

A&Q Update

John Armstrong, CFP

December 2002

Volume 4, Issue 4

Inside this issue:

Investment Policy Statement (cont'd)	2
A&Q Team Continuing Education	2-3
Teacher's Pension Plan PSPA Reminder	4
10th Anniversary Message	4

The True Story of a Bad Accident

A car goes hurtling through a busy intersection. It collides with another vehicle totaling both. What questions immediately come to mind?: Was there anyone hurt? Who was at fault? Was there alcohol involved?

One of the speakers presenting at the 'Advisor Forum' in Toronto recounted this true story of an automobile accident. The speaker himself had been involved in a very serious accident the previous week. Given the circumstances, he was thankful to be able to address us that day.

He proceeded to answer the three questions: Was there anybody hurt? The driver of the other vehicle was rushed to the hospital for emergency surgery and was in critical condition. There were other injuries as well, but all parties survived.

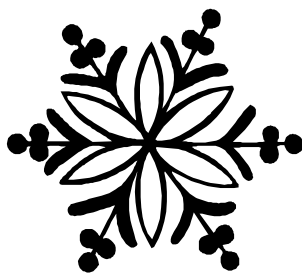
Who was at fault? The driver of the other vehicle did not notice the traffic light and drove straight through it. The speaker's vehicle had no chance of avoiding the collision.

Was there alcohol involved? Yes, there was. When the speaker stated this a hush fell over the crowd. In fact, the speaker had consumed a few glasses of wine and was on his way home after a party. It is important

to know however, that at the time of the accident the speaker was in the backseat of a taxicab wearing his seatbelt.

During his weekend of healing and recovery the speaker had a brainwave. Getting into the back of a cab and relying on a stranger to get you to your destination is in some ways very similar to giving your financial advisor your savings and asking that he/she get you to your happy retirement. How do these two situations relate?

First of all, an individual



has very little control over what happens when sitting in the back of a cab. Similarly, when one entrusts money to someone else it may seem like there is very little control.

In relying on the driver for your transportation several things are implied but not clearly stated. For example, you assume that: 1) having told the driver of your destination he/she knows how to get there; 2) that the driver will follow the rules of the road; 3) that there is

actually gas in the tank; 4) that the driver has some experience; 5) that if you change your mind as to your destination during the trip you will tell the driver immediately; and 6) that you will wear your seatbelt at all times.

In many cases, the investment policy and the details of the relationship between client and investment advisor are implied. In my opinion it should be explicit. Unlike getting into the back of a cab, there should be some things clearly addressed between client and financial advisor.

Your financial destination, the experience of the advisor, adherence to investment industry rules and regulations, long term expectation on rate of return (i.e. the gas in the tank), the need for immediate communication by the client in the event of a change in destination (i.e. a change in the needs or timing of retirement etc.), and other pertinent factors must be clear to all parties.

This is where the cab driver - financial advisor analogy becomes clear. When you climb into the back of a cab, wouldn't it be nice to actually go through a policy statement laying out exactly what the

role of the driver was, whether he was going to follow the speed limit, what roads he would or would not take, etc.. Similarly, in your relationship with your investment advisor, wouldn't it be nice if all major areas of concern were directly addressed? The roles of the two parties would then be clearly defined, and the advisor would be aware of what approach is appropriate for the client.

In both cases the single most important thing is that both the cab passenger and the investment client are wearing their seatbelts. If there happens to be a terrible accident, be it on the roads or in the financial markets, the safety restraint will lessen the impact.

In the investment plan the seatbelt usually consists of things like diversified asset allocation

Please see Investment Policy Statement on Page 2.

Investment Policy Statement—An Analogy (continued)

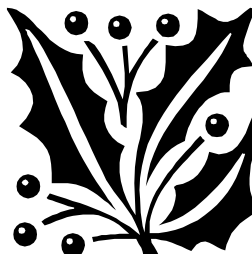
(specifically holdings like cash, bonds etc.) , and other regular income sources like pension plans. These ensure achievement of client goals, even with some serious volatility in the markets.

An investment policy statement clearly states the rules of the road and specifies: what your advisor should and should not do, the level of risk you are willing to take with your investments, and when you will need the money. I strongly recommend putting together an investment

policy statement that dovetails with the financial plan. This written statement will work in conjunction with the financial plan to address: the timing of withdrawals, the goals and objectives of the

money , the level of risk to be undertaken, and the method by which the seatbelt issue be addressed.

In my practice I have tried to directly address investment policy, and while it has always been important, it has been implied rather than stated clearly in written form. In future I will develop an investment policy statement that dovetails with the financial plan for each client.



A&Q Team Continuing Education

In order to give our clients the best possible advice on financial planning and investment matters it is imperative that our team continually pursue education on both current planning and taxation issues as well as investment and insurance related topics. We view this time as part of commitment to our clients. The knowledge and perspective gained through this continuing education is what gives credibility to recommendations we make.

Education allows us to consider a wider range of opinion rather than relying solely on the media, which often takes a sensationalized and imbalanced approach to its coverage of investment issues. It also allows us to be in touch with important issues that can take considerably longer to filter down to the general public. Direct contact with money managers on the frontlines can indeed provide us with information that would not be otherwise available.

Clients are often interested in hearing about the particular meetings and events we attend during our 'due diligence' process. We thought it worthwhile to give a summation of the continuing education program our team has been involved in from September to November. If you are interested in further details on any of these items, please give us a call.

September 5

Sentry Select—Bob MacDonald
- prospects for the oil and gas industry in future

September 10

AIC Group of Funds—Joe Smith
-recent changes at AIC, in particular the appointment of Jonathan Wellum as the supervisor of fund managers

September 11

Franklin Templeton—Chris Amodeo

September 11

AGF Group of Funds—Steve Rogers
-manager of the American Growth Fund
- provided some interesting insights into the future prospects of American growth stocks (he remains guardedly optimistic)

September 18

Hartford Funds—Phillip Tse
-the approach taken by Wellington Capital in managing money for Hartford

September 25

Dynamic—Oscar Belaiche
- manager Dynamic Focus Plus Diversified Income Trust Fund
- income trusts are a unique asset class in the Canadian landscape although usually lumped together with Canadian equities

September 30

Tricycle—Nicole Champagne
-BDC Managed Futures Note (N-7 series)
-offers participation in the futures contract market, another unique asset class
-investment performance is not correlated to stock market or bond performance and therefore adds further diversification to a portfolio

September 30

Abria Hedge Funds—Davee Gunn
-various aspects of alternative investments
-introduction to the Abria Diversified Arbitrage Trust
- Henry Kneis, has been managing

money for 15 years for various institutions and in that time has never had a down quarter
- this fund has shown very low volatility with a solid rate of return

October 7

AIC— Jonathan Wellum & Larry Sarbit
-the AIC philosophy of buying good companies at a good price and holding them for the long term

October 8

Mackenzie—Andrew Grant
-reviewed Universal Select Managers Fund performance and discussed how differently the fund is now managed
-reviewed the performance of the Ivy Funds and discussed how the Ivy Growth & Income Fund and other pension style funds from Mackenzie have been outperforming many of their peers

October 8

Steve Forbes

Massey Hall, Toronto

-business mogul Steve Forbes gave his insights into the world economy and prospects for the investment markets in the days ahead

October 9—November 20

Effective Personal Management—Jim Dale

-all team members participated in a four session personal improvement program focused on goal setting and time management techniques

October 10

AIM PD Day—Waterloo Inn

-our entire team attended this professional development day which centred around the concept of a client-focused financial planning practice
-we developed some ideas on how to improve our own systems to better serve our clients
-practical talks on personal taxation issues were also presented

October 11

C.I.—Carey McIntee

-C.I. fund performance discussed
-the uncharacteristic underperformance of Bill Sterling's funds was addressed as well as the solid performance of manager Brian Ashford Russell

October 17

iPerform Hedge Funds—Dr. John Schmitz

-manages the SciVest fund using a unique investment approach employing a long/short equity strategy
-the volatility of the fund has proven very low while returns have been above average
-alternative strategy investments are an asset class quite separate from stocks, bonds or cash

October 29

TD Asset Management—Shelly McLean
-discussed the relationship that TD is building with independent advisors
-TD's most successful investment product distribution network is now financial advisors rather than their bank branches
-discussion of TD's interesting bond products, particularly their Real Return

Bond Fund, which may be an alternative for some GIC investors

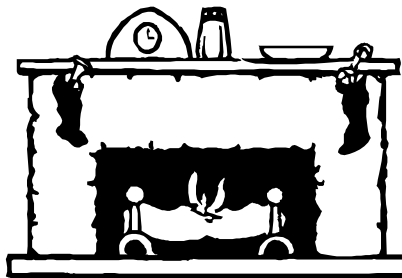
November 5 & 6

Advisor Forum

Metro Convention Centre

John attended two days of intensive study at the Advisor Forum.

Canadian Association of Insurance and Financial Advisors—Brian Mallard
-ethics, education, experience and examination



Guardian Group of Funds—Gavin Graham, Chief Executive Officer

-world economic situations and his expectation of positive events in the Japanese economy and stock market in the next two or three years
-income is now king in the investment landscape, companies with earnings will be rewarded and companies without earnings will not (the speculation bubble is now completely gone—a good thing for equity markets)

Canadian Bankers Association (CBA)—Sandra Foster

-estate planning and the key elements that must be addressed in establishing a Will
-ways advisors can assist the executor of an estate in dealing with the Will
-strategies that are available to reduce and/or eliminate tax on the estate

TD Bank—Douglas B. Yam

-the Real Return Bond Fund
-the need for people to insulate themselves from market volatility
-the need for a clearly outlined investment policy statement (car accident story)

Lloyd William

-building relationships with clients and having a client centric organization

Franklin Templeton—Bill Dickie, Michael Quinn

-dealing with high net worth clients
-how the needs of high net worth clients may differ

AIC—Tim Cestnick

-the taxation of both investments and more conventional savings

November 15

The Strategy Institute

Man Investment Products—John Kelly
“The World of Hedge Fund Structured Products”

Abria Financial Group—Davee Gunn
“How to Access and Manage Risk, A Portfolio Manager's Perspective”

Maple Financial Group—Joe Shier
“Absolute Returns, Diversification and Risk Control—Can Hedge Funds Deliver?”

Hillsdale Investment Management—Chris Guthrie
“Trade Secrets of A Hedge Fund Manager—Key Elements to Consider Before You Invest”

DLR Advisors—Rober Reis
“What Every Advisor Needs to Know Before Making a Fund Recommendation”

SciVest Alternative Strategies—Dr. John Schmitz

“An Intro to Market Neutral Strategies”

Industry Panel Discussion

November 19

Kitchener Branch Meeting

Standard Life—Michael Theodore
-review of a survey detailing the best practices of top advisors

Canada Life—Neil Kelloch
-combining an annuity with life insurance to produce a guaranteed income

iPerform Hedge Funds—Dave Murray
-an overview of iPerform products and management styles



"Providing Sound Financial Direction"

101 Frederick St.
Suite 615, Frederick Tower
Kitchener, Ontario
N2H 6R2

Phone: 519-576-5766
Fax: 519-576-0192
Email: john@a-q.com

John Armstrong is a Certified Financial Planner. Financial planning and financial planning education are his key areas of interest and expertise.

Achieving balance in our lives is critical; a balance between work and family, a balance between living for today and planning for the future. Because we all have competing goals, striving for balance influences many decisions in our day-to-day lives. One thing is certain, the juggling act we do requires a long-term view. Sometimes we need to take a step back to put things into perspective.

It may sound cliché, but having a plan in place goes a long way in helping to achieve both our long and short-term goals. Simply put, planning assistance is the service we provide. We are committed to helping you find that long-term view for the good of today and tomorrow.

Newsletter Editor—Rich Weiler



Teachers Pension Plan PSPA Reminder

In 2003 the Teachers Pension Plan will be processing the roughly \$5,000 Past Service Pension Adjustment already announced. This adjustment will decrease the RSP contribution room available to members by that same amount.

Members should consider using all

available contribution room for the 2002 tax year. Reduction of the contribution room following the past service pension adjustment will reduce members *carry forward contribution room*, ultimately decreasing their ability to tax shelter money inside their RSP.

The adjustment does not impact contributions already made for previous tax years, so using the room now is very worthwhile.

As We Celebrate Our 10th Anniversary...

At the end of 2002 we complete our 10th year of service to our clients. We would like to take a moment to sincerely thank our clients for their support. This has been a very difficult year in the investment industry, and we appreciate the confidence you have shown in our judgment at a time when investor confidence has been so greatly eroded. We will continue to strive to be worthy of your support.

Our primary objective is to continue to improve our service to you. We understand that communication is the single most important element in the client-advisor relationship, and in acknowledgement of that fact we will be focusing our efforts on delivering even more frequent and pertinent contact with our clients. Regular updating

of financial plans and implementation of investment policy statements will be an important part of this communication.

In November we welcomed a new member to our team. Joe Shumka will be relieving Rich Weiler of many of his branch administration duties, allowing Rich to spend more time working directly with John in providing superior service to clients. In particular Rich will spend more time doing portfolio research and developing investment plans. This will also allow him more time to improve our client communication programs.

Joe has recently received the licensing required to fulfill his branch administration duties, and comes to us with experience in the insurance industry. Joe will also assist Cindy Ratelle with client

account administration. His keen interest in the industry and his positive attitude will certainly be a great asset to our team.

We would also like to wish you a very Merry Christmas. We hope that this season finds you in the company of the people you care about most and that the new year holds only the best for you and your family. May the quiet peace and beauty of this season fill your home.

John Armstrong



Note: Mutual funds are sold by simplified prospectus only. Before investing, obtain a copy of the prospectus and read it carefully. Unit values and investment returns for mutual funds will fluctuate. Funds are sold through Armstrong & Quaille Associates Inc.

Printed on recycled paper.

