

Sound Advice

Rod's Quarterly Commentary:

Why this is not the 1930s

For Western Canadians, this has been a long, cold winter. Not only has it been exceptionally cold, but we continue to get extra cold blasts just when we are all hoping for the arrival of spring. I am reminded, as the snow melts and spring arrives, how much the capital markets and the winter weather have in common. It seems that both are testing our patience. I also know that as cold as it has been, spring weather is just around the corner. Likewise the capital markets, after hitting lows in November and March, ultimately moved higher ending the month of March with an overall increase of 13.4%*. Although these types of market ups and downs may continue into the near future, in due course they will revert back to higher levels.

Of course, there will be continuing negative news stories about the economy, about high unemployment and, of course there will be scoundrels of one sort or another making the headlines. There is, however a much bigger story emerging in the background. The recession will end, and before it does, the capital markets will anticipate it and move higher. For students of economic history it is well known that this period of anticipation is usually about six months prior to the end of a recession. The most important lesson is, that if you wish to participate in the ultimate recovery, you need to be invested in the market. It will be very disappointing and ultimately very costly to miss this upturn. It can happen quickly, and missing the upturn means losing twice. For more on this pattern of recovery, please refer to our website www.tylerandassociates.ca and click on the heading **What's New** and the section called **Reading**. Look for the title, **History Lessons**.

Speaking of history lessons, I want to dispel an idea that has been recently put forth by certain purveyors of doom and gloom – specifically that we are re-entering a period similar to the 1930s depression. I suggest we all consider the huge differences that exist now compared to that period.

- In the 1930s bank deposit insurance did not exist in the western world. If your bank went broke, you lost your money. All that has changed in the modern era.
- In the 1930s there was no Employment Insurance, and there were few medical insurance options. Everywhere in the western world and developed Asia, we now have government social safety nets available.

* Source: Google Finance (TSX 60 : March 2 – 31, 2009)



Rod Tyler, CFP, RFP, CLU

Rod Tyler

- In the 1930s there was a shortage of credit and money. Today there is a massive amount of money available through various government programs. There are also enormous amounts of money in short-term savings – to the point that it is creating a bubble. Ultimately, as confidence in the banking system is re-established, this money will move into investments that can produce a reasonable rate of return. There is **no shortage of money**, just a **shortage of returns**.
- Finally, in the 1930s there was no possibility of a coordinated response by the world economy. Each country acted on its own. Today, there is a synchronized global response to monetary and economic concerns.
- Personal savings rates that until recently were either minimal or negative have quickly escalated everywhere. This money will provide a backstop that had begun to vanish in the spending boom of recent years; but then financially conservative Canadians knew that all along!
- The end of the current crisis will come sooner than it will ultimately be reported by the media. In the meantime, in this issue we have enclosed a story of how one investment manager is taking advantage of the current low prices to acquire shares of a very popular and profitable Canadian business, Tim Hortons. I am certain that, as the year unfolds, all clients will benefit from continuing to own these types of high quality businesses contained in their portfolios. When it becomes obvious that the downturn is over, it will be very costly to re-acquire portfolios that have risen quickly. The sale will be over!
- Western Canada will continue to benefit from a world-wide need for its commodities – oil, gas, potash and various mining products, as well as agricultural products. Prices may not be quite as high as mid 2008, but they will be generous and Canadians will benefit.

While certain media sources continue to compare our present circumstance with the desperate situation of the 1930s, the facts and the math simply don't add up. In the short term, we are committed to helping you through these difficult times and helping you to take advantage of opportunities as they arise. In the long term, we are confident that our clients will be rewarded by owning a diversified portfolio of high quality investments.

Snail Mail or Email

Recently we introduced our new email update service. It includes a unique ability to give us instant feedback – telling us if the information we are providing was useful and if you want to know more. If we don't have your email address, please send it to us at mcicansky@tylerandassociates.ca and you will automatically be included in these updates. We are committed to providing you the most useful timely information and advice in the most efficient, cost-conscious, and greenest manner.

Client Audit

I would like to thank everyone who participated in our 2009 Client Audit Survey. Your feedback is invaluable and we intend to act upon it. Here are some of the key points the survey revealed:

1. Despite the recent market challenges, 60% of our clients completed the survey.
2. Updating a financial plan was the #1 priority of our clients surveyed.
3. Our clients expressed a variety of preferences for how they like to receive information and updates.
4. A significant number of our clients wish to review their insurance coverage - especially critical illness insurance.

As the year unfolds, we are committed to continuing to improve our service to you.

- We will contact those who gave us suggestions and feedback to see how we can better meet your needs.
- We will spend time with you in client meetings and telephone interviews getting a better understanding of your feedback and how we can better serve you.
- You can expect to hear more from us as the year unfolds.

Congratulations to D & M Deschamps who are the winners of the restaurant gift certificate draw.

Sound Advice – The Digital Version

You will note that in this newsletter we have included links and references to materials available on our website. To view a digital version of this Newsletter simply go to our website at www.tylerandassociates.ca click on **What's New**, and on the title **Sound Advice**. In the near future we hope to provide this newsletter to most of you by email in digital format.

If we don't currently have your email please send it to mcicansky@tylerandassociates.ca and help us save wasted postage and trees!

Team Member Profile



Mea Cicansky, CFP

How would you describe your role on the team?

I would describe my role on our team as “jack of all trades”. A typical day at the office might include anything from speaking to clients about their accounts to updating our website or planning a special event. The diversity keeps me on my toes and a day at the office is never boring!

What is your favorite part of your job?

My favorite part of my job is keeping our business running smoothly. Those who know me well know that I like to “organize” things. Keeping things “organized” around here might range from holding our weekly team meetings to creating written procedures for our daily tasks. It’s still a running joke around our house about how thrilled I was to get a label maker as a birthday gift several years ago!

What activities do you enjoy in your spare time?

In my spare time I enjoy a wide range of activities such as book club, gardening, volunteering for the Regina Humane Society, and participating in Middle Eastern dance. My spouse and I also like to spend time up at his family cabin in Porcupine Provincial Forest along with our dog Buster.

Do you have a favorite recipe, joke or other item you’d like to share with our clients?

Here's one of my favorite dip recipes that I've made many times, so many in fact, that I am writing this out without consulting the original recipe.

Layered Mexican Dip



- 1 can refried beans
- 1 small container sour cream, mixed with
- 1 packet Ranch dip mix
- 1 cup Salsa
- 1 ½ cups grated cheddar cheese
- 1 large tomato, chopped
- 1 jalapeno pepper, chopped
- Sliced black olives

In a glass pie plate layer first four ingredients in order. Spread using a spatula to create smooth, even layers. Garnish with the chopped tomato, jalapeno and sliced black olives. Add some chopped green onion as well if you like. Serve with tortilla chips. Enjoy!



A Money Manager's Perspective

Article Courtesy of EdgePoint Wealth Management Inc.



About the Company

Canada's leading quick-service restaurant brand. It operates a chain of more than 3,400 coffee and donut shops across the country and as well as shops in the U.S.

Why We Like this Company

- Large growth potential in Western Canada and Quebec where they have less than half the number of stores per capita compared to Ontario.
- The U.S. market has the potential to be a huge growth driver for Tim Hortons. Currently the market is not assigning any value to U.S. operations so upside is huge.
- Strong pricing power.
- Company's operations are economically defensive.
- The combination of the best quality at the best price is a winning formula with customers.
- Very few companies have the same customer loyalty and ability to maintain profit margins.

Geoff MacDonald is a founding partner and Co-CEO of EdgePoint Investment Group Inc. Geoff is also a portfolio manager on EdgePoint Global Portfolio, EdgePoint Canadian Portfolio, EdgePoint Global Growth & Income Portfolio and EdgePoint Canadian Growth & Income Portfolio.

DISCLAIMER

The information above is presented strictly as the opinion of the investment manager and is not intended to represent a recommendation by EdgePoint Wealth Management Inc., PEAK Investment Services Inc., or Rod Tyler of Tyler & Associates Financial Services.

We have added this new feature, **A Money Manager's Perspective**, to **Sound Advice** for one specific reason: To help our clients think as owners, and not just as passive participants, hoping for some vague set of circumstance to enable their investments to grow and prosper. The commentary will allow you to understand how a professional manager has analyzed a business and chosen to place a portion of his/her investment portfolio in the ownership of a specific business. In each issue, we will feature a different manager and a different business. We hope it helps you understand the value of patient ownership of quality businesses acquired at the right prices and held until their true value has been recognized.



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At Tyler & Associates we accept new clients on a referral basis. If you know a colleague, friend, or family member who could benefit from our advice, please call us.