

October 2012

“Quietly, ever so quietly corporate earnings in America are going to an all-time high.”

Fred Sturm, Chief Global Investment Strategist
Mackenzie Investments 08/12

“If the economy is in recession, or about to enter a recession, it’s certainly not being reflected in any downturn in factory activity in America’s manufacturing heartland, which is experiencing a manufacturing renaissance and does not appear to be anywhere close to being about to fall off a recessionary cliff.”

Norm Lamarche, Principal/Co-Founder
Front Street Capital 08/12

Whether it be the ongoing financial crisis in Europe or the potential economic slowdown of China, we believe, generally speaking, investors over the past year have been focused on the negative headlines taking place.

This negative sentiment is indicated by the US market averages such as the Dow Jones and the S&P 500 not accurately reflecting what is happening to the broad US equity market as indicated by the NYSE advance/decline line reaching a record high level in mid-July.

We know for certain, markets move in the short term based on emotion, but longer term what will drive prices higher are corporate earnings!

*

*

*

In a de-leveraging slow growth economic environment, we believe our ***paid to wait strategies*** of owning yield producing assets (corporate bonds, dividends, infrastructure, and real estate) has worked well and is still an excellent place to be.

This strategy targets a 6-7% net yield to the investor and is not dependent on stock market direction to achieve this target. Although not immune from negative headlines, this strategy has provided near equity-like returns with reasonable stability of capital.

*

*

*

For growth oriented investors with a medium term or longer time horizon, we believe the Universal American Growth portfolio from Mackenzie represents excellent growth potential. Phil Taller lead manager of American Growth (ex-Trimark money manager) you may recall, spoke at our client evening at the Cool Beer Brewery years ago.

“There’s a reason why Google, Amazon and Facebook all come from the US. It comes from a spirit of innovation and growth that has been battered by some tough times, but is still head and shoulders above most countries.”

Phil Taller 06/12

Mackenzie Universal American Growth received the Morningstar Canadian Investment Award for best US Small/Mid Cap Equity Fund in 2009 and 2010. We have an excellent Taller summary in our office from one of his recent road trips into the US, please call or e-mail Jessica for your copy (jsaad@banwellfinancial.com).

High Octane Performance

Norm Lamarche lead manager of the Front Street Growth portfolio, believes there is an industrial revolution occurring in America right now. Lamarche asserts there are many concerns surrounding the US, but believes economists are missing the hugely positive underlying themes taking place.

From one of our previous newsletters, you may recall Front Street is incredibly bullish on the US and believe this is the ‘Mother of All Themes in our Lifetimes’. Front Street are thematic money managers who try to identify themes that drive economic activity.

Front Street Growth has been negative over the past year but on average, post drawdown performance one year after, averages in excess of 60%.

As advisors we are pounding the table on this one as we have confidence in the Front Street track record. The timing not only provides us with a margin of safety, but huge upside potential!!

As of August 31st/2012 Lamarche manages the best performing fund in Canada over ten years.

Please call our office if you care to discuss or to request Front Street Commentary.

* * *

We thank clients who have registered for on line access and automatic quarterly statement delivery. If you are not already registered for this service and would like to be, we ask you to fill out the e-delivery consent form in your statement envelope or please call Jessica to initiate this.

* * *

On a different note, we welcome client commentary, questions, and/or feedback. We are always available for phone, e-mail or coffee conversations and consider this to be part of our responsibility.

We utilize newsletters as our means to summarize money manager commentaries, filter out unnecessary noise from the media, and attempt to offer timely and objective information.

During uncertain economic periods...threats of war, government deficits, banking crisis, elections, we can't help but reflect that these issues are not new, but are quite similar to issues that we have confronted in the past. Quite often when the world looks so bleak, subsequent equity performance can be substantial.

* * *

We do not take your business casually and truly value the opportunity of serving you.

**BEST WISHES FOR A SAFE AND HEALTHY AUTUMN SEASON
FROM THE ENTIRE TEAM AT BFI**