

April 30, 2011



Dear Client,

Although global 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, most equity markets exhibited resilience and finished with gains for the first four months of the year. The exception to this was Emerging Markets which did correct in the first two months of the year. Since the end of Feb they have recovered to almost breakeven on a year to date basis. I continue to believe that over the long term emerging markets should reflect the underlying stronger economic growth in these countries.

Africa is starting to move! The following is a comment from Mark Mobius of Franklin Templeton, often considered the dean of Emerging Market investing.

*“I believe the opportunities for development of Africa’s markets are appealing primarily because of the strong growth numbers now emerging out of the continent. Africa is expected to grow more than 7% annually in the next 20 years, due to an improving investment environment, better economic management and China’s rising demand for Africa’s resources. More than 100 African companies have revenues in excess of \$1 billion”****

China to pass United States in Economic Size in 2016

*China’s economy is expected to pass that of the United States in 2016 based on purchasing power parity, that is only five years from now!*****

I know I keep talking about Emerging Markets, but a correction of any kind (like we just had), is I believe, a buying opportunity. The economic shift is happening faster than most are aware of, or willing to recognize.

Closer to home, 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. We continue to expect to see some increase in rates before year end.

