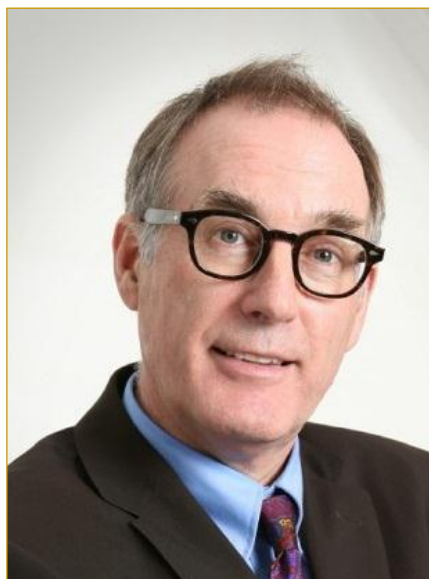


MARCH 2013 NEWSLETTER



*Published for the friends
and clients of Financial
Advisor*

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2012 Tax Receipts

The bulk of the tax slips for 2012 have now been issued and you should have received them either electronically or by mail.

The T5013As were mailed on March 29th.

If you require a 2012 Realized Gain Loss report please let us know.

If you wish us to communicate with your tax preparer, we ask that you provide us with their contact information.

Market Review

The first quarter of 2013 has been positive for equity investors, providing meaningful returns.

	<u>Mar</u> <u>30/12</u> <u>Close</u>	<u>Dec</u> <u>31/12</u> <u>Close</u>	<u>Mar</u> <u>28/13</u> <u>Close</u>	<u>90 Day</u> <u>% Gain</u>	<u>1-Year</u> <u>% Gain</u>
S&P 500	1,408	1,426	1,569	10.03%	11.4%
TSX 300	12,413	12,433	12,749	2.55%	2.7%

The U.S. market has been particularly impressive considering the fiscal cliff, budget sequester and general political dysfunction. The markets have also shrugged off the recent bank failures in Cypress.

<u>World Indexes</u>	<u>YTD %</u>
S&P/TSX	2.55%
S&P 500	10.03%
DJIA	11.25%
NASDAQ	8.21%
DJ Stoxx 50	4.66%
Japan	16.74%
Hong Kong	(1.58%)
MSCI Emg Mkts	(1.92%)

Recent Recommendations

In the June newsletter we recommended JP Morgan at \$35.73 and in the September newsletter we recommended Wells Fargo at \$34.57. JP Morgan is currently at \$47.46 for a 32.8% six month return in U.S. dollars and Wells Fargo is \$36.99 for a 7% three month U.S. dollar return. Clients who converted from Canadian dollars to buy these positions also earned another few percent on the exchange. The Wells Fargo quarterly dividend in September of 2012 was \$0.22 but this has been increased twice and now is \$0.30 per quarter. This 36% increase in the dividend now produces a 3.24% yield for today's purchases.

Wells Fargo



Source: Thompson One

JP Morgan



Source: Thompson One

When recommending U.S. banks to clients I have got a few looks as if I was discussing alien abductions. This is probably good for today's buyer as there is still fear and mistrust associated with the U.S. banking system. These fears are not shared by all, including Warren Buffett who purchased over 17 million shares of Wells Fargo in the last quarter of 2012. When confidence improves we can see expansion of the valuations and hopefully earn capital gains as well as the dividends.

I continue to think that Wells Fargo and the S&P 500 ETF are timely purchases for medium risk income and growth investors with a 2 to 4 year time horizon.

Dividends of our top 15 Equity Positions

At a time when fixed income returns are too low to provide adequate retirement income for most investors we are reliant on dividend income to provide cash flow. Below are the dividend changes of our largest 15 equity holdings from 2012 to 2013.

<u>Position</u>	<u>2012 Annual Dividend (\$)</u>	<u>2013 Declared Annual Dividend (\$)</u>	<u>% Increase</u>
Royal Bank	2.28	2.49	9.21%
H&R Reit	1.17501	1.35	14.89%
Power Financial	1.16	1.16	-
TD Bank	2.89	3.2	10.73%
Riocan REIT	1.38	1.4155	2.57%
Innergex Renewable Energy	0.58	0.58	-
Bank of Nova Scotia	2.24	2.4	7.14%
Brookfield Renewable Energy	1.38	1.45	5.07%
Trinidad Drilling	0.2	0.2	-
Brookfield Asset Management	0.55	0.59	7.27%
Wells Fargo	0.88	1.15	30.6%
Bank of Montreal	2.82	2.94	4.26%
Raymond James Financial	0.53	0.56	5.66%
Manulife Financial	0.52	0.52	-
Genivar Inc	1.5	1.5	-
Average Dividend Increase			6.49%

Fixed Income

Canadian T-Bills and Bonds

	<u>Sept. 28/12</u>	<u>Dec. 31/12</u>	<u>Mar. 28/13</u>
90 day	0.93%	0.94%	0.960%
180 day	1.01%	1.03%	1.00%
1 year	1.06%	1.08%	1.02%
2 year	1.07%	1.12%	1.002%
5 year	1.27%	1.36%	1.305%
10 year	1.72%	1.80%	1.874%
30 year	2.32%	2.36%	2.503%

U.S. T-Bills and Bonds

	<u>Sept. 28/12</u>	<u>Dec 31/12</u>	<u>Mar. 28/13</u>
90 Day	0.095%	0.050%	0.065%
180 Day	0.125%	0.115%	0.085%
1 year	0.15%	0.140%	0.090%
2 year	0.23%	0.263%	0.246%
5 year	0.62%	0.729%	0.761%
10 year	1.62%	1.761%	1.850%
30 year	2.82%	2.951%	3.104%

International 10 Year Bond Yields

	<u>Sept 28,</u> <u>2012</u>	<u>Dec 31,</u> <u>2012</u>	<u>Mar 28,</u> <u>2013</u>
Japan	0.78%	0.79%	0.51%
U.S.	1.63%	1.75%	1.85%
Germany	1.44%	1.31%	1.29%
Canada	1.73%	1.79%	1.87%
U.K.	1.73%	1.82%	1.719%
France	2.18%	1.99%	2.035%
Spain	5.94%	5.26%	5.06%
Italy	5.09%	4.49%	4.76%
Ireland	8.21%	4.41%*	4.23%
Portugal	9.00%	7.01%	6.37%
Greece	19.49%	11.90%	12.44%

*Nine-year bond

Bond returns from “safe” countries continue to offer sub-par returns. Bond holders in the riskier countries actually made quite attractive returns in the last 9 months when confidence improved and bond prices appreciated.

Tax & Estate Planning

Due to the age of our clientele, over the years we have had considerable experience with estates. While some estates require probate and the use of trusts, in many cases simple planning can help you avoid probate without expensive or complicated strategies. If you are not quite sure that your estate planning is in order, please call.

Tax Free Savings Account (TFSA)

An example of uncomplicated estate planning is the use of TFSAs. If you name your spouse as beneficiary, the TFSA will pass intact to the survivor. If you name a child or children, the TFSA must be collapsed, but all of the assets will go to them without any probate or tax on the gains.

If you haven't contributed to a TFSA up to this point, you will have \$25,500 of available room.

In addition to the probate advantages the TFSA will shelter its growth from tax and OAS clawback. If you are in a lower tax bracket, the TFSA will shelter the income from Federal income-tested benefits such as child tax credits and Guaranteed Income Supplement.

You can withdraw funds from your TFSA at any time, but you have to wait until the next calendar year if you want to put the money back.

Welcome Lisa

Barbara started with Raymond James in February of 2004 and is planning to retire on June 30th. Barb has been a terrific asset to our team and we wish her a long, healthy and happy retirement.

Fortunately we had a number of very qualified candidates for the position and hired Lisa Cajolet on March 4th. Lisa has 20 years' experience as a legal assistant and paralegal in Vancouver. Lisa is currently taking her CSC course and should hopefully be licensed by mid-summer. Barb and Lisa have four months to work together so that this transition is as seamless as possible for our clients.

Reality Check

With 5 years GIC's earning 2.4% and 5 year Canada bonds earning 1.30%, it is very clear that zero risk investments earn less than most people are satisfied with. Investors expecting to earn in excess of those returns have to accept some volatility and risk. I feel that the best option for most investors continues to be a diversified portfolio, but promises of 7% returns with no risk will likely lead to disappointment. Bank depositors in Cypress are learning that banks paying four times the going rate were not risk free.

Outlook

Of the three largest economic blocks in the world, the U.S., the Eurozone and China, I continue to feel that the U.S. has the best risk/reward relationship. Wells Fargo is a very high quality dividend payer and is a good start to get in the U.S. market.

Fixed income returns from both bonds and preferred shares are fairly limited, and the opportunities are all in mid-cap, medium risk companies. For this reason we might find ourselves owning a higher percentage in money market investments than normal until opportunities come up. We also have to respect our own risk tolerance and not over-weight equities to increase our cash flow.

If you have any questions with your investments or estate planning, please call.



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Barbara Holmes
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Assistant



Lisa Cajolet
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Meaghan Douglas
Co-op Student

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