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## The Wise Investor 2011 Q1 EDITION

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## **A Good Start to 2011**

Although global capital markets had a strong start to 2011, they were later unsettled by a string of developments around the world. These included political uprisings in North Africa and the Middle East – most notably the violent battles in Libya – a resurgence of sovereign debt concerns in Europe and the aftermath of the earthquake and tsunami in Japan.

Despite the higher volatility that came with these events through February and March, equity markets exhibited resilience and finished with gains for the first three months of the year. In Canada, the S&P/TSX Composite Index rose 5.6% and the S&P 500 Index in the U.S. gained 5.9% (3.5% in Canadian dollars), based on strong corporate earnings reports and improving confidence. Many overseas markets also posted positive results, as the MSCI World Index added 2.5% in Canadian dollar terms. Gold continued to benefit from its demand as a “safe haven” investment, reaching an all-time peak of more than US\$1,439 per ounce at quarter-end, while the Canadian dollar, buoyed by strong commodity prices, strengthened against the U.S. dollar.

The rising prices of commodities, fuel and precious metals have helped to boost Canadian stock prices in recent quarters, but they are a reminder that inflation remains a potential concern and could lead to higher interest rates. Increased input costs may begin to dampen profit growth at some companies.

While market jitters may linger through coming months, investors can take comfort in signs that the economic recovery, firmly rooted in the developing world, continues to advance in more developed economies. Figures revised upward in late March showed that the U.S. economy grew at an annualized rate of 3.1% in the fourth quarter of 2010, for its strongest annual gain since 2004. Corporate profit margins in the U.S. have risen to an average of about 15.5%, with much of the increase coming from strong sales growth. Although the U.S. housing market remains weak, healthy fourth quarter

**Mutual Funds provided through FundEX Investments Inc.**

*If your personal or financial circumstances have changed, we urge you to contact our office immediately to provide us with the updated information. This is important as any change may result in an adjustment to your portfolio in order to ensure that it remains in line with your investment objectives and risk tolerance.*

*If you require to update or your mailing address or your banking information, please call our office at 560-3430 or email us at [inforce@faiellafinancial.com](mailto:inforce@faiellafinancial.com) and our office will gladly process your request on your behalf.*

*If we do not hear from you, we will assume that the information we have on file is correct and remains the same.*

earnings results should help to spur hiring, ultimately translating into stronger consumer demand in the world's largest economy.

In closing, the market's recovery appears to be well supported. As always, it makes sense to invest through a balanced, diversified portfolio tailored to your individual objectives. If you have questions about the current market environment or your mutual fund portfolio, please do not hesitate to give me a call to arrange a meeting.

**The Tax Free Savings Account (TFSA)**—Since January 2009, the TFSA has allowed any Canadian resident 18 years and older to save up to \$5,000.00 a year Tax-Free. Here are a few key features of a TFSA:

- Any unused contribution room can be carried over to future years.
- Investment earnings and growth is tax-free even when withdrawn
- Power to save without paying taxes on the growth of your investments or impacting your eligibility for government income based benefits.
- Withdrawals can be made at any time and for any purpose without incurring withholding tax.
- Withdrawals can be re-contributed into your TFSA in the following year
- Contributions are not tax-deductible for income tax purposes
- Eligible investments include Mutual Funds and Segregated Funds

As the next generation of tax shelters, the TFSA has the potential to change the way Canadians manage their savings and income plans. With a TFSA you have the opportunity to save, grow and access your money; at any time; for any purpose; tax-free for life. Whether you want to shelter the growth of your investment from taxes or need tax-free income to elevate your lifestyle, the TFSA can work for you regardless of your age group, tax bracket or financial plans.

If you have not already done so, please give us a call to discuss setting up a new account or transferring an existing account from another institution to your account with us currently.

*You cannot hope to build a better world without improving the individuals. To that end each of us must work for our own improvement and at the same time share a general responsibility for all humanity, our particular duty being to aid those to whom we think we can be most useful. - Marie Curie*

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