

Dear Client:

March 2006

There is an old investment adage that states: “A bull market climbs a wall of worry” which is based on the very sound premise that as the concerns of market volatility wane, new investors come into the market as do increased deposits from existing investors. Thus, as investor’s optimism expands, so do share prices; that is until there are no new investors pushing prices higher, rather like a pendulum; concerns begin to mount and investors leave the market, affecting the fall of share prices.

When you consider the obstacles that this market has had to scale, the gains enjoyed by the equity markets through the first quarter of the year are all the more impressive. It has endured rising interest rates, high oil prices, ongoing strife in Afghanistan and Iraq. As well, there are nuclear concerns from Iran and North Korea, an unstable housing market and continual negative press. Yet, in the face of all this adversity, equity markets from around the world enjoyed very robust returns with Canada leading the charge among the G7 nations. It is clear that Investors have embraced a positive view of the future. So, rather than focus on the risks inherent in the present environment of euphoria; attention has focused on the opportunities arising from an economy where growth and corporate profits continue to surprise on the upside, while inflation continues to surprise on the downside. Investor sentiment regarding the US equity market is at a 52 week high, while the concern for market volatility is at an all time low. This combination is a recipe for investment trouble as investors forget the negatives of the past and throw caution to the wind.

As at the end of March 2006 the Dow Jones returned 4.04%, the S&P 500 gained 4.16% (not adj. for Canadian currency) and the TSX shot ahead 8.29% on higher energy and commodity prices. While these are impressive numbers, investors shouldn’t be lulled into a false sense of security but rather should be mindful of the possible and probable short-term fluctuations of the market. Over the longer term, short term dips in the market present buying opportunities for managers to take advantage of good quality companies’ stock at sale prices. The prudent investor knows that in the short term, good things must come to an end in order to provide opportunities in the future.

I look forward to sharing future opportunities with you.

Regards,

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Donald G. Flack CFP, CLU, CHFC