



Integrity Competence Service

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On behalf of the entire team at BFI, allow us to offer our sincere wishes to you and all your family members for a healthy and happy 2011.

We have now had two strong years in equity markets since the prediction of capitalism ending in 2008!

One of our clients recently asked what information we use in assisting with our recommendations. Without going into tremendous detail, one area we do pay attention to is the commentary of numerous money managers and global strategists. It should be noted that opinions/beliefs/outlooks differ, and we follow both bullish and bearish commentary for insightful and prudent direction.

In previous newsletters we have quoted and offered commentary from David Rosenberg, chief economist and strategist for Gluskin Sheff + Associates. David is highly respected and would not be considered a screaming bull by any measure.

It has been our observation that David's outlook and commentary is similar with the investment recommendations and themes discussed in BFI newsletters, and in individual meetings with clients.

We believe offering another Rosenberg commentary is useful:

***Right now, I believe clients are well served by equity strategies that focus on stocks of high quality companies and by investments in both hard assets and income-producing securities. Also good are long-short strategies...***

***David Rosenberg  
Guest columnist for Report on Business  
Globe and Mail***

The Bluewater Investment Management team (as one example only) is an excellent example of ownership of high quality equities that have the ability to grow earnings independently of economic downturns. Bluewater is an ex-original Trimark team of money managers and manage Universal Canadian Growth, Universal Canadian Balanced, and Universal American Growth.

**How do you receive high income in a low interest rate world...**

Traditional sources of income for conservative investors have been GIC's, Government of Canada Bonds, and/or a combination of dividend paying equities used in varying degrees.

Similar to Rosenberg, we believe owning a broadly diversified collection of yield producing assets is an excellent method of generating income and allocating money at the present time. We have referred to this as our Paid to Wait Strategy.

This diversified collection of yield producing assets target a 6% net yield to the investor. Specific examples of yield assets owned in our recommended portfolios are:

<i>Domtar Corp. 10.75% 2017</i>	<i>H&amp;R Real Estate Investment Trust</i>
<i>Sunlife Financial Inc.</i>	<i>Macquarie Infrastructure Group</i>
<i>Bank of America 8% 2049</i>	<i>Corus Entertainment 7.25% 2017</i>

Whether one is bullish or bearish, collecting a 6% net yield off of a well diversified portfolio of high quality income producing assets is not a bad place to be!!

Conservative paid to wait portfolios are an excellent alternative to GIC's and interest bearing savings accounts. We would be pleased to review how this may be implemented as a GIC alternative strategy.

Two other specific themes that we believe in are an approximate 10% allocation to gold/precious metals, and an allocation to global bonds.

Similar to the Canadian equity market, the Canadian fixed income market represents approximately 2.5% of global fixed income. Considering the low interest rate environment, the opportunity for decent yielding government bonds in North America is limited.

We have been recommending the Franklin Templeton Global Bond portfolio that has less than 2% exposure to North America. Very simply, higher yields exist outside of North America. This portfolio has exposure to approximately 135 individual bonds, approximately 25 countries, and exposure to approximately 20 currencies.

Although the current yield of this portfolio is just over 4%, it is interesting to note currency moves are a contributing factor to overall returns. In 2008, when financial markets were declining this portfolio generated in excess of 20%, this was a combination of yield, and bond and currency moves.

## **Tax Free Savings Account (TFSA)**

Although the TFSA can be used to park short term money, the true value of this account is similar to the RRSP...tax sheltered growth on invested capital. We believe the TFSA is an excellent complement to the longer term pension strategy of the RRSP.

We encourage our clients to utilize one of our investment themes inside one of the many different TFSA accounts we can establish. High quality dividend paying equities, gold, paid to wait, global bonds etc. can all be held inside the TFSA.

### **Miscellaneous notes...**

RRSP deadline is **March 1<sup>st</sup>** for first 60 day contribution receipt.  
RRSP contribution cheques (payable to Banwell Financial Inc.) may be mailed to our office, and we will confirm receipt.

Please call our office for the latest Bluewater commentary, information on the Franklin Templeton Global Bond portfolio, gold/precious metals, and our recommended paid to wait strategy.

We will elaborate more in the future, but we are able to offer clients London good delivery gold, silver, and platinum bullion bars. This is an institutional process for obtaining investment grade bars and using the services of ScotiaMocatta for allocated and insured storage, as well as delivery.

Presently our website is under construction. Stay tuned for a whole new look!!

As always, we would be pleased to offer assistance in many different areas. We are here to help.

Once again your business is appreciated and valued and we look forward to another productive year.

**Best wishes for 2011 from the entire team at BFI!**