

July 2008

I hope you are enjoying the summer and taking the time to relax and meet with family and friends. I am writing to provide you with a brief update on the financial markets, which have continued to provide mixed results so far this year. Although I sent you a communication not too long ago, my goal is to give you a step by step account of the events that have taken place so far this year in the financial markets. I have also included information pieces to reinforce the importance of not letting short term volatility affect your long term goals. The year to date 2008 review:

1. The year started with a double-digit drop in world stock markets in the third week of January, triggered by concerns about a recession in the U.S. and continued fallout from the crisis in the credit markets. The credit crisis, which began last year, was sparked by increasing defaults in the U.S. sub-prime mortgages and the collapse in value of securities linked to those mortgages. This March, the crisis took down Bear Stearns, a major American investment bank that was forced to sell itself to rival JPMorgan.
2. Interest rate cuts and other emergency moves by the U.S. Federal Reserve took place. However, starting in June, the capital markets were roiled again this time by the unrelenting rise in prices for food, oil and other commodities. Market participants began to realize that rising prices would have a significant impact on the global economy, hurt corporate profits and lead to higher interest rates, as central banks turned to fighting inflation.
3. The increase in food and commodity prices also created two distinct categories of stocks those benefiting from higher prices and those facing pressure. Stocks in energy and materials (which includes industries such as metals, mining, fertilizer, chemicals, and construction materials) performed very well. However, the combination of falling consumer demand and higher commodity prices has been a major hurdle for consumer-related companies, while financials continue to suffer the effects of the credit crisis.
4. At time of writing, more credit concerns hit the news with fears of large U.S mortgage lenders such as Freddie Mac and Fannie Mae possibly needing a financial bailout by the U.S Government. More notably, the collapse of IndyMac, a regional bank in California which has now been taken over by the U.S Government. We are now seeing the price of oil beginning to fall to a more normalized valuation which in the past was driven up by market speculators. In summary, the threat of rising inflation, falling home prices and lack of consumer confidence have pushed stocks down to multi-year lows which poses an unbelievable buying opportunity for some of our mutual fund portfolio managers we own.

Even though the tail end of 2007 and year to date 2008 seems challenging, I want to remind you that the markets have weathered similar if not worse in the past. For this reason I enclose the

brochure titled **Investing in Turbulent Times**. The brochure clearly recounts historical financial challenges but also demonstrates how the markets fared in the proceeding years. Take a moment to reflect on the events of the past and try to remember how you felt at that particular point with respect to the markets. The reality is the markets then recovered and continued on their upward trend after a brief interruption!

For many investors, staying true to a long-term financial plan in the midst of such volatility can be challenging. However, a well-diversified portfolio geared toward your financial goals and risk tolerance is still the best defence against market volatility. Historically, stock market downturns have been followed by even greater recoveries, and those who stayed invested have been rewarded. I also enclose the brochure **Don't Miss Out** which clearly demonstrates the importance of staying the course as opposed to trying to buy/sell during times of volatility.

If you have any questions about the markets or your investment portfolio, please do not hesitate to contact our office at
(416) 964-0440.

Sincerely,

A handwritten signature in black ink, appearing to read 'Leo Belmonte', written in a cursive style.

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Certified Financial Planner