



Behaviorism Enshrined

The Wall Street Journal on Dec. 31, 2009 recounted the saga of the best performing mutual fund of the decade. The fund was the CGM Focus Fund. It returned 18.2% a year for the decade ending 12-'09. But you must not chide yourself for missing it. So did literally everyone else, *including the CGM Fund's average shareholder during these ten great years*. The average shareholder (based on when money was actually invested) managed to rack up **a loss** of 11% per year. In 2007, the Fund returned a blazing 80% and investors poured \$2.6 billion into the fund. As *the fund went down 48% in 2008* investors pulled out.

Global Manager Barry Mandinach wrote, "You should always assemble a portfolio of the last five years' five-star funds - if your goal over the next five years is poor performance." Torrid performance always brings in grotesque amounts of silly money, at the worst possible prices. The story of the best performing fund of the decade proves one thing, and one thing only:

- *Dominant determinant of long-term investment success is not investment performance; it's investor behavior.*

The world is still emerging from the financial panic: an economic seizure which has few parallels in history. But - these problems will be overcome.

- *Powered human flight* offers an almost perfect paradigm for this phenomenon. On their final flight on that historic day in December 1903, the Wrights flew 852 feet in 59 seconds. In 1923, two men flew 2500 miles across the United States nonstop. Lindbergh's transatlantic solo flight came in the spring of 1927. Yeager rocketed through the sound barrier in 1947. Sputnik orbited the earth in 1957, and a man walked on the moon in 1969.

There may be just as much progress in the sciences, in technology and in medicine in the next ten years as took place in all of human history to this point. It is just this progress - and its profound implications for economic growth and returns on equity capital—that the *pessimists* miss. U.S. Equities may have provided no net return for the ten years through 2009; this is grist for the pessimists' mill. They conveniently ignore the fact that this decade followed the greatest ten years in the history of equities. See chart.

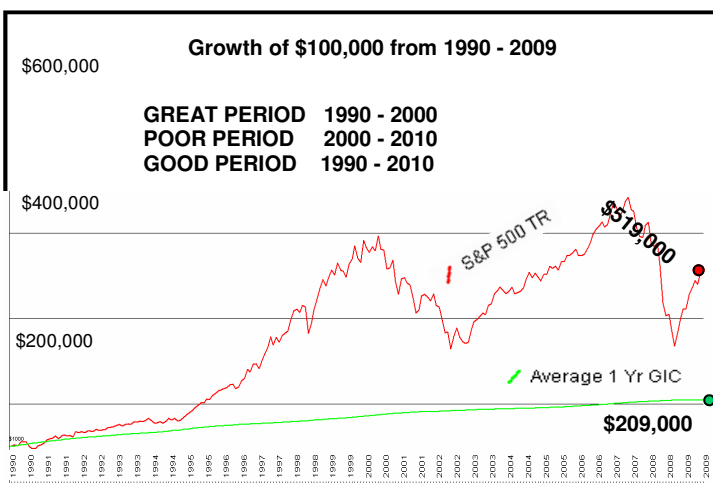
April 13 2010 will be the fortieth anniversary of Apollo 13 spacecraft. You may want to watch again Ron Howard's magisterial film *Apollo 13*. Aside from the drama itself, look about halfway through the film when the world's foremost space scientists begin working the problem of how to get those three heroes home alive *using slide rules*. Because at that point, NASA's computer is essentially fried; as they have asked it for so many calculations it could no longer respond in time. As you watch these scenes, take out your BlackBerry, iPhone, or similar device. And know that the computer embedded in it is a million times smaller, a million times cheaper, and a thousand times more powerful than all the computing power that was available to NASA that night.

Well within the life expectancies of today's retiring baby boomer couple—this billionfold increase in computing power per dollar will happen again. Pessimists will miss it, increasing the chances that they may run out of money in retirement and die destitute and dependent upon their children—all in the illusory quest for "safety."

"Welcome to 2010. Just one man's opinion, of course, and no one else is responsible for it but: I think it's at least possible that this is the first year of the worst decade to be a pessimist in all of human history." *Nick Murray, Feb 2010*

Dominant Determination Of Success

The dominant determination of long term investing success is the behaviour of the investor himself. There are other factors but investor behaviour is the dominant factor, more important than all other factors put together such as diversification or any other investment tidbit. By and large, most investors will never admit to this "epiphany." We live in an investment culture where to be a successful investor you are told the key to success is to trade, buy and sell. All this stock trading is for all intents and purposes, a conspiracy. It is not an active, well planned conspiracy where the heads of all the major networks, newspapers, media and brokerage firms met secretly.



Dominant Determination Of Success

It's just that businesses, attempting to sell something for a profit, have independently arrived at the same conclusion: their business interest are best served by implicitly suggesting the benefits of stock and bond trading and market timing. CNBC interviews various people all at one time:

- One is bull and one is a bear
- One believes oil prices are going up one says down
- One believes inflation is going up and one says down.

Many advisors have imbibed (drank) this Kool-Aid of trading. Many advisors have consciously and cynically offered this "market timing-day trading services" because it is what people will buy. Many advisors become witting or unwitting co-conspirators in the propagation of the lies. Let these advisors keep giving their investors ever more grotesque services. Good advisors have stopped making these silly promises. This epiphany is best explained by these two quotes:

- "It's like giving up a belief in Santa Claus." B Malkiel
- "Don't try to buy at the bottom and sell at the top. It can't be done except by liars." B. Baruch

LESS PEEKING, BETTER RETURNS

Brad Barber and Terrance Odean, in their epic study of individual investors' trading patterns, proved scientifically what advisors have always intuitively known: that portfolio turnover correlates negatively with return. The more often you change your portfolio, the worse you do. "*Trading is Hazardous to Your Wealth*," available at www.gsm.ucdavis.edu/~bmbbarber under "Research."

Simply stated, people change their portfolios in direct relation to the number of times they check their account. More peeking, more turnover. More turnover, lower returns. The inescapable bombardment of real-time quotes virtually everywhere, together with the availability of after-hours trading (yes! the casino stays open *all night*).

Then came the announcement by GM and Fidelity that they're teaming up to let you get quotes and make trades *while you're behind the wheel of your car!* (Could I make this up?) This is going to bring a whole new meaning to the phrase "*getting killed in the stock market.*" How long do you think it will be before you see a news item about some guy crashing his SUV into a school bus, and blaming JDS Uniphase's negative earnings surprise?

Journalism Is Not Your Friend

News Flash; Journalism's ultimate goal is not to help you become financially secure and independent. It is to get you to buy more papers or watch more TV. Imagine if the financial journalists said that to all their readers. They would all be out of business.

Financial independence is built over a lifetime by following four very, very simple rules:

1. Spend less than you earn
2. Save a little each month
3. Stay focused on your goals and not on market movements (control your emotions).
4. Diversify - do not put all your eggs in one basket

The constant reiteration of these four truths would be suicidal for financial journalists, as they would lead you eventually to stop listening to them altogether. Journalism wants to keep your focus short term as possible, even minute to minute if they could - so you will not turn off the TV or the radio. Journalism wants you petrified. Turn off CNBC, and your computer screen's quote function.

2010 Forecast: Professionals anticipate returns of 10% on global equities in 2010. However, government bonds conjure up bearish sentiment for 77% of respondents, while 51% are bearish on money markets. The topic of bonds elicited a wide dispersion of views, indicating significant uncertainty about the level and direction of yields on both short- and long-term corporate and government securities.

The pros did not do a very good job on predicting the returns in 2009, so why should we believe them for 2010?

Investment Asset Class	Forecasted 2009 Return	Actual 2009 Return	Forecasted 2010 Return
Canada	10.5%	35.1%	10.0%
USA	10.3%	7.4%	8.0%
EAFE	10.0%	12.0%	9.0%
Emerging Mrkt	10.0%	52.0%	13.0%
Corporate Bonds	4.0%	16.3%	4.1%
Government Bonds	3.7%	4.1%	3.0%
Average (equally weighted) portfolio	8.1%	21.1%	7.9%

Where Have All The Good Advisors Gone?

The banking industry has lost a lot of its trust. The perpetrators of the greatest Ponzi scheme in the history of global finance (Asset Backed Securities) have been exposed and disgraced. What a perfectly glorious time to be a personal financial advisor, inviting clients and prospects to trust, and to rely upon. The day when an advisor could get by—or at least have a competitive edge going in—on the basis of the big institution that employed him is gone. In other words, amid all this institutional devastation, the business has gone back to what it was always supposed to be about: one independent financial advisor, sitting across the kitchen table or the office desk with a person or a family, asking to be trusted and believed.

Journalism Is Not Your Friend

Financial planning is about educating children, securing a dignified and independent retirement, caring for our parents as they live longer than any generation has ever lived, and creating legacies for those we love and will have to leave behind in the world. Given finite resources, those goals require sacrifice—the deferral of gratification. It's almost always tempting (other than in times like these) to believe in some chimerical investment or strategy that will provide "higher returns with less risk," and therefore relieve us of the need to sacrifice and save. It's never true. A good advisor will almost certainly be the only optimistic (i.e. realistic) voice clients and prospects will hear today.

That's an awesome responsibility.

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100% SATISFACTION GUARANTEE!

PowerShares Funds

If your portfolio is \$100,000 or more and you wish to work with professionals, we offer you over 60 years of combined knowledge & experience to help avoid the pitfalls of investing.

What is a TFSA? Tax-Free Savings Account (TFSA) is a new registered account introduced by the Federal Government in January 2009.

Who is eligible for a TFSA? Ages 18 plus with a Social Insurance No.

How is a TFSA different from an RRSP? Contributions to a TFSA are not tax deductible.

What can a TFSA be used for? There are no restrictions on the use of money from your TFSA..

How often can I withdraw from my TFSA? As often as you wish.

Are withdrawals subject to income tax? No. Withdrawals can be made tax-free and will not increase your income for the year

I am over 71 and have begun taking my minimum RRIF payments; can I still contribute to a TFSA? Yes, there is no age restriction on TFSA.

What investment options are available for TFSAs? The investment options are numerous. Just like your RRSPs you can invest in GICs, mutual funds, stocks, bonds, etc.

Do I have to have a particular income level to take advantage of a TFSA? There is no minimum or maximum income level.

How much am I allowed to contribute per year? You can contribute up to \$5,000/ year. Any missed year, you can make it up. If you missed 2009, the 2010 limit is \$10,000.

If I have no work income, can I still make contributions? Yes.

What happens if I over contribute for the year? Penalties will be assessed by Canada Revenue Agency.

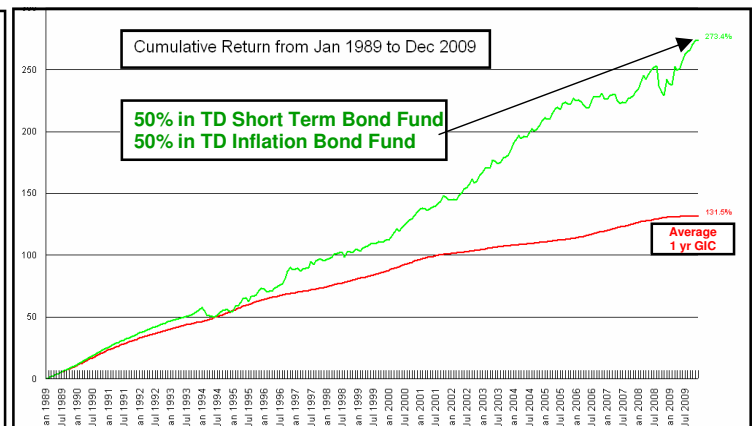
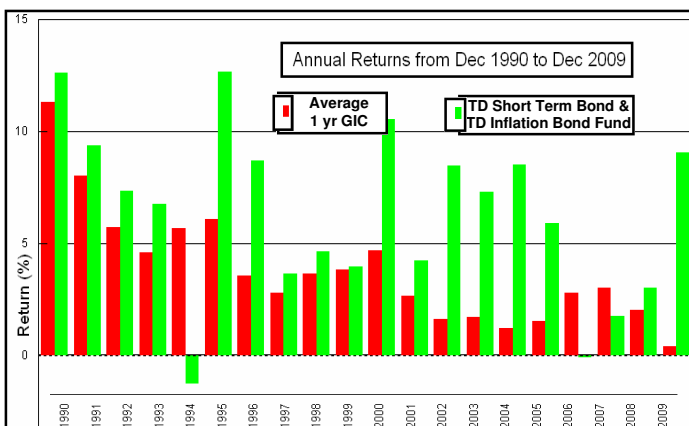
Is there a lifetime contribution limit? Up until now, there is no lifetime contribution limit.

For more information, please give us a call at 905 731 9800.

Investors who park a TFSA in cash or money market for extended periods are sacrificing returns while exposing themselves to another risk - the eroding effects of inflation. Although riskier than cash or a money market fund, but a portfolio of short term bonds and inflation bond funds have the potential to enhance returns without exposing investors to significant down side risk.



Tax-Free Savings account
Ask How You Can Take Advantage of This Fantastic Opportunity



PORTFOLIO ASSET ALLOCATION

All returns to Dec 31, 2009

ORIGINAL ASSET ALLOCATION	90 BOND INCOME	70 BOND INCOME	50 BOND INCOME	30 BOND INCOME	10 BOND INCOME	TSX INDEX GROSS	TD Cdn Index
Bond-Income	90%	70%	50%	30%	10%	0%	0%
TSX Index	4%	10%	18%	24%	30%	100%	100%
S&P Index	3%	10%	16%	23%	30%	0%	0%
World Index	3%	10%	16%	23%	30%	0%	0%
10 yr Return	3.7%	2.1%	1.3%	0.1%	-0.7%	5.6%	5.0%
10 yr Std Dev	3.7%	6.2%	8.6%	10.6%	12.3%	16.3%	16.2%
20 yr Return	6.5%	6.4%	6.4%	6.3%	6.2%	8.1%	7.1%
20 yr Std Dev	4.9%	6.8%	8.8%	10.7%	12.4%	15.5%	15.4%
25 yr Return	7.6%	8.0%	8.4%	8.8%	9.1%	9.3%	n/a
25 yr Std Dev	5.1%	6.8%	8.9%	10.9%	12.6%	15.5%	n/a

These are all index fund returns gross returns before any fund fees or any trading fees.

The TSX Index is also gross, before any fees. The TD Cdn Index is net after fees.

ORIGINAL ASSET ALLOCATION	90 GREAT ADVISORS	70 GREAT ADVISORS	50 GREAT ADVISORS	30 GREAT ADVISORS	10 GREAT ADVISORS	TSX INDEX GROSS	TD Cdn Index
Bond-Income	90%	70%	50%	30%	10%	0%	0%
Precious Metals	2%	4%	8%	10%	12%	0%	0%
Real Estate	1%	3%	5%	7%	9%	0%	0%
Cdn Small-mid	1%	3%	6%	8%	10%	0%	0%
Global market	1%	3%	5%	7%	9%	0%	0%
Emerging Mrkt	1%	3%	5%	7%	9%	0%	0%
US Market	1%	3%	5%	7%	9%	0%	0%
International	1%	3%	5%	7%	9%	0%	0%
Canadian Mrkt	2%	8%	11%	17%	23%	100%	100%
10 yr Return	5.7%	5.3%	5.1%	4.7%	4.6%	5.6%	5.0%
10 yr Std Dev	3.7%	5.3%	7.9*%	10.6%	13.5%	16.3%	16.0%
20 yr Return	7.1%	7.7%	7.9%	8.0%	8.0%	8.1%	7.1%
20 yr Std Dev	5.2%	5.9%	7.8%	9.9%	12.3%	15.5%	15.4%
25 yr Return	8.6%	8.7%	8.8%	8.9%	9.0%	9.3%	n/a
25 yr Std Dev	5.5%	6.1%	7.6%	9.8%	12.3%	15.5%	n/a

These portfolios are net returns after fund fees.

The TSX Index is also gross, before any fees. The TD Cdn Index is net after fees.

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the simplified prospectus before investing. Mutual funds are not guaranteed and are not covered by the Canada Deposit Insurance Corporation or by any other government deposit insurer. There can be no assurances that the fund will be able to maintain its net asset value per security at a constant amount or that the full amount of your investment in the fund will be returned to you. Fund values change frequently and past performance may not be repeated