

The David Miner
Communiqué
Spring 2011

"Riding out the storms is often the hardest thing to do, but it is key to reaching your long-term goals."

- Peter Lynch, Fidelity Investments

SPRING AT LAST!

It is nice to see signs of spring, especially longer days, warmer weather, and more sunshine. In search of a little sunshine this past winter, Dorinda and I took a brief holiday in Ocho Rios, Jamaica. Then in search for big snow in early March, we went for our annual ski retreat to Sugarbush, Vermont, to experience one of the heaviest snowfalls that area of Vermont has ever seen.

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To kick off spring on March 27, I ran the 30 kilometre Around the Bay Road Race in Hamilton – overweight and undertrained, but smiling as always at the finish. The following weekend, Dorinda and I flew to Oklahoma for a few days to visit relatives (and allow for a little quiet time to finish writing this newsletter!).

Our office has seen strong growth of assets under administration in the last year. That growth is due in a large part to referrals from existing clients. **Thank you.**

We are committed to providing the best level of investment advice available in the most cost effective manner. To that end, we continue to offer our services on a no-load basis; that is, without front-end or deferred commission charges. We remain sensitive to management expense ratios – the lower the ratio the better for you, all else being equal. We are committed to a low stress common sense approach to investing – hire the best managers who are able to cover the world and focus at least as much on risk management as achieving high returns.



A beautiful
March day in
Vermont

Global Perspectives

The news from Japan and the Middle East dominates CNN. Nevertheless, global stock markets show continued underlying strength, quietly climbing the “wall of worry”.

Closer to home, Canadian equities have been positively impacted for over a decade by a strong commodity cycle. While Canadian stocks may continue to fair relatively well, institutional investors such as large pension funds retain their diversification among both domestic and global equity. It is actually common currently in pension portfolios to hold greater global equity exposure than domestic. The objective of this diversification is to get better returns over the long-term while reducing volatility in the short-term.

To see the bigger picture, let’s step back and look at the last four decades. The following table illustrates how many times Canadian versus global stock markets performed better over the last four decades. Canada is represented by the S&P/TSX and global is represented by the MSCI World in \$C.

Years of Better Performance – Canadian vs. Global Equities

Decade	Canadian Stocks	Global Stocks
1970’s	6 years	4 years
1980’s	3 years	7 years
1990’s	4 years	6 years
2000’s	7 years	3 years



Relaxing after the gym, Jamaica



Finishing the *Around The Bay* race in Hamilton



Dave and Dorinda on the hill

There is no question that Canada has shone in the last decade, at least in seven of the last ten years. Looking back over previous decades, however, global stocks have often performed better. Which markets will be the place to invest over the next decade? Ask me in ten years, but the odds suggest that making a single bet on global versus domestic equity is like betting on a coin toss. On the contrary, the best portfolio management teams have the ability to exploit the best of all worlds. If the next ten years looks more like the

1980's than the 2000's, we want to ensure that we have global exposure with a great team of portfolio managers selecting the securities and monitoring regional allocation.

The Real Estate Market

In the United States, The National Association of Realtors reported that the median price of previously owned homes sold in February dropped 5.2% from a year earlier to \$156,100. Prices are at 9 year lows. In Florida, 1.5 million homes sit vacant. Almost a third of mortgages in the United States are underwater, meaning that the market value of the home is worth less than the mortgage on the home. As I have often said over the last couple of years, if owning a home in Florida is a personal dream, now may be one of the best opportunities to buy property there.

Our Canadian real estate market has been more resilient. Are we immune to the real estate problems that have plagued the United States and a few other parts of the world? Frankly, we are not immune to real estate corrections. As a matter of fact, over the decade of the 1990's, house prices in the Greater Toronto Area generally declined according to MLS data. However, a correction in Canadian real estate of the length and magnitude that the United States has experienced is unlikely in the near future.

There is a high negative correlation historically between real estate prices and interest rates, which means that as interest rates go down, real estate prices tend to go up (and vice versa). This negative correlation is not perfect. We have seen periods when interest rates have gone up and real estate prices have gone up too; although, this scenario is less common.

We have come to the end of a long term cycle of declining interest rates. Rates have little room to go down and lots of room to increase. We may see that Canadian real estate prices and speculation in the 2010's are more muted than we saw in the last decade.

Fidelity Investments

Fidelity has operated in Canada since 1987. Although Fidelity itself goes back to Boston in 1946 today it has offices around the globe including a large operation here in Canada. Fidelity is the largest investment management firm in the world.

Fidelity in Canada has an exemplary record for putting together intelligent and cost effective investment structures; including, tax effective capital class funds, tax effective T-SWP programs for monthly distributions, well managed wrap (fund of funds) programs, and more. Surprisingly, one thinks first of Fidelity as a global firm; yet, the Fidelity Canadian equity team is second to none in its own right.

I often recommend Fidelity ideas and have put significant personal and family money with Fidelity. Here is what I look for in a manager and where Fidelity delivers:

1. **Depth and breadth of managers** — Fidelity covers the waterfront with domestic and global equity, developed and emerging markets, large and small cap securities, stocks and fixed income – all covered by over 1000 investment professionals around the globe.
2. **Competitive management expense ratios (“MER’s”)** – the lower the MER, the better your returns.
3. **First class wrap programs** — Funds of funds managed by experts in risk management and asset allocation.

Fidelity is attractive to all levels of investors from start up savings programs to higher net worth (over \$1 million) portfolios.

"If you do not know where you are going, any road will get you there."

- Lewis Carroll



David & Dori enjoying a Jamaican specialty

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