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An Investment Update

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RICHARDSON GMP

MCIVER WEALTH MANAGEMENT
CONSULTING GROUP

What's News

By Neil McIver

In the final months of 2009, fundamental market analysts in North America are calling for a re-test of the March 2009 lows or a potentially less severe 10–20% pullback. My key concern about the state of the market is one that I've previously addressed *ad nauseum* – since the run-up from the March lows, stock prices have become overinflated compared to their earnings and are now trading above their fundamentals.

Contrary to fundamental analysis, technical research (charting) suggests this potential pullback may be less severe than expected (or perhaps even non-existent) due to the high number (87%) of NYSE stocks trading in a trendline above their 200-day moving average. This gauge, currently very bullish, is used by money managers globally to indicate short- to medium-term market movements.

Bulls and bears have also locked horns and claws over the effect of the massive government stimulus on the economy. The bulls suggest the recession in the U.S. officially ended in the last quarter with the return of GDP growth (+3.4%), while the bears believe that this growth is directly attributable to government dollars and, therefore, unsustainable.

However, the reality is that as the global economy recovers, stock prices tend to trade above their fundamentals. In doing so, they become susceptible to periodic corrections, albeit those that don't break their long-term, upward trend. The unknown part this equation, of course, is whether or not this global recovery is self-sustaining. If it is, then the market appears to have a healthy outlook, despite any potential short-term pullbacks.

Across the board, our portfolios have done well this year. Our investments were able to resist much of last year's collapse and ride upward with the market recovery that began in March.

New Beginnings and Thank You
We are about to take an important step forward in the growth of our firm as we participate in a merger between Richardson Partners Financial Limited (including 73 partners and $7.5 billion in assets under administration) and the Private Client division of GMP (with roughly 45 partners and $4 billion in assets). On November 12, 2009, this merger will create our new firm, Richardson GMP (RGMP), the largest, non-bank owned investment dealer in the country

In the past two years, the influential magazine Investment Executive has ranked both firms as the top investment dealers in the country. More importantly, Richardson has been ranked as the number one investment dealer in terms of services and support for High Net Worth clients. As a result, RGMP will have the highest assets under management, per advisor, of any Canadian investment dealers. This implies that you -- our clients -- are, on average, the wealthiest and most successful investors in Canada.

The growth of our firm to become the top-rated High Net Worth investment firm in the country is one of the top financial services success stories in many years. I hope you're as excited as we are to be a part of that story.

This success is only possible because of the confidence and trust that has been placed in us by you, our clients. We don't take that trust lightly, and I'd like to personally and sincerely thank you for your loyalty.

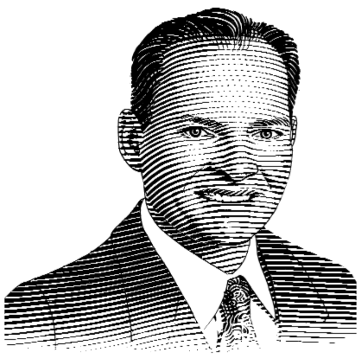
The McIver Wealth Management Group has been working industriously to ensure that this merger causes limited disruption to our high level of personal service. From a client perspective, the changes will begin in 2010 as we shift to GMP's superior platform for statements and online account access.

Discretionary Portfolios
We are continuing to slowly and carefully build our new Private Investment Management (PiM) systems and portfolios for clients. Some of you have already enrolled in the program and others are in the process.

This program will eliminate the sometimes-urgent telephone tag sessions regarding necessary portfolio adjustments and the direct mailings from the companies in your portfolios (e.g. the recent deluge of iShares mailings). It also ensures that our best ideas and opportunities are acted upon immediately.

On the Mark

By Mark Jasayko



Golden Canary

According to recent rhetoric, the global financial system is back from the brink and the economy is headed for recovery. It's nice to think that sunny days are here again but, in making that claim, the powers-that-be have ignored several enormous elephants sitting in the middle of the economic recovery room. Granted, there are a variety of statistics and scenarios that can be used to prop up the economic hopes of North Americans, including the following:

- The U.S. stock market has bounced tremendously off March 2009 lows.
- Cherry-picked statistics make the real estate market look hopeful, compared to a year ago.
- The pace of job losses in the U.S. has slowed since January.
- Consumer and investor psychology has been assuaged by the willingness of governments to bail out businesses and industries, no matter how high the cost.
- Corporate earnings are ahead of the low expectations set by analysts.

The list could go on, yet the fact remains that none of these factors -- in isolation or in combination -- signal a sustained recovery for the economy or investment markets.

The last major turning point for economic and financial market recovery occurred in 1982. That period was characterized by high levels of taxation and unemployment, relatively high inflation, decreasing commodity prices, high interest rates on government securities, and low valuation measures for stocks. In contrast, the only economic/financial statistic that currently resembles any of the above is the high level of unemployment.

1982 was a very different world, both financially and politically. The American and British electorates still contained a broad subset that subscribed to the importance of fiscal prudence and was wary of the future impact of the botched economic policies of the 70s. It was hard for them to forget that their tax rates had reached suffocating altitudes. Hence, we witnessed the birth of the Reagan Revolution in the U.S. and Thatcherism in the U.K.

In 2009, electorates remain relatively naïve and have yet to see through the false promises of state capitalism. They have more at stake in terms of home prices, easy credit and high salaries, so if state capitalism is needed to protect these interests then, understandably, it has great appeal. The easy-money policies of the last two decades have also served to nurture faith in the state to keep asset prices up and salaries high.

However, there is a flipside to pumping money into the economy to avoid economic pain. While share prices are in recovery, U.S. market indices remain at the same levels as early 1999. The market is conditioned to sell off when the temporary effects of the latest government monetary injection wears off. There has been almost no job growth over the last decade and, if the current pace of job losses continues to the end of 2009, all jobs created since 2001 will have been wiped out on a net basis.

Why has the stock market gone nowhere? Why haven't jobs been created? Because the policy of easy money and credit has stifled true innovation and the growth of value-added business.

Easier access to credit isn't necessarily a benefit to businesses. If there is sufficient belief that asset prices (financial and real estate) will continue to increase, then there's a temptation to borrow to invest (a.k.a. speculate). As a result, the economy gives the impression that it's growing when, in truth, we're just witnessing a large money game with all the extra dollars floating around. In the present crisis, excess credit has been used to purchase bonds that borrow in currencies with a low interest rate and lend to currencies with high interest rates. This is referred to as "the carry trade" and its magnitude has been staggering.

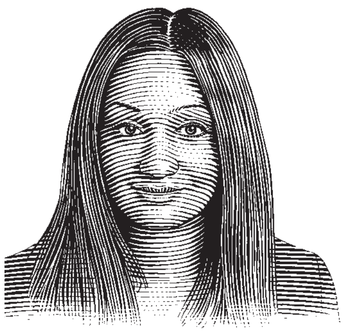
After a decade of this, there is now a very visible "canary in the coal mine" that suggests problems on the horizon. The price of gold recently reached record levels as the U.S. dollar fell to a multi-year low against other major currencies. This points to the impending threat of inflation (the end-game to the financial imbalances that have mounted over the last years). The carry trade will be destroyed as inflation is factored into the interest rates that feed it. The uncertainty of the level of inflation will throw these strategies into chaos. Additionally, as inflation increases the nominal cost of credit, it becomes more expensive for investors to borrow to invest (unless they can somehow hedge against the inflation premium that they would have to pay in order to borrow money).

When the money supply is tightened, credit flows to productive and innovative businesses that are truly growing in value. In contrast, we are currently witnessing the use of massive, excess credit to prop up inferior or outdated enterprises, thereby creating temporary rallies in asset prices during a decade hallmarked by false starts.

One sector that hasn't been bloated by the recent credit flood is agriculture. This sector offers tremendous value and is represented in our managed portfolios with a significant investment in a global agricultural exchange-traded index fund. In addition to good value, it also represents one of the best forms of an inflation hedge.

Good Karma

By Karm Bhatti



New Era, New Website

After many months of restructuring, we are pleased to re-launch our new website: www.mciverwealth.com

Our new website is designed as a resource and guide for our clients. It explains how we provide ***discretionary investment management*** services and its advantageous benefits for clients and also explains the concept of providing wealth management planning services. Additionally, our website also contains full biographies on each of the team members and 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.

Preserve and Protect

By Tricia McIver

Thinking ahead

As 2009 rapidly draws to a close, I look forward to February and the 2010 Olympics here in Vancouver. However, like every accountant, I also realize that once the fun and Games are over, the tax filing begins. There are still several weeks left in 2009 during which you can implement tax minimization opportunities and establish various filing strategies and positions. Here are a few tax-saving options you may wish to consider:

Income splitting: If you are retired, you may now allocate up to 50% of your pension income (including both registered pension plan and RIF payments) to your spouse or common-law partner. However, while this strategy will certainly minimize your family tax bill, it can also have an unexpected impact on other tax elements such as the spouse credit, OAS clawback or government benefits. Therefore, the potential tax benefit of income splitting should be carefully evaluated. If you own a business, you may consider paying a reasonable salary to family members contributing to the company and/or dividends to family shareholders.

Rebalancing portfolios: During the coming weeks, Neil will be reviewing your portfolios to determine if any losses should be taken. Last year, year-end losses were triggered and used to offset gains taken earlier in 2008 during the re-balancing process, and in prior years. You may still have unused losses that can be applied against current and future gains.

Philanthropy: Charitable donations must be made on, or prior to, December 31 to be claimed for the 2009 tax year. Remember, gifts of publically-traded securities may yield higher benefits than cash donations (HNWJ – June 2006). Finally, all family donations should be claimed on one tax return (that of the higher income earner).

RRSPs: Ensure that you maximize your RRSP contribution. Your 2008 Notice of Assessment lists your 2009 contribution limit; it is calculated as the lesser of 18% of your 2008 Earned income or $21,000. The final day for contributions is March 1, 2010.

Medical expenses: All medical expenses should be reported on one tax return (typically that of the lower income earner).

Instalments: If you are paying quarterly instalments, take time to review your expected 2009 tax liability as you may be able to reduce your final payment (e.g. if your 2009 income is down from 2008). Catch-up payments for deficient instalments should be made in December.

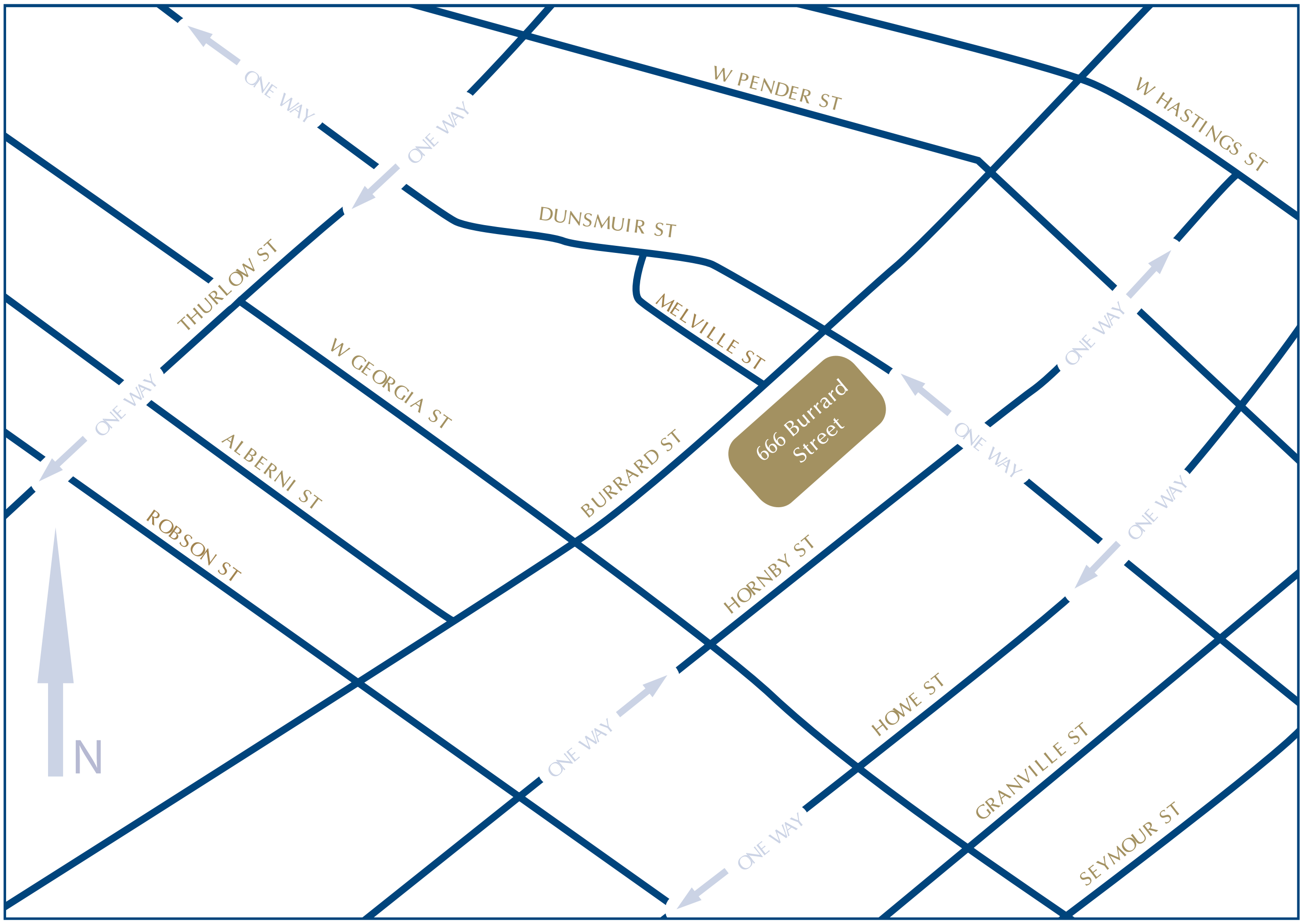
Spousal loans: Interest on spousal loans must be paid by January 30, 2010.

Tax credits and other benefits: There are numerous tax credits that may be claimed, as they apply to you and/or your children:

- Home Renovation tax credit (2009 Federal budget proposal)
- First Time Home Buyer's tax credit (2009 Federal budget proposal)
- Public Transit tax credit
- Children's Fitness tax credit
- Child tax credit
- Universal Child Care benefit

If you have any questions on year-end planning issues, please do not hesitate to contact me.

Visit Us in Person or Online!



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