribed program of physical activity" may be claimed per child. Most organizations whose fees qualified as eligible will have issued a tax receipt for 2007.

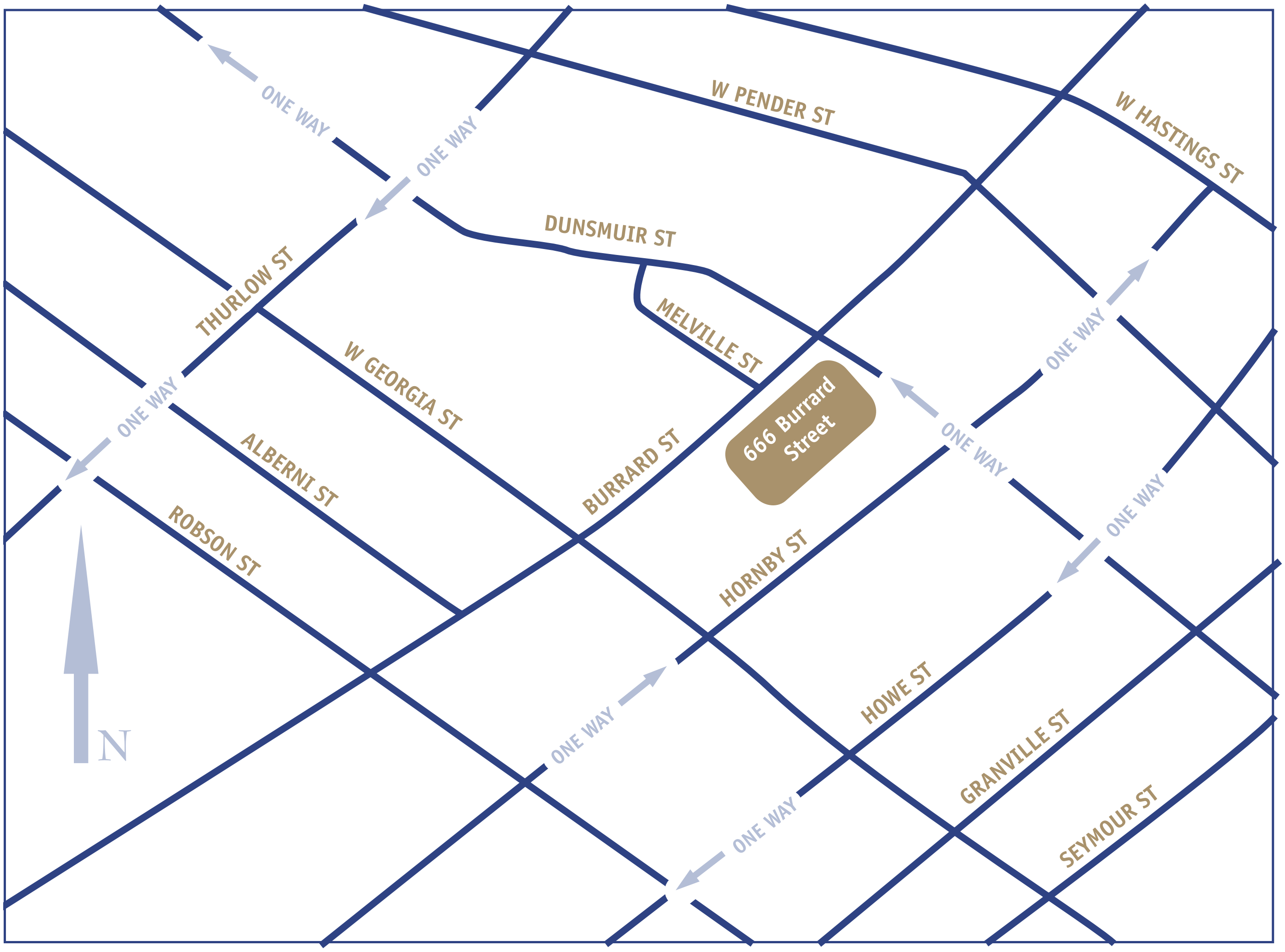
And a few last minute simple tax savings strategies that are worth mentioning:

> (1) Claim all charitable gifts made by the family on the higher income earner's return
> (2) Claim all family medical expenses on the lower income earner's tax return to maximize the medical expense credit
> (3) Where it will increase the married/equivalent to married tax credit or impact government benefits that are based on an income means test, report the dependant spouse's dividend income on the supporting spouse's return
> (4) Ensure carry back of eligible amounts (i.e. capital losses) are carried back to higher income years, where available.

Finally, remember that amendments to returns already filed for overlooked, miscalculated or misallocated amounts, may be made. All is not lost.

As always, if you have any questions on these issues, or others that you would like to discuss, please do not hesitate to contact me.

Visit Us in Person or Online!


W PENDER ST
W HASTINGS ST
DUNSMUIR ST
MELVILLE ST
THURLOW ST
W GEORGIA ST
ALBERNI ST
ROBSON ST
BURRARD ST
HORNBY ST
HOWE ST
GRANVILLE ST
SEYMOUR ST
666 Burrard Street
ONE WAY
N

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	Associate Portfolio Manager	(604) 678-6562	mark.jasayko@rpfl.com
Karm Bhatti	Associate Assistant	(604) 678-6563	karm.bhatti@rpfl.com
Tricia McIver, CA, CFP, TEP	Tax & Estate Planning Consultant	(604) 678-6565	tricia.mciver@rpfl.com

www.rpfl.com

Insurance services are offered through Richardson Partners Insurance Services Inc. in BC, AB, MB, ON, NWT. In Quebec, Insurance services are offered through Richardson Partners Insurance Services (Quebec) Inc. Affiliated with NFIA. Richardson Partners Financial Limited is a member of CIPF.