

*"All lasting business is built on friendship"*

- Alfred A. Montapert

The David Miner  
**Communiqué**  
Holiday 2010

*HAPPY HOLIDAYS!*

Wow - our last edition of Communiqué for 2010. The big news for us was the office move on October 1. We are settling in well. If you have not done so already, please take note of our new address and contact numbers.

It has otherwise been a busy fall. After a two year break from running full marathons, I did the Toronto Waterfront Marathon in September. While my time was not remarkable, I was happy to finish with a smile.

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In October and for the second time in less than twelve months, Dorinda and I visited China. The highlights this time for us was the Great Wall near Beijing and the Terracotta Warriors in Xi'an. We also visited the World Expo in Shanghai. China is a wonderful country – a shining example of growth and promise. We shall go back.



*The Bund area in Shanghai, China 2010*

*"The man who does not work for the love of work but only for money is not likely to make money nor find much fun in life."*

- Charles Schwab

## Welcome Mark Brownell

Mark has joined us in the client administration and servicing area. He brings a wealth of administrative background to us from working in the health care industry and the University of Toronto. In his other life, Mark is also an award winning playwright and actor. You may have already seen him doing television and commercial work or perhaps you have seen him on stage here in Toronto. Welcome, Mark!



## Staying Invested

Two years ago the world as we know it seemed to be coming to an end, at least as we watched the news according to CNN. Economies were on the brink of collapse, major financial institutions needed bailing out, and super-sized companies like General Motors were virtually bankrupt. The stock market of course pulled back accordingly.



*Still smiling, after the Toronto Waterfront Marathon.*

Now let's fast forward two years. General Motors recently did a public stock offering for over \$20 billion which was so popular that it was 5 times over subscribed. The stock market has been a great over the last two years. In 2009, the S&P/TSX total return was up over 35% and year-to-date 2010 is up over 12%. Other markets around the world have done well, too. It seems that the world is not yet coming to an end. Are we surprised?

Being opportunistic two years ago, I was personally putting money into the market as the "smart herd" was selling and driving stock prices down. It was nice to go shopping when financial markets were such a bargain. I am very proud that many clients did like-wise and have benefited immensely from being calm and rational.

Every long-term investment, like the stock market or real estate, has short-term risk of volatility. According to Morningstar Research Inc., over the last 60 years ending in 2009, the S&P/TSX Total Return Index (i.e., with dividends reinvested) over any rolling twelve month period has increased 74 percent of the time. Or looking at it from a glass half-empty standpoint, there is about a one in four chance in any year of owning Canadian equities that you will see a decline. There is obviously short-term risk.

Over the same 60 years, however, but now looking at rolling 10 year periods, the S&P/TSX Total Return Index *has always had positive returns*. The message is simple: Investment in stocks becomes relatively low risk as we extend our horizons beyond ten years or more. Indeed, compared to real estate in Toronto (according to MLS data) since 1950, owning Canadian equities over ten years or more has lower downside risk than owning a house in Toronto (which over some 10 year periods has actually declined in value).



*David and Dorinda at the Summer Palace, China*

In a nutshell, risk in equities declines dramatically with a longer investment horizon, but the real benefit to us is the returns that equities can provide. Again, referring to Morningstar Research, **\$1 invested December 31, 1979** was worth the following on December 31, 2009:

<b>Asset*</b>	<b>Value Dec. 31, 2009</b>
Stocks	\$17.41
5-Year GIC	\$8.78
T-Bill	\$8.04
Inflation	\$2.78
Gold	\$1.82

For gold buffs, please note that gold has not even kept pace with inflation for the last 30 years. And for people who like real estate as an investment (and I am not suggesting that real estate is necessarily a bad investment), \$100,000 would have bought a very nice house in 1979, but it would not be worth anything close to \$1.7 million today (unlike \$100,000 invested in the stock market).

So as you can see, holding well-managed mutual funds is the easiest, cheapest, and least risky way for us to control risk in the short-term while we grow wealth over the long-term.

\* Morningstar Research Inc. Stocks are represented by MSCI World GR Index; Treasury Bills are represented by the 91-day Treasury Bill Index; Inflation is represented by the Canada Total CPI; Gold is represented by the S&P GSCI Gold Spot Index; GIC is represented by the 5-year Average GIC index. Indexes are unmanaged and one cannot invest directly in an index.

*“If you’re not enjoying your work, you should either change your attitude or change your job.”*

- Leo Tolstoy



*Dorinda and David relaxing on the rickshaw.*

## Franklin Templeton – A Story That Never Gets Old

I have my biases, in part from spending several years of my career working with institutional investors such as pension funds and foundations. Institutions are interested in risk management as much as investment returns – just like most of us.

Institutional portfolios today are characterized by a balanced approach with exposure to global equity. Many institutional portfolios have more global equity than domestic equity (e.g., Ontario Teachers Pension Plan, Canada Pension Plan). The purpose for having

reasonable exposure to global equity alongside domestic equity is to reduce risk and enhance return. We, therefore, do the same.

Franklin Templeton has a history of excellence going back decades. With hundreds of investment professionals and offices around the globe, Franklin Templeton has the ability to deliver a superior quality of portfolio management service. Their Quotential wrap programs are managed “fund of funds” which are available in capital class structure for better tax efficiency outside registered plans.

I have been an investor with Franklin Templeton funds for many years and plan to be for many more years to come. Please call us if you have any questions about Franklin Templeton, the Quotential Program, capital class structures, or tax efficient T-SWP distributions.



*Left: Celebrating with friends after the AIDS Walk for Life, Toronto 2010  
Right: The China tour gang in front of The Great Wall*

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