



The David Miner  
**Communiqué**  
Winter 2012

*“I’d like to live as a poor man,  
with lots of money.”*

- Pablo Picasso

**HAPPY NEW YEAR!**

Thank you to all of our clients and friends for a terrific and challenging 2011. In particular, thank you for the large amount of referral business that we received in the last year. We appreciate your support always and take that vote of confidence seriously. We always enjoy working with you and welcoming new clients, too. You make our job fun!

We look forward to 2012 with excitement and optimism. Our commitment to you is to continue to provide the best investment solutions available without the costs to you of commissions to purchase or redeem. Where we are able, we exploit “high net worth” investment solutions for clients who have larger portfolios. We do bring a higher level of academic credentials, expertise, and experience to the table. We invest considerable time and effort on research, tax effectiveness, and risk management. In a nutshell – we strive to offer the best possible service at the best possible price.

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**Dorinda and Dave in Trinidad**

*Most ‘load’ funds available on a  
“no-load” basis*

*“If your ship doesn’t come in, swim out to get it”  
- Jonathan Winters*

Reflecting back on the last many months, there have been some small changes in our operation. We have been in our new offices now for over a year and love the location. Amelia, my daughter, is quite busy finishing fourth year Political Science at University of Toronto. If you are used to dealing with Amelia, she is not gone, but just not often available. Fortunately, Mark Brownell has been doing an excellent job for over a year in assuming Amelia’s administrative duties. My other daughter, Victoria, continues her Bachelor of Social Work Studies at Algoma University in Sault Ste. Marie. She occasionally lends a hand “behind the scenes”.

Dorinda and I continue to work hard in our practices (she is a lawyer) and we occasionally take a little selfish time to enjoy some travel and other non-business interests. In November, we spent over a week in Trinidad and Tobago with friends. Over the last twenty-five years, I have visited T&T a few times and always love to go back. Two of my favorite pleasures when I go to Tobago are scuba diving at the Bucco Reef and eating “bake and shark” at Pigeon Point, one of the most beautiful beaches in the world.

I also continue to be very much the amateur runner. 2011 has been somewhat eventful in running – a half-marathon, two “thirty K’s”, and finally a full marathon in October. Despite training harder than I have in a few years for the Toronto Waterfront Marathon, an irritated ham string turned the race into more of a jog. Oh well – there is always 2012!

## **A Changing World**

Compared to the last two back to back strong years in the stock market, 2011 has been sloppy. Investors have the markets of 2008 still fresh in mind. Year-to-date Canadian markets are down at the time of this writing. It is important to note, however, that U.S. Markets in Canadian dollar terms are up!



**Scuba diving in Tobago**



**At the Chinese Cultural Centre. The person standing behind David is Canadian figure skating champion, Patrick Chan.**

European sovereign debt is the reigning “crisis du jour”. While sovereign debt problems have been growing for years, only recently has the financial media deemed the matter a “crisis”. I am reminded of the sub-prime “crisis” of 2008, which had been a growing problem for many years prior and suddenly became an issue, seemingly out of nowhere and to the “surprise” of the financial sector and the media.

The good news is that problem identification is in itself the biggest step to problem resolution.

Unfortunately, one of the inefficiencies with western democratic systems is that government can use debt to appease the electorate in the short term while transferring real financial burden to successor governments and even successor generations. We are at a point where that game cannot possibly continue the same way it has in the past. But at least we seem to be aware of the problem!

In a nutshell, some European countries need to implement more efficient tax systems and more responsible fiscal management, including leaner civil services. Countries can change. Countries do change. Life goes on.

Canada is an excellent example where unpleasant changes have been implemented and people have survived. Capital gains taxes were first introduced here in 1972. (Ouch!) The GST (now read “HST”) was introduced in 1991. (Double Ouch!!) While hard to believe, Canada even lost its international Triple A Credit Rating in 1992. Through tighter fiscal management and deficit elimination, our credit rating was restored to Triple A in 2002. These changes are unpopular in the moment; yet, people can quickly acclimatize to new tax regimes and fiscal tightening. We expect to see fiscal tightening and improving tax efficiencies to continue around the world.

### **With a Changing World Comes Opportunity**

With investor focus on short-term and singular issues, financial markets often do not reflect the bigger picture. The world is not perfect, but there is much to feel positive about. Here are just a few thoughts:

1. **As noted earlier, the U.S. stock market** has generally performed better than the Canadian market in 2011. Our Canadian market has been affected largely by our large concentration of commodity based stocks and the poor performance of Research in Motion. Overall, the U.S. corporate sector has solid balance sheets with low debt to equity ratios and lots of cash. U.S. stock prices are attractive based on their relative valuation levels. Approximately 25% of S&P 500 companies generate more than half their revenue outside of the United States. It is only smart to have some portfolio exposure to the U.S. as U.S. companies as a group are looking attractive.



**Dorinda and Dave - in the mood for Caribfest (Barrie)**

2. **According to *The Economist* magazine** (February 2009), since 2006 more than half of the world can be categorized as *middle class*. With a growing middle class in emerging economies such as China and India, the number of middle class consumers will continue to explode over the next twenty years. With greater disposable income and greater demand for goods and services comes greater economic growth and greater investment opportunity around the world.

3. **When I started as a stock broker in the early 1980's**, emerging markets accounted for less than 4% of world market capitalization. Today, emerging markets account for almost one-third of world market capitalization – and growing! To call such markets “emerging” is to almost trivialize their importance. Institutional investors have been increasing their exposure to emerging markets over the last several years. Retail investors can achieve exposure to emerging markets either through direct investment in funds or through wider based wrap programs that contain emerging markets exposure.

The potential for continued growth in the world economy over the next twenty years is tremendous. We include with this newsletter a booklet from **Franklin Templeton** entitled “**Capitalize on a Changing World**”. Did you know that in China there are over 650 million cell phones or that the equity exposure of your Canada Pension Plan is over 70 percent invested *outside* of Canada? We encourage you to take a look and, as always, let us know if we can be of service.

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