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MAUDE FINANCIAL INC.

Quarterly Update

Boomers' Advice to Young Canadians

-Open a RRSP as soon as possible and contribute to it on a regular basis
-Open a TFSA and maximize the amount you invest in it annually
-Take the time to create a financial plan that includes a retirement component
-Make it a priority to pay-off your mortgage faster

-*Canadian Initiative for Elder Planning Studies (Ed.10, Vol 3)*

First Quarter Review

The markets had a great start in 2012! The first quarter showed an increase in market trends. Canada however was once again the laggard. The Canadian TSX was up only 3.66% while the United States S&P 500 was up a remarkable 12%. The U.S. (S&P and Dow) had the best first quarter since 1998.

Economic data has been stronger in the U.S. than Canada, and the markets have reflected that reality. I always tend to worry when things are going too well but a few reliable fund managers think that economics in the U.S. (i.e. GDP and job creation) are improving. This will help inspire more confidence in investors which in turn (along with earnings) results in better markets.

On the other hand, some pundits are calling for a short term pull back before markets rise any higher.

Having said all that, market fluctuations are normal and desirable. In the last few years volatility in the markets has increased greatly compared to historic averages. This tends to make investors nervous and prompt unwise investment decisions. This is dangerous as it is impossible to outguess the market, especially when it is extremely volatile. Most who attempt this strategy of investing fail miserably. It is important to make sure that your time horizon is appropriate and let fund managers do their jobs. Your patience and trust will be rewarded!

	Market	Dec 31, 2011	Mar 31, 2012	Year to date
Canada	TSX	11955	12392	3.66%
U.S.	DOW	12212	13264	8.14%
U.S.	S&P 500	1258	1408	12.00%
U.K.	FTSE	5572	5768	3.52%
France	CAC	3160	3423	8.35%
Germany	DAX	5898	6947	17.78%
Japan	NIKKEI	8455	10084	19.26%
Canadian $		$98.07 US	$100.09 US	1.79%
Oil (US$)		99.66	105	5.40%

*** Source: CNN Money*

Did you know…

According to the Canadian Real Estate Association, the average home price in Canada increased by just over 5% between 2010 and 2011. Listed below is the average cost of a house across Canada in 2011.

P.E.I. - $139,740

New Brunswick- $156,126

Nova Scotia- $213,334

Manitoba- $229,934

Saskatchewan- $255,580

Newfoundland-$260,402

Quebec-$267,342

The Yukon-$313,064

Alberta-$356,535

NWT- $362,650

Ontario- $373,781

British Columbia- $529,141

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There are people who have money and people who are rich. ~Coco Chanel

Wise Words

As I see it, part of my job is to educate you, my clients on all things financial. To that end I will paraphrase some ideas from Warren Buffet's annual newsletter and commentary from QV Investors Calgary, used with permission.

Mr. Buffet starts by defining investing as forgoing consumption now in order to have the ability to consume (more) later. He considers the risk of an investment not to be measured by its volatility, as assets can fluctuate greatly in price. Rather it is more critical that assets are reasonably certain to deliver increased purchasing power over the contemplated holding period. Buffet outlines three major types of investments.

Currency Based Investments - include money-market funds, bonds, mortgages, bank deposits etc. The common perception is that these are "safe" investments. In truth, they are the most dangerous of assets. Their volatility may be zero but their risk is huge. Buffet points out that over the past century these types of investments have destroyed the purchasing power of investors in many countries, even as holders continued to receive payments of interest and principal. With current interest rates, bonds should come with a warning label!

Assets that will never produce anything – these investments are purchased in the hope that someone else will pay more for them. The major asset in this category is gold, currently a favourite of investors who fear almost all other assets. Mr. Buffet works through an example where he values the worlds gold stock today at (about $10 trillion) to what one could buy with that $10 trillion; namely all the U.S. cropland plus 16 Exxon Mobils (the world's most profitable company). He points out that a century from now the farmland will have produced a staggering amount of output and Exxon trillions of dollars in dividends. The gold will be unchanged in size and still incapable of producing anything. Buffet asserts that the value of the productive assets far will outweigh the gold.

Investments in Productive Assets – businesses, farms, or real estate. In inflationary times these assets should have the ability to deliver output that will retain its purchasing power. Whether currency is based on gold, seashells, sharks teeth or paper people will forever exchange what they produce for what other people produce. Our county's businesses will continue to deliver goods and services wanted by our citizens. These commercial "cows" will live on and give ever greater quantities of "milk". Their value will be determined not by the medium of exchange but by their ability to deliver product. Proceeds from the sale of "milk" will compound for the owners of "cows", just as they did in the 20th century when the Dow increased from 66 to 11,497 (and paid loads of dividends as well). I agree with Buffet when he states his belief that over an extended period of time this category of investing will prove the runaway winner among the three outlined here. More importantly it will be the safest. With the above in mind it is very important to review asset mixes to make sure they are appropriate for you!

Are you interested in receiving our Quarterly Newsletter by e-mail? Send your request to maudefin@incentre.net. Please ensure that your full name is clearly marked on the e-mail.

The best things in life aren't things.
- Art Buchwald