

December 2011

At the risk of sounding ‘Scroogish’... we feel compelled to comment on market activity and the headlines impacting our portfolios before offering our holiday wishes for the festive season.

We are presently in a period of fear with memories of the 2008 credit crisis lurking in the shadows. Today however, the headlines are European banks and the insolvency of countries such as a Greece, Italy, and Ireland.

Markets are trading on fear, and have been driven down to irrational levels by the European debt crisis. A huge disconnect exists between positive company fundamentals and share prices. As always, when the emotion of the day lifts, company specific fundamentals will determine the value of a business, not euphoria or fear.

It is our belief consistent with many investment firms, that when a resolution is reached in Europe, markets and share prices will trade based on the strength of underlying fundamentals, and not emotion.

“...we feel that today’s valuations have priced in a disaster scenario below the intrinsic value of both companies...”

This quote refers to Magna and Martinrea (automotive related) from the September 30th/2011 Bluewater Investment Management commentary. Bluewater manage the Universal Canadian Growth/American Growth portfolios for Mackenzie Financial. The Bluewater approach is company specific and the commentary offers excellent examples of how today is much different than 2008!

The Bluewater commentary as well as Sprott Asset Management and Signature Advisors can be accessed directly from our website www.banwellfinancial.com

In the projected environment of modest or very slow global growth over the short term, we believe our ***paid to wait strategy*** is one investment theme that still makes absolute sense.

As one example only, our recommended dividend portfolio presently has a dividend yield of just over 5%. With a decent yield and modest capital appreciation, a respectable return can be achieved without exposing capital to unnecessary risk.

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At a recent speech in Montreal, Bank of Canada governor Mark Carney suggested that he intends to keep interest rates low for an extended period. This is not good news for GIC investors looking for yield.

As an alternative, our recommended short-term bond portfolios have produced just over 4% per year over the past three years. Short term bonds are a conservative alternative to GICs that generate superior returns and provide a steady stream of tax advantaged income.

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In March 2012, we will be transitioning to quarterly electronic statement delivery to satisfy regulatory requirements. If we do not already have your email address, please feel free to forward your email address to jasad@banwellfinancial.com

You may have already received a phone call from Valeria (our Seneca College co-op student) or from Rachael requesting this information.

RESP...17 years of age is the last year to be eligible for Human Resource grant funding.

If circumstances have changed in your personal life, we ask that you be aware of **beneficiary designations** that may not reflect your present situation.

Please call Sharon if this is applicable and you require further information.

On behalf of the entire team at BFI, we wish you a Merry Christmas, and offer our sincere wishes for a healthy, enjoyable, and safe holiday season.