

Dealing with difficult markets; The best strategy is to stay invested

Timothy Ross, Family Advisor ®, since 1988

Portfolio Management, In Association with Professional Investments

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Words of wisdom...

“Stop trying to predict the direction of the stock market, the economy, interest rates, or elections. Always invest for the long term.”

Warren Buffett
Legendary investor

Agenda

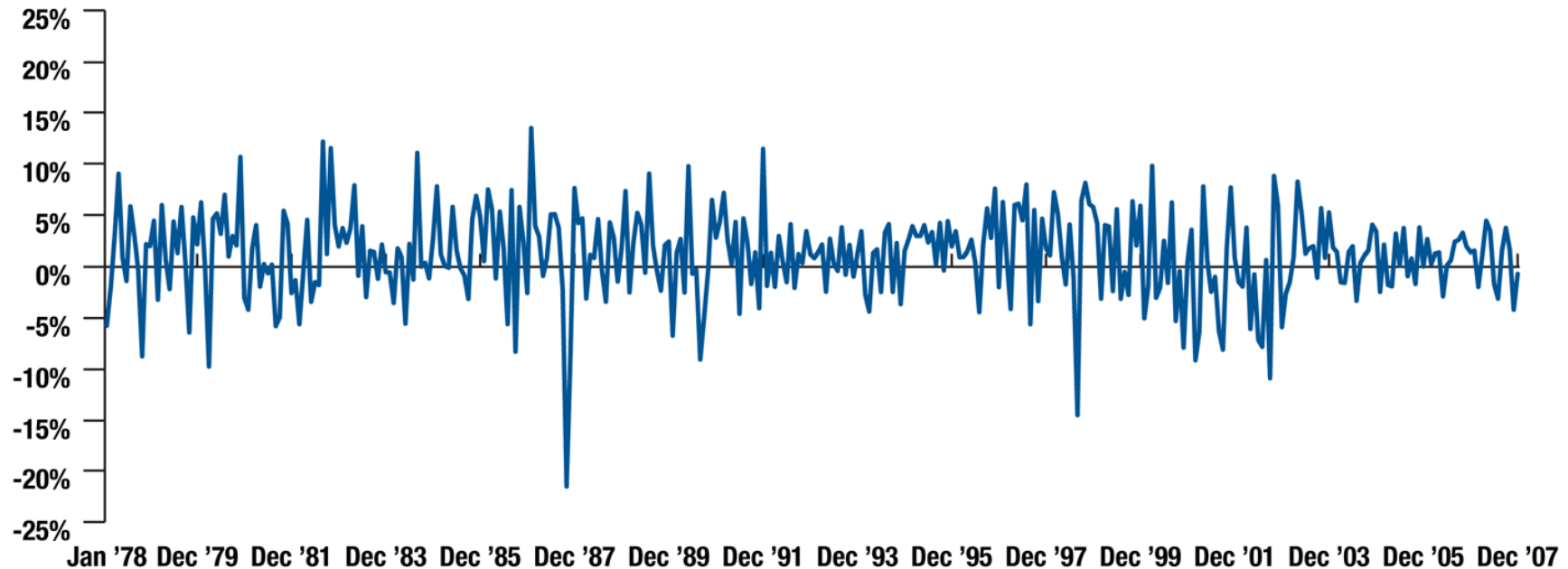
- Financial markets are unpredictable
 - *They go up, they go down*
- The best strategy is to stay invested
 - *Historically, markets have recovered*
- Advice from your financial advisor is invaluable
 - *Have a plan and stick with it!*

Financial markets are unpredictable

Markets go up, markets go down

Monthly returns for the S&P 500
Index from 1978 to 2007

The market is always
volatile...



Source PerTrac

Financial markets are unpredictable

Markets go up, markets go down

Three recent examples:

1. The crash of 1987
2. 1997 Asian currency crisis
3. 9 /11 terrorist attacks

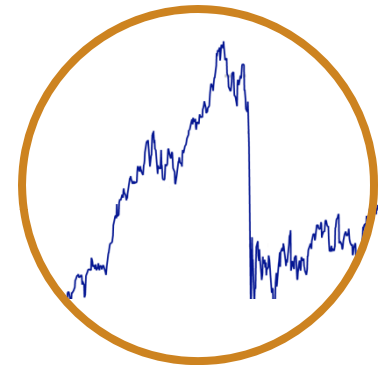
Financial markets are unpredictable

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The crash of 1987

The Dow took the first 100-point dive in its history on Friday, October 16, 1987. It did so again on October 19 on so called “Black Monday”.

In total, Wall Street lost 508.32 points, taking the Dow down to 1,739 points – a 22% drop.



Sources: Reuters, Government of Canada

Financial markets are unpredictable

Markets go up, markets go down

October 27, 1997

By the end of the day, the Dow Jones Industrial Average plummeted 554.26 points, or 7%, to 7,161.15. This was the 12th biggest percentage loss and 3rd biggest points loss on record. The NASDAQ Composite fell 7%, or 115.41 to 1,535.51. The S&P 500 fell 64.63, or 6%, to 877.01.

\$663 billion in market capitalization was wiped out.



Sources: Reuters

Financial markets are unpredictable

Markets go up, markets go down

The aftermath of 9/11 2001

When the stock markets reopened on September 17, 2001, after the longest closure since the Great Depressions, the Dow Jones Industrial Average (“DJIA”) fell 684 points, or 7%, to 8920, **its biggest-ever one-day point decline**. By the end of the week, the DJIA had fallen 1369.7 points (14.3%), **its largest one-week point drop in history**. US stocks lost \$1.2 trillion in value for this week.

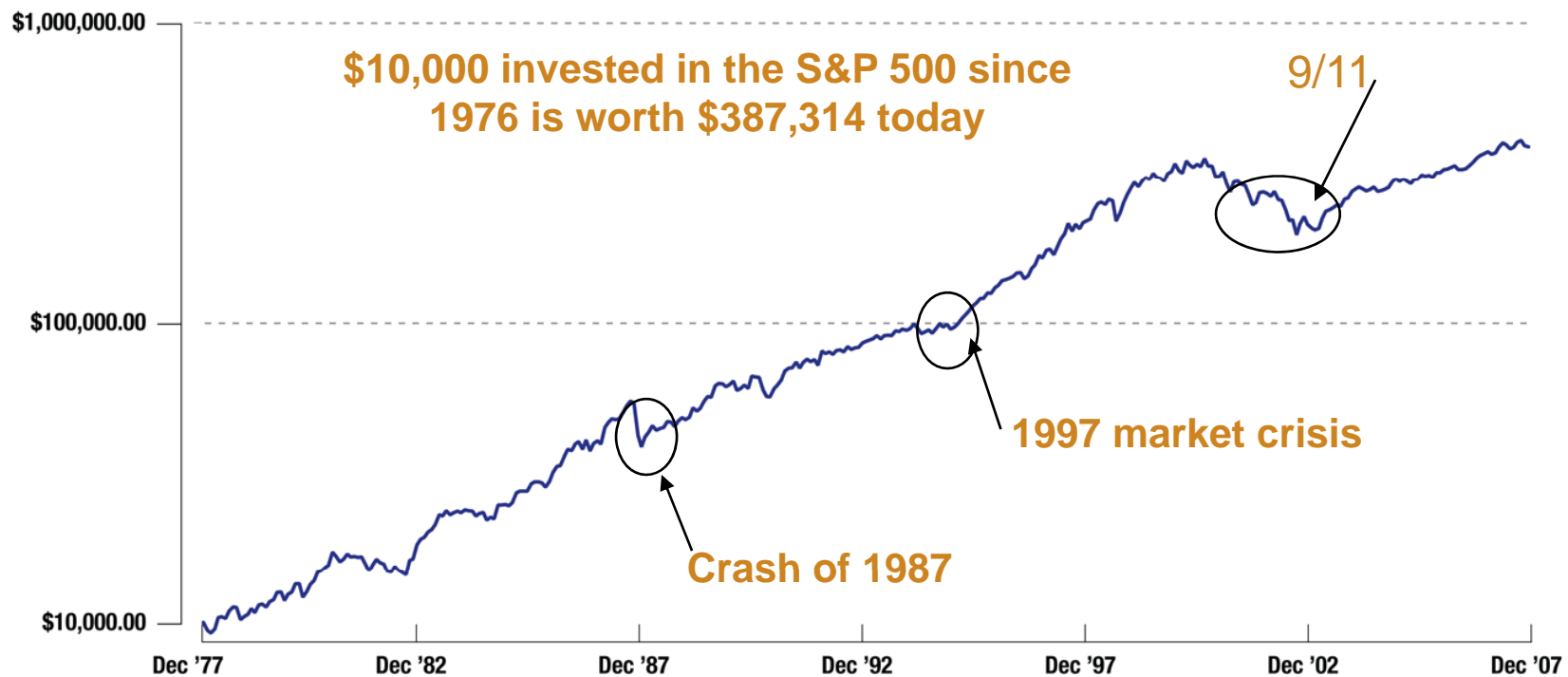


Sources: Reuters

Financial markets are unpredictable

Markets go up over time

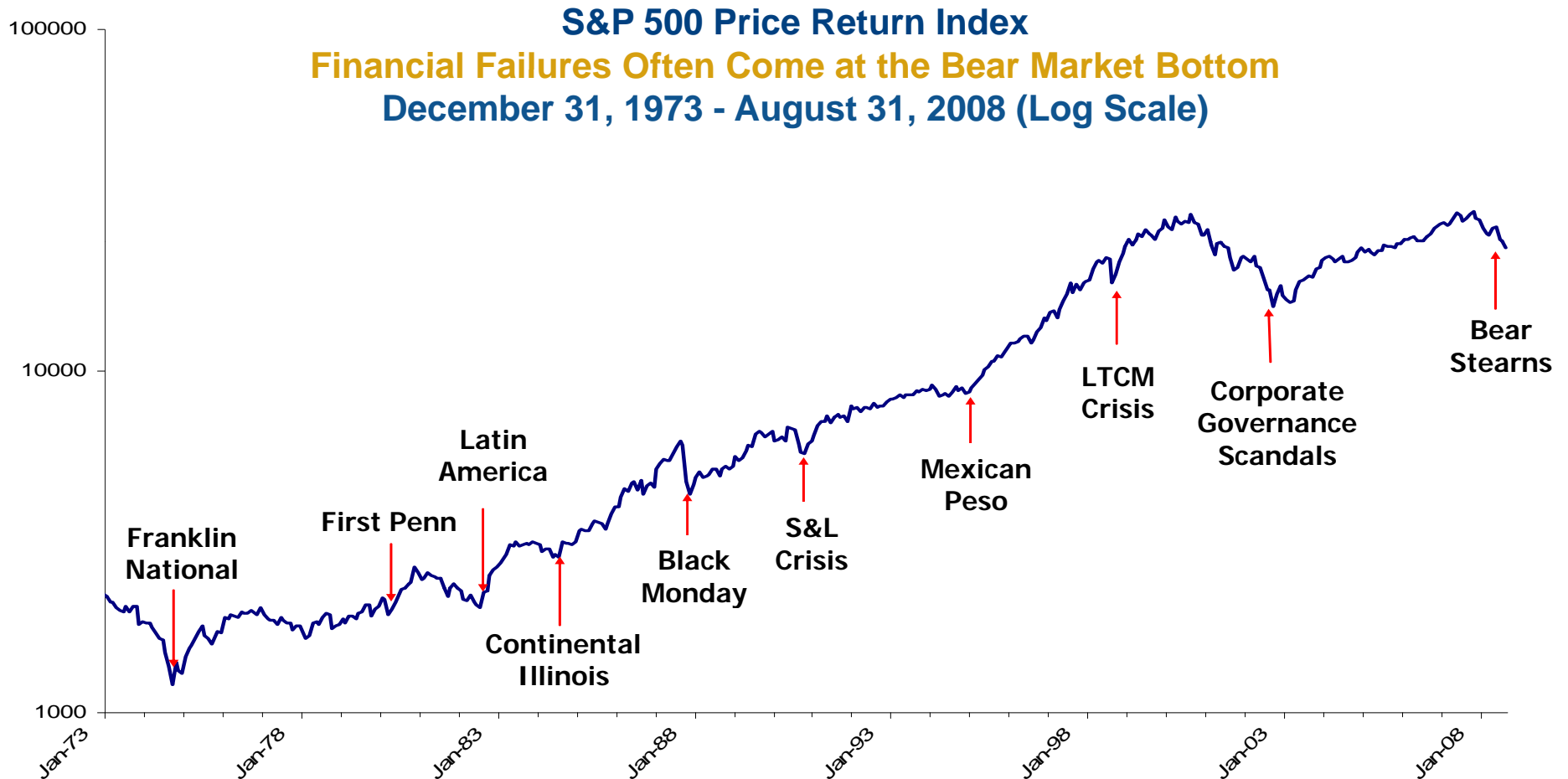
When you look at the long term, these are minor “bleeps”



Source PerTrac

Markets go up over time

Lessons from past financial crisis



Source: Globe HySales

Financial markets are unpredictable

Markets go up, markets go down

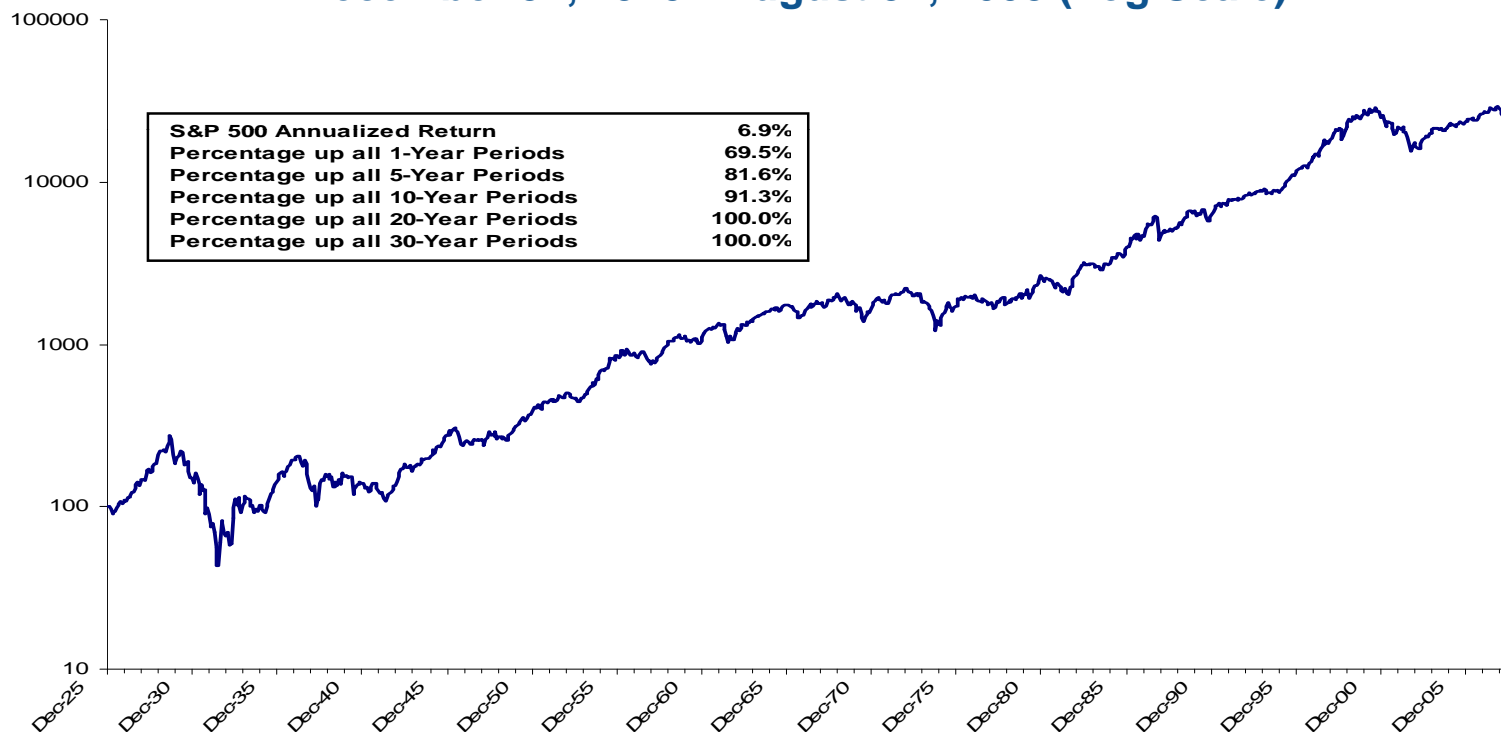
Event	Date	DJIA Percentage Gain/Loss			TSX Index % Gain/Loss		
		Days After Event			Days After Event		
		1-Day	6 month	1 Year	1-Day	6 month	1 Year
Cdn Govt Income Trust Announcement *	October 31, 2006	-0.4%	8.1%	15.3%	-12.2%	-2.0%	0.0%
Operation Iraqi Freedom	March 19, 2003	0.9%	17.9%	25.6%	0.2%	18.0%	32.9%
Enron files for the largest U.S. Bankruptcy	December 2, 2001	-0.9%	-1.4%	-10.0%	-0.7%	2.3%	-10.2%
9/11 - Terrorist Attacks	September 11, 2001	-7.1%	10.5%	-10.7%	-5.9%	7.7%	-9.9%
Asian Stock Market Crisis	October 27, 1997	-7.2%	17.5%	9.3%	-6.2%	9.5%	-15.7%
Oklahoma City Bombing	April 19, 1995	0.7%	14.3%	32.8%	-0.4%	4.4%	17.8%
Operation Desert Storm	January 16, 1991	4.6%	18.9%	29.5%	1.2%	11.7%	15.8%
Iraq invades Kuwait	August 2, 1990	-1.9%	-3.2%	4.9%	-0.8%	-6.2%	-0.7%
1987 Stock Market Crash	October 19, 1987	-22.6%	-11.0%	-4.9%	-11.1%	-6.2%	-6.1%
Falkland Islands War	April 2, 1982	0.6%	8.9%	35.3%	-0.2%	0.0%	35.6%
Nixon Resigns	August 8, 1974	-1.0%	-9.7%	4.2%	-0.4%	-1.2%	0.4%
Arab Oil Embargo	October 19, 1973	-0.3%	-10.8%	-30.5%	-0.5%	-11.7%	-28.9%
Martin Luther King Assassinated	April 4, 1968	-0.8%	9.2%	6.3%			
JFK Assassinated	November 22, 1963	-2.9%	11.9%	21.6%			
Cuban Missile Crisis	October 22, 1962	-1.9%	25.0%	31.3%			
Korean War	June 25, 1950	-4.6%	2.4%	9.4%			
Pearl Harbor	December 7, 1941	-2.9%	-9.9%	-0.8%			
	Mean	-2.8%	5.8%	9.9%	-3.1%	2.2%	2.6%

* TSX Index Returns are Scotia Capital Canada Income Trust Total Return Index.

Source: Bloomberg

The best strategy is to stay invested

S&P 500 Price Return Index Historical Probabilities of a Profit December 31, 1925 - August 31, 2008 (Log Scale)



Source: Globe HySales, PerTrac

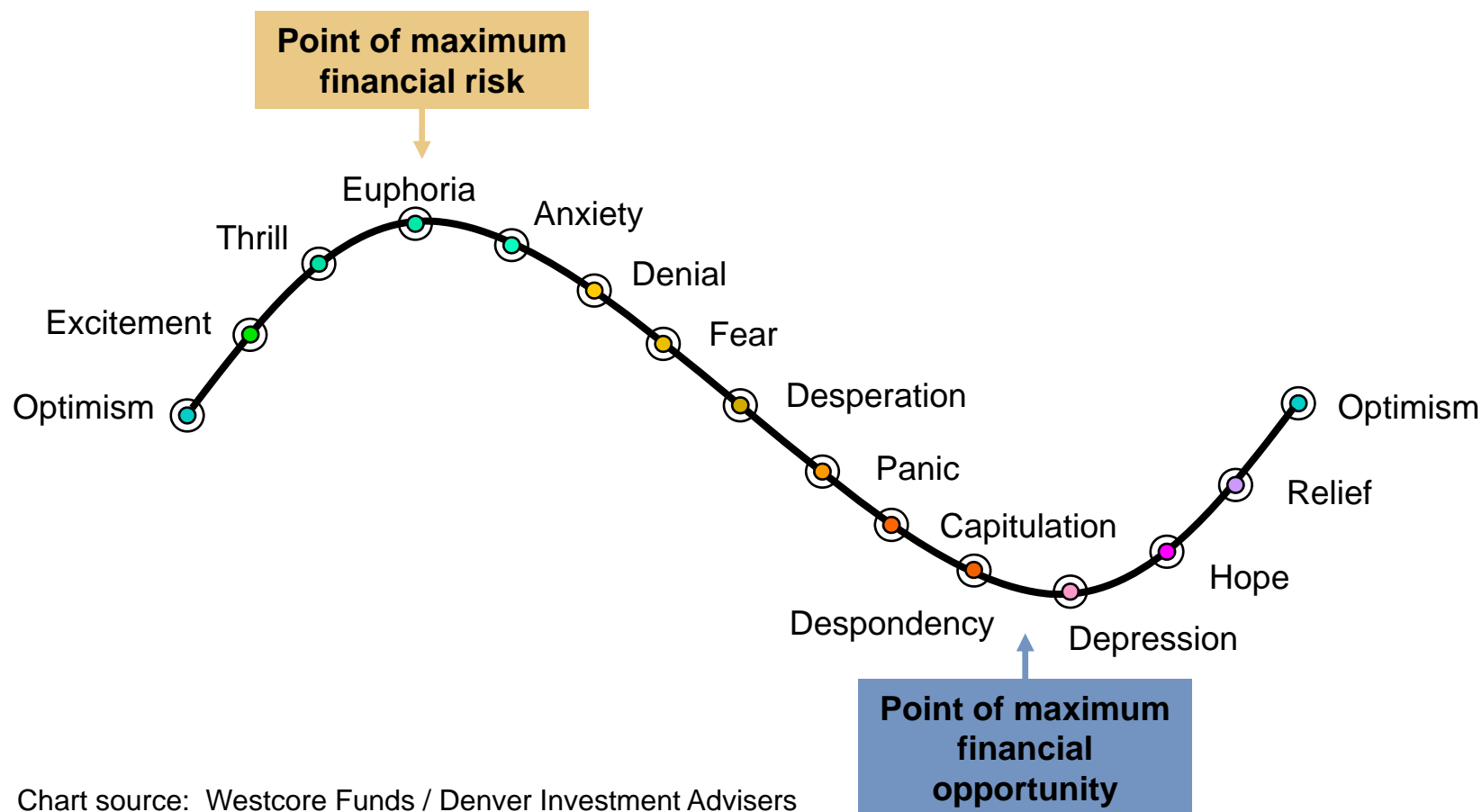
Good advice

“Much success can be attributed to inactivity. Most investors cannot resist the temptation to constantly buy and sell.”

Warren Buffett
Legendary investor

Don't let your emotions be your guide

The Cycle of Market Emotions

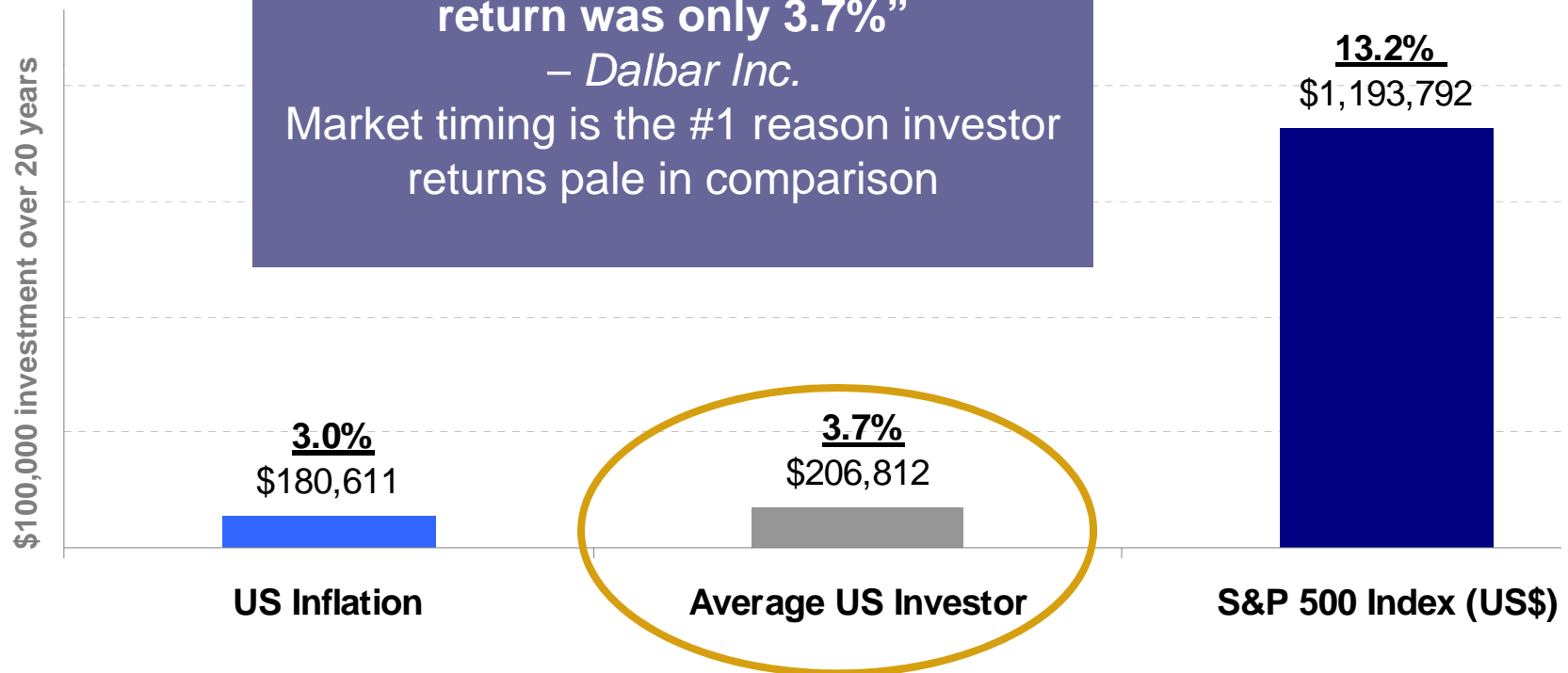


The best strategy is to stay invested No one wins by chasing the market

“While the S&P 500 returned 13.2%
over 20 years, the average investor
return was only 3.7%”

– Dalbar Inc.

Market timing is the #1 reason investor
returns pale in comparison

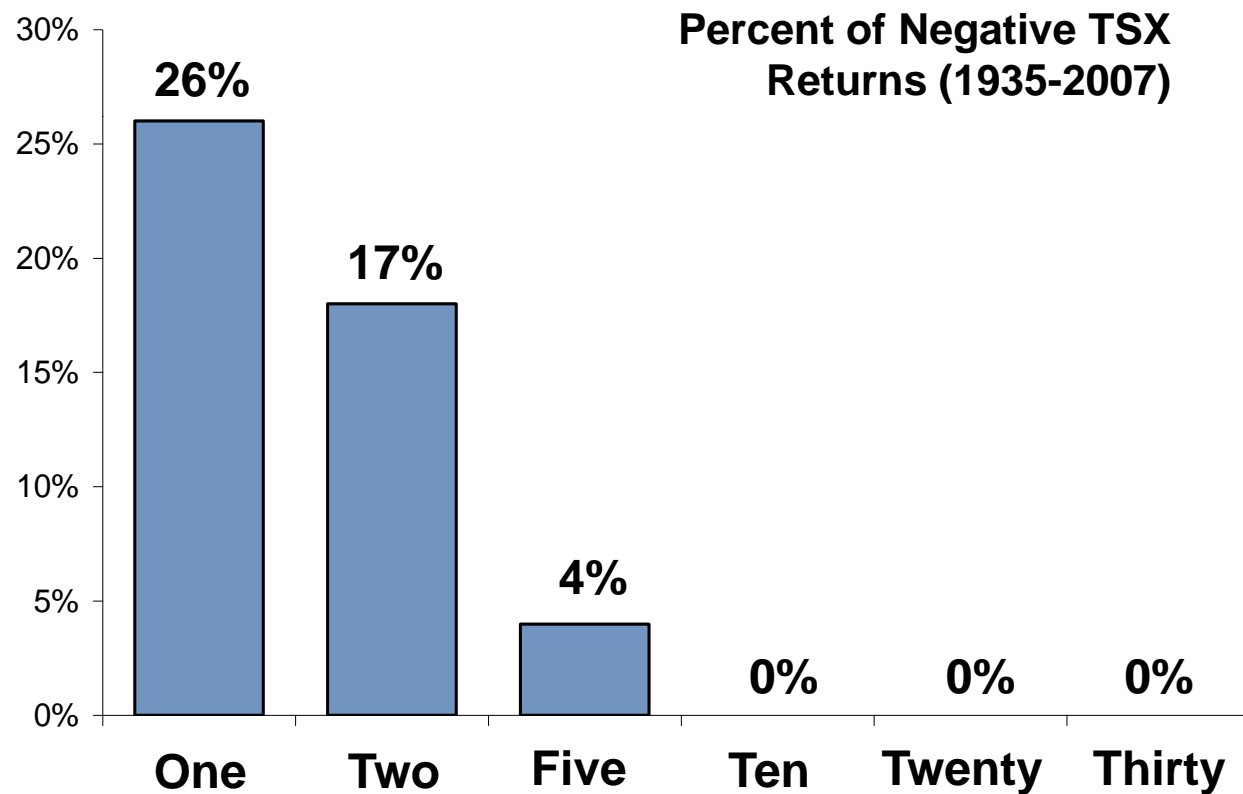


Source: 2006 Dalbar Inc. (US) Research Report.

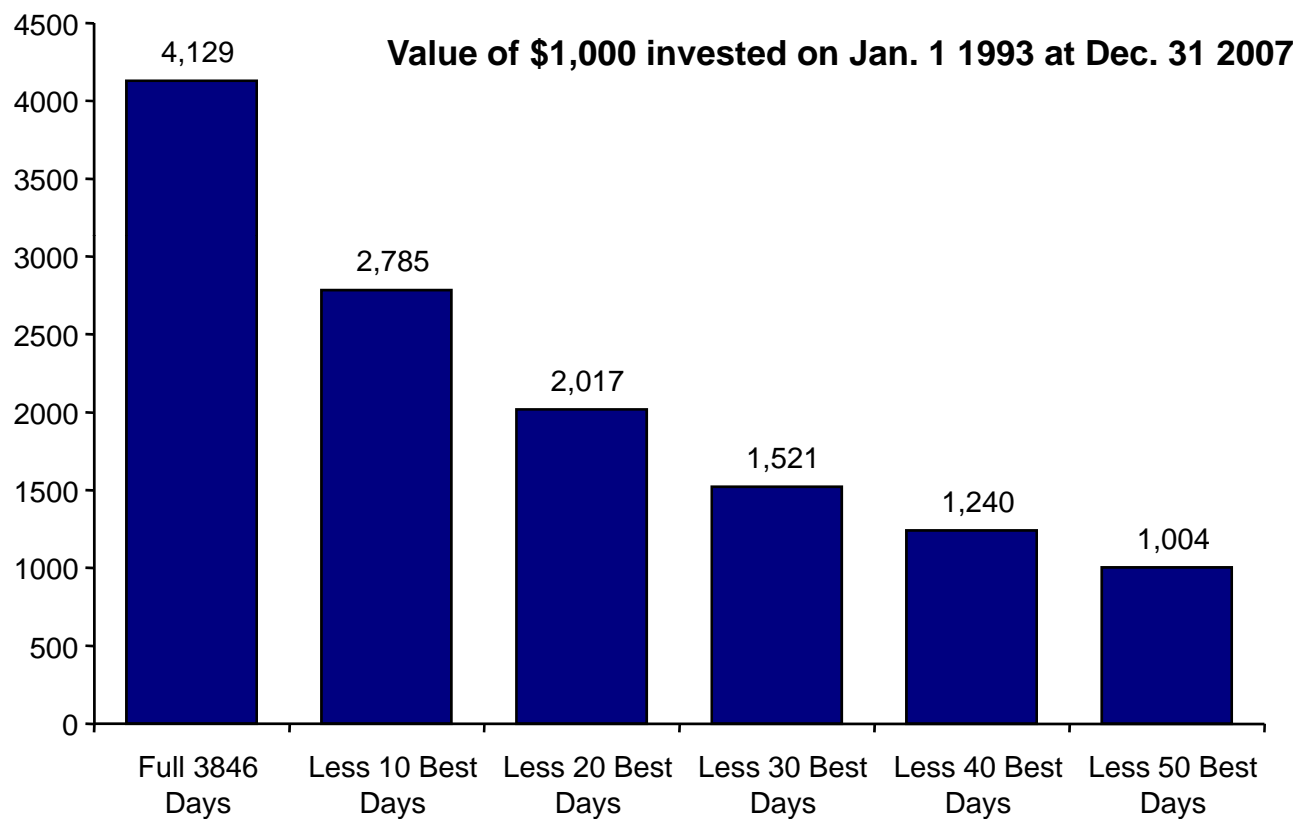
The best strategy is to stay invested

No one wins by chasing the market

Time in the market has proven to be a more important factor in protecting portfolios against losses

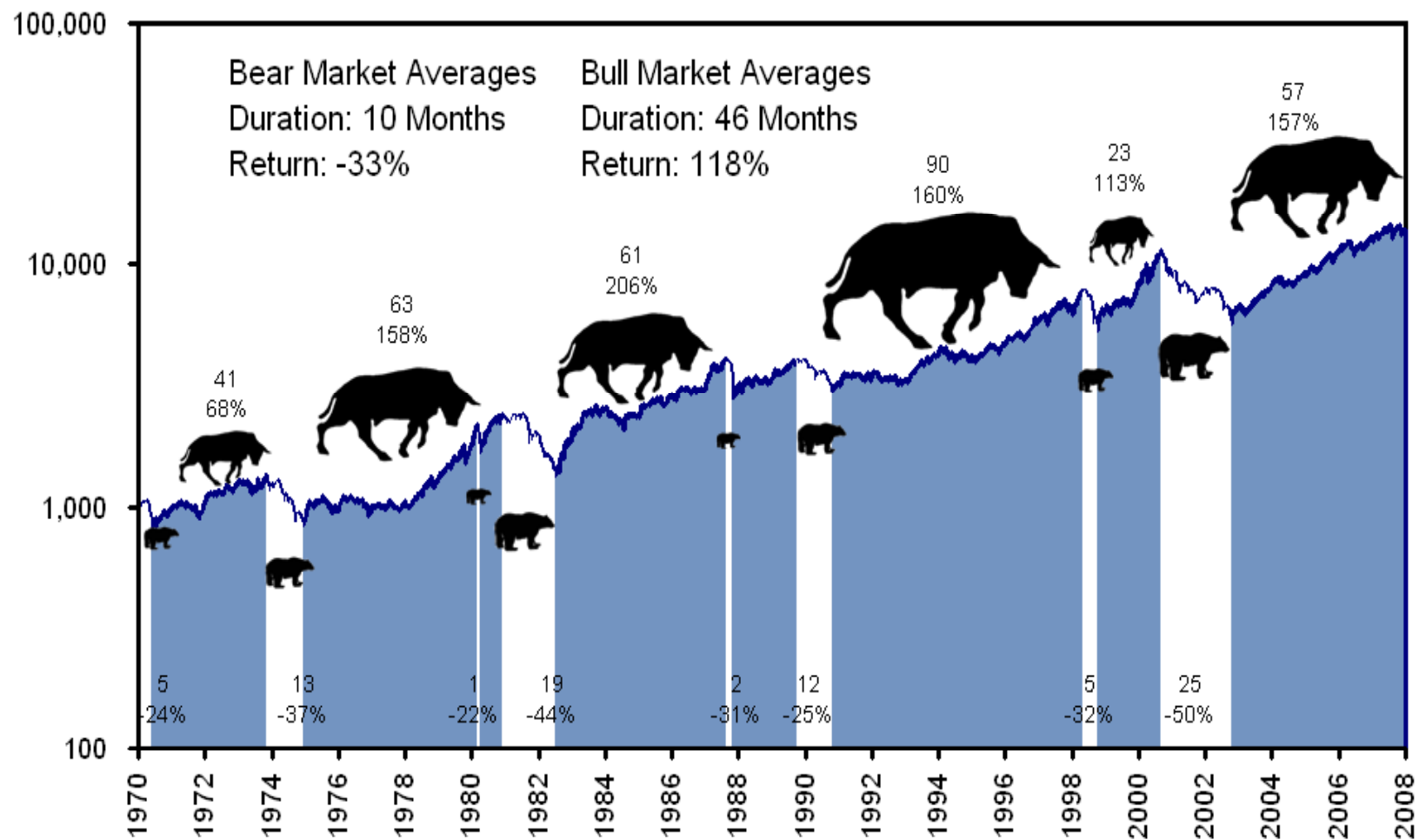


Time in the market versus timing the market



Source: Bloomberg, DundeeWealth

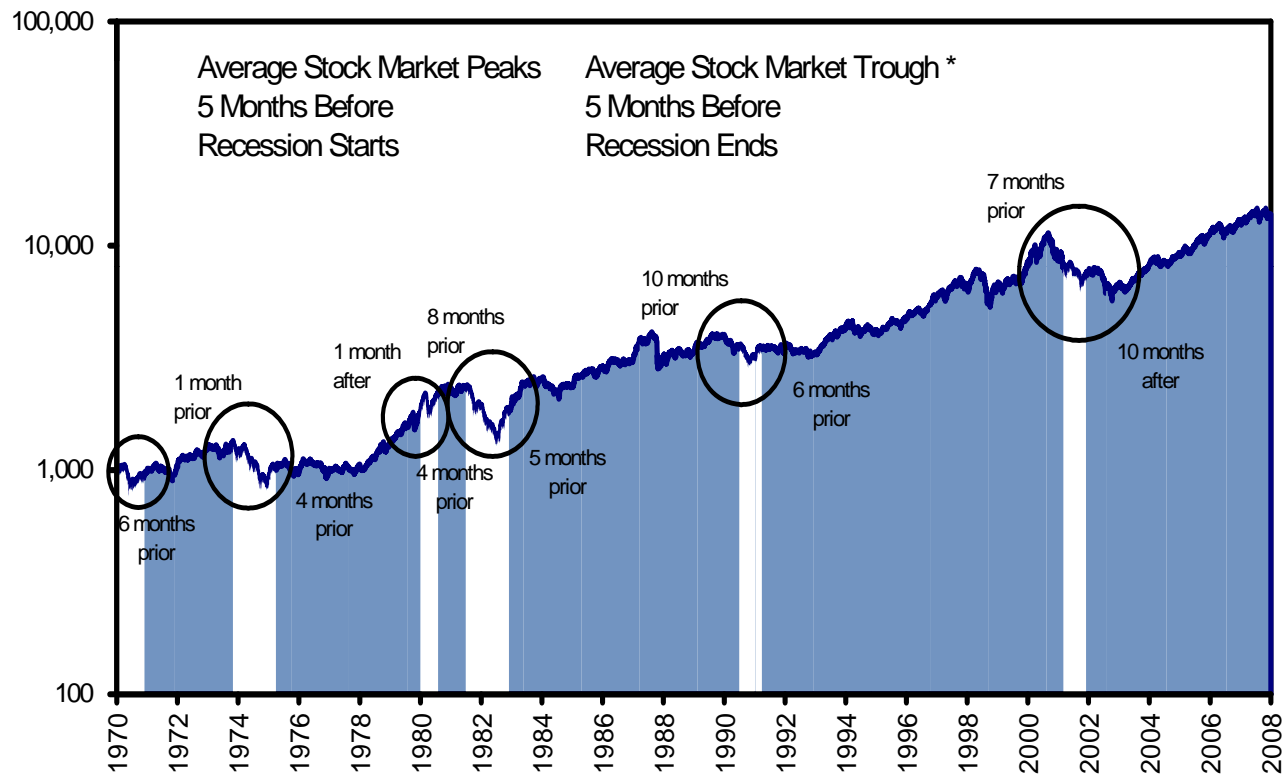
Focus on the long term



Source: Bloomberg, Datastream, DundeeWealth

Nobody consistently predicts the markets

The best strategy is to stay invested



* Excludes 2002 recession when markets bottomed 10 months AFTER recession end

Advice is invaluable Have a plan and stick with it!

- Talk with your financial advisor
- Review your investment objectives and long-term financial plan
- Don't assume the worst. Rely on your advisor's professional advice

Summary

- Nobody consistently predicts the markets: they go up and they go down
- History shows that staying invested is the best strategy
- Overcome the emotion by seeking out the advice of your professional financial advisor

Two kinds of market losses

- " There are two ways to lose money in the stock market - permanent loss of capital and temporary loss of capital.
- " Permanent loss of capital takes place when you invest in low-quality, speculative securities because when they go down, they never come back.
- " When high-quality companies like well-capitalized banks, insurance companies, oil and gas companies like Suncor and EnCana, mineral companies like BHP Billiton and Rio Tinto, gold companies like Barrick and Goldcorp, and others like General Electric and Microsoft go down, it's a temporary loss of capital.
- " When I see prices of those companies coming down, I'm convinced it's a temporary loss of capital and an opportunity.

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