



Sept 01, 2011

Dear Clients:

As I sat down to write this letter, I was very tempted to change the date on the newsletter I wrote a year ago, and just send the same letter out again. As I look at the news and the markets over the past four months both are almost exactly a repeat of last year. In other words, over the past year, nothing much has changed. The following is a paragraph from my letter of Sept 01, 2010.

“Back in May the news revolved around sovereign debt and the possible inability of some countries in Europe to repay that debt. We have since moved on to a new added concern about the possibility of a “double dip”. This is the current tag attached to the concern as to whether the USA and possibly the World Economy will fall back into another recession. The result of this being that there is concern that markets might test the lows of March 2009. So the net flows of money are out of equities and, into fixed income (bonds/GIC’s etc).”

It is interesting that as soon as we entered September last year, we saw market sentiment change resulting in significant gains over the last four months of the year. The end result being that we had pretty decent returns for the calendar year 2010.

To repeat what I wrote in my January 6th letter, I continue to believe that 2011 is unfolding much the same as 2010. The #1 issue this summer is the same as last year.

Developed World Sovereign Debt Levels and how to wean back government spending or increase tax revenue, and at the same time stimulate growth so that the economy does not fall back into a recession. Definitely not an easy task! It will not be resolved overnight.

So what has changed in our outlook since my April 30th letter?

1. It is no secret that we have seen a correction in the market over the summer. (Same as last summer). As politicians fought in the U.S. about how they should pay their bills, the world became more concerned as the August deadline approached. Maybe for some it made for good news media fodder, but for most, it just looked like a bunch of preschool children fighting on the play ground. It certainly did nothing to give the world a sense of confidence in the U.S. political system.

