

Fewer active funds posted higher returns than their benchmarks in Q3 2009 (according to the latest results for the Standard & Poor's Indices Versus Active Funds Scorecard for Canada). The scorecard shows that between July and September 2009, only 36% of Canadian Equity active funds and 31.8% of active funds in the Canadian Small/Mid Cap Equity category beat the S&P/TSX composite index.

Almost 70% of the Canadian Focused Equity funds that outperformed the blended S&P/TSX Composite Index in Q2 posted returns below the index in Q3. While 61% of U.S. Equity funds were able to outstrip the S&P 500 in Q2, results diminished in Q3 with less than half, 40.3%, posting returns above the index. As fewer actively managed funds outperform their respective benchmarks, S&P is witnessing growing interest in passive investments, according to Jasmit Bhandal, director at Standard & Poor's Canada. Data from S&P shows that over longer periods of time, even fewer active funds across all categories are able to outperform their respective benchmarks. In three-year and five-year periods, **only 12.1% and 5.9%**, respectively, of actively-managed Canadian Equity funds have outperformed the S&P/TSX Composite Index.

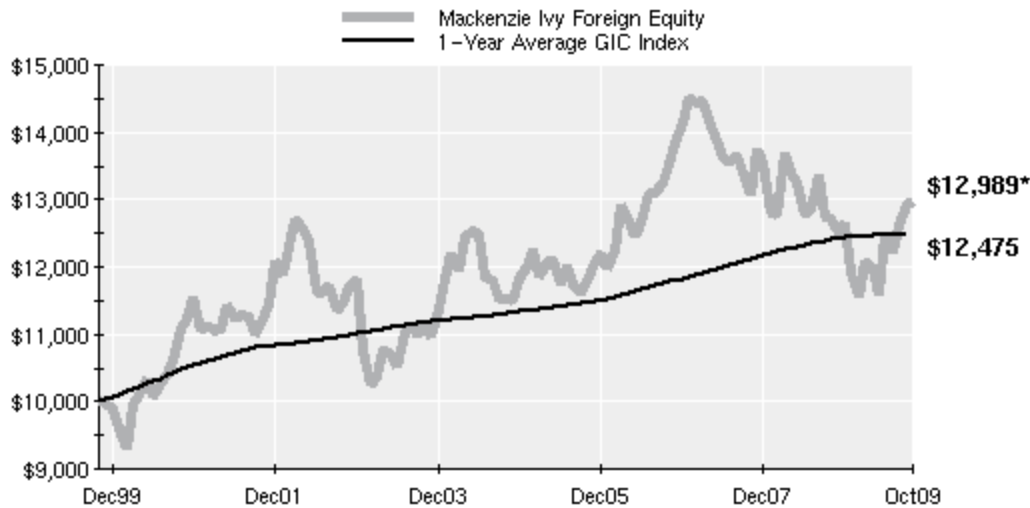
http://www2.standardandpoors.com/spf/pdf/index/SPIVA_Canada_Q32009_Report.pdf

A **Ponzi scheme** is a fraudulent investment operation that pays returns to separate investors from their own money or money paid by subsequent investors, rather than from any actual profit earned. The Ponzi scheme usually offers returns that other investments cannot guarantee in order to entice new investors, in the form of short-term returns that are either abnormally high or unusually consistent. The perpetuation of the returns that a Ponzi scheme advertises and pays requires an ever-increasing flow of money from investors in order to keep the scheme going.

http://en.wikipedia.org/wiki/Ponzi_scheme

Is this a joke or what?

Mackenzie Financial's new brochure *I Thought I Wanted an ETF* cites 10 Global Equity Funds pointing out that 8/10 have beat the index over the past 10 years. Of the 8, 4 had negative returns over the period. Only one of the 4 that had positive returns (pre-tax) beat the CPI. Since 1992, the rate of CPI inflation in Canada has fluctuated around 2 per cent. One that did outperform the Index was the Mackenzie Ivy Foreign Equity with a average compound pre-tax return of 1.70 % to July 31, 2009. This load fund has a MER of 2.43 %. After fees, you'd have done as well with a CDIC insured GIC. Viz.



When we put these numbers into the InvestorEd.ca fund fee impact calculator we found that [54%](#) of the potential return was lost to fees and the lost return potential was 11 %. So, even when a fund beats an index it doesn't mean it's creating wealth for you. It certainly is for the fundco though. The fundco makes money if the fund loses money, underperforms the index or beats the index.

“I’m not allowed to give them [clients] advice outside my firm”- Sheryl Purdy, Leede Financial Markets in Calgary Source: S. Ladurantaye, *Are you cheating on your broker?* ,G&M Oct. 20, 2009 pg B9

DSC takes its toll

In a Oct. 17, 2009 National Post article *Active funds have roared in rally*, we're told that Mackenzie mutual funds have an average hold period of 5 years. As we review the firm's prospectuses we note that the early redemption schedule calls for a 4 % penalty of the value of the funds redeemed in the 5th year. This money goes to Mackenzie not the fund. This means on average Mackenzie racks in an additional 4 % of fund assets .Note also that this suggests that despite advisor recommendations, or perhaps because of them, retail investors certainly aren't holding for the long-term. Perhaps IFIC should set up a new classification for **Intermediate term funds**. NOTE: It's only after 7 years that no redemption fee is charged.

What Does *Index Hugger* Mean? An actively- managed mutual fund that tends to perform much like a benchmark index such as the S&P 500, which gives it the reputation of being a "closet index fund."The majority of actively- managed funds are expected to outperform the so-called average performance produced by passively managed index funds. Investors pay fund investment managers higher fees to do better than index funds, although managers often fail to outperform the index. A high R-squared factor, a mutual fund risk analysis measure, between 85 and 100 indicates that a managed fund's performance patterns are in line with the fund's benchmark index. If this is the case, investors may be better off investing in the index itself,

which has lower portfolio turnover and lower expense ratio
<http://www.investopedia.com/terms/i/indexhugger.asp?partner=TOD10>

What's the IIROC fine for forging a signature?

<http://www.investmentexecutive.com/client/en/News/DetailNews.asp?id=51117&IdSection=8&cat=8&BImageCI=1>

The Alberta Securities Commission (ASC) has confirmed the decision of the Investment Industry Regulatory Organization of Canada to fine a former CIBC Investor Services Inc. rep [aka "salesman"] for forging client signatures. The violations occurred when Dustin Lamontagne was a registered representative with the Edmonton branch of CIBC Investor Services Inc. At a disciplinary hearing held on Dec. 11, 2008, in Calgary, the panel found that in August 2006 Lamontagne forged 13 client signatures to his client investment plans and financial advice disclosure documents. The panel also found that on Oct. 23, 2006, Lamontagne misled CIBC by providing false information in respect of client signature irregularities, all involving his client investment plans and financial advice disclosure documents. The panel issued its decision and reasons on January 27, 2009 He appealed the decision to the ASC.

The IIROC hearing panel's decision was reviewed by a hearing panel of the ASC. The review proceeded as an appeal on the record, and no oral hearing was held. The *no-nonsense* ASC hearing panel released its decision on Oct. 1, 2009 confirming the IIROC decision, with the "minor" exceptions of (1) setting aside the entire costs of the investigation order in the amount of \$15,000, and (2) giving Lamontagne a full year to pay the \$35,000 fine imposed by IIROC. As is usual in disciplinary cases, Lamontagne is no longer registered with an IIROC-regulated firm and likely won't pay up. **Bottom line, One forgery = \$2692.**

http://www.albertasecurities.com/Insiders/Decisions%20and%20Orders/3326041-v1-Lamontagne_Decision.pdf

Believe it or not from out West

An Alberta judge has found that a brokerage firm did not have just cause to dismiss a top-performing financial advisor, awarding Kurt Soost \$2.2 million in damages as a result. The case, which was heard by Alberta's Court of Queen's Bench in 2008, pitted Soost against Merrill Lynch Canada Inc. The court's decision was released on Oct. 13, 2009. In August 1998, Soost was recruited by Merrill predecessor Midland Walwyn. At the time, his book of business was between \$100 million and \$110 million, and he managed to bring between \$70 million and \$80 million of that to Midland/Merrill. He had been chosen as one of the top five individuals in Canada to be part of its "Ultra High Net Worth Program," and in March 2001 he was selected by Merrill Lynch as one of its handful of financial advisers to go on the "Society of Eagles" recognition trip to South Africa. By the time Soost was dismissed in May 2001, his book was at

\$150 million. A couple of weeks later he joined Lightyear Capital but only about \$10 million of his book followed him over “and he had a major drop in income such that he could no longer afford to remain in the industry and therefore left it Dec. 31, 2001” the court noted.

Soost was terminated in May, the court said, over concerns that he was “he was out of sync with the firm’s policy and direction”; in particular Merrill had concerns about ensuring that Soost sought pre-approvals for various private placements, among other things. The court decision reports that the Merrill argued that Soost failed “to adhere to the minimum standards required in the brokerage industry and constitute breaches of the employment agreement which destroyed the root of the employment relationship”, and that Soost claimed that the decision to terminate him “was based on erroneous information and assumptions based upon incomplete and inaccurate information.”

Ultimately, Justice C.S. Brooker concluded that there was “some merit or substance to some of the grounds for dismissal alleged by the defendant but not others.” “The question then becomes whether, having regard to the authorities cited earlier, the defendant has proved there was sufficient basis to summarily dismiss the plaintiff. After much consideration, I have concluded that it has not,” Brooker said. “In my opinion, none of the defaults which I have found either singly or in combination, are sufficient to justify summary dismissal of someone in Soost’s position.”

“To terminate for cause someone in Soost’s position in the financial industry would foreseeably have the effect of mortally wounding that persons’s ability to successfully carry on as an investment advisor. Merrill Lynch knew or ought to have known that. There was no good reason why, once Merrill Lynch had decided to let Soost go, it could not have done so with some minimal notice or allowed Soost to resign of his own accord. “The suggestion by Merrill Lynch that it could no longer trust Soost or had questions about his honesty were clearly not so profound or pressing as to cause it to immediately terminate him once it had reached its decision. Instead, it waited almost two weeks to do so.” Also, Brooker notes that there was no evidence that any client suffered any loss as a result of any of the firm’s concerns.

“I am of the view, given Soost’s position and years of service in the industry, that before purporting to terminate him for the defaults it alleged, the defendant should have given him a specific warning to fix these defaults by a certain date failing which he would be terminated,” Brooker said. As a result, the court concluded that the firm did not have just cause to dismiss Soost, and it set the damages for wrongful dismissal at \$2.2 million plus prejudgment interest. Source: Investment Executive, Oct. 26, 2009

<http://www.investmentexecutive.com/client/en/News/DetailNews.asp?id=51140&IdSection=8&cat=8&BImageCI=1> and

<http://www.canlii.org/en/ab/abqb/doc/2009/2009abqb591/2009abqb591.html> Will this case cause a chill among dealers about terminating wrongdoers?

"If you're on commission, it's very, very difficult, almost impossible, to do what's best for the client. You're being paid to generate commission, period"--Garth Rustand, ex- broker and founder of Investor-Aid

<http://v1.theglobeandmail.com/servlet/story/LAC.20091021.RCLINIC21ART1916/TPStory/TPBusiness/>

"We didn't do it and we won't do it again" -Mutual Fund Company CEO on the market timing scandal [we'll keep this one anonymous but we heard it with our own ears]

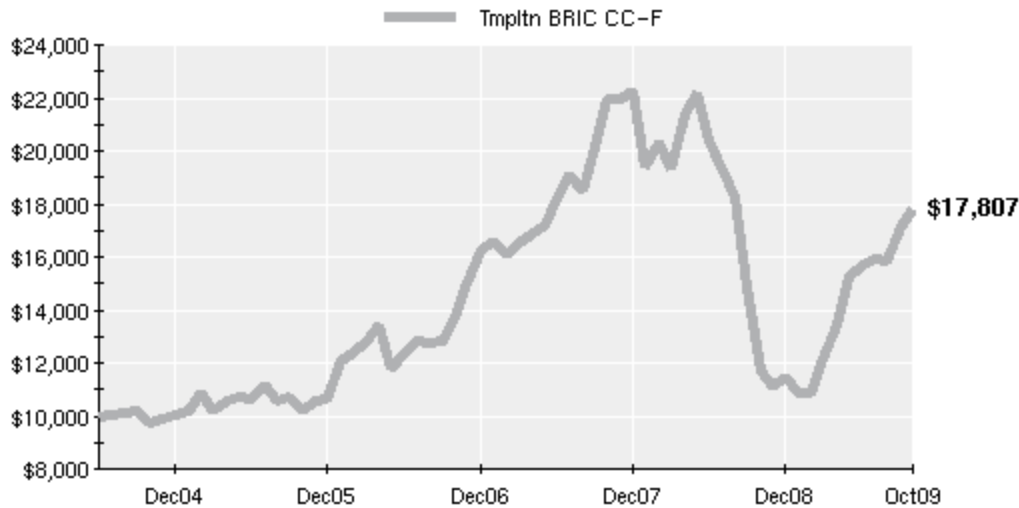
Hedge fund manager linked To Sri Lankan Terrorist Group

Raj Rajaratnam, the billionaire hedge fund manager accused of insider-trading, may have helped finance a terrorist group in his native Sri Lanka, according to a separate government investigation. An FBI probe into U.S. fundraising by the Liberation Tigers of Tamil Eelam, a Sri Lankan separatist group, found that Rajaratnam had donated to a Maryland based charity, the Tamil Rehabilitation Organization, with links to the Tamil Tigers. The Securities and Exchange Commission, which brought separate civil charges, said an insider trading scheme generated more than \$25 million in illegal profits. The commission is filing criminal charges against Raj Rajaratnam, not just a civil suit. He is being charged with four counts of conspiracy and eight counts of securities fraud. Source; E. Perez, *Arrested billionaire linked to terrorist group*, G&M Oct... 19, 2009 pg B6 [Raj was #262 on Forbes list of richest Americans.]

Morningstar throws a brick at Templeton BRIC fund

After a period of outsized returns thanks to the economic expansion in the emerging market nations of Brazil, Russia, India and China (BRIC), investors of this fund saw its inherent risks come to light. The fund is susceptible to large performance swings as the managers apply a concentrated approach to investing in these volatile regions. Generally speaking, Morningstar prefers a broader mandates that give managers the flexibility to invest in the entire emerging markets space. The fund experienced a dreadful loss of 48.49% in 2008 vs. 41.44 % for the MSCI BRIC Index. This came on the heels of exceptional returns in each of the previous two years. These performance extremes can be largely attributed to the innate risks of investing in the BRIC countries: the stability of political regimes, Brazil and Russia's economic sensitivity to commodity prices, and China's reliance on continued demand for its exports, to name a few. But the deliberate concentration of the fund's assets could also make performance swings more pronounced. Their general aversion to narrow mandates aside, the hefty 2.94% management-expense ratio also lessens the case for this fund. Investors who insist on exposure to this segment of the market may also want to look at [Claymore BRIC ETF](#), which holds many of the same names and charges a fee of just 0.60% -- though many of the same risks still apply. The Templeton fund does not hedge its currency exposure.

http://www.morningstar.ca/globalhome/quicktakes/fund_articles.asp?fundid=76627



Although volatile, the fund has a compound annual pre-tax time-weighted return of 10.66 % since inception in June , 2004 [to Sept. 30, 2009] according to globefund.com .For 5 years ,the fund has returned 11.01 % vs. 13.87 % for the MSCI Emerging Markets Free (\$ Cdn) Index.

Firm sued over fees: A \$19-million lawsuit has been filed against Richardson Partners Financial and Clarke A. Steele, one of the firm's investment advisors, by a group of clients, many of whom are elderly. The 40-page statement of claim alleges "Steele and Richardsons acted in a high-handed, arrogant, dismissive, insulting, cavalier purposefully difficult, irresponsible and indifferent manner towards the plaintiffs," a collection of 23 people, one estate and nine personal holding companies. The statement lists seven securities owned where Richardsons and/ or Steele were earning service and or trailer commissions in addition to the radius fee The statement also details \$6.04-million of plaintiff holdings on which the defendants acted either as an "undisclosed agent or underwriter." The average age of the people is more than 70. (One is 94.) None of the allegations has been proven in court and Richardsons and/or Steele has yet to file a statement of defence. <http://www.financialpost.com/opinion/story.html?id=5abed880-d7ff-4f7a-bc80-7b006a8cb2a1>

Wrights law on prospecti: Anything in parenthesis or a footnote is to be studied most carefully.

Morningstar's IPS template <http://im.morningstar.com/im/InvestPolicyWS.pdf> An Investment Policy Statement is a document drafted between an advisor and a client that outlines general rules for the advisor. This statement provides the general investment goals and objectives of a client and describes the strategies that the advisor should employ to meet these objectives. Specific information on matters such as asset allocation, risk tolerance, loss capacity and liquidity requirements would also be included in an IPS.

Survival Probability:

The probability of survival is the probability that a person alive today will still be alive after a defined period of time. Calculator at <http://www.qwema.ca/calc/survivalprobability.aspx>

The ghastly CITADEL Affair: In June, 2009 the administration contracts for the Citadel funds were acquired by Crown Hill Capital Corp. Bloom Investment Counsel, the manager for a number of the Citadel funds didn't agree -it teamed up with Brompton Funds to form Blue Ribbon to try to win the lucrative management and administrative contracts. But at a special meeting of unitholders held September 30th neither side won. A compromise was then reached whereby Crown Hill will administer some of the funds, while Blue Ribbon will feast on some others. As part of this agreement, Bloom agreed to be terminated as the investment manager of HYTES, S-1, Stable S-1 and SMaRT and was terminated on October 19, 2009 and replaced by Jarislowsky, Fraser. Bloom was paid termination fees pursuant to the provisions of the applicable investment management agreement **from each of these Funds**, inclusive of GST, as follows: HYTES - \$1,165,876.82; S-1 - \$420,349.21; Stable S-1 - \$1,028,844.88; and SMaRT - \$449,198.51. Also, Blue Ribbon will pay a trailer commission to investment dealers of 0.40% of NAV per year.

Citadel's Independent Review Committee concluded that while "the administrator's course of action to hold the meetings will ... achieve a fair and reasonable result for the funds," it noted that the payment of termination fees [to the administrator] does not achieve a fair and reasonable result for the funds." And the fees are substantial: The administrator expects to receive \$7.9-million and \$2.5-million for not being able to administer the Diversified Income Fund and the Series S-1 fund, respectively, after Nov. 17. Too much, reported the IRC, which presumably felt that termination fees shouldn't have been paid at all given that the two warring parties mutually agreed to the division of spoils. The bottom line is that both firms will earn continuing fees, a lot of money has been consumed, investors will pay the termination bills and lawyers have made out like bandits. The details of that fee-splitting are at on display with material that has been circulated to unitholders prior to the Nov. 17 meeting. <http://www.citadelmeeting.com/PDF/Final%20Citadel%20Circular.pdf> (60 pages). Unitholders will have the choice on how best to get screwed. Source: <http://www.nationalpost.com/related/topics/story.html?id=2182788> Investor protection-Where art thou?

[Garry Van Nest, chairman at the indecisive Sept. 30 meeting and an "independent" director of the administrator, is another winner. Van Nest was paid \$150,000 for helping negotiate the agreement with Blue Ribbon, an agreement that was reached on Oct. 13. **That money will come from five funds that will be managed by Jarislowsky Fraser Ltd.**]

WARNING -new CEF's may be retail investor unhealthy

Tom Bradley cautions about the latest "innovation" to take hold in the so-called Canadian wealth management industry-- "*closed-until-open*" funds. There has been a wave of new offerings

(IPO's) that start out as closed-end funds (CEF's) , but promise to convert into mutual funds (open-ended) after one or two years. CEF's have evolved from being permanent pools of capital aimed at non-benchmark investments to front-end load mutual funds in costume. They now have trailer commissions, redemption features and are even reopened to new investors from time to time. The current closed-until-open versions are little more than launching pads for new mutual funds and exchange-traded funds – a way to quickly bring a hot theme or celebrity manager to market. They simply transfer the cost from the fund company to the unitholder. While the conversion is presented as a selling feature, it effectively destroys the economics for an initial purchaser. To buy an initial public offering (IPO), you need to be convinced it is so unique that it will beat the alternatives by 7 % over the next one or two years (to offset the IPO costs) and won't be available at a discount a few weeks after issue.

Another issue: Hedge funds (and other traders) have strategies in which they buy units at a discount, hedge their market exposure, add some leverage, and make a nice profit when they unwind the trade on the redemption date. For Bradley, there is something wrong with a product on which professionals can repeatedly and systematically take advantage of Main Street. His bottom line-let someone else buy the IPO. <http://www.theglobeandmail.com/globe-investor/investment-ideas/features/the-buy-side/be-wary-of-candy-coated-mutual-funds/article1344230/>

A word about the iShares CDN large cap index ETF

“XIU is a benchmark that all money managers specializing in Canadian stocks must measure themselves against. If they're not doing their job, this ETF is just sitting there waiting to take their place,” he said. It's a benchmark that everyone has to live and die by. If you do really well and you beat the XIU, great. If you don't, then you don't deserve your capital.” - Som Seif, chief executive officer of Claymore Investments

- TMX symbol –XIU
- Tracks the S&P/TSX 60 Index (Canada's largest most liquid stocks)
- Assets - \$10.6 billion
- Retail holdings 30% (balance institutional)
- MER= 0.17 % (average Canadian equity mutfund MER 2.45 %)
- Liquidity- trades about 21.6 million shares daily on average
- 5-year ranking- #2 (Canadian Equity fund category)

Source: R. Carrick, *The low-fee fund that leads the pack*, G&M, Oct. 8, 2009 pg B19

BC Investors get screwed: The British Columbia Securities Commission has imposed \$26 million in penalties on four people it said ran a Ponzi scheme that victimized 800 people. The BCSC released the ruling against Hal (Mick) Allan McLeod, David John Vaughan, Kenneth Robert McMordie (also known as Byron Fox), and Dianne Sharon Rosiek. A commission panel

ordered McLeod to pay an \$8-million fine and assessed levies of \$6 million against each of the other three. It said they distributed securities through Manna Trading Corp. Ltd., Manna Humanitarian Foundation, Legacy Capital Inc., and Legacy Trust Inc. The scheme collapsed in 2007. The panel also ordered the four to pay back to investors the \$16 million the commission says they made running the scam. In its ruling, the panel said investors got back between \$3 million and \$5.6 million in the Ponzi scheme- a type of fraud in which early investors get paid with money put in by later victims, giving the scam an appearance of legitimacy until it collapses. The BCSC statement said there is **"no apparent hope of recovering the rest."** <http://www.bcsc.bc.ca/comdoc.nsf/comdoc.nsf/webpolicies/9F1BDC0E513D5016882576580078B157?OpenDocument> Question; Will they go to jail, assuming they can be found?

TD e-Series Funds are index funds that you purchase online through TD Canada Trust's EasyWeb Internet banking. The low management fees of index funds combined with the efficiencies of using the Internet, lowers the cost of investing in the form of lower Management Expense Ratios (MERs). <http://www.tdcanadatrust.com/mutualfunds/tdeseriesfunds/index.jsp> All the available TD series funds are listed at http://www.tdcanadatrust.com/mutualfunds/prices_EF.jsp

Soft-dollar clampdown explained This is the best article we could find on the topic. http://www.advisor.ca/advisors/news/regulatory/article.jsp?content=20091013_112636_9956 Soft dollars is a term used in finance to describe the commission generated from a trade or other financial transaction between a client and an investment manager. A soft dollar arrangement is one in which the investment manager directs the brokerage commission generated by the transaction towards a third party or in-house party in exchange for bundled services that are for the benefit of the client but are not client directed.

You don't have to be a genius to see the possible abuses here. Soft dollars in contrast to hard dollars (actual cash), which have to be reported, are incorporated into brokerage fees, which may not be reported directly. To address the possible abuses, Canadian firms must now comply with recently released CSA National Instrument NI 23-102 *Respecting Soft Dollar Arrangements*. http://www.osc.gov.on.ca/documents/en/rule_20091006_23-102_pro-softdollar.pdf Goods and services that relate to overhead associated with the operation of a fundco's business rather than to the provision of services to its clients would not meet the requirements of Part 3 of the Instrument. Examples of non-permitted goods and services include office furniture and equipment (including computer hardware), trading surveillance or compliance systems, costs associated with correcting error trades, portfolio valuation and performance measurement services, computer software that assists with administrative functions, legal and accounting services relating to the management of an adviser's own business or operations, memberships, marketing services, and services provided by the adviser's personnel (e.g. payment of salaries, including those of research staff). Read also *Perspectives: The End of 'Soft Dollars'?* by John Bogle http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1375715 NOTE: Transaction expenses as a % of fund assets are delineated in the Management Report of Fund performance and labelled as the Transaction Expense Ratio (TER).

CAUTION: Investors are pouring money into Bond funds and bond ETF's. The market losses of 2008 are still in active memory. Low-cost ETF's like XSB: TMX are popular because Bond

mutfund MER's have a median of 1.47 %. But the entire asset class could be bushwhacked if interest rates start to rise. The Claymore 1-5 Yr Laddered Corporate Bond ETF CBO: TMX (0.25 % management fee) seeks to provide a return based on the price and performance, before fees and expenses, of the DEX 1-5 Yr Corporate Bond Index. The ETF provides investors the opportunity to gain exposure to a well diversified Corporate bond portfolio, designed with staggered ("laddered") maturity levels from 1 year to 5 years. Claymore also offers a money market ETF CMR: TMX

POS submissions- Comments Received <http://www.osc.gov.on.ca/en/24631.htm> Note esp. SIPA, FAIR and Killoran submissions. The IFIC submission comments aren't what you'd call pro-investor. Most of the 52 submissions have come from industry participants. Guess what? - they love the weakened disclosure being proposed by the CSA. Advocis had this to say:

- They argue that emphasis on the Fund Facts document devalues the role of the professional financial advisor, whose advice they say is far more important than a disclosure document about a particular fund, in helping an investor make decisions about funds.
- The requirement to deliver Fund Facts before an investor may choose a mutual fund may cause significant harm to the mutual fund industry and individual advisors, and is likely to reduce the number of funds that are offered to consumers and will divert consumers to other delivery channels and products.
- They believe mutual fund regulators are placing undue confidence in the efficacy and importance of POS delivery of information about a particular fund, in the context of the consumer's decision-making when choosing a fund
- They believe the inclusion of the trading expense ratio (TER) would burden the summary Fund Facts document with "too much information." The addition of the TER would add complexity to the document.
- They argue that there are limitations to the usefulness of risk-rating of particular funds in isolation, separately from the individual investor's overall portfolio, circumstances, risk profile and investment objectives.

Fund Factoid: The Canadian investment fund industry has 97 ETFs from 4 providers – BGI (iShares) , Horizons, Claymore Investments and BMO Mutual Funds (the last to enter earlier this year).Canada's big banks are the only fund providers that offer both actively- managed and passively managed mutual funds – and BMO is the only bank currently offering passive ETFs . Non- banks do offer index funds but in Canada they're primarily Seg funds which are very expensive. Canadian ETFs currently have about \$28.8 billion in assets compared to the \$570 billion in assets held by actively- managed mutual funds in Canada. ETF's don't normally pay trailer commissions which may be why commission- based advisors don't embrace them.

Criterion launches first Canadian Convertible Bond mutual fund

<http://www.criterionfunds.com/mutualFunds.php?fund=5700> There's also a closed-end fund that's been around a while TSX: DCD.un First Asset Diversified Convertible Debenture Fund

Watching your investments <http://www.investored.ca/personal-finance/investing-basics/Pages/why-do-i-need-to-watch-my-investments.aspx> and http://www.investored.ca/AccountStatement/accountstatement/deeper/rate_of_return_b.asp provide some good materials on client account statements.

"The redemption freezes some funds [Labour-sponsored investment funds -LSIF's] imposed have been a nasty surprise. It's yet another reason for investors to be skeptical of this asset class." - Morningstar Canada's Rudy Luukko. To the end of August 2009, 10-year returns for LSIFs are minus 2.5% and are worse in shorter time periods: minus 2.8% over 5 years, minus 4.4% over 3 years, minus 8.2% over 2 years and minus 13.1% for the last 12 months. The median MER of the category is 5.5%, more than double mutual funds.

<http://www.financialpost.com/opinion/columnists/story.html?id=c699e974-24e1-47ee-a0ff-f1f79fcbb902> [One bitter example is the former Canadian Medical Discoveries Fund, which merged into GrowthWorks Canadian and sports an egregious 10-year loss of 9.2%. In May, 2009 following the merger, a one-year redemption freeze was lifted, but a 35% exit fee imposed for unitholders who want to redeem immediately -- even those who had held the investment for the required eight years.]

IF YOU have some spare time, hop on to the US Securities and Exchange Commission's website and download SEC inspector-general H. David Kotz's 22-page Executive summary of his investigation into the SEC's failure to uncover Bernard Madoff's \$US65 billion Ponzi scheme. It's a hair-raising read. Kotz concludes that the SEC could have busted Madoff as early as 1992 if it had followed basic forensic procedures. It didn't and didn't and didn't, as a steady stream of informants contacted the regulator over the years to express concern about Madoff's asset management operation in New York.

<http://www.sec.gov/spotlight/secpostmadoffreforms/oig-509-exec-summary.pdf>

Independent fundcos Open Letter re negative impact of HST

http://www.fiscalagents.com/newsletter/emailnews/bull_nov09_hstandssavings.htm IFIC position paper on HST http://ficl-live.fidelity.com/service/ficl/prod/microsites/hst/hst_ific_1009.pdf "An estimated 51% of mutual fund owners are near-retirees (45-64) and another 22% are retirees (65+). Canadians use mutual funds to save for retirement because they provide easy access to capital markets, diversification and professional money management at low cost. Mutual funds also make it easy for Canadians to invest systematically and to draw income from their funds when and how frequently they need it. Tax harmonization is going to raise the amount of sales tax Canadians pay on the mutual funds they hold and it is going to impact near-retirees and retirees more because they use the product more."

Retirement Cash Flow Calculator: Use this calculator to clarify your financial picture in retirement. You'll be able to categorize your income and expenses, get a snapshot of your situation, and identify any shortfalls. Note: This tool takes about five minutes to complete if you have the required numbers available.

<https://www.rbcroyalbank.com/RBC:SuMFOY71A8YAIDD4XO4/cgi-bin/redefine/budgetcalculator/index.cgi>

Rough times ahead: A new report, *The Economic Crisis through the Lens of Economic Wellbeing*, released on July 29th by the Institute of Wellbeing, says that the current recession

will erase many of the economic and standard of living gains made since the mid-1990s. Canadian unemployment and poverty will likely continue to rise and stay at high levels for years. http://www.ciw.ca/Libraries/Documents/TheEconomic_Crisis_FullReport.sflb.ashx Thanks to Dr. P. Reeve for drawing our attention to this important research. www.pjreeve.com

DISCLAIMER

Information contained herein is obtained from sources believed to be reliable, but the accuracy is not guaranteed. The material does not constitute a recommendation to buy, hold or sell. The purpose of this Document and others in the series is to educate investors by bringing together personal finance information from a variety of sources. It is not intended to provide legal, investment, accounting or tax advice and should not be relied upon in that regard. If legal or investment advice or other professional assistance is needed, the services of a competent professional should be obtained.