July 2012

MAUDE FINANCIAL INC.

# Quarterly Update

Keeping your information up to date helps us provide you with better service. If since our last meeting there have been material changes in your personal circumstances including any changes to your:
- investment objectives
- investment risk tolerance
- investment time horizons
- or to any other personal information you have previously provided [ie-annual income, number of dependents or change of address]

Please contact our office directly to provide your updated information or to make an appointment.

## Second Quarter Review

From the great start in the first quarter of 2012, there has been a pull back in Q2.

As in the first quarter, Canada is the laggard while the U.S. and Germany are the winners on a YTD basis.
Turmoil over Europe [Greece, Spain and Italy] reared it's head again, that combined with poorer job numbers in the U.S. were the key factors in stock market pullbacks around the world.
Counteracting those key factors was the price of oil dropping over 19% since the end of March. Oil price reductions act like a tax break for the world leaving more money in the pockets of consumers and corporations. This helps economic growth.
I must reiterate my advice in our first newsletter of the year. It is not wise to try to out guess the markets – so don't try [see page two for more about this]. Make sure your risk tolerance matches your portfolio and then let the fund managers do their jobs!

A portfolio review is an appropriate time to revisit your investment time horizon and risk tolerance.

| | Market | Dec 31, 2011 | Mar 31, 2012 | June 30,2012 | Year to date |
|---|---|---|---|---|---|
| Canada | TSX | 11955 | 12392 | 11597 | -3.00% |
| U.S. | DOW | 12212 | 13264 | 12880 | 5.50% |
| U.S. | S&P 500 | 1258 | 1408 | 1362 | 8.27% |
| U.K. | FTSE | 5572 | 5768 | 5571 | 0.00% |
| France | CAC | 3160 | 3423 | 3192 | 1.00% |
| Germany | DAX | 5898 | 6947 | 6416 | 8.80% |
| Japan | NIKKEI | 8455 | 10084 | 9007 | 6.50% |
| Canadian $ | | $98.07 US | $100.09 US | $98.33 | 0.00% |
| Oil (US$) | | 99.66 | 105 | 84.96 | -15.00% |

*** Source: CNN Money*

"Look at market fluctuations as your friend rather than your enemy; profit from folly rather than participate in it." ~ Warren Buffett

## Did you know…

The Canadian penny currently consists of 94 per cent steel, 4.5 per cent copper plating and 1.5 per cent nickel, according to the Royal Canadian Mint.

Until 1997, the penny was made almost entirely of copper. If you add up all the copper from all the pennies in Canadians' pockets, buckets and spaces between seat cushions, there is at least 31,000 tonnes of the metal. At current market prices, that would be worth close to $300 million.

**Source CBC.ca/news*

## In Addition…

Canada's last penny was minted on May 4, 2012. In part because of rising prices for the metals it's made of, as it actually costs 1.6 cents to produce every penny.

**Source CBC.ca/news*

***Maude Financial Inc.***
***5116 – 50 Avenue***
***Wetaskiwin, Alberta***
***T9A 0S6***
***Tel: (780) 352-8111***
***Fax: (780) 361-0334***
***Toll free: 1-877-352-8111***
maudefin@incentre.net

Manulife Securities
INVESTMENT SERVICES INC.

# The Best of Times & The Worst of Times

It was the best of times, it was the worst of times…Charles Dickens wasn't thinking of the stock market when he wrote this famous line but a parallel can be drawn. It is human nature to want the best and avoid the worst. In the stock market when times are good, everyone wants to buy and when times are tough everyone wants out of the market. This instinctual reaction goes against some fundamental investing principles.
The following data, taken from the S&P500 in the United States, illustrates several approaches to investing.

- From 1928 through 2011, a $1 investment would have grown to $71.21 under a buy and hold strategy that captured the performance of each and every day- including the 10 best and the 10 worst days.
- If you missed the best 10 days of market performance in those 84 years, $1 would have grown to only $23.62, about one third of the growth for the entire period. Clearly you don't want to miss the 10 best days.
- If the investor missed the 10 worst days a $1 investment would have grown to $226.14, more than tripling the overall growth from 1928 through to 2011. This shows that losses can have a disproportionate impact on portfolio returns versus gains
- Missing both the 10 best and 10 worst days would have resulted in a return of $75.01 on a $1 investment. That's $3.80 more than the buy and hold strategy.
- Finally if an investor avoided the market completely, they'd have $19.32 after 84 years.*

Now you're probably thinking the best course of action is to simply avoid the worst days of the stock market. But could those days have been predicted?

In the past 84 years, the ten best and the ten worst days in the stock market typically fell in proximity to each other. This year is a perfect example with the best and worst days of the year occurring in the same week in June. This makes it extremely difficult if not impossible to avoid the worst days yet benefit from the best.
As you would expect many of the worst performance days hit during bear markets. But so did many of the best performance days. Extreme volatility goes with the territory.

So what is an investor to do? I believe that an investor's first priority is to minimize risk, as opposed to chasing after maximum returns. Stay invested but make sure your investment portfolio matches your risk tolerance. Remember that cash returned very little after 84 years. Be aware that intentional investing is about thinking carefully, planning thoughtfully and acting deliberately.

"Unfortunately as human beings we are cloaked with a series of cognitive biases that can hinder our ability to understand the meaning of both value and risk which impacts how we make our investment decisions. While Darwinian forces once helped us run from the sabre tooth tiger it is now causing people to churn portfolios as market volatility increases and opportunity costs (loss aversion ) soars." **

*Excerpts above are from * Invesco and **Alex Crookes of TriVest Wealth Council Ltd. Used with permission*

**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 investor of today does not profit from yesterday's growth."** ~ Warren Buffett