

Dear Client:

September, 2005

History has repeatedly shown us that not all is as it appears to be.

The news reports surrounding the aftermath of the Category 5 hurricanes Katrina and Rita, showed nothing but destruction and despair. Yet in the face of this opposition, the world markets experienced resounding positive returns in the third quarter of 2005.

The S&P 500 rose 2.83%, the Dow gained 2.46%, the Nasdaq 4.34% and the TSX was propelled 11.99%. However, one must look beyond the cover to see the real story. While the S&P 500 including dividends rose 2.83% during the first nine months, all of that performance and more came from the energy sector. The energy sector accounts for 10% of the S&P 500 Index and has enjoyed a 40% increase so far, leaving the remaining 90% of the Index down 1.2% on the year. A similar statement is true on the gains of the TSX, from the small concentration of large gains, it is evident that today's energy sector may very well be yesterday's Nortel. This isn't to say that energy companies will not make good investments but rather that energy companies are dependent on one volatile commodity; oil. The chances of accurately predicting the cost per barrel of oil is comparable to the chances of winning the lottery. The Canadian dollar continued to escalate in 2005 benefiting from rising oil prices. As at September 30, 2005 the dollar sat at .8546 U.S. up 5.41 cents on the quarter. The stronger than expected Canadian dollar has yet to have an ill effect on the rest of the economy.

Looking at the fundamentals, the U.S. stock market has had only moderate gains in the past 18 months, while corporate profits have risen over 30% and price/earnings ratios have fallen, making stock prices much more attractive. The Canadian market excluding energy has had only modest growth even though corporate profits are 15% higher than the prior year. Where things go from here is a matter of speculation.

As Frank Ogden once said "the only constant is change". The value of change depends on the perspective of the viewer. Here at Halton Financial Group we have made some changes as well. We have recently made a change to our Back-Office operating system. This change will **not** affect how we do business, however will change the look of your statements. We hope that you will embrace this new design as a positive change. For those of you who have viewed your statements online, please be advised that the new system has necessitated a change in usernames and passwords. The new online access will provide more detail as well as a choice of statements. Access to the new online statements is available upon request.

To access **your** statements online, simply call our office to obtain your new username and password. Once assigned your username and password, go to www.hfg.ca and click on the FundTrade Client Login. Please be advised that access will be assigned to individuals, and in the event that you and your spouse wish to have access to view one another's accounts, a consent form will need to be signed.

We look forward to sharing the positive impact of change with you.

Regards,

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