

Money Wise!

CAQ Financial's Quarterly Newsletter



QUADRUS

Quadrus Investment Services Ltd.

*Compliments of: Rick Irwin, CFP, CLU
Investment Representative*



Market Watch

What a difference a few months makes! At the time your previous quarterly statements arrived, in July, markets were struggling with the debt situation in Europe and fears that this could spread globally and possibly even cause another recession. Those issues have not gone away but markets have rebounded strongly as governments have continued to step up to the plate to restore stability.

In fact, the month of September (historically one of the worst months for the markets) was the best month of September in 71 years for the US stock market and October, also typically a weak month, was very strong as well.

It was almost three years ago, November 2007, when the first cracks began to appear in the US sub-prime mortgage lending crisis that became a full-blown global panic in October 2008. Markets were at all time highs at that time and, despite going through one of the worst stock market drops in history, have clawed back most of their losses. It's true; we had three "lost years" but given the severity of the market drop, it is very reassuring to see how quickly those losses were made up.

I am especially pleased that over the last several months, several of the core funds I recommended to clients have had much better returns than the corresponding mar-

kets they are investing in. This out-performance has come from what I think will continue to be crucial as markets continue to work through some of the headwinds that they still face; active management. Whether it be individual stock picking or active trading or currency management strategies, active management has shown that it can add considerable value.

So whether it is the growth and dominance of individual companies like Apple Computers or the continued rise of the Asian consumer, there continues to be really compelling investment opportunities if you know where to look. There will be set backs, as structural issues persist in many Western countries, but there are many reasons to be positive. – Rick

Business Update

A lot has happened since the last newsletter. First of all, I subleased all of my remaining free office space to the YMCA Canada East Management Resource Centre, for a 2-year term. The Canada East MRC is one of four administrative centres nationally that provide support, training and strategies to the various YMCA member associations.

Their former location, the YMCA building on South Park Street, is undergoing an extensive renovation so they will be sharing office space with me for the next 2 years. It's a great organization and I am very happy to have them here.

I am also very pleased to announce that I have recently hired Melissa Allan to come on board to help with client service work and assist me with providing insurance solutions. Melissa is initially starting on a shared basis with another advisor in Dartmouth.

Melissa has ten years' experience in the insurance and financial industry. Most of this time was spent in Ontario where she worked for a large brokerage firm working with the top insurance companies in Canada. She is currently working on the IFIC Canadian Investment Funds Course with a long term goal of a Registered Health Underwriter (RHU) designation.

She is committed to providing the highest level of service and customer focus to provide clients with insurance coverage that best suits the needs of themselves, their families, and their businesses.

Melissa moved to Halifax with her family in the summer of 2010 after her husband was posted here with the Canadian Forces. They are originally from the East Coast and hope to stay here long term with their children Connor and Bennie.

I am really happy to welcome Melissa to the team and feel she will be a big asset in delivering a high level of well rounded financial solutions to clients. Amanda is happy to have someone to talk to other than me! – Rick

Equity Fund surge in October.



Canadian mutual fund investors chalked up another strong month in October, at least in their equity exposures, according to data compiled by Morningstar Canada.

All eyes were on the U.S. Federal Reserve, which as expected introduced a second round of quantitative easing in early November. The expectation of additional stimulus drove global markets higher. As a result, all 24 of Morningstar's equity fund indexes gained ground.

"With markets expecting roughly US\$500 billion to US\$1 trillion in additional bond purchases, virtually all assets felt the

impact of the looming U.S. government move to boost its economy by devaluing its assets," said Esko Mickels, fund analyst for Morningstar Canada.

A weaker U.S. dollar means higher nominal prices on most commodities, and that drove the Natural Resources Equity Fund Index to the top of the table, with a gain of 5.2%.

The Canadian Small/Mid Cap Equity, with its heavy weighting in resources, posted a gain of 4.3% and Canadian Focused Small/Mid Cap Equity index climbed 3.8%. By comparison, the overall S&P/TSX Composite Index gained 2.7% in October.

With a somewhat weaker exposure to resources, the Canadian Equity and the Canadian Focused Equity fund indices each still managed to gain 2.3%. The Canadian Dividend & Income Equity Fund Index gained 1.6%, as its large exposure to the financial sector dragged on returns.

The falling U.S. dollar sparked further battles in the so-called currency war, with other countries devaluing their currency in an effort to shore up exports.

The European Equity index and the U.S. Equity index gained 3.5% and 3.4%, respectively. The International Equity index was up 2.8%, while Global Equity gained 2.4% and the Asia/Pacific ex-Japan Equity index picked up 2.2%.

While the main Japanese stock index failed to join the global rally—the Nikkei 225 fell 1.8%—Canadian investors benefited from a rising yen, and the Japanese Equity Fund Index gained 0.8%.

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Emerging Markets Update: Strength in Numbers

There has been a lot of talk in the press lately about the “death of the consumer”, particularly as it applies to the U.S. While it is true that collectively U.S. consumers have been repairing their household balance sheets by paying down debt and cutting back on consumption, there is another part of the world that is just hitting the demographic “sweet spot” of consumption.

The United Nations recently published a study where they estimated that by the end of this decade, there will potentially be 1.3 BILLION middle class consumers in Asia alone. That's more than double the population of the U.S. and Europe

combined! What's more, this army of new global consumers are entering their peak consumption years with a low level of debt and a high level of unmet needs. It's highly probable that the sheer number of consumers will drive global growth for years to come.

The issues that face the Western economies, high levels of consumer and government debt and unfavorable demographics in terms of an aging population, are not negatively affecting Asia and the other emerging markets; in fact the opposite is the case. In India alone, there are over 600 million people under the age of

35. Where these markets were once almost entirely export-dependent, they are now much more focused on domestic demand and governments are very much focused on upgrading, or implementing, infrastructure and public services to satisfy the demand of the burgeoning middle class. Despite the doom and gloom, investment opportunities abound...if you know where to look! -Rick

Critical Illness Strategies

We all know someone who was recently diagnosed with a Critical Illness. Whether it was someone in your immediate family, circle of friends, or a co-worker. The shock of this diagnosis is heart wrenching. One should not be worried about their finances at such a time, but chances are they will be.

We hope none of you reading this ever have to receive such a diagnosis, but some of you will. It is a fact.

Statistically speaking, most Canadians are walking around with debt, and rely on their pay cheque to get them through the ever rising costs of day to day living.

Critical illness insurance can provide you with a cash benefit to use the way you want, so you can focus on your recovery. You may use this money to pay off debt, get the best medical care money can buy, or simply to enjoy your life while you can.

This is a fairly new product to the insurance market and since it was initially introduced it has significantly been enhanced by adding

various illnesses and optional benefits such as Return of Premium!

Simply put, if you purchase a Critical Illness Insurance policy you are insured for 22 plus illnesses (Cancer, Heart Attack, Stroke, Alzheimer's, Multiple Sclerosis, etc.) If you are lucky enough to sail through life without being diagnosed with one of these illnesses you should qualify to have your premiums returned at a specified time depending on the way your contract is set up.

We love the idea of taking out a lifetime protection policy with the option to surrender at age 65. This still leaves enough time to significantly invest into your retirement fund!

If you do have to make a claim, you will receive a lump sum payment when the specified waiting period has been completed. (Typically 31 days on the more common illnesses).

Should you die before a claim can be made then your premiums will be returned at death to your named beneficiary. Of course, if a claim is made, the policy pays out and no refund of premiums will occur.



Critical illness insurance is designed to insure you when you need it.

It is even available for children and when your child turns 25 they could receive a refund if no claim was made!

I wish all products carried this return of premium option (car and home insurance to name two that pop to my head)!!!!

Buying critical illness insurance makes sense, we don't plan these types of illnesses but we need to make sure we are protected in the event we are faced with it.

If you would like more information on this product and how it could work for you and your family, please let us know. We would be more than happy to discuss it further.

-Melissa

Debt Levels: Canada v. US

Governments around the world have been rocked with the largest credit crisis in recent times. The crashing of the US (and European) property bubble set off a tidal wave that nearly brought the global banking system to its knees. Government stepped in quickly to stop the crisis from spreading, but not without a cost as the tab for the vast bailout was ultimately added to the public national debt of the European nations and the US. That was bad enough, but the situation was compounded by the fact that these nations had relatively weak balance sheets going into the crisis.

The US and Europe have

clearly taken two approaches to deal with the problem. The US has continued to administer "quantitative easing" which is a relatively benign term for further government intervention in the financial markets with the goal to stimulate the economy. The public debt load increases but if they can stimulate the economy enough, the theory is that they could grow their way out of the problems that face them...or inflate their way out which is less desirable. In Europe, the governments have begun "austerity" measures which simply means cutting back on social entitlements, tax increases and spending cuts. It could even mean the sale of government assets.

So who is right? This is an interesting global experiment on the grandest scale. Recent history shows that nations can get out of even such a deep debt hole as the US and Europe finds themselves in now. In fact, the nation that did it (and why we can be so smug now at having the best government finances in the developed world) is our own.

Not that many years ago, Canada was in as bad fiscal shape as the US and some European nations are now, as measured by our debt-to-GDP ratio. But government policy and a weak dollar, managed to turn the situation around in a few short years and we are now reaping the dividends of that. So it is not impossible for governments to right the ship...it's just not easy to swallow the medicine it takes to get there. -Rick



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A referral is the best compliment that a client can give. Many thanks to all our clients who have referred us over the years!

Recapture the holiday spirit

Every December, many Canadians lose their holiday spirit as they bend their heads into the wind, watch salty slush eat into their new boots and psych themselves up to brave the overcrowded malls.

Before you fill your calendar with activities sit down with your family and find out what everyone would really like to do this year. Ask your kids and your spouse what they love most about the holidays. Parents are often surprised to discover that their children look forward to spending more time with them, enjoying simple things like skating, watching movies, and checking out the neighborhood lights.

We thought we would share one of our favorite things about Christmas with you!

Rick: I'm really a kid at Holiday time! I love being with family and friends, seeing the excitement on my children's faces when they see the tree Christmas morning, building snowmen families (as one is never enough), Christmas "movie night" with Jacob, which has now become a weekly tradition, last-minute shopping (hey, I'm a guy), decorating the house (which really means the outside lights and bringing the boxes from the basement for my wife to decorate) and the fact that the Elves' magic crystal snowball trick will still work to keep the kids behaved! (They're pretty good most of the time though.) Most of all, I appreciate that there is no better time to take a few steps back from a busy schedule and spend time with loved ones and take stock of what really matters.



Amanda: I love taking the time to bake sugar cookies with my son. I love watching how excited he gets when its time to decorate the cookies with icing and dip them in colorful sprinkles. Not to mention the excitement when it's time to eat the creations and share them with friends and family. I also love the smell of the fresh cut tree and I even enjoy the silly annual debate with my spouse on why we should get an artificial tree next year.... I'm sure you've all been a party to this debate once or twice!

PS—The tree is real again this year ;-)

Melissa: I love taking my children sliding down the biggest hills they can find. Looking at them walk like penguins in their snow suits, bundled so tight they can barely walk, the rosiest cheeks and the biggest smiles peaking through the scarves wrapped snugly across their faces! They try to make it out at least once a week to do this on nice days and often head home after to drink hot chocolate and watch their favorite Christmas movie "The Polar Express"!

Hopefully this holiday finds you enjoying old traditions and making new ones!