

Investment Insights

Market Update - Fall 2007

Another summer come and gone. It's just amazing how quickly time goes by!

What happened this summer in the 'roller coaster' markets? June started it off with the Canadian government raising our interest rates, which had a negative affect on the financial sector. Follow this up by a huge US sub-prime mortgage issue, and the poor old banks get hit once again – for no reason in particular, more just in sympathy of their cousins to the south. Next thing you know, it's mid-July and Canadians have figured out that there are some incredibly good bargains out there...and the market soars 7% in 25 days to a new all-time high! But that wasn't the end of it as we continued to see volatility through September, and even now in October we're continuing to move cautiously.

Now here we are working our way into Fall on the coattails of a Canadian dollar at par with the US. It's been a LONG time since any of us have seen parity. But what does this mean for the Canadian economy? And how about the US? Canada is renowned worldwide for one thing in particular: **our resources**. We are very rich with all of the things that everyone else wants – oil, trees, minerals and even diamonds by the truckloads. This all leads to one thing: exportation. Because the US dollar (the "universal" currency) is what we're paid in, suddenly now that we're at par, companies have effectively taken a pay cut for their products. Sure, we're still getting paid the same number of dollars, but those dollars are not able to buy as much as they used to. And those countries dealing with the US directly are requiring more dollars for their goods, in order to maintain the same amount of buying-power.

So where do we go from here? We stand by our position from the summer: **focus on quality** positions that have downside protection and good growth potential. Selling into market panic doesn't help anyone and simply adds to the problem. You should be comfortable with what you own – know why it was bought and how it fits into the portfolio strategy. Unfortunately market risk is a constant, so it's more constructive to focus on the investment potential in certain sectors or stocks, as opposed to trying to make a broad market call. Defensive sector allocation remains the most appropriate move to make, and diversification can help to reduce the non-market risk in your portfolio. Even though the TSX performed well in September there were still 3 sectors with negative returns (Industrials, Utilities & Energy).

Bottom line: we do expect further movement in the markets through October, but are optimistic about the returns for the rest of 2007. The last quarter of the year has typically been one of the best, and we don't think this year will be any different. Enjoy the season!

- Jolene Laing



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*Money is better than
poverty, if only for financial
reasons.*

- Woody Allen

Jenna's Administrative Solutions

Snowbird Tips 2007

- Hold mail service offered through Canada Post
 - \$13.00 for the first 10 business days
 - \$6.50 per additional week (5 business days)
- Check with your telephone company about putting your telephone line on "vacation service".
- Install automatic timers to give the impression the house is occupied
- Consider shutting off water and winterizing systems
- Use a programmable thermostat to reduce heating costs
- Unplug tvs, radio, clocks, etc and turn off electrical circuits.
- Leave one copy of your travel documents with a friend and pack the other in a different place than the originals
- Purchase travel insurance!

E-Post – the new 'mail'

Tired of getting endless amounts of paper bills in the mail? Do you wish there was another way around this? Have no fear, **e-post** is here!

E-post is Canada Post's latest tool in helping consumers manage their bills without all that unnecessary paperwork. Using the highest security, Canada Post delivers the mail online and allows one to consolidate all bills into one location. Just think how simple it would be to receive, view, pay and manage your bills in just a few clicks. You can even store and retrieve mail for up to 7 years!

Scotiabank, Telus, City of Burnaby and Vancouver Utilities are just a few of the companies who are working in conjunction with Canada Post to offer this service.

For more information on this service and how to get started, check out their website at www.epost.ca

Our Quarterly Tasty Treat

Chocolate Cranberry Biscotti

- 2 cups flour
- 1-1/2 tsp Baking Powder
- ¼ tsp. Salt
- ½ cup butter, softened
- ¾ cup sugar
- 2 eggs
- 1 tsp. Vanilla
- 1-1/2 cups Cranberry Almond Crunch Cereal
- 3 squares White Chocolate, chopped
- 4 squares Semi-Sweet Chocolate, melted

Directions

1. **PREHEAT** oven to 325°F. Mix flour, baking powder and salt; set aside. Beat butter and sugar in large bowl with electric mixer on medium speed until light and fluffy. Blend in eggs and vanilla. Gradually add flour mixture, beating well after each addition. Stir in cereal and white chocolate. Divide dough in half. Shape each half into 14x2-inch log with lightly floured hands; place on greased baking sheet.
2. **BAKE** 25 to 30 min. or until lightly browned. Remove from baking sheet. Place on cutting board; cool 10 min. Using a serrated knife, diagonally cut each log into 12 slices; place upright on baking sheet, 1/2 inch apart. Bake an additional 15 to 18 min. or until slightly dried. Remove from baking sheet. Cool on wire racks.
3. **DIP** biscotti in melted semi-sweet chocolate. (Or drizzle chocolate over biscotti.) Let stand until set. Store in tightly covered container at room temperature.

Variation

Omit semi-sweet chocolate. Sprinkle cooled biscotti with icing sugar. Or drizzle with combined 1 cup icing sugar and 2 Tbsp. orange juice. Let stand until set.

Important Upcoming Dates

October 2007

31 – US Federal Reserve Announcement

November 2007

8 – Manulife Income Plus Seminar...details to follow!

12 – Remembrance Day Markets & office closed

22 – American Thanksgiving American markets closed

December 2007

4 – Bank of Canada Interest Rate Announcement

6 – Client Open House

11 – US Federal Reserve Announcement

24 – Last trading day of 2007*

25/26 – Markets & Office Closed

***Note:** December 24, 2007 is your last opportunity to trigger any unrealized losses to be used to offset capital gains accrued throughout 2007.